A copy of this preliminary prospectus has been filed with the securities regulatory authority in each of the provinces and territories of Canada but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus 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 any state securities laws and, subject to certain exceptions, may not be offered or sold in the United States or to U.S. persons unless the securities are registered under the U.S. Securities Act or an exemption from such registration is available.

PRELIMINARY PROSPECTUS

Initial Public Offering April 11, 2018

BSR REAL ESTATE INVESTMENT TRUST

US$[●]

[●] Units

The price per Unit is stated in U.S. dollars.

This prospectus qualifies the distribution to the public (the "**Offering**") of [●] trust units ("**Units**") of BSR Real Estate Investment Trust (the "**REIT**"), an internally managed, newly-created, unincorporated, open-ended real estate investment trust established under the laws of the Province of Ontario.

The REIT has been formed to own and operate a portfolio of multifamily real estate properties in the United States. The REIT will indirectly own a 48-property portfolio of multifamily garden-style residential properties (collectively, the "**Initial Properties**"), comprising 9,879 apartment units, located across five bordering states in the Sunbelt region (as defined herein) of the United States. The Initial Properties are or will be held, indirectly through wholly-owned subsidiary limited liability companies or limited partnerships, by BSR Trust, LLC, a Delaware limited liability company ("**BSR**"). The REIT's portfolio will generate cash flow in U.S. dollars and the distributions made on the Units following the closing of the Offering ("**Closing**") will be denominated in U.S. dollars. See "The Initial Properties".

The objectives of the REIT are to (i) provide Unitholders with an opportunity to invest in a portfolio of quality multifamily real estate properties located in attractive U.S. markets, with a particular focus on the Sunbelt region, (ii) provide Unitholders with predictable, sustainable and growing tax efficient cash distributions, (iii) enhance the value of the REIT's assets and maximize long-term Unit value through active internal asset and property management programs and procedures, and (iv) expand the asset base of the REIT and increase the REIT's AFFO per Unit primarily through acquisitions and improvements of its properties, including the Initial Properties, using targeted and strategic capital expenditures. See "The REIT – Objectives of the REIT". The REIT initially intends to make monthly cash distributions of approximately $[●] per Unit, which will provide Unitholders with an approximate Annual Cash Distribution Yield of [●]%, and an AFFO Payout Ratio of approximately 77% (each term as defined herein) for the forecasted 12 month period ending March 31, 2019. See "Distribution Policy" and "Non-IFRS Measures".

Ownership and profit interests in BSR are currently held by approximately 400 members (the "**Legacy BSR Holders**"). Upon Closing, and following certain pre-Closing reorganization events involving BSR, a subsidiary of the REIT will merge with and into BSR (the "**Merger**"), with BSR continuing as the surviving entity (the surviving entity is referred to herein as "**BSR Operating LLC**"). As a result, upon completion of the Merger, the Initial Properties will be indirectly held by the REIT, through its indirect ownership of BSR Operating LLC. See "The Merger".

In connection with the Merger, all of the issued and outstanding securities of BSR held by the Legacy BSR Holders will be exchanged for new class B units of BSR Operating LLC ("**Class B Units**") pursuant to a prescribed exchange formula taking into account the relative economic terms of the different classes of securities of BSR. The Class B Units are economically equivalent to Units and are redeemable by the holder thereof for cash or Units (on a one-for-one basis subject to customary anti-dilution adjustments), as determined by BSR Operating LLC in its sole discretion. See "BSR Operating LLC – BSR Operating LLC Units".

At Closing, the REIT will use the proceeds of the Offering to repay approximately $[●] million (assuming the Over-Allotment Option is not exercised) of indebtedness of BSR and to fund transaction costs associated with the Closing. See "Use of Proceeds".

Following Closing, the Legacy BSR Holders will own, in the aggregate, [●] Class B Units and [●] Units, together representing an aggregate approximate [●]% ownership interest in the REIT, and an aggregate approximate [●]% ownership interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units) (the "**Retained Interest**"). Certain of the Legacy BSR Holders are members or affiliates of the Bailey family

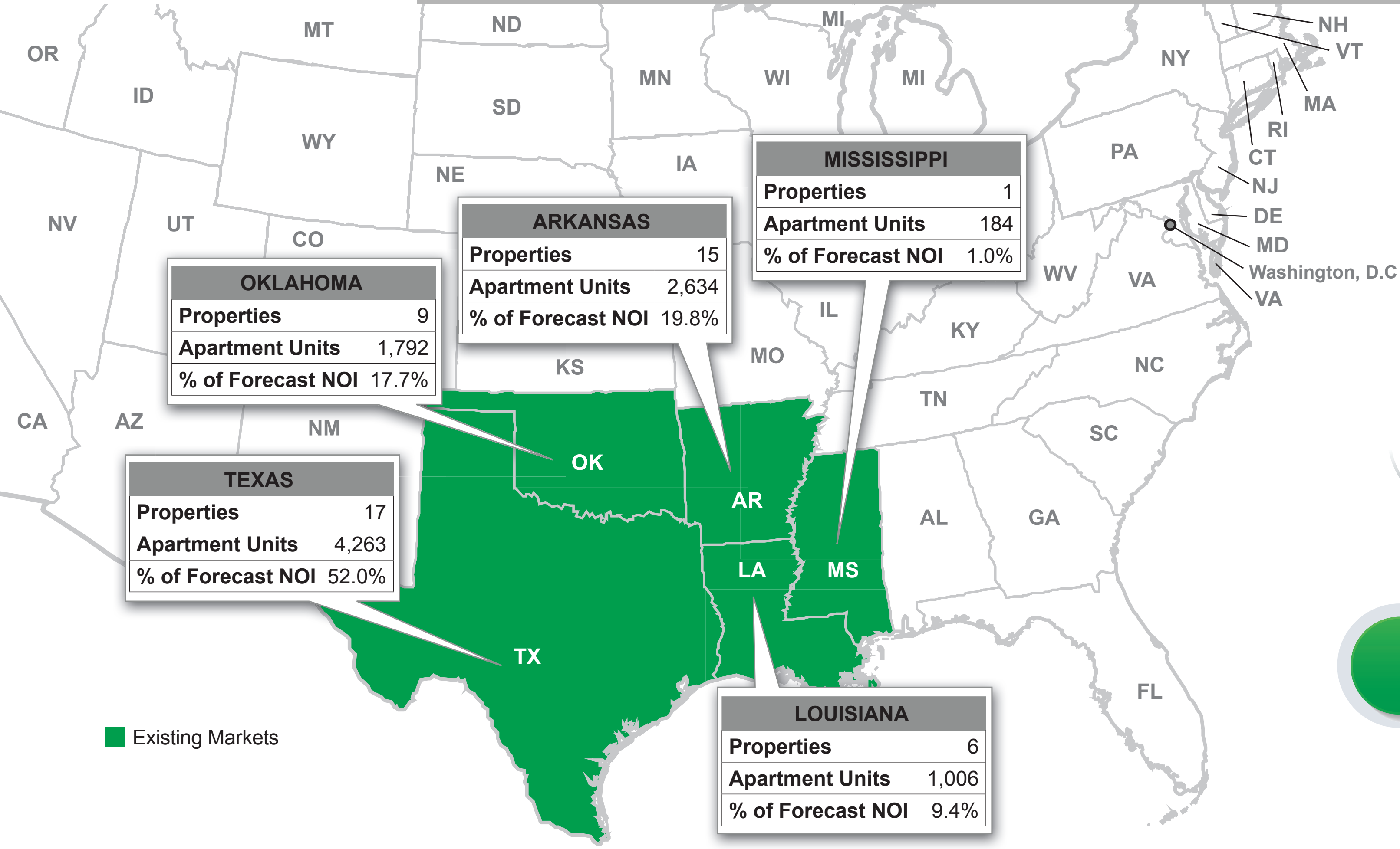
48 garden-style,
multi-family
communities totalling
9,879 apartment units








PORTFOLIO OVERVIEW



MISSISSIPPI	
Properties	1
Apartment Units	184
% of Forecast NOI	1.0%

ARKANSAS	
Properties	15
Apartment Units	2,634
% of Forecast NOI	19.8%

OKLAHOMA	
Properties	9
Apartment Units	1,792
% of Forecast NOI	17.7%

TEXAS	
Properties	17
Apartment Units	4,263
% of Forecast NOI	52.0%

LOUISIANA	
Properties	6
Apartment Units	1,006
% of Forecast NOI	9.4%

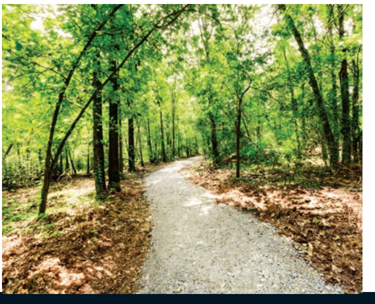
Fully aligned internal management platform with significant retained interest

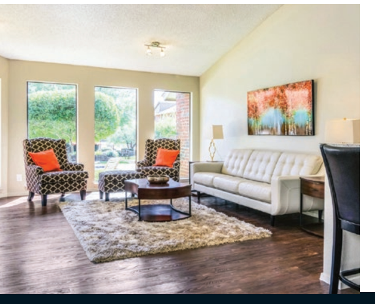
Portfolio located in 14 suburban primary and secondary markets in 5 bordering U.S. sunbelt states

Since late 2015 invested $51 million upgrading assets










Demand for apartment units expected to outpace new supply in sunbelt markets

100% treasury equity offering

Attractive organic growth profile through proven active capex program

BSR

INVESTMENT HIGHLIGHTS

1. Attractive asset class with favourable fundamentals
2. Fully aligned internal management platform with significant retained interest
3. Sizeable quality portfolio with embedded growth opportunity
4. Attractive external growth strategy
5. Stable cash distribution with a conservative AFFO Payout Ratio and debt profile

(the “**Bailey Holders**”) or are members or affiliates of the Hughes family (the “**Hughes Holders**”, and together with the Bailey Holders, the “**Bailey/Hughes Holders**”), who together founded BSR. Following Closing, the Bailey/Hughes Holders will own, in the aggregate, [●] Class B Units and [●] Units, together representing an aggregate approximate [●]% ownership interest in the REIT, and an aggregate approximate [●]% ownership interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units). See “Retained Interest” and “Plan of Distribution”.

Price US$[●] per Unit

	Price to the Public(1)(2)	Underwriters' Fee	Net Proceeds(3)
Per Unit	$ [●]	$ [●]	$ [●]
Total(4)	$ [●]	$ [●]	$ [●]

Notes:

(1) Except as otherwise stated in this prospectus, all dollar amounts are stated in U.S. dollars.

(2) The price of the Units was established by negotiation among the REIT, BSR and the Underwriters.

(3) Before deducting expenses of the Offering estimated at approximately $[●] 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, exercisable in whole or in part and at any time up to 30 days after Closing, to purchase up to an additional [●] Units on the same terms as set forth above solely to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total price to the public, Underwriters' fee and net proceeds to the REIT will be $[●], $[●] and $[●], respectively. See “Plan of Distribution”. This prospectus qualifies the distribution of the Over-Allotment Option. A purchaser who acquires Units forming part of the Underwriters' over-allocation position acquires those Units under this prospectus, regardless of whether the position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Underwriters' Position	Maximum Size or Number of Securities Available	Exercise Period	Exercise Price
Over-Allotment Option	Option to acquire up to [●] Units	30 days from Closing	$[●] per Unit

There is no market through which the Units may be sold and purchasers may not be able to resell securities purchased under this prospectus. This may affect the pricing of the Units in the secondary market, the transparency and availability of trading prices, the liquidity of the Units and the extent of issuer regulation. See “Risk Factors”. The REIT has applied to have its Units listed on the Toronto Stock Exchange (the “**TSX**”). Listing is subject to the approval of the TSX in accordance with its original listing requirements. The TSX has not conditionally approved the REIT's listing application and there is no assurance that the TSX will approve the listing application. See “Plan of Distribution”.

A return on a purchaser's investment in Units is not comparable to the return on an investment in a fixed income security. The recovery of a purchaser's initial investment is at risk, and the anticipated return on a purchaser's investment is based on many performance assumptions. Although the REIT intends to make monthly distributions from AFFO to Unitholders, these distributions may be reduced or suspended. The actual amount distributed will depend on numerous factors including the financial performance of the REIT's properties, debt covenants and other contractual obligations, working capital requirements, future capital requirements, all of which are subject to a number of risks. The market value of the Units may decline if the REIT is unable to meet its AFFO targets in the future, and that decline may be material. See “Non-IFRS Measures”. **An investment in the Units involves a number of risks and it is important for a purchaser of Units to consider the particular risk factors described in the “Risk Factors” section of this prospectus, which may affect the REIT and its business, the real estate industry and the Offering, and therefore the availability of funds necessary to make distributions to a purchaser of Units.**

Because the REIT will be 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. 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 REIT estimates that 37% of the monthly cash distributions to be paid to Unitholders in 2018 will be made out of the REIT's current or accumulated earnings and profits and, accordingly, will be subject to U.S. withholding tax. 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 below)) may be eligible for an exemption from U.S. withholding tax. The foregoing is qualified by the more detailed summary in this Prospectus. See "Certain Canadian Federal Income Tax Considerations" and "Certain U.S. Federal Income Tax Considerations". See also "Distribution Policy" and "Risk Factors – Tax-Related Risks".

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 REIT estimates that approximately 85% of the monthly cash distributions to be made by the REIT to Unitholders will be tax deferred for Canadian federal income tax purposes in 2018. The composition of distributions for Canadian federal income tax purposes may change over time, thus affecting the after-tax return to Unitholders. See "Distribution Policy" and "Risk Factors – Tax-Related Risks".

BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc., National Bank Financial Inc., Raymond James Ltd., Canaccord Genuity Corp., Desjardins Securities Inc., Industrial Alliance Securities Inc. and Echelon Wealth Partners Inc., as principals, conditionally offer the Units, subject to prior sale, if, as and when issued 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 Mitchell, Williams, Selig, Gates & Woodyard, PLLC (with respect to U.S. matters), and on behalf of the Underwriters by Blake, Cassels & Graydon LLP and Greenberg Traurig LLP (with respect to U.S. matters). Subscriptions 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 Closing of the Offering is expected to occur on [●], 2018 but in any event no later than [●], 2018.

Subject to applicable laws, the Underwriters may, in connection with the Offering, over-allot or effect transactions that stabilize or maintain the market price of Units 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 Units initially at the Offering Price. **After the Underwriters have made reasonable efforts to sell all of the Units 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 Units remaining unsold. Any such reduction will not affect the proceeds received by the REIT. See "Plan of Distribution".**

Subscriptions for the Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Offering will be conducted under the NCI book-based system administered by CDS Clearing and Depository Services Inc. ("**CDS**"). Units registered in the name of CDS or its nominee will be deposited electronically with CDS on an NCI basis at Closing. Units must be purchased or transferred through a CDS participant and all rights of holders of Units must be exercised through, and all payments or other property to which such holder is entitled will be made or delivered by, CDS or the CDS participant through which the holder of Units holds such Units. Beneficial owners of Units will not, except in certain limited circumstances, be entitled to receive physical certificates evidencing their ownership of Units. See "Plan of Distribution – NCI System".

BSR, which has acted as promoter, is organized under the laws of a foreign jurisdiction and resides outside Canada. 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 promoter and non-resident persons have appointed GODA Incorporators, Inc., 333 Bay Street, Suite 3400, Toronto, Ontario M5H 2S7, as its 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".

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 Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that statute or any other legislation.

BMO Nesbitt Burns Inc. is an affiliate of a U.S. chartered bank that has provided BSR with a credit facility. Consequently, the REIT may be considered a "connected issuer" of BMO Nesbitt Burns Inc. under applicable Canadian securities laws. See "Debt Strategy and Indebtedness – Revolving Credit Facility" and "Plan of Distribution – Relationship Between the REIT and Certain Underwriters".

All capitalized terms referred to above are defined elsewhere in this prospectus including in the "Glossary of Terms".

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MEANING OF CERTAIN REFERENCES

In this prospectus, it is assumed that the Offering has been completed and the transactions described under "The Merger" have been completed, except where the context otherwise requires. References to the "REIT" in this prospectus include its Subsidiaries, unless the context otherwise requires. Except as otherwise stated in this prospectus, all dollar amounts in this prospectus, including the price per Unit, are stated in U.S. dollars and references to dollars or "$" are to U.S. currency and references to Canadian dollars or "C$" are to Canadian currency.

Certain terms used in this prospectus are defined under "Glossary of Terms".

Unless otherwise indicated, the disclosure in this prospectus assumes that the Over-Allotment Option is not exercised.

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

References to "upon Closing" or "following Closing" assume completion of the Offering and the acquisition of all the Initial Properties, including Brandon Place, which is expected to be acquired by the REIT in June 2018.

ELIGIBILITY FOR INVESTMENT

In the opinion of Goodmans LLP, counsel to the REIT, and Blake, Cassels & Graydon LLP, counsel to the Underwriters, based on the current provisions of the Tax Act, and subject to the provisions of any particular plan, provided that the REIT qualifies at all times as a "mutual fund trust" (as defined in the Tax Act) or the Units are listed on a "designated stock exchange" (as defined in the Tax Act, which includes the TSX), the Units will be a qualified investment for trusts governed by a registered retirement savings plan ("**RRSP**"), registered education savings plan ("**RESP**"), registered retirement income fund ("**RRIF**"), deferred profit sharing plan, registered disability savings plan ("**RDSP**") or a tax-free savings account ("**TFSA**") (collectively, "**Exempt Plans**").

Notwithstanding the foregoing, if the Units are a "prohibited investment" (as defined in the Tax Act) for a trust governed by a TFSA, RRSP, RRIF, RESP or RDSP, the holder, annuitant or subscriber thereof will be subject to a penalty tax as set out in the Tax Act. The Units will not be a prohibited investment for a TFSA, RRSP, RRIF, RESP or RDSP provided the holder, annuitant or subscriber (as the case may be) of such registered plan deals at arm's length with the REIT, for purposes of the Tax Act, and does not have a "significant interest" (as defined in the Tax Act) in the REIT. Generally, a holder, annuitant or subscriber will have a significant interest in the REIT if the holder, annuitant or subscriber and/or persons not dealing at arm's length with the holder, annuitant or subscriber, for the purposes of the Tax Act, own, directly or indirectly, 10% or more of the fair market value of the Units. In addition, the Units will not be a "prohibited investment" if the Units are "excluded property" as defined in the Tax Act for trusts governed by a TFSA, RRSP, RRIF, RESP or RDSP. Prospective purchasers who intend to hold their Units in their TFSAs, RRSPs, RRIFs, RESPs or RDSPs should consult their own tax advisors regarding their particular circumstances.

MARKET AND INDUSTRY DATA

This prospectus includes market and industry data and forecasts that were obtained from third-party sources, industry publications and publicly available information as well as industry data prepared by management on the basis of its knowledge of the multifamily/apartment industry in which the REIT will operate (including management's estimates and assumptions relating to the industry based on that knowledge). Management's knowledge of the U.S. real estate industry has been developed through its experience and participation in the industry. Management believes that its industry data is accurate and that its estimates and assumptions are reasonable, but there can be no assurance as to the accuracy or completeness of this data. Third-party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Although management believes it to be reliable, neither the REIT nor the Underwriters have independently verified any of the data from management or third-party sources referred to in this prospectus, or analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying economic assumptions relied upon by such sources.

RELIANCE AND CERTAIN OTHER INFORMATION

Prospective investors should rely only on information contained in this prospectus and should not rely on parts of the information contained in this prospectus to the exclusion of others. None of the REIT, BSR or the Underwriters has authorized any other person to provide prospective investors with different information. If a prospective investor is provided with different or inconsistent information, the prospective investor should not rely on such information. Neither the REIT nor the Underwriters is making an offer to sell Units in any jurisdiction where such an offer or sale is prohibited. Unless otherwise stated, the information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of Units. The REIT's business, financial condition, results of operations and prospects may have changed since the date of this prospectus.

This prospectus contains summary descriptions of certain material agreements of the REIT. See "Material Contracts". The summary descriptions disclose attributes of such agreements material to an investor in the Units but are not complete and are qualified in their entirety by reference to the terms of the material agreements, which will be filed with the Canadian securities regulatory authorities and made available electronically on SEDAR at www.sedar.com. Investors should read the full text of such material agreements.

Graphs and tables demonstrating the historical performance of the Initial Properties contained in this prospectus are intended only to illustrate past performance and are not necessarily indicative of future performance.

NON-IFRS MEASURES

In this prospectus, 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 2017, 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 greater 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. The REIT has reviewed the white paper and has implemented the recommended disclosures in this prospectus.

FFO is defined as IFRS consolidated net income adjusted for items such as unrealized changes in the 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, and changes in the fair value of financial instruments which are economically effective hedges but do not qualify for hedge accounting. 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 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 maintenance capital expenditures and straight-line rental revenue differences. AFFO 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 AFFO is in accordance with REALPAC's recommendations, but 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. The REIT also uses AFFO in assessing its distribution paying capacity.

Net operating income ("**NOI**") is defined as revenue from properties 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. 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 "Forecast Non-IFRS Reconciliation" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a reconciliation of FFO, AFFO and NOI to the most directly comparable IFRS measure.

Other Real Estate Industry Metrics

Additionally, this prospectus contains 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.

"**Annual Cash Distribution Yield**" is defined as the per annual per Unit distributions of the REIT divided by the price of value of a Unit.

"**Debt to Gross Book Value Ratio**" is calculated by dividing Debt, which consists of the total principal amounts outstanding under mortgages payable and credit facilities, by Gross Book Value.

"**NOI Margin**" is defined as NOI divided by revenues from properties.

"**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.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations".

FORWARD-LOOKING STATEMENTS

This prospectus contains "forward-looking information" as defined under Canadian securities laws (collectively, "forward-looking statements") which reflect management's expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance and business prospects and opportunities of the REIT. 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.

Discussions containing forward-looking information may be found, among other places, under "Prospectus Summary", "The REIT", "Investment Opportunity", "Growth Strategies of the REIT", "Multifamily Real Estate Market Characteristics", "Initial Property Markets", "Debt Strategy and Indebtedness", "The Merger", "Trustees and Executive Officers of the REIT", "Executive Compensation", "Financial Forecast", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Distribution Policy", "Certain Canadian Federal Income Tax Considerations", "Certain U.S. Federal Income Tax Considerations", "Plan of Distribution", "Use of Proceeds" and "Risk Factors".

Some of the specific forward-looking statements in this prospectus include, but are not limited to, statements with respect to the following:

- the Offering Price, completion, size, expenses and intended use of net proceeds of the Offering and the timing of Closing;

- the closing of the Merger;
- the closing of the other transactions expected to occur on or following Closing, which are described in this prospectus and include the acquisition of Brandon Place, which is expected to occur in June 2018;
- the listing of the Units on the TSX;
- the intention of the REIT to pay, preserve, protect and grow Unitholders' distributions;
- the ability of the REIT to execute its growth strategies;
- the REIT's competitive position within its industry;
- expectations regarding laws, rules and regulations applicable to the REIT;
- expectations regarding future Trustees and executive compensation levels and plans;
- the forecasted financial results of the REIT for the periods set out in the "Financial Forecast" section of this prospectus;
- the expected tax treatment of the REIT and of the REIT's distributions to Unitholders; and
- the expected industry and demographic trends.

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 transactions contemplated herein are 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, 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, including, but not limited to, 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 and current economic conditions.

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:

- the REIT's ability to execute its growth strategies;
- the impact of changing conditions in the U.S. multifamily housing market;
- increasing competition in the U.S. multifamily housing market;
- the effect of fluctuations and cycles in the U.S. real estate market;
- the marketability and value of the REIT's portfolio;
- changes in the attitudes, financial condition and demand of the REIT's demographic market;
- fluctuation in interest rates and volatility in financial markets;
- developments and changes in applicable laws and regulations; and
- such other factors discussed under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this prospectus.

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 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. All forward-looking statements are based only on information currently available to the REIT and are made as of the date of this prospectus. 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.

MARKETING MATERIALS

A "template version" of each of the following "marketing materials" (each such term as defined in National Instrument 41-101 – *General Prospectus Requirements*) for this Offering filed with the securities commission or similar regulatory authority in each of the provinces and territories of Canada is specifically incorporated by reference into this prospectus:

(i) the investor presentation filed on SEDAR on [●], 2018;

(ii) the indicative term sheet filed on SEDAR on [●], 2018; and

(iii) the final term sheet filed on SEDAR on [●], 2018.

The investor presentation, indicative term sheet and final term sheet referred to above will be available on SEDAR at www.sedar.com.

In addition, any template version of any other marketing materials filed with the securities commission or similar regulatory authority in each of the provinces and territories of Canada in connection with this Offering after the date hereof, but prior to the termination of the distribution of the Units under this prospectus (including any amendments to, or an amended version of, any template version of any marketing materials), is deemed to be incorporated by reference herein. Any template version of any marketing materials utilized in connection with this Offering is not part of this prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this prospectus.

EXCHANGE RATE INFORMATION

The Initial Properties consist of properties located in the states of Texas, Arkansas, Oklahoma, Louisiana and Mississippi. The REIT discloses all financial information contained in this prospectus in U.S. dollars. The following table sets forth, for the periods indicated, the high, low, average and period-end rates of exchange for $1.00, expressed in Canadian dollars, published by the Bank of Canada.

	Year ended December 31		
	2017(1)	**2016(2)**	**2015(2)**
Highest rate during the period	1.3743	1.4589	1.399
Lowest rate during the period	1.2128	1.2544	1.1728
Average rate for the period	1.2986	1.3248	1.2787
Rate at the end of the period	1.2545	1.3427	1.384

Notes:

(1) 2017 data from the Bank of Canada reflects the daily average exchange rates.

(2) 2016 and 2015 data from the Bank of Canada reflects the noon exchange rates.

On [●], 2018, the daily average rate of exchange posted by the Bank of Canada for conversion of U.S. dollars into Canadian dollars was $1.00 equals C$[●].

PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Any capitalized terms used in this summary are defined elsewhere in this prospectus or under "Glossary of Terms".

The REIT

BSR Real Estate Investment Trust is an internally managed, newly-created, unincorporated, open-ended real estate investment trust established pursuant to the Declaration of Trust under the laws of the Province of Ontario. The REIT has been formed for the purpose of acquiring and owning multifamily real estate properties. The REIT will indirectly acquire interests in a portfolio of 48 properties located in the United States consisting of 9,879 apartment units.

The objectives of the REIT are to (i) provide Unitholders with an opportunity to invest in a portfolio of quality multifamily real estate properties located in attractive United States markets, with a particular focus on the Sunbelt region, (ii) provide Unitholders with predictable, sustainable, growing and tax efficient cash distributions, (iii) enhance the value of the REIT's assets and maximize long-term Unit value through active internal asset and property management programs and procedures, and (iv) expand the asset base of the REIT and increase the REIT's AFFO per Unit primarily through acquisitions and improvements of its properties, including the Initial Properties, using targeted and strategic capital expenditures.

See "The REIT".

Investment Opportunity

The Offering provides Canadian investors with the opportunity to gain exposure to the U.S. multifamily real estate sector, with a focus on garden-style multifamily communities in select high growth markets across the Sunbelt region of the United States, while benefitting from the expertise of an internally managed asset and property management platform.

Upon Closing, the REIT will own garden-style multifamily communities in five bordering states within the Sunbelt region of the United States. Garden-style communities often offer attractive housing options for middle income renters. Due to the Initial Properties' older age (typically greater than ten years) and moderate rents, the REIT's current communities are generally considered to be Class B type properties while offering many of the same amenities and professional management as compared to Class A type properties. Management believes Class B garden-style multifamily communities provide opportunity for upside through rental rate increases during times of economic expansion, as well as downside protection as residents downgrade to more moderately priced multifamily properties during times of economic contraction.

Management believes the U.S. real estate sector, particularly garden-style multifamily communities in the Sunbelt region, exhibit unique characteristics that make this Offering an attractive investment opportunity.

See "Investment Opportunity".

Investment Highlights

- ***Attractive Asset Class with Favourable Fundamentals.*** The multifamily real estate sector has generated industry-leading returns through various economic cycles, outperforming all other real estate sectors. The shorter duration of multifamily leases coupled with a larger and less concentrated tenant base are benefits the multifamily real estate sector offers to investors relative to other sectors. Management believes the sector will continue to deliver superior risk-adjusted returns compared to other real estate sectors, as it continues to benefit from favourable demographic, economic and domestic migration trends.

Management expects the REIT to benefit from the Sunbelt region's positive demographic fundamentals. Population and employment growth in the Sunbelt region are both projected to exceed the averages for the country as a whole and the U.S. gateway cities. Furthermore, as the economy continues to expand, the region's population and employment growth is expected to outpace multifamily completions at a greater rate than both the national and U.S. gateway city averages, placing sustained demand-side pressure on occupancy levels and rental rates. The REIT also benefits from the lack of government imposed rent control legislation in each of its markets, allowing it to increase rental rates based on market demand.

The overall U.S. homeownership rate has declined significantly from its peak in 2004. A key contributor to this downward trend has been the tightening in mortgage underwriting standards, which has hindered the ability of prospective homebuyers to obtain financing. Management believes this trend will likely continue for the foreseeable future. In addition, despite tightened lending standards, U.S. home prices have recovered nearly all of the ground lost during the U.S. housing market crash of 2008. As a result, home ownership is priced out of reach for many prospective homebuyers.

- ***Fully Aligned Internal Management Platform with Significant Retained Interest.*** The REIT is internally managed by a senior team of five seasoned professionals who collectively have over 100 years of combined real estate experience. As a fully integrated owner and operator, the REIT is supported by internal capabilities across all disciplines, including acquisitions, asset management, property management, development/redevelopment, financing and capital markets, audit/regulatory affairs, marketing/branding and human resources. With an internally managed platform, the REIT will benefit from an in-house management team dedicated to the REIT's strategic objectives, including the allocation of capital to maximize Unitholder returns, while operating under a scalable and cost efficient structure as the REIT grows.

  In addition to its proven internal management platform, the REIT will also benefit from a Board with extensive experience in the real estate industry as well as in governance, audit and capital markets matters, the majority of whom are independent and reside in Canada.

  Upon Closing, management and the Board will collectively hold, directly or indirectly, approximately [●] Units and [●] Class B Units, representing an approximate [●]% ownership interest in the REIT, or an approximate [●]% ownership interest if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units). The retained ownership position will serve to further align the interests of management and the Board with those of public Unitholders.

- ***Sizeable Quality Portfolio with Embedded Growth Opportunity.*** The majority of the Initial Properties are situated in suburban areas of primary and secondary markets that have deep and diversified employment bases exhibiting lower than average unemployment rates, higher renter migration and lower costs of living compared to other markets in the United States. In addition to organic growth expected from strong economic and demographic fundamentals in its markets, the REIT is expected to realize additional embedded growth from its recent internal capital redevelopment program.

  In the second half of 2015, BSR initiated a comprehensive internal capital redevelopment program designed to both update properties to market expectations and realize growth from value-enhancing initiatives. From July 1, 2015 to December 31, 2017, BSR effectively reduced the age of the Initial Properties by investing approximately $51.4 million into the Initial Properties, with annual capital spends of $3.0 million, $19.5 million and $28.9 million in 2015, 2016 and 2017, respectively. The upgrades were completed on over 4,500 apartment units representing approximately 46% of the total portfolio. Following such upgrades, Same Community NOI increased by 16.1% from the quarter ended December 31, 2015 to the quarter ended December 31, 2017. Management has identified approximately 3,000 additional apartment units within the Initial Properties that could also benefit from a similar renovation program over the next three years, with a targeted capital cost of $20 – $25 million. Management will evaluate the renovation program each year to determine the most accretive use of funds.

- ***Attractive External Growth Strategy.*** As an established regional owner and operator of multifamily communities, the REIT expects to leverage its concentrated regional scale and its internalized management platform to successfully compete for new acquisitions primarily in the Sunbelt region, with near term focus within its existing markets. The REIT believes it will have a growth expansion advantage by competing for acquisitions at price points in markets with less competition, as most public multifamily entities do not focus within the Sunbelt region in suburban areas of primary and secondary markets outside of larger cities.

As a publicly traded entity, the REIT expects to benefit from having greater access to capital to support its external growth initiatives in both existing and new markets. Further, the market for garden-style assets remains highly liquid and fragmented, which is expected to provide the REIT with the opportunity to competitively pursue its external growth strategy.

- ***Stable Cash Distributions with a Conservative AFFO Payout Ratio and Debt Profile.*** The REIT intends to pay stable and growing cash distributions to Unitholders at an initial amount of $[●] per Unit, representing an initial Annual Cash Distribution Yield of approximately [●]% and an estimated AFFO Payout Ratio of approximately 77%. The REIT believes it can maintain a conservative AFFO Payout Ratio while reinvesting capital in its value-enhancing initiatives. The REIT will focus on providing strong risk-adjusted yields using a prudent capital structure and conservative financial profile. Upon Closing, the REIT will have a weighted average term to maturity of 10.4 years, the longest tenor amongst its public multifamily peers, comprised of publicly listed North American real estate investment trusts with greater than $200 million in equity market capitalization, with 86% of Debt at fixed or hedged to fixed rates.

See “Investment Opportunity – Investment Highlights” and “Risk Factors”.

Growth Strategies

In addition to the organic growth expected from favourable economic and demographic fundamentals within its existing markets, the REIT believes the Initial Properties provide opportunities for further embedded growth through (i) value-enhancing initiatives such as the capital redevelopment program, (ii) ancillary income initiatives such as offering additional amenity based services, and (iii) expansion opportunities in respect of excess vacant land.

The REIT intends to pursue a disciplined external growth strategy through investing in quality multifamily communities by targeting (i) garden-style multifamily properties that cater to middle income renters, (ii) both existing and new suburban areas of primary and secondary markets primarily across the Sunbelt, and (iii) multifamily communities constructed or refurbished after 1990 that provide for value enhancement opportunities. Such external growth is expected to be facilitated by (i) extensive relationship with owner, lender and brokerage contacts, (ii) increased access to capital as a publicly listed real estate investment trust, (iii) a balance sheet positioned for growth, and (iv) a deep and liquid market for potential acquisition of garden-style assets.

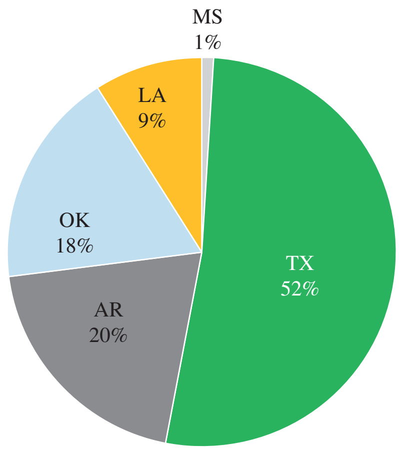
Immediately following Closing, management anticipates the REIT’s Debt to Gross Book Value Ratio to be approximately 45.6%. As such, management believes the REIT will be well positioned to pursue acquisition opportunities with greater flexibility and limited financial risk. In addition, the REIT will have access to its $71.5 million Credit Facility, providing it with immediate capital to fund strategic initiatives. With a long-term target Debt to Gross Book Value Ratio of between 50% to 55%, upon Closing of the Offering, the REIT anticipates to have acquisition liquidity of up to $140 million without having to issue additional equity. The $140 million acquisition liquidity is based on anticipated availability of the Credit Facility post-Closing and assumes secured mortgage financing is available for future acquisitions.

See “Growth Strategies of the REIT”.

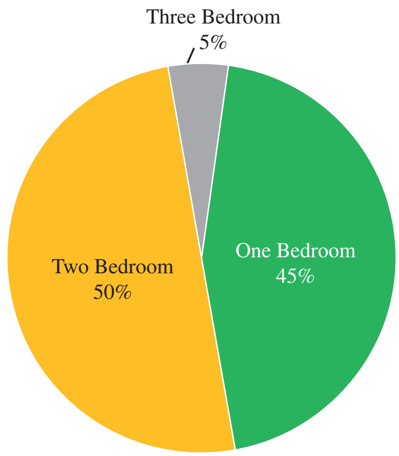
The Initial Properties

The Initial Properties consist of 48 garden-style multifamily communities totalling 9,879 apartment units. The Initial Properties are located in 14 markets within five bordering states in the Sunbelt region of the United States: Texas (17 properties – 4,263 apartment units); Arkansas (15 properties – 2,634 apartment units); Oklahoma (nine properties – 1,792 apartment units); Louisiana (six properties – 1,006 apartment units); and Mississippi (one property – 184 apartment units).

The REIT holds 17 assets in Texas, which represent approximately 43% of the apartment units within the Initial Properties and approximately 52% of the REIT's Forecasted Period NOI. Texas assets are concentrated in the Southeastern region of the state, specifically Houston and Longview, with the remainder located in Austin, Beaumont and Dallas. The Initial Properties consist of one bedroom, two bedroom and three bedroom apartment units as detailed below.



Forecasted Period NOI[1]
(of the Initial Properties)



Apartment Unit Composition
(by percentage of apartment units in the Initial Properties)

Notes:

(1) Represents forward 12 month NOI as of March 31, 2018 and is considered forward-looking information. See "Financial Forecast" and "Forward-Looking Statements".

See "The Initial Properties".

Assessment and Valuation of the Initial Properties

BSR retained Newmark Knight Frank – Valuation & Advisory to provide an independent opinion as to the aggregate market value of the Initial Properties as a portfolio, as of January 1, 2018.

The Appraiser estimated the aggregate market value of the Initial Properties on a portfolio basis, as at January 1, 2018 to be approximately $890,000,000 including a portfolio premium of approximately 5%.

See "Assessment and Valuation of the Initial Properties".

Debt Strategy and Indebtedness

The REIT will seek to maintain a debt profile consisting of various sources of low cost capital, including regional and national banks, government-sponsored entities such as Fannie Mae and Freddie Mac, insurance companies, and publicly issued bonds.

Immediately following Closing, management anticipates the REIT's Debt to total approximately $395 million of secured mortgage loans and credit facility implying a Debt to Gross Book Value Ratio of approximately 45.6%. Management intends to target and maintain a Debt to Gross Book Value Ratio of between 50% to 55% in order to maximize returns while minimizing leverage risk.

BSR is party to a $71.5 million senior secured revolving Credit Facility (as defined herein) provided by a U.S. chartered bank affiliated with BMO Nesbitt Burns Inc. with a maturity term of four years and an option to extend for one 12-month period, subject to meeting certain conditions. The maximum available under the Credit Facility is $71.5 million. The Credit Facility has an accordion feature allowing BSR, under certain circumstances, to increase the size of the Credit Facility to a maximum of $500 million.

The REIT maintains an interest rate risk management strategy that uses interest rate swap derivative instruments to minimize significant unanticipated earnings fluctuations caused by interest rate volatility.

Following Closing, the REIT's mortgage debt will have a weighted average maturity of 11 years and a weighted average interest rate of 3.82%. At Closing, the REIT will only have 18.4% of the total mortgage loans maturing before the year 2021. Of the REIT's mortgage debt, 93% will be at fixed or hedged to fixed rates and 86% of Debt will be at fixed or hedged to fixed rates.

See "Debt Strategy and Indebtedness".

The Merger

Upon Closing, and following certain pre-Closing reorganization events involving BSR, a subsidiary of the REIT will merge with and into BSR, with BSR Operating LLC continuing as the surviving entity. As a result, upon completion of the Merger, the Initial Properties will be indirectly held by the REIT, through its indirect ownership of BSR Operating LLC.

See "The Merger".

Retained Interest

Following Closing, the Legacy BSR Holders will own, in the aggregate, [●] Class B Units and [●] Units, together representing an aggregate approximate [●]% ownership interest in the REIT, and an aggregate approximate [●]% ownership interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units). The Bailey/Hughes Holders will own, in the aggregate, [●] Class B Units and [●] Units, together representing an aggregate approximate [●]% ownership interest in the REIT, and an aggregate approximate [●]% ownership interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units).

See "Retained Interest".

Lock-Up Periods

Subject to the prior consent of BMO Nesbitt Burns Inc., on behalf of the Underwriters, and the subsequent approval of the Board, which consents will not be unreasonably withheld, the Bailey/Hughes Holders have agreed that their Retained Interest will be subject to an 18 month contractual lock-up following Closing and the other Legacy BSR Holders and BSR II have agreed that their Retained Interest will be subject to a 12 month contractual lock-up following Closing.

See "Retained Interest – Lock-Up Periods".

Investor Rights Agreement

Pursuant to the Investor Rights Agreement, the Bailey/Hughes Holders will be granted the right to nominate three Trustees (such nominees will be subject to election together with the remaining Trustees at annual meetings of Unitholders) subject to the Bailey/Hughes Holders owning, in the aggregate, 30% or more of the then-outstanding Units, such number being reduced to two nominees if the Bailey/Hughes Holders own, in the aggregate, less than 30% but 20% or more of the then-outstanding Units, and further reduced to one nominee if the Bailey/Hughes Holders own, in the aggregate, less than 20% but 10% or more of the then-outstanding Units (in each case, determined as if all Class B Units are redeemed for Units). On Closing, it is expected that the Bailey/Hughes Holders will own, in the aggregate, [●]% of the outstanding Units (determined as if all Class B Units are redeemed for Units) and will therefore be entitled to nominate three Trustees.

Certain transactions involving the REIT and/or BSR Operating LLC will require the consent of the Bailey/Hughes Holders, provided that the Bailey/Hughes Holders own, in the aggregate, 33% or more of the Units (determined as if all Class B Units are redeemed for Units).

The Investor Rights Agreement will provide the Bailey/Hughes Holders with a Piggy-Back Registration Right to require the REIT to include Units (including Units issuable upon the redemption of Class B Units) held by Bailey/Hughes Holders in any future offering undertaken by the REIT by way of prospectus that it may file with applicable Canadian securities regulatory authorities. In addition, the Investor Rights Agreement will provide the Bailey/Hughes Holders with the Demand Registration Right to require the REIT to use reasonable commercial efforts to file one or more prospectuses with applicable Canadian securities regulatory authorities, qualifying Units held (or issuable upon the redemption of Class B Units) by the Bailey/Hughes Holders for distribution, provided that such Demand Registration Right may only be exercised by one designee on behalf the Bailey Holders and one designee on behalf of the Hughes Holders, respectively.

The Investor Rights Agreement will provide that the Bailey/Hughes Holders, for so long as they continue to own, in the aggregate, at least 10% of the outstanding REIT Units (determined as if all Class B Units are redeemed for Units), shall have pre-emptive rights to purchase Units, Class B Units or such other securities as are being contemplated for issuance by the REIT, BSR Operating LLC or one of their Subsidiaries to maintain their pro rata ownership interest in the REIT. The pre-emptive rights will not apply to certain excluded issuances.

For so long as the Bailey/Hughes Holders own, in the aggregate, directly or indirectly, 20% or less of the outstanding Units (determined as if all Class B Units are redeemed for Units), each of the Bailey/Hughes Holders will be obligated to, upon the written request of the REIT, exercise their respective redemption right in respect of the Class B Units then held by the Bailey/Hughes Holders if the REIT enters into certain transactions involving the (i) the transfer, directly or indirectly, of all or substantially all of its assets to a third party; and (ii) the winding up, dissolution or termination of the REIT, or exchange of Units for securities of a third party issuer or successor issuer.

For so long as the Bailey/Hughes Holders own, in the aggregate, directly or indirectly, at least 10% of the outstanding Units (determined as if all Class B Units are redeemed for Units) the Bailey/Hughes Holders will have tag-along rights that will apply in respect of any sale by the REIT of its interest in BSR Operating LLC.

See “Retained Interest – Investor Rights Agreement”.

Trustees and Executive Officers

The following table sets forth the name, municipality of residence, positions held with the REIT and principal occupation of each of the Trustees of the REIT:

Name, Municipality of Residence, Role	Committees and Independence	Relevant Experience
NEIL J. LABATTE Toronto, Ontario, Canada Chair of the Board	Investment; Compensation, Governance and Nominating Independent	Founder of Global Dimension Capital, Inc.
JOHN S. BAILEY Little Rock, Arkansas, USA Chief Executive Officer	Investment Non-Independent	Chief Executive Officer of the REIT
WILLIAM A. HALTER Little Rock, Arkansas, USA	Independent	Former Lieutenant Governor of Arkansas and Management Consultant at McKinsey & Company
BRYAN H. HELD Etobicoke, Ontario, Canada	Audit (Chair); Compensation, Governance and Nominating Independent	Corporate Director, Former Chief Executive Officer and Chief Financial Officer of public companies
W. DANIEL HUGHES, JR. Montgomery, Alabama, USA	Non-Independent	Chairman of LEDIC Realty Company, LLC

Name, Municipality of Residence, Role	Committees and Independence	Relevant Experience
GRAHAM D. SENST Toronto, Ontario, Canada	Investment (Chair); Audit Independent	Corporate Director and Former Managing Director at KingSett Capital Real Estate Investment Fund
ELIZABETH A. WADEMAN Toronto, Ontario, Canada	Compensation, Governance and Nominating (Chair); Audit Independent	Corporate Director and Former Managing Director at BMO Capital Markets

The following table sets forth the name, municipality of residence and positions held with the REIT of each named executive officer of the REIT on Closing:

Name and Municipality of Residence	Office with the REIT
JOHN S. BAILEY Little Rock, Arkansas, USA	Chief Executive Officer
SUSAN R. KOEHN Little Rock, Arkansas, USA	Chief Financial Officer
F. BLAKE BRAZEAL Dallas, Texas, USA	President and Chief Operating Officer
DANIEL M. OBERSTE Little Rock, Arkansas, USA	Chief Investment Officer
SCOTT A. RAY Little Rock, Arkansas, USA	Chief Administrative Officer

See "Trustees and Executive Officers of the REIT".

Restrictions on Ownership and Transfer of the Units

The Declaration of Trust contains restrictions on the ownership and transfer of the Units that are intended to assist the REIT in complying with the requirements to qualify as a real estate investment trust for U.S. federal income tax purposes. The Declaration of Trust provides that no person or entity may actually or beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Code, more than 9.8% of the Units, excluding any Units that are not treated as outstanding for U.S. federal income tax purposes, and subject to exemptions granted by the Board in accordance with the Declaration of Trust.

The Board of Trustees may not increase or decrease any ownership limit if the new ownership limit would allow five or fewer persons to actually or beneficially own more than 49% of the Units.

In order for the REIT to comply with its withholding obligations under FIRPTA (and certain other regulatory requirements), the Units are subject to notice requirements and transfer restrictions. Any non-U.S. person 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.

See "Declaration of Trust – Restrictions on Ownership and Transfer" and "Certain U.S. Federal Income Tax Considerations".

Financial Forecast

The financial forecast was prepared by management of the REIT, using assumptions with an effective date of April 1, 2018. The forecast has been prepared in accordance with the measurement and presentation principles of IFRS and reflects the significant accounting policies expected to be applied by the REIT. The forecast has been prepared using assumptions that reflect management's intended courses of action for the REIT for the periods covered, given management's judgment as to the most probable set of economic conditions. The forecast has been prepared after giving effect to the Offering and the other transactions contemplated in this prospectus to be completed before or concurrently with Closing. **The assumptions used in the preparation of a forecast, although considered reasonable by management at the time of preparation, may not materialize as forecast and unanticipated events and circumstances may occur subsequent to the date of the forecast. Accordingly, there is a significant risk that actual results achieved for the forecast period will vary from the forecast results and that such variations may be material. See "Forward-Looking Statements" and "Financial Forecast".**

	Three-month periods ending				**Twelve-month period ending**
	June 30, 2018	**September 30, 2018**	**December 31, 2018**	**March 31, 2019**	**March 31, 2019**
Revenue:					
Rental	$21,449	22,032	22,203	22,220	87,904
Other	3,075	3,145	3,097	3,097	12,414
	24,524	25,177	25,300	25,317	100,318
Expenses:					
Direct Property	9,800	9,889	9,704	9,755	39,148
Real estate taxes	—	—	1,204	7,940	9,144
Fair value adjustment of investment property	141	82	25	(6)	242
IFRIC 21 fair value adjustment of investment property	2,233	2,286	1,082	(5,654)	(53)
General and administrative	1,439	1,427	1,432	1,593	5,891
Interest and other financing charges:					
Interest	4,008	4,185	4,193	4,147	16,533
Distributions on Class B Redeemable Units	3,030	3,030	3,031	3,031	12,122
	20,651	20,899	20,671	20,806	83,027
Net income and comprehensive income	$ 3,873	4,278	4,629	4,511	17,291

Forecast Non-IFRS Reconciliation

The following table reconciles forecast net income and comprehensive income to FFO, AFFO and reconciles certain components of forecast net income and comprehensive income to NOI. See "Non-IFRS Measures" and "Financial Forecast".

	Forecast Three-month periods ending				Twelve-month period ending
(in thousands of $)	**June 30, 2018**	**September 30, 2018**	**December 31, 2018**	**March 31, 2019**	**March 31, 2019 (Forecast)**
Net income and comprehensive income	$ 3,873	4,278	4,629	4,511	17,291
Add/(Deduct)					
Distributions on Class B Redeemable Units treated as interest expense	3,030	3,030	3,031	3,031	12,122
Fair value adjustment of investment property	141	82	25	(6)	242
IFRIC 21 fair value adjustment of investment property	2,233	2,286	1,082	(5,654)	(53)
IFRIC 21 real estate tax liability adjustment	(2,233)	(2,286)	(1,082)	5,654	53
FFO	7,044	7,390	7,685	7,536	29,655
Add/(Deduct)					
Maintenance capital expenditures	(990)	(990)	(990)	(990)	(3,960)
Straight line rental revenue differences	(141)	(82)	(25)	6	(242)
AFFO	$ 5,913	6,318	6,670	6,552	25,453
Calculation of Net Operating Income					
Rental revenue	$21,449	22,032	22,203	22,220	87,904
Other revenue	3,075	3,145	3,097	3,097	12,414
Deduct:					
Direct property expenses	(9,800)	(9,889)	(9,704)	(9,755)	(39,148)
Real estate taxes	—	—	(1,204)	(7,940)	(9,144)
IFRIC 21 fair value adjustment of investment property	(2,233)	(2,286)	(1,082)	5,654	53
NOI	$12,491	13,002	13,310	13,276	52,079

Immediately following Closing, the Debt to Gross Book Value Ratio of the REIT is expected to be as follows:

Principal amounts outstanding under mortgages payable	$365,517
Principal amounts outstanding under the credit facilities	$ 29,450
Debt	$394,967
Gross Book Value	$867,019
Debt to Gross Book Value Ratio	45.6%

Below is a reconciliation of the pro forma NOI for the year ended December 31, 2017 to the forecast NOI for the 12 months ending March 31, 2019. This reconciliation is illustrative in nature and has been prepared by management as a supplement for the reader to the financial forecast. The assumptions used in respect of rental activity, unit roll over to market rates and the other items that make up other adjustments in order to arrive at the figures below constitute forward-looking information. While these assumptions are considered reasonable by management as of the date of this prospectus, they are inherently subject to significant uncertainties and contingencies that may affect the outcome of the forward-looking information. Investors should use caution when considering such forward-looking information, and the REIT cautions readers not to place undue reliance on these statements. See “Forward-Looking Statements”.

Add (Deduct):	
Pro forma BSR NOI for year ended December 31, 2017	$ 46,446
Adjustments for assets not owned throughout 2017 (1)(2)(3)	$ 3,252
Adjusted 2017 NOI for Year Ended December 31, 2017	**$ 49,698**
Rent increases, unit lease up and unit roll over to market rates	$ 5,504
Increase in property operating expenses	($ 2,350)
Increase in real estate tax expense	($ 773)
Forecast NOI	**$ 52,079**

Notes:

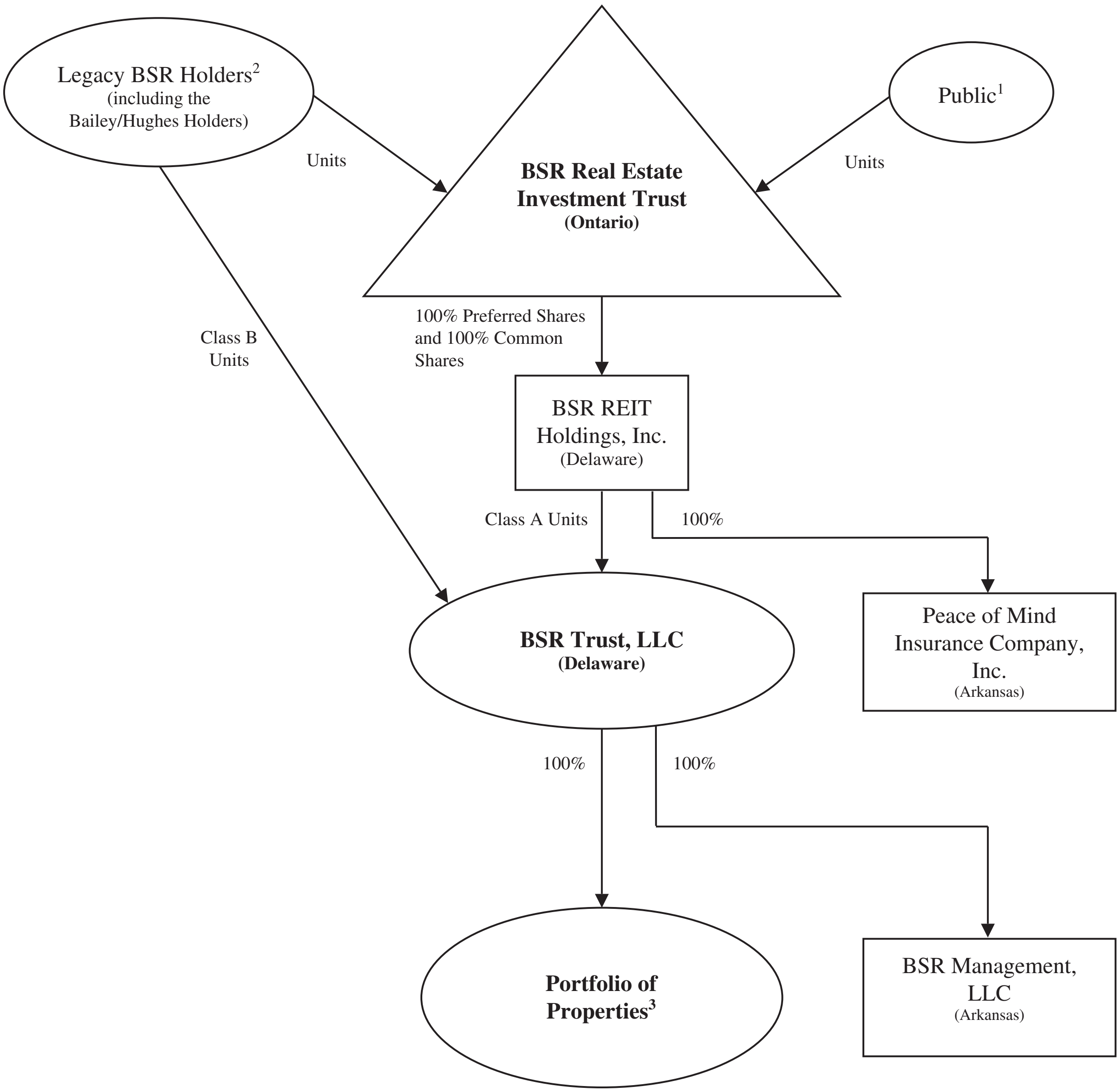
(1) Mountain Ranch was acquired on February 28, 2017. An NOI adjustment of $598 is included to annualize Mountain Ranch to make the run rate BSR NOI for the year ended December 31, 2017 comparable against the Forecasted Period.

(2) Windhaven Park was acquired on October 11, 2017. An NOI adjustment of $2,869 is included to annualize Windhaven Park to make the run rate BSR NOI for the year ended December 31, 2017 comparable against the Forecasted Period.

(3) During the Forecasted Period ending March 31, 2019, Brandon Place only includes ten months of operations beginning June 1, 2018. An adjustment of ($215) is made to the run rate 2017 NOI for the year ended December 31, 2017 to remove two months of operations making NOI comparable against the Forecasted Period.

See “Forecast Non-IFRS Reconciliation”.

Post-Closing Structure



Notes:

(1) It is anticipated that upon the Closing, the public will hold an approximate [●]% ownership interest in the REIT, and an aggregate approximate [●]% ownership interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units).

(2) It is anticipated that upon the Closing, the Legacy BSR Holders will own, in the aggregate, [●] Class B Units and [●] Units, together representing an aggregate approximate [●]% ownership interest in the REIT, and an aggregate approximate [●]% ownership interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units). As a subset of the Legacy BSR Holders, the Bailey/Hughes Holders will own, in the aggregate, [●] Class B Units and [●] Units, together representing an aggregate approximate [●]% ownership interest in the REIT, and an aggregate approximate [●]% ownership interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units).

(3) Ownership of the Initial Properties is held through special purpose entities.

THE OFFERING

Offering:	[●] Units.
Amount:	$[●]
Price:	$[●] per Unit.
Over-Allotment Option:	The REIT has granted to the Underwriters an option exercisable in whole or in part and at any time up to 30 days after Closing to purchase up to an additional [●] Units at a price of $[●] per Unit solely to cover over allotments, if any, and for market stabilization purposes. See "Plan of Distribution".
Use of Proceeds:	The REIT will directly or indirectly use the net proceeds of the Offering to repay approximately $[●] million (assuming the Over-Allotment Option is not exercised) of indebtedness owing by BSR (including approximately $[●] million of indebtedness outstanding under the Credit Facility) and to fund transaction costs associated with the Offering. The net proceeds from the issue of Units on exercise of the Over-Allotment Option will be used by the REIT for capital expenditures on the Initial Properties, to repay indebtedness or for future acquisitions.
Unit Attributes:	The REIT is authorized to issue an unlimited number of Units. Each Unit represents a proportionate undivided beneficial ownership interest in the REIT. Each Unit is transferable and entitles the holder thereof to: (i) an equal participation in distributions of the REIT; (ii) rights of redemption; and (iii) one vote at all meetings of Unitholders. See "Declaration of Trust".
Retained Interest:	Following Closing, the Legacy BSR Holders will own, in the aggregate, [●] Class B Units and [●] Units, together representing an aggregate approximate [●]% ownership interest in the REIT, and an aggregate approximate [●]% ownership interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units). Following Closing, the Bailey/Hughes Holders will own, in the aggregate, [●] Class B Units and [●] Units, together representing an aggregate approximate [●]% ownership interest in the REIT, and an aggregate approximate [●]% ownership interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units). Subject to certain limited exceptions, the Bailey/Hughes Holders will be required to hold their interests in the REIT for 18 months following Closing while the other Legacy BSR Holders will be required to hold their interests for 12 months following Closing. The Class B Units are economically equivalent to Units and are redeemable by the holder thereof for cash or Units (on a one-for-one basis subject to customary anti-dilution adjustments), as determined by BSR Operating LLC in its sole discretion. The holder of a Class B Unit will be entitled to receive distributions proportionately to the distributions made by the REIT to the holder of a Unit. Certain fundamental transactions that may be taken by the REIT or BSR Operating LLC will also require the approval of the Bailey/Hughes Holders, for so long as the Bailey/Hughes Holders own, in the aggregate, at least 33% of the Units (determined as if all Class B Units are redeemed for Units). Pursuant to the Investor Rights Agreement, the Bailey/Hughes Holders will be granted the right to nominate three Trustees (such nominees will be subject to election together with the remaining Trustees at annual meetings of Unitholders) subject to the Bailey/Hughes Holders owning, in the aggregate, 30% or more of the then-outstanding Units, such number being reduced to two nominees if the Bailey/Hughes Holders own, in the

aggregate, less than 30% but 20% or more of the then-outstanding Units, and further reduced to one nominee if the Bailey/Hughes Holders own, in the aggregate, less than 20% but 10% or more of the then-outstanding Units (in each case, determined as if all Class B Units are redeemed for Units). See “Retained Interest – Investor Rights Agreement.”

Distribution Policy:

The REIT initially intends to adopt a distribution policy pursuant to which the REIT will make cash distributions to Unitholders and, through BSR Operating LLC, holders of Class B Units, on each Distribution Date equal to, on an annual basis, approximately 77% of estimated AFFO for the Forecasted Period. Pursuant to this distribution policy, distributions will be paid to Unitholders of record at the close of business on the applicable distribution record date determined by the Trustees from time to time.

The first distribution will be for the period from Closing to [●], 2018 and will be paid on [●], 2018, in the amount of $[●] per Unit, assuming Closing occurs on [●], 2018. The REIT intends to make subsequent monthly distributions in the estimated amount of $[●] per Unit commencing [●], 2018. Distributions will be made in cash. Notwithstanding the distribution policy, the Trustees retain full discretion with respect to the timing and quantum of distributions. See “Distribution Policy”.

Risk Factors:

An investment in Units is subject to a number of risk factors that should be carefully considered by a prospective purchaser. Cash distributions by the REIT are not guaranteed and will be based, in part, upon the financial performance of the REIT’s properties, which is susceptible to a number of risks. These risks, and other risks associated with an investment in Units, include but are not limited to those related to the real estate industry, the REIT and its business and the Offering. See “Risk Factors” and the other information included in this prospectus for a discussion of the risks that an investor should carefully consider before deciding to invest in Units.

THE REIT

Overview

BSR Real Estate Investment Trust is an internally managed, newly-created, 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 has been formed for the purpose of acquiring and owning multifamily real estate properties.

The REIT will indirectly acquire interests in a portfolio of 48 properties located in the United States consisting of 9,879 apartment units. The Initial Properties are located in 14 markets within five bordering states throughout the Sunbelt region of the United States: Texas (17 properties – 4,263 apartment units); Arkansas (15 properties – 2,634 apartment units); Oklahoma (nine properties – 1,792 apartment units); Louisiana (six properties – 1,006 apartment units); and Mississippi (one property – 184 apartment units). See “The Initial Properties”.

The REIT is internally managed by a team of seasoned senior professionals dedicated to the REIT’s strategic objectives on a non-conflicted basis. As a fully integrated owner and operator, the REIT is supported by internal capabilities across all disciplines, including acquisitions, asset management, property management, development/redevelopment, financing and capital markets, audit/regulatory affairs, marketing/branding and human resources. Management has extensive experience with the Initial Properties, having sourced and managed all of the properties since their acquisition by BSR. With an internally managed platform, the REIT will benefit from an in-house management team dedicated to the REIT’s strategic objectives while operating under an efficient and scalable cost structure.

The REIT has been formed as a Canadian investment vehicle to take advantage of the established mid-cap real estate investment trust market in Canada which has strong banking, buy and sell-side support to offer. The REIT will provide Canadian investors with exposure to comparatively higher growth U.S. real estate markets, which investment opportunities are currently limited in Canada. In addition, the Canadian investment market has historically been receptive to initial public offerings of real estate investment trusts with multi-family assets in the Sunbelt region of the United States, similar to the assets that will be in the REIT’s portfolio.

Objectives of the REIT

The objectives of the REIT are to (i) provide Unitholders with an opportunity to invest in a portfolio of quality multifamily real estate properties located in attractive U.S. markets, with a particular focus on the Sunbelt region, (ii) provide Unitholders with predictable, sustainable, growing and tax efficient cash distributions, (iii) enhance the value of the REIT’s assets and maximize long-term Unit value through active internal asset and property management programs and procedures, and (iv) expand the asset base of the REIT and increase the REIT’s AFFO per Unit primarily through acquisitions and improvements of its properties, including the Initial Properties, using targeted and strategic capital expenditures.

INVESTMENT OPPORTUNITY

The Offering provides Canadian investors with the opportunity to gain exposure to the U.S. multifamily real estate sector, with a focus on garden-style multifamily communities in select high growth markets across the Sunbelt region of the United States, while benefitting from the expertise of an internally managed asset and property management platform.

Garden-Style Assets

Upon Closing, the REIT will own garden-style multifamily communities, generally characterized as a cluster of low-rise buildings, usually two to three stories with an average of 200-300 total apartment units. Garden-style communities are typically constructed with wood frames and without elevators, providing for lower maintenance capital expenditures as compared to high-rise and mid-rise multifamily properties. Many of these communities have common areas such as open lawns, landscaping and pathways, and have amenities such as outdoor pools with designated barbecue grilling stations, clubhouses and playgrounds. These low density rental communities typically require larger sites to build and are therefore primarily located in suburban areas of primary or secondary markets. Furthermore, new comparable infill developments are uncommon due to limited site availability and zoning restrictions. These communities often offer attractive housing options for middle income renters. Due to the Initial Properties' older age (typically greater than ten years) and moderate rents, the REIT's current communities are generally considered to be Class B type properties while offering many of the same amenities and professional management as compared to Class A type properties. Class B and Class C garden-style multifamily communities cater to a broad tenant base that tends to include renters by necessity and renters who are less likely to move into a newly constructed multifamily property or into a purchased home. Consequently, management believes Class B garden-style multifamily communities provide opportunity for upside through rental rate increases during times of economic expansion, as well as downside protection as residents downgrade to more moderately priced multifamily properties during times of economic contraction.

Sunbelt Region Focus

Upon Closing, the REIT will own and operate garden-style communities in five bordering states within the Sunbelt region of the United States. The Sunbelt region of the United States is generally considered to stretch across the South Atlantic and Southwest portions of the country and to include the following states: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and Washington, D.C. This region is characterized by rapid economic and population growth over the past few decades, along with temperate and low seasonality. From 1970 to 2017, the states in the Sunbelt region's share of the national population increased from 30% to 37%, as populations followed employers migrating towards states with lower costs of business and less labour union influence. The trend in domestic migration is expected to continue as the population looks for states with lower personal state income tax rates and a lower cost of living. Consequently, while the Sunbelt region currently represents 37% of the U.S. population, S&P Global, a market intelligence company, projects the region to encompass 53% of the U.S. population's growth by 2023. Management believes the REIT is positioned to benefit from the above described demographic trends.

Management believes the U.S. real estate sector, particularly garden-style multifamily communities in the Sunbelt region, exhibit unique characteristics that make this Offering an attractive investment opportunity. Such market characteristics suggest that the REIT offers an attractive alternative investment for Canadian investors looking to gain exposure to U.S. real estate. See "– Investment Highlights".

Investment Highlights

Attractive Asset Class with Favourable Fundamentals

The multifamily real estate sector has generated industry-leading returns through various economic cycles, outperforming all other real estate sectors, including retail, industrial, and office, over the 20 year span from 1997 to 2017. The shorter duration of multifamily leases coupled with a larger and less concentrated tenant base are benefits the multifamily real estate sector offers to investors relative to other sectors. The shorter lease duration provides multifamily properties with the opportunity to increase rental rates more frequently, offering a potential hedge against inflation. Multifamily real estate's larger tenant base provides for greater diversification and mitigates single tenant risk exposure. Management believes the sector will continue to deliver superior risk-adjusted returns compared to other real estate sectors, as it continues to benefit from favourable demographic, economic and domestic migration trends.

Management expects the REIT to benefit from the Sunbelt region's positive demographic fundamentals. Population and employment growth in the Sunbelt region are both projected to exceed the averages for the country as a whole and the U.S. gateway cities, being Los Angeles, New York, San Francisco and Washington, D.C. Furthermore, as the economy continues to expand, the region's population and employment growth is expected to outpace multifamily completions at a greater rate than both the national and U.S. gateway city averages, placing sustained demand-side pressure on occupancy levels and rental rates. Finally, the REIT benefits from the lack of government imposed rent control legislation in each of its markets, allowing it to increase rental rates based on market demand.

In addition to the Sunbelt region's positive demographic fundamentals, homeownership trends favour the apartment home rental markets. The overall U.S. homeownership rate has declined significantly from its peak in 2004 of 69.2%. It stood at 64.2% as of December 31, 2017, below the historic norm of 65.9% over the previous 30 years. A key contributor to this downward trend has been the tightening in mortgage underwriting standards, which has hindered the ability of prospective homebuyers to obtain financing. Management believes this trend will likely continue for the foreseeable future. In addition, despite tightened lending standards, U.S. home prices have recovered nearly all of the ground lost during the U.S. housing market crash of 2008. As a result, home ownership is priced out of reach for many prospective homebuyers. Additionally, with the recent U.S. tax overhaul, the doubling of standard deductions may limit the incentive for prospective homebuyers to purchase homes to take advantage of mortgage-interest deductions. Moreover, due to the recent U.S. tax overhaul, many existing homeowners in high-tax states may re-evaluate homeownership as state and local tax deductions (including property taxes) are capped at $10,000.

Furthermore, the REIT typically focuses on Class B garden-style multifamily communities whose tenant base tends to include renters by necessity and is characterized as households with family incomes below the national median of approximately $58,000. As of December 31, 2017, this segment of the population had a homeownership rate of 50.2% and has historically been the most stable and consistent rental group, averaging a homeownership rate of 51.2% since 2000.

Fully Aligned Internal Management Platform with Significant Retained Interest

The REIT is internally managed by a senior team of five seasoned professionals who collectively have over 100 years of combined real estate experience. As a fully integrated owner and operator, the REIT is supported by internal capabilities across all disciplines, including acquisitions, asset management, property management, development/redevelopment, financing and capital markets, audit/regulatory affairs, marketing/branding and human resources. Since 2008, members of management have transacted on over $1 billion of U.S. multifamily real estate. Management also has extensive experience with the Initial Properties, having sourced and managed all of the Initial Properties since their acquisition. With an internally managed platform, the REIT will benefit from an in-house management team dedicated to the REIT's strategic objectives, including the allocation of capital to maximize Unitholder returns, while operating under a scalable and cost efficient structure as the REIT grows.

The REIT's scalable platform is supported by over 290 employees across its 14 markets. Management believes the retention of its employees is highly critical to its success and as a part of the REIT's mission, it strives to provide its employees with opportunities for professional growth. As a result, in July 2017, BSR was named among the Best Places to Work in Arkansas by Arkansas Business, a distinction designed to identify and honour the best employers in Arkansas.

In addition to its proven internal management platform, the REIT will also benefit from a Board with extensive experience in the real estate industry as well as in governance, audit and capital markets matters, the majority of whom are independent and reside in Canada.

Upon Closing, management and the Board will collectively hold, directly or indirectly, approximately [●] Units and [●] Class B Units, representing an approximate [●]% ownership interest in the REIT, or an approximate [●]% ownership interest if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units). The retained ownership position will serve to further align the interests of management and the Board with those of public Unitholders. See "Retained Interest".

Sizeable Quality Portfolio with Embedded Growth Opportunity

The REIT's portfolio of 48 garden-style real estate properties is comprised of 9,879 apartment units diversified across five bordering states in 14 markets in the Sunbelt region. The majority of the Initial Properties are situated in suburban areas of primary and secondary markets that have deep and diversified employment bases exhibiting lower than average unemployment rates, higher renter migration and lower costs of living compared to other markets in the United States. In addition to organic growth expected from strong economic and demographic fundamentals in its markets, the REIT is expected to realize additional embedded growth from its recent internal capital redevelopment program.

In the second half of 2015, BSR initiated a comprehensive internal capital redevelopment program designed to both update properties to market expectations and realize growth from value-enhancing initiatives. This strategy included capital expenditures to maintain physical asset quality, improve and modernize property common areas and upgrade apartment unit interiors. From July 1, 2015 to December 31, 2017, BSR effectively reduced the age of the Initial Properties by investing approximately $51.4 million into the Initial Properties, with annual capital spends of $3.0 million, $19.5 million and $28.9 million in 2015, 2016 and 2017, respectively. The upgrades were completed on over 4,500 apartment units representing approximately 46% of the total portfolio. These expenditures included approximately $23 million in exterior and amenity upgrades such as roof replacements, balconies/decks, pavilions, barbecue grilling stations, dog runs and firepits. Approximately $28 million was invested in interior apartment unit upgrades including new flooring, kitchen fixtures and appliance upgrades. Following the capital redevelopment program, on a Same Community basis, BSR has achieved higher occupancy, higher margins, and higher rental rates resulting in a 16.1% increase in NOI when comparing the quarter ended December 31, 2015, which is the best representation for the financial performance of the Initial Properties prior to undergoing the capital redevelopment program given minimal impact on operations from the program, to the quarter ended December 31, 2017. Management has identified approximately 3,000 additional apartment units within the Initial Properties that could also benefit from a similar renovation program over the next three years, with a targeted capital cost of $20 – $25 million. Management will evaluate the renovation program each year to determine the most accretive use of funds. See “Growth Strategies of the REIT – Organic Growth Strategy – Value-Enhancing Initiatives”.

Furthermore, as a testament to the quality of its professional management and multifamily communities, BSR rates favourably amongst its residents. Based on the latest ORA™ Power Rankings published by J Turner Research, BSR achieved a 71 ORA™ score, ranking it within the top five U.S. public multifamily REITs focused on owning and operating assets in the United States. The ORA™ score is an aggregate compilation of a property’s rating across various online review sites. J Turner Research monitors and assigns scores to more than 71,000 properties in the United States on a monthly basis. BSR’s score was well above both the average public REIT and national average ORA™ score of 66 and 60, respectively.

Attractive External Growth Strategy

As an established regional owner and operator of multifamily communities, the REIT expects to leverage its concentrated regional scale and its internalized management platform to successfully compete for new acquisitions primarily in the Sunbelt region, with near term focus within its existing markets. The REIT believes it will have a growth expansion advantage by competing for acquisitions at price points in markets with less competition, as most public multifamily entities do not focus within the Sunbelt region in suburban areas of primary and secondary markets outside of larger cities. The REIT’s disciplined external growth strategy will be facilitated by management’s established reputation as a credible buyer with extensive acquisition expertise. Furthermore, management has demonstrated its ability to originate new transactions, reviewing in excess of $1.2 billion in acquisitions during 2017. Due to capital constraints, management only executed on just over $100 million of these.

As a publicly traded entity, the REIT expects to benefit from having greater access to capital to support its external growth initiatives in both existing and new markets. Consistent with the demographics of the REIT’s existing markets, the REIT intends to target new suburban areas of primary and secondary markets primarily across the Sunbelt region having deep and diversified employment bases exhibiting lower than average unemployment rates, higher renter migration and lower costs of living.

The market for garden-style assets remains highly liquid and fragmented. U.S. multifamily transaction volume exceeded $678 billion over the last five years, with garden-style properties representing 65% of all multifamily transactions in the United States between 2013 to 2017. According to National Multifamily Housing Council, in 2017, the top 50 largest multifamily owners collectively held only 9.6% of the national stock of approximately 20.8 million apartment units. This liquid and fragmented market is expected to provide the REIT with the opportunity to competitively pursue its external growth strategy.

Stable Cash Distribution with a Conservative AFFO Payout Ratio and Debt Profile

The REIT intends to pay stable and growing cash distributions to Unitholders at an initial amount of $[●] per Unit, representing an initial Annual Cash Distribution Yield of approximately [●]% and an estimated AFFO Payout Ratio of approximately 77%.The REIT believes it can maintain a conservative AFFO Payout Ratio while reinvesting capital in its value-enhancing initiatives. The REIT will focus on providing strong risk-adjusted yields using a prudent capital structure and conservative debt profile.

Management anticipates the REIT will have a Debt to Gross Book Value Ratio of approximately 45.6% immediately following Closing, bearing interest at a weighted average rate of approximately 3.84% (86% of which is fixed), with a weighted average term to maturity for the mortgage debt of 11 years, which is the longest tenor amongst its public multifamily peers, comprised of publicly listed North American real estate investment trusts with greater than $200 million in equity market capitalization.

GROWTH STRATEGIES OF THE REIT

The REIT believes it is well positioned to execute on a balanced growth strategy through both organic and external growth initiatives.

Organic Growth Strategy

In addition to the organic growth expected from favourable economic and demographic fundamentals within its existing markets, the REIT believes the Initial Properties provide opportunities for further embedded growth and value enhancement initiatives, including the following:

- ***Value-Enhancing Initiatives.*** As a result of its ongoing capital redevelopment program, management has gained extensive experience in executing value-enhancing renovations. Management has identified approximately 3,000 additional apartment units within the Initial Properties that could further benefit from the capital redevelopment program. The REIT may implement a renovation program for these additional apartment units over the next three years with a targeted capital cost of approximately $20 – 25 million over three years, of which approximately $3.4 million is expected to be spent prior to Closing. BSR has historically targeted unleveraged returns greater than 10% for its value-enhancing initiatives.
- ***Ancillary Income Initiatives.*** The REIT's ownership and management of multifamily communities provide it with access to a tenant base that allows the REIT to offer and deliver additional amenity based services, thereby increasing occupancy and rents, while also generating incremental revenue. In that respect, the REIT levers its platform's capabilities to provide ancillary services and offerings to its residents to increase non-rental revenue generated from its tenant base. Examples of such services include resident liability insurance and other services generated through its wholly-owned captive insurance company and exclusive cable/internet marketing arrangements with companies such as Comcast, Cox and Time Warner.
- ***Expansion Opportunities.*** Certain of the Initial Properties contain vacant land that management anticipates can support expansions. Management estimates that the REIT holds more than 11 acres of excess vacant land across three properties. This excess vacant land can be developed by the REIT, enhancing the REIT's value for the benefit of Unitholders.

External Growth Strategy

The REIT intends to pursue a disciplined external growth strategy through investing in high quality multifamily communities under the following general acquisition guidelines:

- ***Multifamily Communities Focused on Middle Income Renters.*** The REIT's investment strategy is to continue targeting and acquiring garden-style multifamily properties that cater to a "renter by necessity" tenant base. The REIT believes it faces limited competition for such acquisitions, as many public multifamily companies do not focus within the Sunbelt region on suburban areas of primary and secondary markets outside of larger cities, which is where the REIT intends to focus for future acquisitions.
- ***Targeted Geographic Concentration.*** The REIT intends to target both existing and new suburban areas of primary and secondary markets primarily across the Sunbelt region that have growing, deep and diversified employment bases which exhibit lower than average unemployment rates, higher renter migration and lower costs of living. With over 50 MSAs in the target region having populations greater than 500,000, the REIT believes it can selectively enter markets that exhibit favourable fundamentals. The REIT intends to establish a significant presence within each of its markets by pursuing a clustering strategy to reach scale of approximately 1,200 apartment units per MSA. The REIT intends to execute its acquisition strategy with a near term focus on its existing markets.

- ***Constructed or Refurbished after 1990 and Potential to Create Additional Value.*** While many of the REIT's institutional competitors do not typically acquire multifamily communities that are older than ten years, the REIT targets multifamily communities that are well located and meet its quality standards. Management believes that Class B multifamily communities offer opportunities for value-enhancement not afforded by Class A properties, especially new constructions that already lease at the top of the market and trade at premium capitalization rates. Management believes it can acquire such older multifamily communities at reasonable prices and apply its value-enhancing strategies to meet its performance expectations.

  The REIT will typically seek acquisition targets that provide for value enhancement opportunities including selective upgrades, renovations and operating improvements. Renovations may include amenity enhancements, interior refurbishments, new exterior siding, or exterior painting meeting market expectations. Operating improvements may include opportunities for rental rate or occupancy increases as well as cost control management which includes economies of scale pricing and other ancillary income initiatives. In addition, the REIT will periodically review its portfolio and recycle capital into higher returning properties by disposing of properties that management believes have maximized their potential excess returns.

The following Bluff Creek case study provides an example of how management identified a mismanaged asset and is in the process of successfully repositioning the asset. It is a historical example and is not indicative of future results.

Bluff Creek Case Study

Located in Oklahoma City, Bluff Creek is a garden-style property built in 1984, consisting of 316 units across ten three-story apartment buildings. The property features amenities including a swimming pool and a fitness centre. It is situated in the northwest submarket of Oklahoma City on Hefner Road near the intersection with MacArthur Boulevard, both major arterials offering access to the entire Oklahoma City MSA.

Acquisition Attributes

BSR acquired Bluff Creek in June 2014, sourcing the opportunity off-market through a long-standing relationship with a repeat seller. Oklahoma City, the largest city in the state with an estimated MSA population of 1,393,520, exhibited strong market fundamentals including high employment rates with expected growth supported by a diversified industry base, high asking rent growth and low vacancy rates. In addition, the property's centralized location benefited from the Putnam City School District, considered one the most desirable of the 23 suburban school districts in the area, as well as close proximity to neighborhood conveniences such as Wal-Mart, Crest Foods, Warrick Crossing Shopping Center and Quail Springs Mall, featuring over 125 retail shops anchored by Macy's and the AMC theater. Furthermore, BSR's presence in the market with three existing properties allowed for the opportunity to cut redundant costs such as advertising and payroll, resulting in an immediate increase in operational efficiencies.

Renovation Plan

Upon acquisition, management leveraged its market knowledge to identify opportunities for rental increases through targeted interior and exterior upgrades and in the second half of 2015 implemented a $2.6 million capital redevelopment program implying approximately $8,200 in capital expenditure per apartment unit. To date, BSR has deployed approximately $0.9 million in exterior enhancements including new siding and paint, landscaping, signage and an outdoor fire pit and $0.9 million in interior enhancements including wood style plank flooring, new appliances and terrace doors across 195 apartment units. Management has budgeted approximately $0.8 million to upgrade the remaining 121 units over the next two years.

	Interior	**Exterior**	**Amenities**
Before			
After			

The capital redevelopment program has proven to be effective, as the upgrades have allowed Bluff Creek to achieve 96% occupancy. As of December 31, 2017, the property's trailing 12 month NOI has increased by 58% when compared to the December 31, 2015 trailing 12 month NOI. With the property now stabilized, management hopes to achieve further upside through rental rate increases and additional redevelopment efforts.

	At Acquisition	As of Dec 31, 2017
Acquisition Price	$16,050,000	$16,050,000
Capital Deployed	—	$ 1,802,894
Total Investment	**$16,050,000**	**$17,852,894**

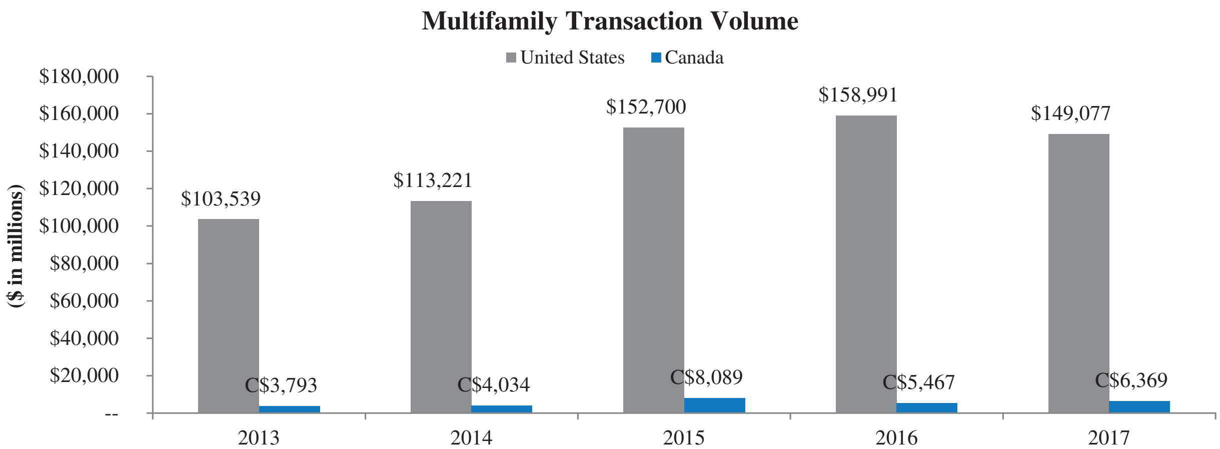
	As of Dec 31, 2015	As of Dec 31, 2017
Trailing 12 month NOI	$ 826,512	$ 1,309,552
NOI Margin	*40%*	*55%*
Occupancy	85%	96%
Avg rent per unit	$ 654	$ 669
Implied Cap Rate	5.1%	7.3%
Appraised Value		$24,200,000
Increase in Value		**$ 6,347,106**

External growth is expected to be facilitated by the following:

- ***Extensive Relationships.*** Management believes it has a competitive advantage in pursuing both off-market and marketed acquisition opportunities through its extensive network of owner, lender and brokerage contacts at both the national and regional levels. Eleven of the REIT's last 13 acquisitions were originated off-market or in a limited bidding situation as a result of management's proven deal sourcing network. Management expects to continue leveraging these relationships to source acquisitions.
- ***Access to Capital.*** As a publicly listed real estate investment trust, the REIT believes having increased access to public capital will provide it with a competitive advantage over local real estate investors without ready access to lower cost debt and equity capital, while adding certainty for sellers at closing. The REIT expects to finance future acquisitions through multiple capital sources, including (i) cash flow from operations, (ii) funds from issuing public equity, (iii) the issuance of equity to vendors, and (iv) numerous sources of debt financing more readily available to publicly traded multifamily real estate investment trusts in the

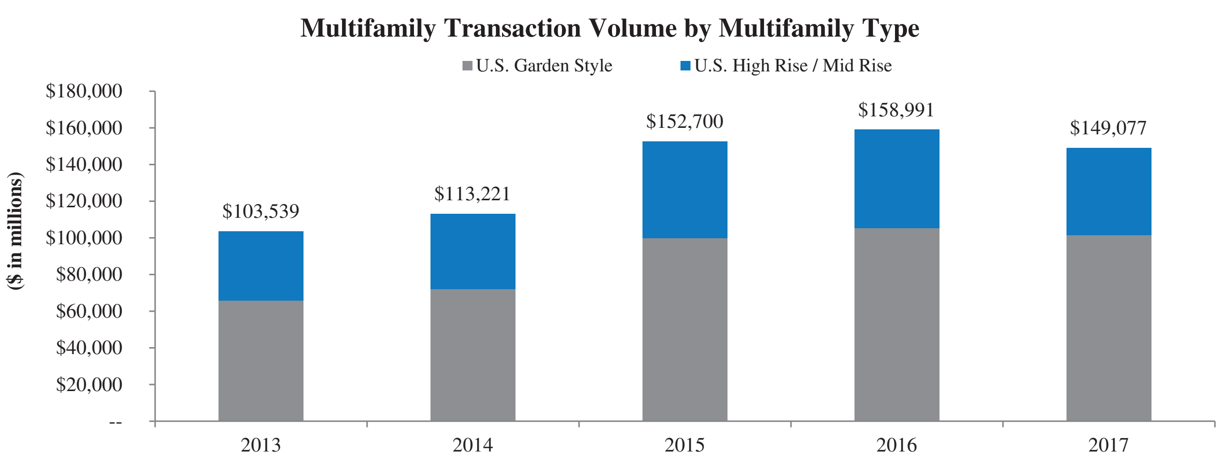
United States including local, regional and national banks, government-sponsored entities such as Fannie Mae and Freddie Mac, insurance companies, publicly issued bonds and convertible debentures.

- ***Balance Sheet Positioned for Growth.*** Immediately following Closing, management anticipates the REIT's Debt to Gross Book Value Ratio to be approximately 45.6%. As such, management believes the REIT will be well positioned to pursue acquisition opportunities with greater flexibility and limited financial risk. In addition, the REIT will have access to its $71.5 million Credit Facility, providing it with immediate capital to fund strategic initiatives. With a long-term target Debt to Gross Book Value Ratio of between 50% to 55%, upon Closing of the Offering, the REIT anticipates to have acquisition liquidity of up to $140 million without having to issue additional equity. The $140 million acquisition liquidity is based on anticipated availability of the Credit Facility post-Closing and assumes secured mortgage financing is available for future acquisitions, which would increase leverage to the mid-point of the target Debt to Gross Book Value Ratio range.
- ***Deep Market of Potential External Acquisitions.*** Management believes the REIT is well positioned to benefit from the deep and liquid market for garden-style assets. Multifamily transaction volume in Canada is significantly less than that of the United States. Between 2013 through 2017, the total U.S. multifamily transaction volume was nearly $678 billion in transactions, compared to C$28 billion in Canada. The REIT expects to benefit from a highly liquid multifamily market, along with the expertise of the internal management team, who has executed over $1 billion in real estate transactions since 2008.



Source: Real Capital Analytics

- ***Highly Liquid Market for Garden-Style Assets within the U.S. Multifamily Sector.*** Within the U.S. multifamily sector, transaction volume of garden-style properties has consistently outpaced high-rise and mid-rise properties. According to Real Capital Analytics, garden-style properties represented approximately 65% of all multifamily transactions in the United States between 2013 through 2017. The highly liquid garden-style multifamily market is expected to provide the REIT with the opportunity to execute on its growth strategy and recycle assets that have maximized their value or are determined to be non-core.



Source: Real Capital Analytics

MULTIFAMILY REAL ESTATE MARKET CHARACTERISTICS

The shorter duration of multifamily leases coupled with a larger and less concentrated tenant base are benefits the multifamily real estate sector offers relative to other sectors. The duration for most multifamily rental leases span between 11 and 13 months, as compared to other real estate asset types that typically span over years. The shorter lease duration provides multifamily properties with the opportunity to increase rental rates more frequently, offering a potential hedge against inflation. Multifamily real estate's larger tenant base provides for greater diversification and mitigates single resident risk exposure. Additionally, the necessity for housing provides for a more predictable demand, compared to other commercial real estate businesses that may experience tenant vacancy during negative economic business cycles. These factors generally make the multifamily real estate sector less volatile relative to other real estate sectors.

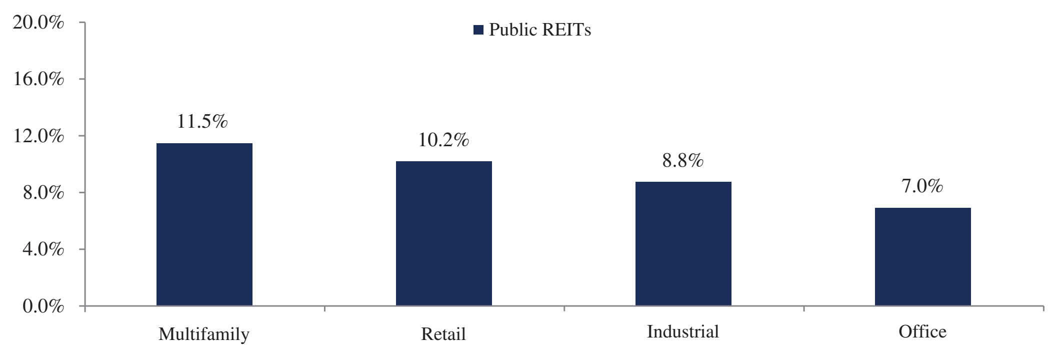
Multifamily Performance and Outlook

According to S&P Global, multifamily real estate has been the strongest performing asset class within U.S. publicly traded real estate companies over the past 20 years. Favourable economic and demographic trends in the United States continue to drive positive fundamentals within the multifamily sector. Key growth drivers in the sector include (i) strong population and employment growth, (ii) depressed homeownership rates, particularly within the middle income demographic, and (iii) steadily increasing household formation. Management believes that these trends will continue to drive strong multifamily performance and support further growth in the REIT's target markets.

Multifamily Returns

Multifamily real estate has generated industry-leading returns through various economic cycles, outperforming all other sectors, including retail, industrial, and office. According to S&P Global, publicly traded multifamily REITs have outperformed all other sectors, achieving an average annual return of 11.5% over the 20 year period from 1997 to 2017.

20-Year Annualized Returns by Real Estate Sector (1997 – 2017)



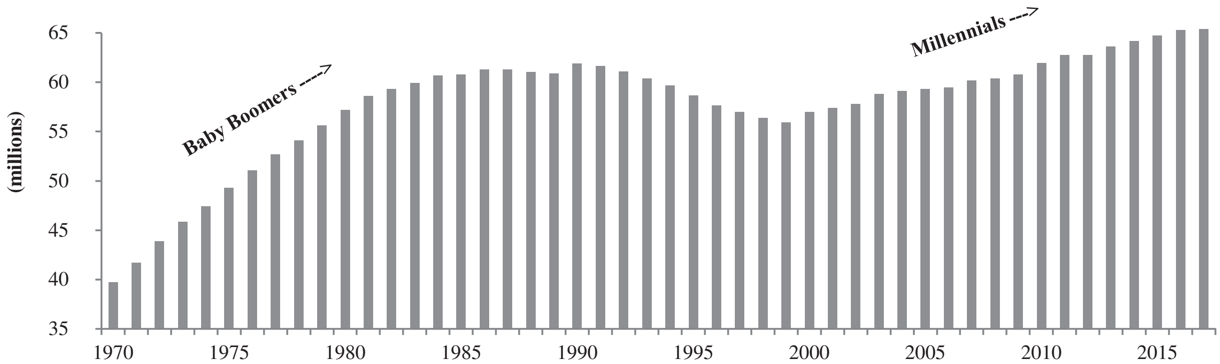
Source: S&P Global

Note: REIT performance indicates total return and assumes the reinvestment of dividends.

U.S. Population Growth

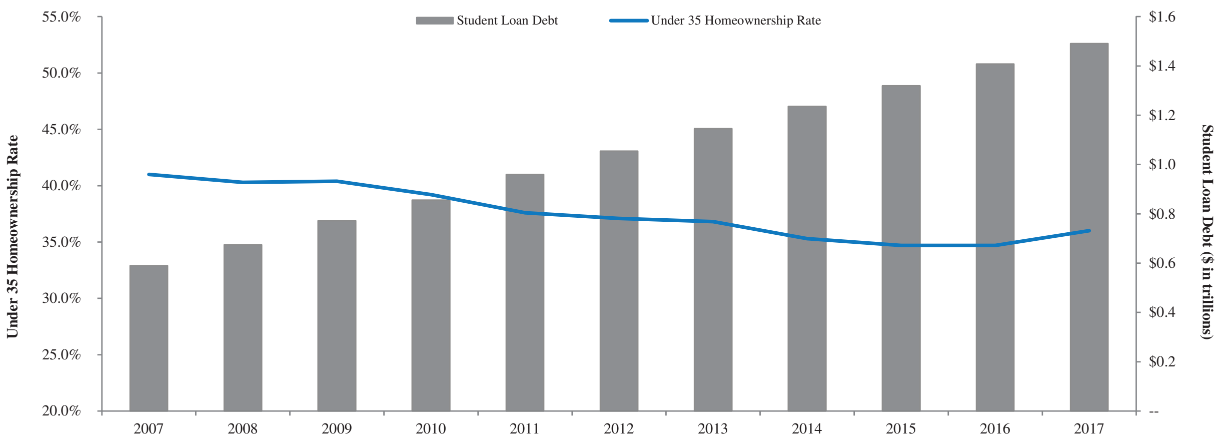
The "millennial" generation, typically defined as those born between 1982 and 2000, has led to a favourable demographic shift benefiting the multifamily sector, and currently comprises 65 million, or approximately 20%, of the U.S. population. Millennials have shown a propensity to rent, as renting allows for a more flexible mobile lifestyle, saving both time and money as they form a household. Furthermore, the rental option bodes well for this segment given the high levels of student debt this generation carries. Student loan debt has nearly tripled since 2007, totalling approximately $1.5 trillion as of December 31, 2017, according to the United States Federal Reserve. The willingness, and often the necessity, of millennials to rent as opposed to purchase homes continues to increase as lending standards tighten and student loan debt rises, hindering recent young graduates' ability to qualify for additional mortgage debt.

U.S. Population (Ages 20 – 34)



Source: United States Census Bureau

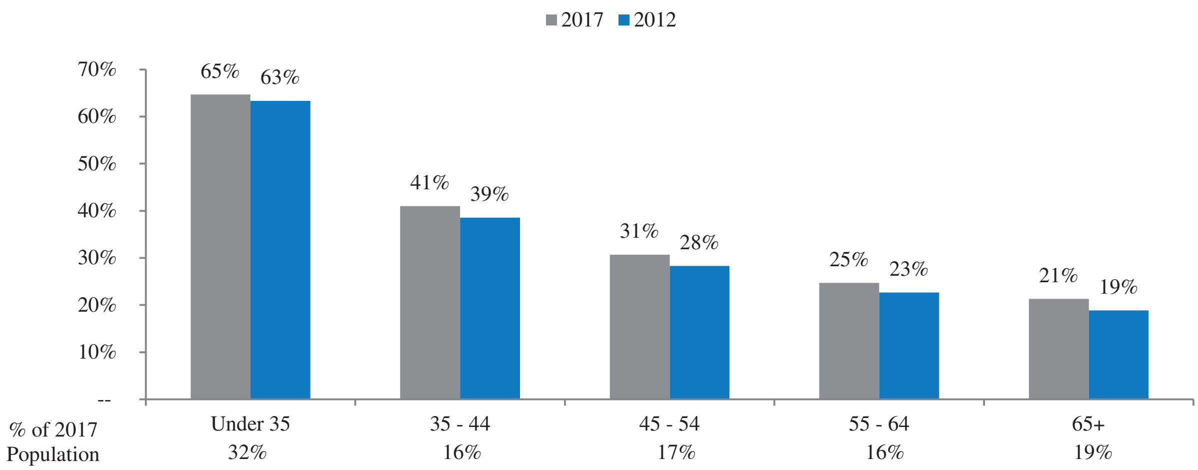
Student Loan Debt and Millennial Homeownership Rate



Source: United States Federal Reserve, United States Census Bureau

The increase in willingness to rent is evident across all age groups, but most pronounced among millennials.

Propensity to Rent by Age Group



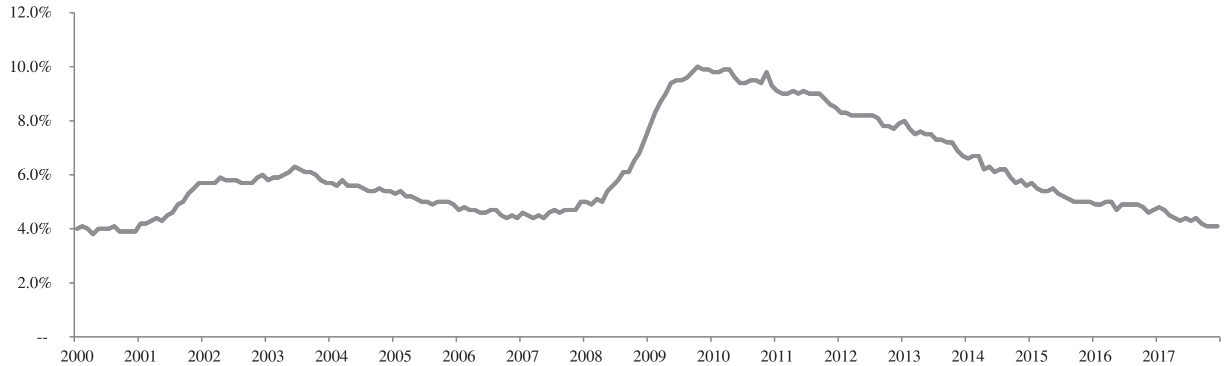
Source: United States Census Bureau

U.S. Employment Growth

The economy has rebounded since the financial crisis of 2008 and has continued to grow through 2017. Since 2012, 10.6 million jobs have been created in the United States, with 20-34 year old employees accounting for over 39%

of these new jobs. According to the United States Census Bureau, as of December 31, 2017, the national unemployment rate stands at 4.1%, the lowest rate since December 2000.

U.S. Unemployment Rate

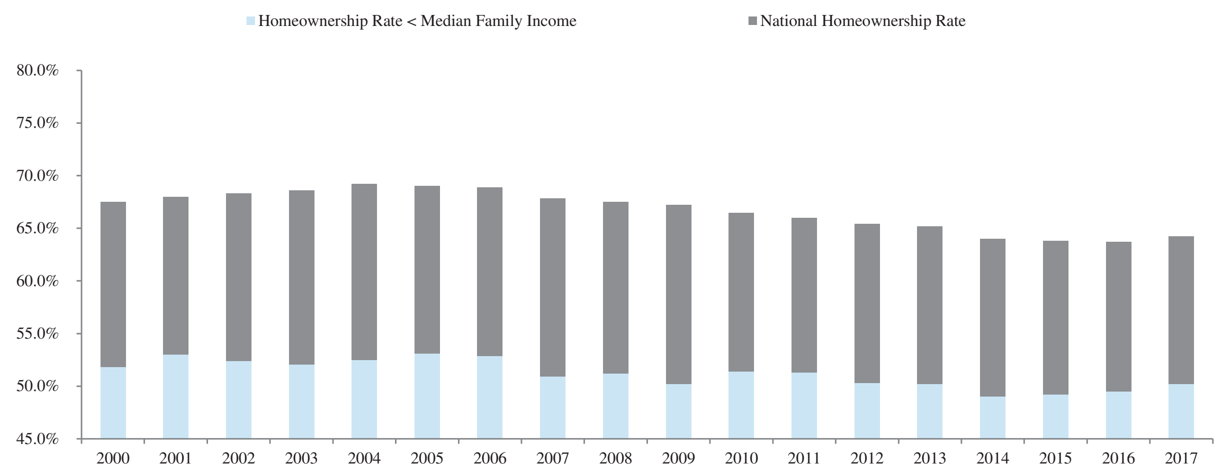


Source: United States Census Bureau

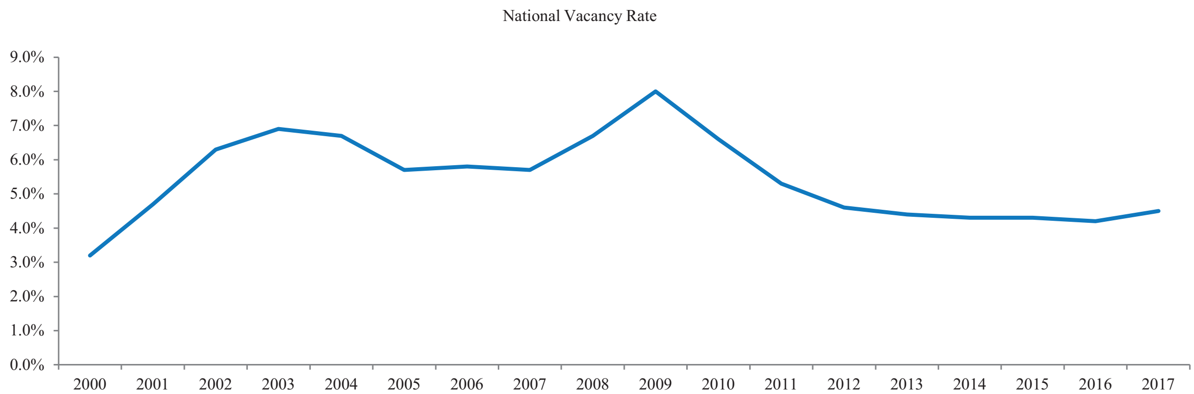
Homeownership Rate Near Historic Lows

The overall U.S. homeownership rate has declined from its peak of 69.2% in 2004 to 64.2% as of December 31, 2017. A key contributor to this downward trend has been the tightening in mortgage underwriting standards, which has hindered the ability of prospective homebuyers to obtain financing. Despite tightened lending standards, U.S. home prices have recovered nearly all of the ground lost during the U.S. housing market crash of 2008. As a result, home ownership is priced out of reach for many prospective middle income home buyers, as they are unable to accumulate sufficient cash required for a down payment. Furthermore, such middle income home buyers are typically families with household incomes below the national median of approximately $58,000 and currently represent approximately half of the U.S. population. As of December 31, 2017, this segment of the population had a homeownership rate of 50.2% and has historically been the most stable and consistent rental group, averaging a homeownership rate of 51.2% since 2000. The decrease in homeownership rates has been reflected in a steady decline in vacancy rates for rental properties.

U.S. Homeownership



Vacancy Rates



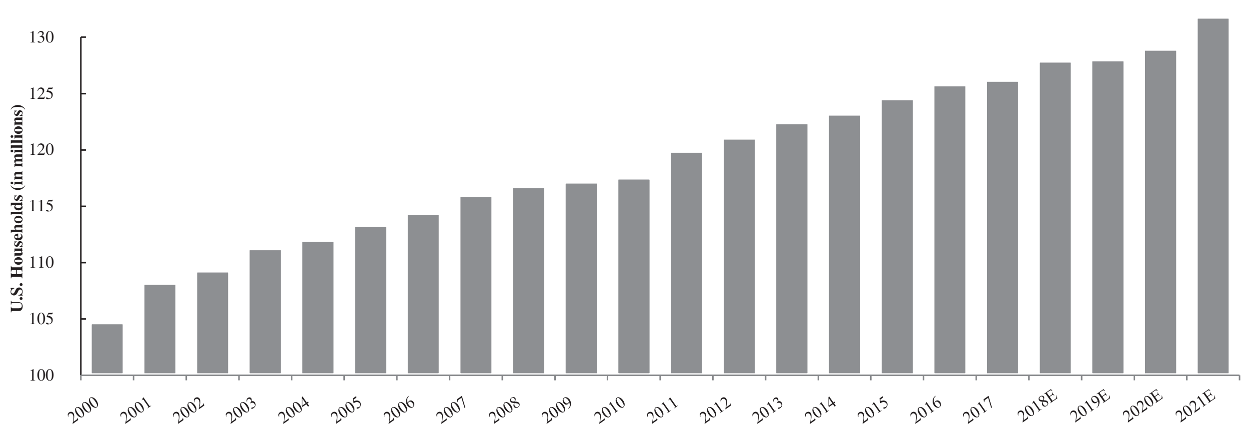
Source: United States Census Bureau (homeownership rates), Reis, Inc. (vacancy rates)

Note: National vacancy rate statistics include Class A, B, and C properties.

Increasing Household Formations

The pace of household formations in the United States continues to show signs of strength. The U.S. average household size in 2016 was 2.65 people. Research estimates forecast that by 2021, the average household size will decline to 2.59 people, further supporting an expected increase in the number of households formed. National Multifamily Housing Council projections suggest that household formations will increase on average by approximately 1.3 million per year from 2018 through 2021, higher than the 0.9 million annual average increase from 2013 to 2017.

U.S. Total Household Formations

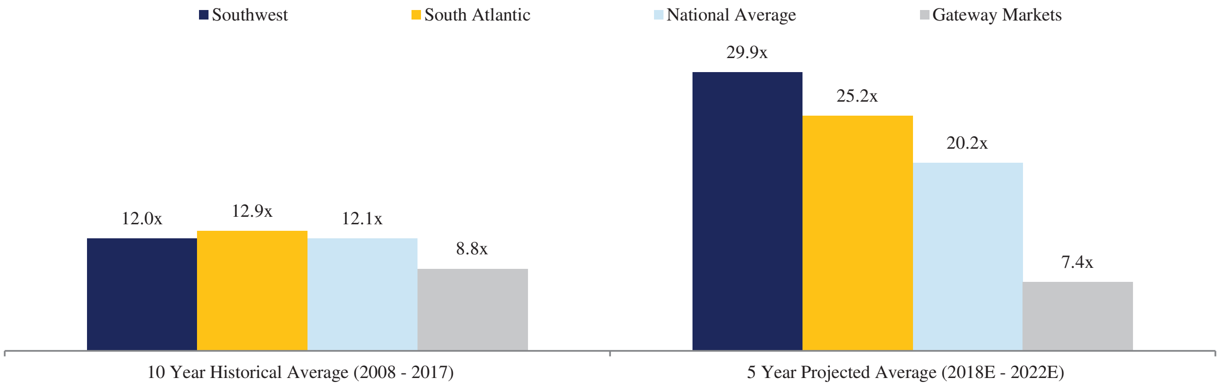


Source: United States Census Bureau (2000-2017), National Multifamily Housing Council (2018E+)

Population and Employment Growth Expected to Outpace New Supply in the REIT's Target Markets

The REIT expects to benefit from the overall national growth trends in population and household formation. Furthermore, the growth in population and employment in the REIT's existing markets is expected to outpace apartment unit completions. According to Reis, Inc., a market intelligence provider focusing on U.S. commercial real estate properties, transactions, markets, submarkets and performance, the ratio of projected net migrations to apartment unit completions in the Southwest (Arkansas, Louisiana, Oklahoma and Texas) and South Atlantic (Alabama, Florida, Georgia, Kentucky, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and Washington, D.C.) markets, which are the best representation of the Sunbelt region where the REIT's existing and target markets are located, is expected to outpace both the national and U.S. gateway city averages through 2022.

Population Growth Outpacing New Supply



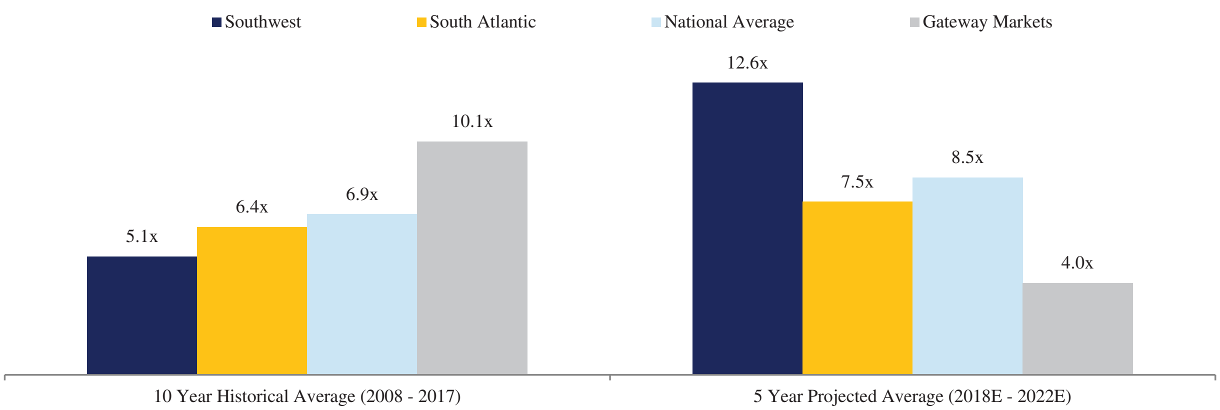
Source: Reis, Inc.

Note: Calculated as the ratio of net migration for every one apartment unit completed.

Job Growth Outpacing New Supply

The ratio of projected jobs to completions (calculated as the number of new jobs created for every one apartment unit completed) in the Southwest market is expected to outpace the national and U.S. gateway city averages, according to Reis, Inc.

Texas has been the key driver of job growth within the Southwest region with the Austin, Dallas and Houston metro markets having the highest levels of forecasted growth through 2022.



Source: Reis, Inc.

Note: Calculated as the ratio of jobs for every one apartment unit completed.

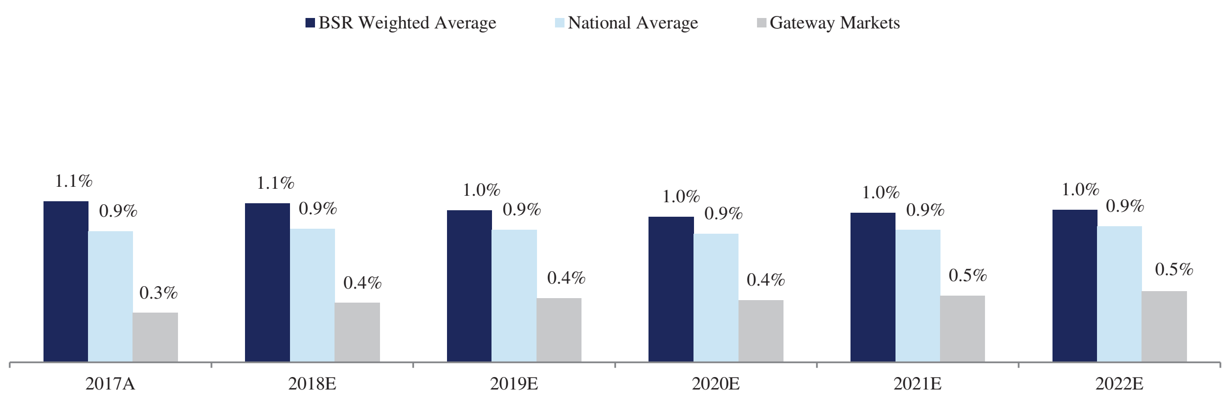
INITIAL PROPERTY MARKETS

The Initial Properties are located in 14 markets across five states in the Sunbelt region of the United States. According to Reis, Inc., fundamentals in the REIT's existing markets are projected to outpace the national and U.S. gateway city averages. The REIT believes economic and demographic fundamentals, including high population and employment growth and monthly rental rates as a percentage of annual income below the national average, will continue to drive growth in its existing markets.

Population and Employment Growth

A key driver in rental housing demand is population growth. According to Reis, Inc., the REIT's existing markets accounted for just 10% of the national population as of 2017, but are expected to represent 18% of the projected national population growth through 2022.

Population Growth

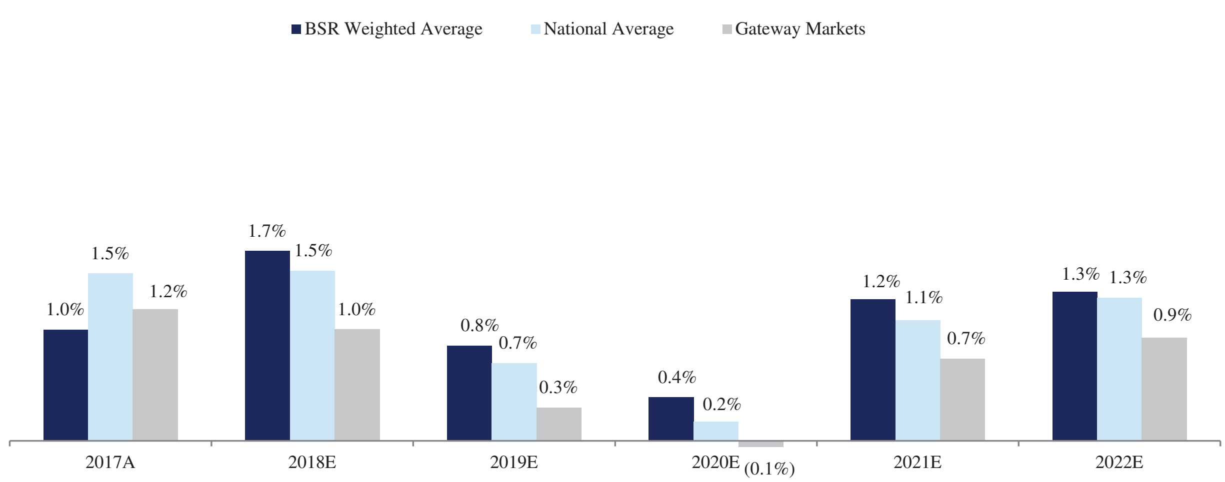


Source: Reis, Inc.

Note: BSR weighted average based on number of apartment units and excludes the following regions due to data unavailability: Hot Springs, AR, Blytheville, AR and Pascagoula, MS. These markets account for less than 5% of BSR's apartment units.

From 2018 through 2022, Reis, Inc. anticipates approximately 1.3 million new residents and over 560,000 new jobs in the REIT's existing markets. According to Reis, Inc., the REIT's existing markets are expected to represent 19% of the national employment growth through 2022.

Employment Growth



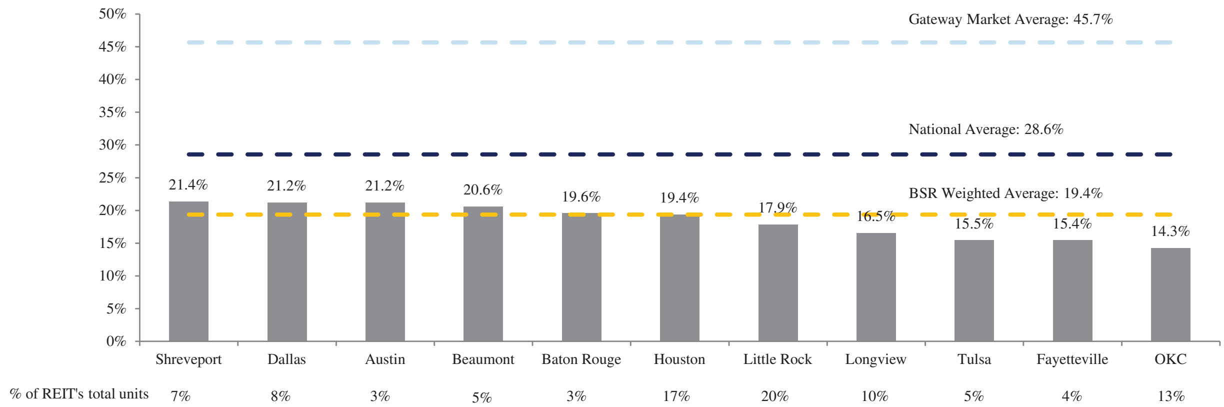
Source: Reis, Inc.

Note: BSR weighted average based on number of apartment units and excludes the following regions: Hot Springs, AR, Blytheville, AR and Pascagoula, MS. These markets account for less than 5% of BSR's apartment units.

Annual Rent as a Percentage of Annual Income

As fundamentals in the REIT's target markets continue to improve, management expects to increase occupancy rates at the Initial Properties while also increasing rental rates. The REIT's ability to drive rental rate increases is supported by the fact that renters in the REIT's markets currently spend a smaller percentage of their annual income on rent than renters do in other U.S. markets. According to Reis, Inc., renters in the REIT's existing markets spend, on average, 19% of their median household income on rent, compared to the national average of 29%. Management believes this provides the REIT with an opportunity to drive their existing markets' ratio towards the national average.

Annual Rent as a Percentage of Median Household Income



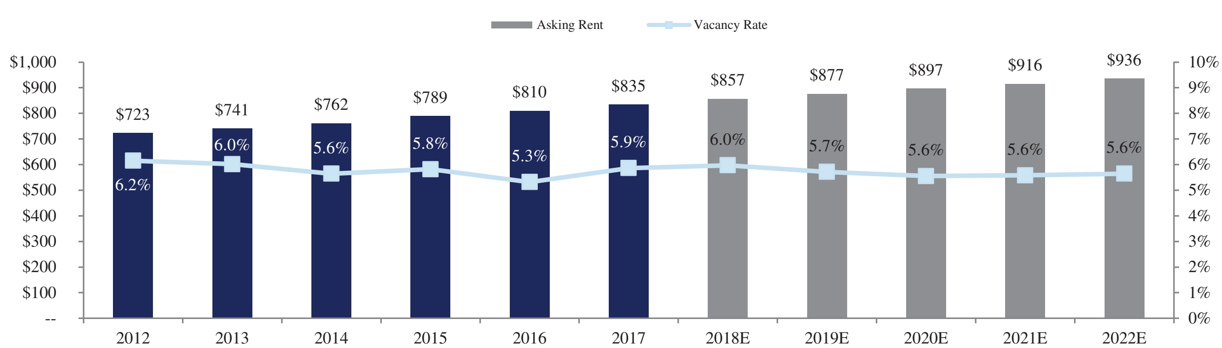
Source: Reis, Inc., S&P Global

Note: BSR weighted average based on population of respective cities and excludes the following regions: Hot Springs, AR, Blytheville, AR and Pascagoula, MS. These markets account for less than 5% of BSR's apartment units.

Stable Projected Rent and Occupancy Growth

Reis, Inc., projects continuous growth in rental rates in the REIT's existing markets. Monthly asking rents in the REIT's existing markets are expected to grow at an annual rate of 2.2% from 2018 through 2022, with vacancy rates expected to drop from 5.9% in 2017 to 5.6% by 2022.

Vacancy Rates in BSR's Existing Markets



Source: Reis, Inc.

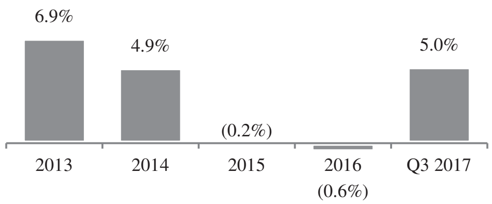
Note: Rent and vacancy rates reflect weighted averages in the markets of the Initial Properties, weighted by the number of apartment units, and excludes the following regions due to data unavailability: Hot Springs, AR, Blytheville, AR and Pascagoula, MS. These markets account for less than 5% of BSR's apartment units.

Multifamily Real Estate Market Trends

The information contained below is considered by the REIT to be reliable and has been sourced from the relevant U.S. government and industry data sources.

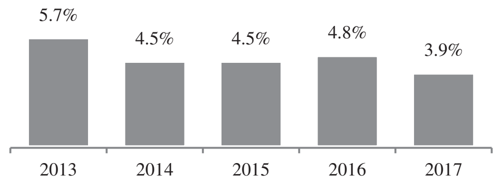
Texas Economic Overview

Real GDP Growth



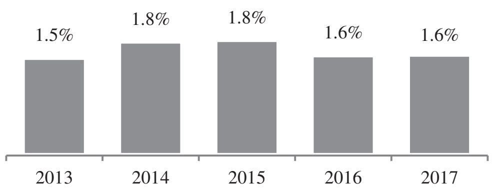
Source: U.S. Bureau of Economic Analysis (0.6%)

Unemployment Rate



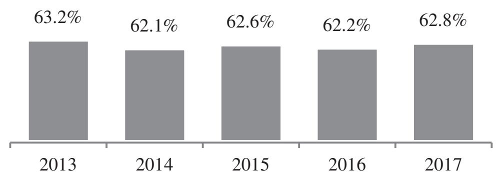
Source: U.S. Bureau of Labor Statistics

Population Growth



Source: U.S. Bureau of Economic Analysis

Home Ownership Rate



Source: U.S. Bureau of Economic Analysis

Region	2017 Population (State / MSA)	Total Assets	% of Forecasted Period NOI[(1)]
Texas	28,304,596	17	52.0%
Austin	2,144,760	1	3.9%
Beaumont	411,020	2	6.6%
Dallas	4,936,650	2	10.2%
Houston	6,967,670	7	21.1%
Longview	219,770	5	10.1%

Source: Reis, Inc., United States Census Bureau

Notes:

(1) Represents forward 12 month NOI as of March 31, 2018 and is considered forward-looking information. See "Financial Forecast" and "Forward-Looking Statements".

Texas Economic Overview

The Texas economy, led by financial services and real estate, according to the Bureau of Economic Analysis, is exhibiting strength across all industries. As the second largest state by gross domestic product ("**GDP**"), Texas has a robust economy that continues to drive population growth. Additionally, Texas is home to a diverse group of 50 Fortune 500 companies, representing the third largest concentration of the highest revenue generating businesses in the United States. From 2006 to 2016, the annual GDP compounded growth rate for the state of Texas was 4.0%, nearly 1.0% above the national average. Homeownership in Texas currently stands at 62.8%, versus its peak of 66.7% in 2008. At 3.9%, Texas's unemployment rate in December 2017 is in-line with the national average. The state's strong economic growth has also been accompanied by positive demographic shifts. Texas's population has grown by about 9.0% to 28.3 million over the past five years. Furthermore, the state's business-friendly environment has led many large corporations to locate their primary operations in Texas including American Airlines, AT&T, ConocoPhillips, Kimberly-Clark, and Valero Energy.

Houston Economic Overview

The Houston economy is proving to be resilient in the wake of Hurricane Harvey, rebounding from the storm through a broad rebuilding effort. Hurricane Harvey, which severely impacted the Houston region in the summer of

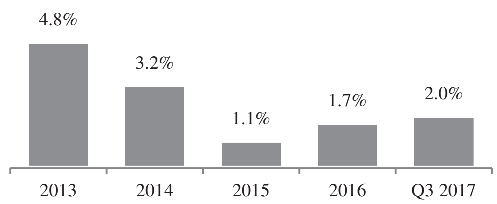
2017, is estimated to have caused from $75 billion to $105 billion in property and infrastructure damages, making it one of the costliest hurricanes in U.S. history. Employment initially dropped in the region due to the effect of the storm. However, according to the Dallas Federal Reserve, companies have begun outpaced hiring and absorbing dislocated workers, with job growth expected to return to a more stabilized level by early 2018. Additionally, Apartment Data Services estimates Hurricane Harvey damaged approximately 10,600 apartment units, representing 1.7% of the inventory. Combining the apartment units removed due to the hurricane impact with the spike in demand from thousands of displaced Houstonians seeking housing, multifamily vacancy is expected to contract by 200-300 basis points in the immediate future.

As the fifth largest MSA in the United States, Houston's strong and diversified economic growth has been accompanied by positive demographic shifts. From 2012 to 2017, Houston's population has grown by about 11% to approximately 7.0 million. Furthermore, the region's pro-business environment has led many large corporations to locate their primary operations in Houston, including Baker Hughes, ExxonMobil, Hewlett-Packard, Minute Maid and Waste Management. The REIT currently owns seven properties in Houston, which remained intact and operational through the storm.

The REIT also owns an additional ten properties in Texas across Austin, Beaumont, Dallas and Longview.

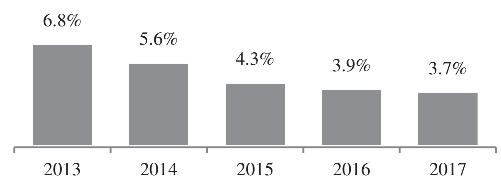
Arkansas Economic Overview

Real GDP Growth



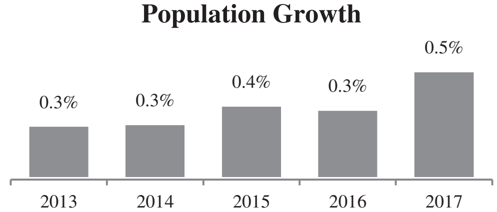
Source: U.S. Bureau of Economic Analysis

Unemployment Rate



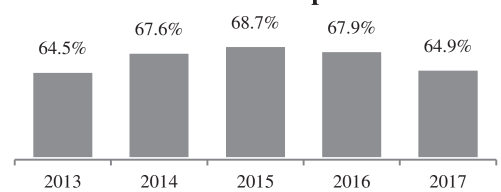
Source: U.S. Bureau of Labor Statistics

Population Growth



Source: U.S. Bureau of Economic Analysis

Home Ownership Rate



Source: U.S. Bureau of Economic Analysis

Region	2017 Population (State / MSA)	Total Assets	% of Forecasted Period NOI(1)
Arkansas	3,004,279	15	19.8%
Blytheville	42,925	2	0.3%
Fayetteville	541,300	1	4.5%
Hot Springs	97,359	1	0.7%
Little Rock	741,800	11	14.3%

Source: Reis, Inc., S&P Global, United States Census Bureau

Notes:

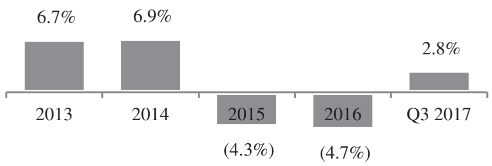
(1) Represents forward 12 month NOI as of March 31, 2018 and is considered forward-looking information. See "Financial Forecast" and "Forward-Looking Statements".

Arkansas is the 34th largest state by GDP. The state's economy grew at an annualized rate of 1.7% in 2016. Amidst stronger levels of economic activity, personal income levels have exhibited notable improvement, growing at a rate of 2.1% in 2016. The state's unemployment rate has also significantly decreased since 2013, and is currently at 3.7% as of December 2017. The state's homeownership rate peaked in 2007 at 71.5% and was 64.9% as of

December 31, 2017. Arkansas' economy is primarily driven by the business services, health services and trade industries, and is also home to many well-known companies including Walmart, J.B. Hunt, Murphy USA and Tyson Foods. Arkansas' population has grown at a relatively stable pace over the last decade, and currently stands at approximately three million. The REIT currently owns 15 properties in Arkansas located across four markets; Blytheville, Fayetteville, Little Rock and Hot Springs.

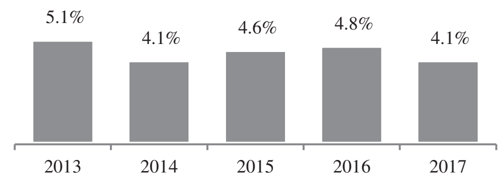
Oklahoma Economic Overview

Real GDP Growth



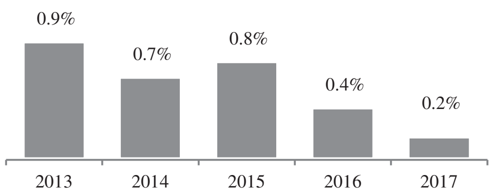
Source: U.S. Bureau of Economic Analysis

Unemployment Rate



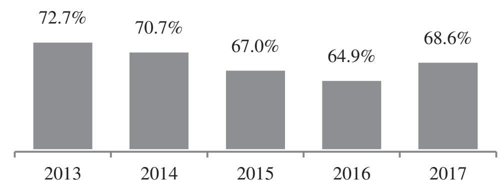
Source: U.S. Bureau of Labor Statistics

Population Growth



Source: U.S. Bureau of Economic Analysis

Home Ownership Rate



Source: U.S. Bureau of Economic Analysis

Region	2017 Population (State / MSA)	Total Assets	% of Forecasted Period NOI[(1)]
Oklahoma	3,930,864	9[(2)]	17.7%
Oklahoma City	1,393,520	5	12.8%
Tulsa	996,450	4	4.9%

Source: Reis, Inc., United States Census Bureau

Notes:

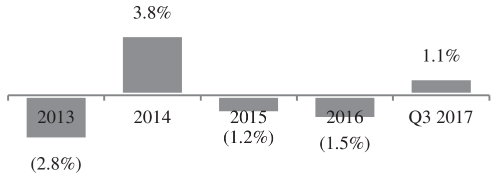
(1) Represents forward 12 month NOI as of March 31, 2018 and is considered forward-looking information. See "Financial Forecast" and "Forward-Looking Statements".

(2) Includes pending acquisition of Brandon Place of 200 apartment units in Oklahoma City expected to close in June 2018.

As the 29th largest state by GDP, Oklahoma boasts a well-diversified economy, with concentrations in trade, mining and financial services. Oklahoma's energy sector continues to gain momentum as rig count in the Anadarko Basin and other oil basins throughout the state have doubled since the trough in June of 2016, per Baker Hughes estimates. The strength across all sectors in Oklahoma has led to consistent quarter-over-quarter GDP growth in 2017. Additionally, homeownership in the state has declined from its most recent peak of 72.7% in 2013 to 68.6% as of December 31, 2017. Several large companies are located throughout Oklahoma, including BancFirst, Getty Oil, Love's Travel Stops and Country Stores and Paycom. Driven by stronger growth in the construction and mining industries, private sector employment has rebounded, with nonfarm payroll at all-time highs. The unemployment rate as of December 31, 2017 was 4.1%, well below 7.1%, the rate in early 2010. The REIT currently owns eight assets in Oklahoma across two markets; Oklahoma City and Tulsa.

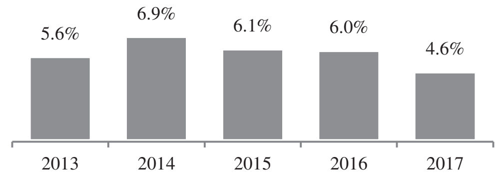
Louisiana Economic Overview

Real GDP Growth



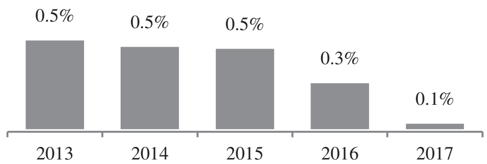
Source: U.S. Bureau of Economic Analysis

Unemployment Rate



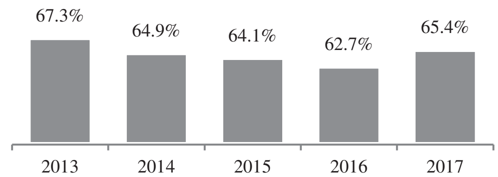
Source: U.S. Bureau of Labor Statistics

Population Growth



Source: U.S. Bureau of Economic Analysis

Home Ownership Rate



Source: U.S. Bureau of Economic Analysis

Region	2017 Population (State / MSA)	Total Assets	% of Forecasted Period NOI[(1)]
Louisiana	4,684,333	6	9.4%
Baton Rouge	839,380	2	3.7%
Shreveport	442,680	4	5.7%

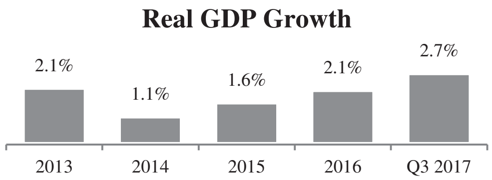
Source: Reis, Inc., United States Census Bureau

Notes:

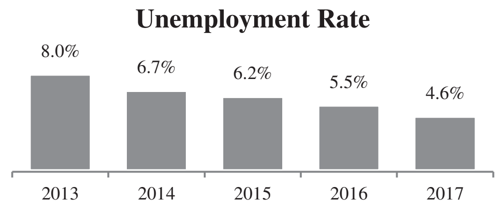
(1) Represents forward 12 month NOI as of March 31, 2018 and is considered forward-looking information. See “Financial Forecast” and “Forward-Looking Statements”.

Louisiana is the 24th largest state by GDP. Louisiana is home to the Port of South Louisiana, the largest port in the United States and the 16th largest in the world by total trade. The Port of South Louisiana is a 54-mile port district on the Mississippi River between New Orleans and Baton Rouge that handles over a quarter billion tons of cargo every year and is a key energy transfer port in the United States. Additionally, through pro-business tax structures and a focus on economic development, Louisiana has recently been ranked the lowest-cost state for businesses. The lower cost business environment in Louisiana has been supportive of increasing the employment rate throughout the state. From 2014 to December 2017, the unemployment rate has decreased from 6.9% to 4.6%. Along with a variety of energy companies, Louisiana is also home to CenturyLink and Freeport-McMoRan. The REIT currently owns six properties in Louisiana located across two markets; Baton Rouge and Shreveport.

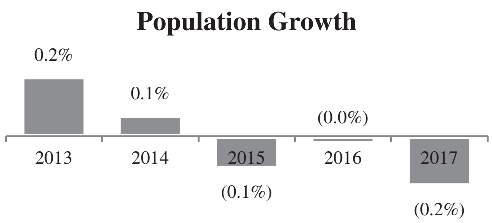
Mississippi Economic Overview



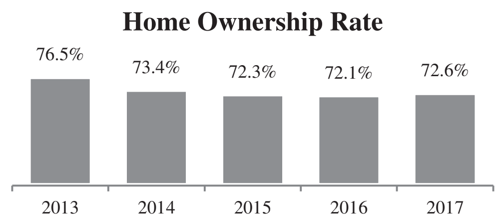
Source: U.S. Bureau of Economic Analysis



Source: U.S. Bureau of Labor Statistics



Source: U.S. Bureau of Economic Analysis



Source: U.S. Bureau of Economic Analysis

Region	2017 Population (State / MSA)	Total Assets	% of Forecasted Period NOI[(1)]
Mississippi	2,984,100	1	1.0%
Pascagoula	394,284	1	1.0%

Source: Reis, Inc., S&P Global, United States Census Bureau

Notes:

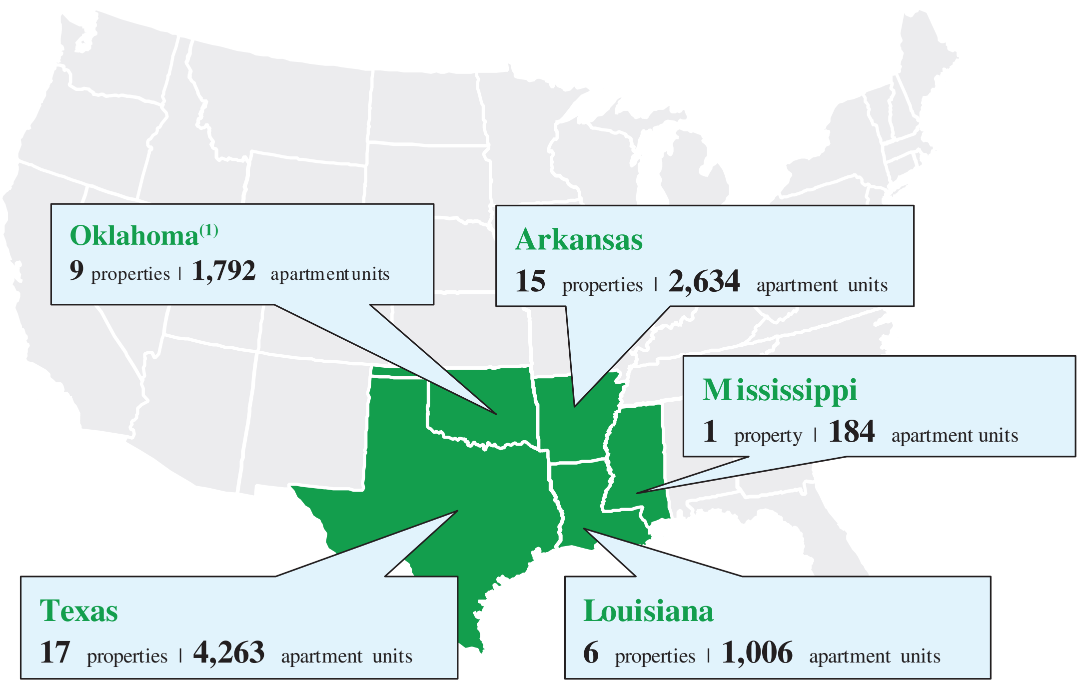
(1) Represents forward 12 month NOI as of March 31, 2018 and is considered forward-looking information. See "Financial Forecast" and "Forward-Looking Statements".

Mississippi is the 36th largest state by GDP. The state's unemployment rate has steadily declined, down from 8.0% in 2013 to 4.6% as of December 2017. Personal income remains favourable and growing at 2.1% in 2016. Mississippi's homeownership rate was 72.6% as of December 31, 2017, well below the peak of 77.5% in 2010. Large employers in Mississippi include Cal-Maine Foods, Chevron and Nissan. The REIT currently owns one asset in Pascagoula.

THE INITIAL PROPERTIES

The Initial Properties consist of 48 garden-style multifamily communities totalling 9,879 apartment units. The Initial Properties are located in 14 markets within five bordering states in the Sunbelt region of the United States.

The following map illustrates the REIT's geographic locations of the Initial Properties.

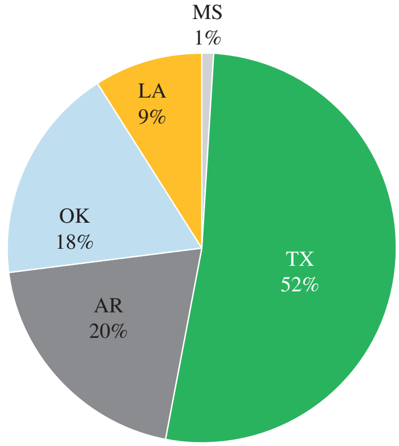


(1) Includes pending acquisition of Brandon Place of 200 units in Oklahoma City.

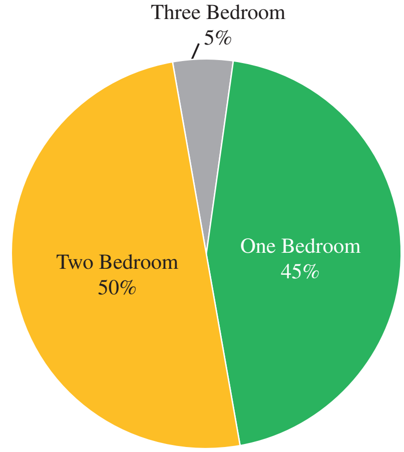
The REIT holds 17 assets in Texas, which represent approximately 43% of the apartment units within the Initial Properties and approximately 52% of the REIT's Forecasted Period NOI. The Texas assets are concentrated in the Southeastern region of the state, specifically Houston and Longview, with the remainder located in Austin, Beaumont and Dallas. The Houston area, with an estimated population of 7.0 million, is the fifth largest metropolitan area in the United States, behind Dallas. The REIT's remaining apartment units are located in Arkansas, Louisiana, Mississippi and Oklahoma, and generate approximately 48% of Forecasted Period NOI. Within these states, the Initial Properties are strategically located in population centres within secondary cities.

The Initial Properties consist of one bedroom (45%), two bedroom (50%) and three bedroom (5%) apartment units. Millennials are expected to drive rental income for one bedroom apartment units, given their preference to live alone. As this generation matures, the demand for two and three bedroom apartment units is expected to be supported by the preference for larger living spaces to accommodate families.

Composition of Initial Properties



Forecasted Period NOI(1)
(of the Initial Properties)



Apartment Unit Composition
(by percentage of apartment units in the Initial Properties)

Notes:

(1) Represents forward 12 month NOI as of March 31, 2018 and is considered forward-looking information. See "Financial Forecast" and "Forward-Looking Statements".

Capital Expenditures

In the second half of 2015, BSR initiated a comprehensive capital redevelopment program designed to both update properties to meet market expectations and realize growth from value-enhancing initiatives. This strategy included capital expenditures to maintain physical asset quality and improve and modernize property common areas and interior apartment units. From July 1, 2015 to December 31, 2017, BSR effectively reduced the age of its Initial Properties by investing approximately $51.4 million into the Initial Properties, with annual capital spends of $3.0 million, $19.5 million and $28.9 million in 2015, 2016 and 2017, respectively. The upgrades were completed on over 4,500 apartment units representing approximately 46% of the total portfolio. These expenditures included almost approximately $23 million in exterior upgrades such as roof replacements, balconies/decks and amenity improvements and approximately $28 million in apartment unit upgrades including new flooring, kitchen fixtures and appliance improvements.

Following the capital redevelopment program, on a Same Community basis, BSR has achieved higher occupancy, higher margins and higher rental rates resulting in a 16.1% increase in NOI when comparing three months ended December 31, 2015, which is the best representation for the financial performance of the Initial Properties prior to undergoing the capital redevelopment program given minimal impact on operations from the program, to three months ended December 31, 2017. On a Same Community basis, BSR invested $50.2 million across over 4,300 apartment units representing approximately 52% of the Same Community portfolio.

Same Community results remove the impact of acquisitions. See "Non-IFRS Measures". Set out below is a comparative financial performance and operating statistics of the Same Community for the three months ended December 31, 2017 and 2015:

	Three months ended December 31		
	2015	2017	Growth
NOI	$8,692,056	$10,092,004	16.1%
NOI Margin	48.4%	51.1%	278bps
Weighted Average Rental Rate	$ 722	$ 747	3.5%
Weighted Average Occupancy	86.8%	92.4%	556bps
Average # of Apartment Units Down	28	96	N/A

Since December 31, 2015, the REIT, on a monthly average, had 148 apartment units temporarily taken off the market to perform strategic capital investments. The REIT expects to realize upside once all apartment units are back online. As of December 31, 2017, the REIT had placed 75 apartment units off the market to undergo renovation.

List of Initial Properties

The following list details information about the Initial Properties as of December 31, 2017:

Property Name	MSA	State	Year Built / Year Renovated[1]	Number of Apartment Units	Average Monthly Rents[2]	Physical Occupancy[3]	Capex 2015-2017[4]
Heritage at Hillcrest	Austin	TX	1969/2009	286	$ 971	92.7%	$ 674,692
The Pointe	Beaumont	TX	2004	152	$1,060	100.0%	$ 260,962
West End Lodge	Beaumont	TX	2010	360	$ 978	95.8%	$ 118,377
Bridgeport	Dallas	TX	1984	312	$ 719	98.1%	$ 528,848
Windhaven Park	Dallas	TX	1990	474	$1,133	95.8%	$ 144,069
Baystone	Houston	TX	1968	289	$ 835	97.6%	$ 2,362,402
Falls At Borough Park	Houston	TX	2003	200	$1,007	98.0%	$ 268,795
Lakes at Westview I	Houston	TX	2005	128	$ 961	93.8%	$ 656,443
Lakes at Westview II	Houston	TX	2009	228	$ 947	97.4%	$ 33,955
Vanderbilt	Houston	TX	1983	416	$ 849	84.4%	$ 3,807,984
Windsor Estates I	Houston	TX	2001	208	$ 979	97.6%	$ 155,997
Windsor Estates II	Houston	TX	2003	192	$ 929	99.5%	$ 262,557
Summer Brook	Longview	TX	1997	208	$ 787	95.2%	$ 1,093,508
Summer Green I	Longview	TX	1984	144	$ 733	96.5%	$ 1,046,417
Summer Green II	Longview	TX	1984	280	$ 626	95.4%	$ 2,162,904
Summer Lake	Longview	TX	1983	252	$ 646	94.8%	$ 1,693,233
Willow Lake[5]	Longview	TX	1977	134	$ 712	95.5%	$ 631,842
Capri	Blytheville	AR	1965	186	$ 411	63.4%	$ 624,606
Colony Square[6]	Blytheville	AR	1975	10	$ 856	40.0%	$ 0
Mountain Ranch	Fayetteville	AR	2009	360	$ 823	93.3%	$ 247,747
Ridgewood	Hot Springs	AR	1986	88	$ 626	97.7%	$ 63,775
Bowman Heights	Little Rock	AR	1980	80	$ 584	86.3%	$ 459,412
Briarwood	Little Rock	AR	1972	280	$ 611	86.8%	$ 1,959,362
Indian Hills	Little Rock	AR	1974	169	$ 702	94.1%	$ 2,452,106
Markham Oaks	Little Rock	AR	1969/2017	52	$ 724	94.2%	$ 1,316,900
Overbrook I	Little Rock	AR	1975/2017	338	$ 720	85.2%	$ 6,623,864
Overbrook V	Little Rock	AR	1985/2017	102	$ 724	94.1%	$ 1,198,947
South Oaks	Little Rock	AR	1987	204	$ 579	93.1%	$ 1,391,688
Spring Valley	Little Rock	AR	1973	245	$ 513	83.7%	$ 999,345
Waterford	Little Rock	AR	1984	256	$ 691	90.6%	$ 2,810,387
Wimbledon Green	Little Rock	AR	2005	96	$ 786	93.8%	$ 228,979
Woodland Oaks	Little Rock	AR	2001	168	$ 668	93.5%	$ 1,220,888
Bluff Creek	Oklahoma City	OK	1984	316	$ 669	95.6%	$ 1,802,894
Brandon Place[7]	Oklahoma City	OK	2011	200	N/A	N/A	$ 0
Countryside Village	Oklahoma City	OK	1985	360	$ 669	93.1%	$ 2,079,361
Westwood Park	Oklahoma City	OK	1971	257	$ 740	91.4%	$ 2,743,306
Woodrun Village	Oklahoma City	OK	1985	192	$ 669	94.8%	$ 860,031
93 Twenty Apartments	Tulsa	OK	1985	152	$ 913	87.5%	$ 533,144
Charleston Crossing	Tulsa	OK	1984	124	$ 711	91.9%	$ 882,684
Inverness	Tulsa	OK	1987	91	$ 743	91.2%	$ 618,133
Ridge Park	Tulsa	OK	1982	100	$ 813	93.0%	$ 566,369
Dove Creek	Baton Rouge	LA	1978	166	$ 775	98.8%	$ 422,458
Longridge	Baton Rouge	LA	2000	144	$ 934	93.8%	$ 298,040
Fox Trail	Shreveport	LA	1971	144	$ 581	88.2%	$ 343,161
South Pointe	Shreveport	LA	1971	104	$ 606	90.4%	$ 240,954
Summer Pointe	Shreveport	LA	1985	200	$ 656	98.0%	$ 1,497,345
Westwood Village	Shreveport	LA	1980	248	$ 678	94.4%	$ 981,862
Regency Woods	Pascagoula	MS	1974	184	$ 627	92.4%	$ 8,752
			1986/1990[8]	9,879	$ 777[8]	92.7%[8]	$51,379,485

Notes:

(1) A community is considered renovated when substantial redevelopment has occurred. Redevelopment is considered substantial when, over a specified period of time, at least half of the community's apartment units have undergone a specific plan for interior upgrades such as new flooring, fixtures and appliances. These plans include spending a minimum of $10,000 per apartment unit.
(2) Average monthly rental rate as at December 2017.
(3) Physical Occupancy (as defined in the Glossary of Terms) as at December 31, 2017.
(4) Includes value-add capital expenditures only (excludes maintenance capital expenditures) spent through December 31, 2017.
(5) Tenant in common interest.
(6) Colony Square is a single story commercial retail property with ten units located within the Capri Apartment community.
(7) Brandon Place is not currently owned by the REIT. It is the subject of a binding purchase and sale agreement and is expected to be acquired by the REIT from a third party vendor in June 2018.
(8) Weighted based on total apartment units.

DESCRIPTION OF THE INITIAL PROPERTIES

Texas

Austin, Texas

"Heritage at Hillcrest"
(1200 Broadmoor Drive, Austin, TX 78723)

Heritage at Hillcrest is a collection of four two-story residential buildings. Located in Austin, Texas, Heritage at Hillcrest is near many highway systems including Interstate 35, U.S. 290 and the Super 8. Additionally, Heritage at Hillcrest is directly across from University of Texas and Texas Health and Science University Clinic. Austin is also home to many large corporations including ABM Industries, Dell and Whole Foods Market. Built in 1969 and fully renovated in 2009, Heritage at Hillcrest contains 286 apartment units, averaging 892 square feet, on 9.61 acres with a net rentable area of 255,140 square feet and 456 parking spaces. The full renovation of Heritage at Hillcrest, including capital expenditures performed by the previous owner in 2009, consisted of $1,493,638 in amenity upgrades and $5,609,955 in interior upgrades or $19,615 per apartment unit. Heritage at Hillcrest features 64 one and 222 two bedroom apartment units. Heritage at Hillcrest also includes three swimming pools and a fitness centre.

Beaumont, TX

"The Pointe"
(4165 Old Dowlen Road, Beaumont, TX 77706)

The Pointe is a collection of 12 two-story residential buildings. The Pointe apartments are located, five minutes from Parkdale Mall and Highway 96, Interstate 10 and the Texas 105, in Beaumont, Texas. Beaumont is the county seat of Jefferson County, Texas and is the 24th most populous city in the state. Built in 2004, The Pointe contains 152 apartment units, averaging 1,039 square feet, on 14.35 acres with a net rentable area of 157,884 square feet and 161 parking spaces. The Pointe features 50 one and 102 two bedroom apartment units. The Pointe also includes a swimming pool and fitness centre.

"West End Lodge"
(4215 North Major Drive, Beaumont, TX 77713)

West End Lodge is a collection of 20 three-story residential buildings. Located in Beaumont, Texas, West End Lodge is five minutes from State Highway 105 and is close to Parkdale Mall and Highway 96. West End Lodge was recognized as one of ApartmentRatings.com Top Award recipients in 2014. Built in 2010, West End Lodge contains 360 apartment units, averaging 850 square feet, on 21.68 acres with a net rentable area of 306,156 square feet and 382 parking spaces including carports and garage spaces. West End Lodge features 180 one and 180 two bedroom apartment units. West End Lodge also includes a swimming pool, fitness centre, community clubhouse and volleyball court.

Dallas, Texas

"Bridgeport Apartments"
(5440 Jim Miller Road, Dallas, TX 75227)

Bridgeport Apartments is a collection of 15 two and three-story residential buildings. Located minutes from Interstate 30 in Dallas, Texas, Bridgeport Apartments conveniently sits on North Jim Miller Road, close to a number of major highways. The Dallas-Fort Worth MSA is the fourth largest in the United States by population. Built in 1984, Bridgeport contains 312 apartment units, averaging 741 square feet, on 10.07 acres with a net rentable area of 231,086 square feet and 499 parking spaces. Bridgeport Apartments feature 216 one and 96 two bedroom apartment units. Bridgeport Apartments also includes a swimming pool.

"Windhaven Park"
(6201 Windhaven Parkway, Plano, TX 75093)

Windhaven Park is a collection of 34 two-story residential buildings. Located 30 minutes north of Dallas, Plano is home to many corporate headquarters and regional offices including Capital One Financial Services, CA Technologies and Frito-Lay. Built in 1990 and newly renovated, Windhaven Park contains 474 apartment units, averaging 886 square feet, on 22.05 acres with a net rentable area of 419,856 square feet and 502 parking spaces including covered parking. Windhaven Park features 176 one, 266 two and 32 three bedroom apartment units. Windhaven Park also includes a swimming pool, fitness centre and a community clubhouse.

Houston, Texas

"Baystone"
(800 West Nasa Parkway, Webster, TX 77598)

Baystone is a collection of 17 two-story garden-style residential buildings. Located in Webster, Texas, Baystone is close to the NASA Bypass and Interstate 45. Webster is home to the National Aeronautics and Space Administration (NASA) and University of Houston at Clear Lake. Additionally, Baystone is directly across from Houston Physicians Hospital and 30 minutes from downtown Houston. Built in 1968, Baystone contains 289 apartment units, averaging 967 square feet, on 11.66 acres with a net rentable area of 279,350 square feet and 462 parking spaces. Baystone features 50 one, 187 two and 52 three bedroom apartment units. Baystone also includes a swimming pool, a fitness centre and a community clubhouse.

"The Falls at Borough Park"
(25455 Borough Park Drive, Spring, TX 77380)

The Falls at Borough Park is a collection of 10 three-story garden-style residential buildings. Centrally located minutes from North Interstate 45, Hardy Toll Road and The Grand Parkway, The Falls at Borough Park is 30 minutes from downtown Houston. Built in 2003, The Falls at Borough Park contains 200 apartment units, averaging 868 square feet, on 8.78 acres with a net rentable area of 173,560 square feet and 311 parking spaces including covered and garage spaces. The Falls at Borough Park features 92 one, 84 two and 24 three bedroom apartment units. The Falls at Borough Park also a swimming pool, a fitness centre and a community clubhouse.

"The Lakes at the Westview I & II"
(1900 Westview Boulevard, Conroe, TX 77304)

The Lakes at the Westview I & II are a collection of 18 three-story garden-style residential buildings. The Lakes at the Westview are located in the heart of Conroe, Texas, near Interstate 45 and 30 minutes from downtown Houston. Built in 2005 and 2009, respectively, The Lakes at the Westview I & II collectively contain 356 apartment units, averaging 875 and 870 square feet, respectively, on a collective 20.34 acres with a net rentable area of 310,344 square feet and 662 parking spaces including covered and garage spaces. The Lakes at the Westview I & II feature 170 one, 155 two, and 31 three bedroom apartment units. The Lakes at the Westview I & II also include a swimming pool, fitness centres and a community clubhouse.

"The Vanderbilt"
(13110 Kuykendahl Road, Houston, TX 77090)

The Vanderbilt is a collection of 46 two-story residential buildings. The Vanderbilt is located 15 minutes from downtown Houston. Built in 1983, The Vanderbilt contains 416 apartment units, averaging 1,020 square feet, on 18.69 acres with a net rentable area of 424,386 square feet and 673 parking spaces. The Vanderbilt features 144 one, 260 two and 12 three bedroom apartment units. Vanderbilt also includes a swimming pool and fitness centre.

"Windsor Estates Apartments I & II"
(2801 FM 2004 Road, Texas City, TX 77591)

Windsor Estates Apartments I & II are a collection of 21 two-story residential buildings. Centrally located in the Houston MSA, Windsor Estate Apartments I & II are 30 minutes from downtown Houston and 15 minutes from Galveston, Texas. Built in 2001 and 2003, respectively, Windsor Estates Apartments I & II collectively contain 400 apartment units, averaging 994 and 955 square feet, respectively, on a collective 27.67 acres with a net rentable area of 390,088 square feet and 333 parking spaces. Windsor Estates Apartments I & II feature 172 one, 180 two and 48 three bedroom apartment units. Windsor Estates Apartments I & II also include a fitness centre, two swimming pools and a community clubhouse.

Longview, Texas

"Summer Brook Apartments"
(2300 Bill Owens Parkway, Longview, TX 75604)

Summer Brook Apartments is a collection of 12 two and three-story garden-style residential buildings. Summer Brook Apartments are in Longview, Texas near major highways such as Highway 80, Highway 259 and East Loop 281. Longview is the county seat of Gregg County, Texas. Built in 1997, Summer Brook Apartments contains 208 apartment units, averaging 855 square feet, on 12.25 acres with a net rentable area of 177,888 square feet and 253 parking spaces including covered and garage spaces. Summer Brook Apartments features 96 one, 96 two and 16 three bedroom apartment units. Summer Brook Apartments also includes a swimming pool and fitness centre.

"Summer Green I & II"
(110 East Hawkins Parkway, Longview, TX 75605 and 2810 Judson Road, Longview, TX 75605)

Summer Green I & II are a collection of 42 two-story garden-style residential buildings. Built in 1984 and 1984, respectively, Summer Green I & II collectively contain 424 apartment units, averaging 905 and 700 square feet, respectively, on a collective 19.12 acres with a net rentable area of 326,220 square feet and 755 parking spaces including carports. Summer Green features 164 one and 260 two bedroom apartment units. Summer Green also includes a swimming pool and community clubhouse.

"Summer Lake"
(3100 McCann Road, Longview, TX 75605)

Summer Lake is a collection of 33 two-story garden-style residential buildings. Close to major highways such as Highway 80, Highway 259 and East Loop 281, Summer Lake is centrally located in Longview, Texas. The University of Texas at Tyler, Longview High School and Hudson PEP Elementary are also near Summer Lake. Built in 1983, Summer Lake contains 252 apartment units, averaging 715 square feet, on 12.60 acres with a net rentable area of 180,060 square feet and 488 parking spaces including carports. Summer Lake features 188 one and 64 two bedroom apartment units. Summer Lake also includes a swimming pool, a fitness centre and a tennis court.

"Willow Lake"
(1818 Judson Road, Longview, TX 75605)

Willow Lake is a collection of 13 two-story garden-style residential buildings. Located directly off Lake Johnston in Longview, Texas, Willow Lake is close to Highways 259 and 80 and minutes from Longview Mall. Built in 1977, Willow Lake contains 134 apartment units, averaging 852 square feet, on 6.65 acres with a net rentable area of 114,162 and 280 parking spaces including covered spaces. Willow Lake features 80 one, 46 two and eight three bedroom apartment units. Willow Lake also includes a swimming pool, a community clubhouse and a tennis court.

Arkansas

Blytheville, Arkansas

"Capri"
(205 West Moultrie, Blytheville, AR 72315)

Capri is a collection of 19 two-story garden-style residential buildings. Capri is located in the town of Blytheville, which is approximately one hour outside of Memphis, Tennessee. In the midtown area of Blytheville, Capri is conveniently located near shopping, restaurants and entertainment. Blytheville is home to Nucor-Yamato Steel Co. and Big River Steel Mill. Arkansas Northeastern College, Mississippi County Hospital System, Great River Medical Center, and the Osceola Steel Mills are all nearby Capri. Built in 1965, Carpi contains 186 apartment units, averaging 696 square feet, on 9.35 acres with a net rentable area of 129,448 square feet and 220 parking spaces. Capri features 81 one and 105 two bedroom apartment units. Capri also includes a swimming pool.

"Colony Square"
(205 West Moultrie, Blytheville, AR 72315)

Colony Square is a two-story commercial building. Colony Square is located in the middle of Capri's campus, providing tenants and nearby residents convenient access to local retailers. In the midtown area of Blytheville, Colony Square is located at the intersection of W Moultrie Drive and N 2nd Street. Blytheville is home to Nucor-Yamato Steel Co. and Big River Steel Mill. Arkansas Northeastern College, Mississippi County Hospital System, Great River Medical Center, and the Osceola Steel Mills are all nearby Colony Square. Built in 1975, Colony Square contains ten commercial spaces on 1.50 acres with a gross leasable area of 15,024 square feet and 65 parking spaces.

Fayetteville, Arkansas

"Mountain Ranch"
(549 North Coral Canyon, Fayetteville, AR 72704)

Mountain Ranch is a collection of five four-story garden-style residential buildings. Mountain Ranch is located off Interstate 49 in the heart of Fayetteville, Arkansas. Mountain Ranch is ten minutes from The University of Arkansas campus, the large state university with over 27,000 students enrolled. Built in 2009, Mountain Ranch contains 360 apartment units, averaging 981 square feet, on 15.37 acres with a net rentable area of 353,184 square feet and 576 parking spaces. Mountain Ranch features 120 one, 232 two, and eight three bedroom apartment units. Mountain Ranch also includes a swimming pool, fitness centre and a community clubhouse.

Hot Springs, Arkansas

"Ridgewood"
(2190 Higdon Ferry Road, Hot Springs National Park, AR 71913)

Ridgewood is a collection of four three-story garden-style residential buildings. Ridgewood apartments are located on Higdon Ferry Road, a central location in Hot Springs, Arkansas. Ridgewood is in close proximity to Hot Springs Mall, National Park Community College, Hot Springs Beauty College and St. Vincent Hospital. Built in 1986, Ridgewood contains 88 apartment units, averaging 700 square feet, on 4.27 acres with a net rentable area of 61,600 square feet and 133 parking spaces. Ridgewood features 44 one and 44 two bedroom apartment units. Ridgewood also includes a swimming pool and a basketball court.

Little Rock, Arkansas

"Bowman Heights"
(420 Markham Mesa Place, Little Rock, AR 72211)

Bowman Heights is a collection of seven one and two-story garden-style residential buildings. Located on Markham Mesa Place, Bowman Heights is near The University of Arkansas at Little Rock, University of Arkansas for Medical Sciences and Pulaski Technical College. Built in 1980, Bowman Heights contains 80 apartment units, averaging 721 square feet, on 3.47 acres with a net rentable area of 57,648 square feet and 116 parking spaces. Bowman Heights features 56 one and 24 two bedroom apartment units. Bowman Heights also includes a swimming pool.

"Briarwood"
(801 South Rodney Parham Road, Little Rock, AR 72205)

Briarwood is a collection of 23 two-story residential buildings. Located in the midtown area of Little Rock, Briarwood is near Interstate 630, Interstate 430 and Cantrell Road. Built in 1972, Briarwood contains 280 apartment units, averaging 899 square feet, on 11.47 acres with a net rentable area of 251,680 square feet and 479 parking spaces. Briarwood features 128 one and 152 two bedroom apartment units. Briarwood also includes a swimming pool, a fitness centre, a community clubhouse and a basketball court.

"Indian Hills"
(2011 Aztec Drive, North Little Rock, AR 72216)

Indian Hills is a collection of 24 two-story garden-style residential buildings. Indian Hills is located in the Overbrook/North Hills area and is 20 minutes from downtown Little Rock, Arkansas. Built in 1974, Indian Hills contains 169 apartment units, averaging 873 square feet, on 11.52 acres with a net rentable area of 147,493 square feet and 282 parking spaces. Indian Hills features 65 one, 80 two and 24 three bedroom apartment units. Indian Hills also includes a swimming pool, a fitness centre and a community clubhouse.

"Markham Oaks"
(8118 West Markham, Little Rock, AR 72205)

Markham Oaks is a collection of four two-story garden-style residential buildings. Markham Oaks is centrally located off West Markham Road in the heart of Little Rock, Arkansas. Markham Oaks is surrounded by major highways such as Interstate 430, Interstate 630 and Interstate 30. Built in 1969, Markham Oaks contains 52 apartment units, averaging 870 square feet, on 3.39 acres with a net rentable area of 45,220 square feet and 94 parking spaces. The full renovation of Markham Oaks consisted of $496,326 in amenity upgrades and $820,574 in interior upgrades or $25,325 per apartment unit. Markham Oaks features eight one and 44 two bedroom apartment units. Markham Oaks also includes a swimming pool.

"Overbrook I & V"
(5901 JFK Boulevard, North Little Rock, AR 72116)

Overbrook I & V are a collection of 49 two and three-storey garden-style residential buildings. Overbrook I & V are each located off JFK Boulevard, a main thoroughfare in Little Rock, Arkansas. Across the Arkansas River from Little Rock proper, North Little Rock is conveniently located near major highways such as Interstate 40. Built in 1975 and 1985, respectively, Overbrook I & V collectively contain 440 apartment units, averaging 912 and 828 square feet, respectively, on a collective 33.55 acres with a net rentable area of 392,720 and 808 parking spaces. The full renovation of Overbrook I in 2017 consisted of $2,406,285 in amenity upgrades and $4,217,579 in interior upgrades or $15,780 per apartment unit. The full renovation of Overbrook V in 2017 consisted of $136,321 in amenity upgrades and $1,062,627 in interior upgrades or $10,418 per apartment unit. Overbrook features 174 one, 232 two and 34 three bedroom apartment units. Overbrook I & V also include a swimming pool, a fitness centre and a community clubhouse.

"South Oaks"
(3401 Fair Park Boulevard, Little Rock, AR 72201)

South Oaks is a collection of nine three-story garden-style residential buildings. Located in the Fair Park submarket, South Oaks is situated directly off the University of Arkansas at Little Rock campus and within minutes of Highway 5 and the S. University Avenue intersection. Built in 1987, South Oaks contains 204 apartment units, averaging 696 square feet, on 5.46 acres with a net rentable area of 141,960 square feet and 275 parking spaces. South Oaks features 144 one and 60 two bedroom apartment units. South Oaks also includes a swimming pool, a fitness centre and a community clubhouse.

"Spring Valley"
(8701 Interstate 30, Little Rock, AR 72209)

Spring Valley is a collection of 30 two-story garden-style residential buildings. Located directly on Interstate 30, Spring Valley is ten minutes from downtown Little Rock, Arkansas. Built in 1973, Spring Valley contains 245 apartment units, averaging 800 square feet, on 9.87 acres with a net rentable area of 195,941 square feet and 361 parking spaces. Spring Valley features 118 one, 126 two and one three bedroom apartment units. Spring Valley also includes a swimming pool and community clubhouse.

"The Waterford"
(701 Green Mountain Drive, Little Rock, AR 72211)

The Waterford is a collection of 20 two-story garden-style residential buildings. Located south of the Pleasant Valley neighborhood in West Little Rock, The Waterford is close to Interstate 430, Interstate 630, Cantrell and Markham Roads. Built in 1984, The Waterford contains 256 apartment units, averaging 719 square feet, on 13.15 acres with a net rentable area of 184,000 square feet and 394 parking spaces. The Waterford features 128 one and 128 two bedroom apartment units. The Waterford also includes a swimming pool, a fitness centre and community clubhouse.

"Wimbledon Green"
(1 Wimbledon Green Circle, Little Rock, AR 72210)

Wimbledon Green is a collection of eight two-story garden-style residential buildings. Located in the Otter Creek neighborhood, Wimbledon Green is close to Interstate 430, Interstate 30 and Stagecoach Road. Built in 2005, Wimbledon Green contains 96 apartment units, averaging 915 square feet, on 6.49 acres with a net rentable area of 87,872 square feet and 160 parking spaces. Wimbledon Green features 32 one and 64 two bedroom apartment units. Wimbledon Green also includes a swimming pool, a fitness centre and a clubhouse.

"Woodland Oaks"
(1620 Middle Road, Conway, AR 72032)

Woodland Oaks is a collection of 23 two-story residential buildings. Located on Middle Road, Woodland Oaks is close to Interstate 40, Highway 64 and the Arkansas 286. Built in 2001, Woodland Oaks contains 168 apartment units, averaging 1,043 square feet, on 20.20 acres with a net rentable area of 175,200 square feet and 260 parking spaces. Woodland Oaks features 88 two and 80 three bedroom apartment units. Woodland Oaks also includes a swimming pool, a fitness centre and a community clubhouse.

Oklahoma

Oklahoma City, Oklahoma

"Bluff Creek"
(5757 West Hefner Road, Oklahoma City, OK 73162)

Bluff Creek is a collection of 13 two-story garden-style residential buildings. Bluff Creek is located at the intersection of W Hefner Road and N MacArthur Boulevard in north Oklahoma. Lake Hefner lies to the south of Bluff Creek, providing outdoor entertainment with fishing, boating and an East Wharf restaurant area. Additionally, Bluff Creek is close to the John Kilpatrick Turnpike, the Northwest Expressway and Interstate 40, with downtown Oklahoma City 20 minutes away. Built in 1984, Bluff Creek contains 316 apartment units, averaging 760 square feet, on 9.55 acres with a net rentable area of 240,204 square feet and 500 parking spaces. Bluff Creek features 216 one and 100 two bedroom apartment units. Bluff Creek also includes a swimming pool, a fitness centre and a volleyball court.

"Brandon Place"
(5757 West Hefner Road, Oklahoma City, OK 73162)

Brandon Place is a collection of 17 two-story garden-style residential buildings. The acquisition of Brandon Place is expected to close in June 2018. Brandon Place is located directly off the of John Kilpatrick Turnpike in north Oklahoma. Gaillardia Country Club and Martin Park Nature Center are located just East of Brandon Place providing plenty of outdoor entertainment while abundant shopping can be found just South on the Northwest Expressway. Additionally, Brandon Place features convenient access to the John Kilpatrick Turnpike, the Northwest Expressway and Interstate 40, with downtown Oklahoma City 20 minutes away. Built in 2011, Brandon Place contains 200 apartment units, averaging 1,031 square feet, on 12.72 acres with a net rentable area of 206,143 square feet and 251 parking spaces. Brandon Place features 91 one, 88 two, and 21 three bedroom apartment units. Brandon Place also includes a swimming pool, a fitness centre and a community clubhouse.

"Countryside Village"
(9516 South Shields Boulevard, Moore, OK 73160)

Countryside Village is a collection of 39 two-story residential buildings. Located on South Shields Boulevard, Countryside Village is centrally located in Moore, Oklahoma close to major highways such as Interstate 35, Interstate 240 and Interstate 44. Moore is home to Oklahoma State University's School of Nursing and Seton Medical Center, both across the street from Countryside Village. Downtown Oklahoma City is located 15 minutes away via Interstate 35. Built in 1985, Countryside Village contains 360 apartment units, averaging 842 square feet, on 15.49 acres with a net rentable area of 303,042 square feet and 635 parking spaces. Countryside Village features 162 one and 198 two bedroom apartment units. Countryside Village also includes a swimming pool, a fitness centre and a community clubhouse.

"Westwood Park"
(1836 West Robinson Avenue, Norman, OK 73069)

Westwood Park is a collection of 30 two-story garden-style residential buildings. Westwood Park is located in Norman, one hour south of Oklahoma City, and is home to The University of Oklahoma. Nearby Oklahoma City are headquarters for many major employers and large corporations including Chesapeake Energy and Integris Health. Built in 1971, Westwood Park contains 257 apartment units, averaging 903 square feet, on 11.91 acres with a net rentable area of 232,038 square feet and 430 parking spaces. Westwood Park features 128 one, 105 two and 24 three bedroom apartment units. Westwood Park also includes a swimming pool, a fitness centre and a community clubhouse.

"Woodrun Village"
(11501 Lochwood Drive, Yukon, OK 73099)

Woodrun Village is a collection of 13 two-story garden-style residential buildings. Woodrun Village is located in Yukon, 20 minutes west of Oklahoma City, and is home to The Czech Hall. Nearby Oklahoma City are headquarters for many major employers and large corporations including Chesapeake Energy and Integris Health. Built in 1985, Woodrun Village contains 192 apartment units, averaging 625 square feet, on 8.41 acres with a net rentable area of 120,000 square feet and 381 parking spaces. Woodrun Village features 144 one and 48 two bedroom apartment units. Woodrun Village also includes a swimming pool, a fitness centre, a community clubhouse and a volleyball court.

Tulsa, Oklahoma

"93 Twenty"
(9320 South College Avenue, Tulsa, OK 74137)

93 Twenty is a collection of 22 two-story garden-style apartments. Located directly off State Highway 364, 93 Twenty is 20 minutes from downtown Tulsa. Tulsa, the second largest city in Oklahoma, is home to a variety of universities and many notable employers including BOK Financial and Williams Companies. Built in 1985, 93 Twenty contains 152 apartment units, averaging 994 square feet, on 8.69 acres with a net rentable area of 151,067 square feet and 96 parking spaces. 93 Twenty features 38 one and 114 two bedroom apartment units. 93 Twenty also includes free Wi-Fi, a swimming pool, a fitness centre and a community clubhouse.

"Charleston Crossing"
(4548 South Elm Place, Broken Arrow, OK 74011)

Charleston Crossing is a collection of 17 two-story residential buildings. Located in Broken Arrow, Oklahoma, the fourth largest city in the state, Charleston Crossing is centrally located with convenient access to Highway 51. Built in 1984, Charleston Crossing contains 124 apartment units, averaging 776 square feet, on 6.88 acres with a net rentable area of 96,200 square feet and 264 parking spaces. Charleston Crossing features 61 one and 63 two bedroom apartment units. Charleston Crossing also includes a swimming pool and a community clubhouse.

"Inverness"
(5150 South Elm Place, Broken Arrow, OK 74011)

Inverness is a collection of 10 two-story garden-style residential buildings. Located in Broken Arrow, Oklahoma, these apartments are directly off State Highway 51. Broken Arrow is close to Rhema Bible College, Northeastern State University and Warren Theatre. Built in 1987, Inverness contains 91 apartment units averaging 857 square feet, on 4.93 acres with a net rentable area of 78,000 square feet and 188 parking spaces. Inverness features 42 one and 49 two bedroom apartment units. Inverness also includes a swimming pool, a fitness centre and community clubhouse.

"Ridge Park"
(7601 South Yale Place, Tulsa, OK 74136)

Ridge Park is a collection of 12 two-story garden-style apartment buildings. Located near E 71st St., Ridge Park is close to Woodland Hills Mall and Oral Roberts University. Built in 1982, Ridge Park contains 100 apartment units, averaging 950 square feet, on 8.37 acres with a net rentable area of 94,988 square feet and 158 parking spaces. Ridge Park features 52 one and 48 two bedroom apartment units. Ridge Park also includes a swimming pool, a fitness centre and a community clubhouse.

Louisiana

Baton Rouge, Louisiana

"Dove Creek"
(10920 Airline Highway, Baton Rouge, LA 70816)

Dove Creek is a collection of 30 two-story garden-style residential buildings. Dove Creek is located 20 minutes from downtown Baton Rouge, The University of Louisiana and Tiger Stadium. Baton Rouge is home to many of Louisiana's largest employers including ExxonMobil and Blue Cross Blue Shield of Louisiana. Additionally, Dove Creek is 90 minutes from New Orleans, the largest city in the state of Louisiana. Built in 1978, Dove Creek contains 166 apartment units, averaging 996 square feet, on 12.79 acres with a net rentable area of 165,372 square feet and 323 parking spaces. Dove Creek features 60 one and 106 two bedroom apartment units. Dove Creek also includes a swimming pool.

"Longridge"
(11999 Longridge Avenue, Baton Rouge, LA 70816)

Longridge is a collection of 12 two-story garden-style apartment buildings. Located on Longridge Avenue, Longridge is 20 minutes from downtown Baton Rouge and 90 minutes from New Orleans, Louisiana. Built in 2000, Longridge contains 144 apartment units, averaging 974 square feet, on 7.98 acres with a net rentable area of 140,256 square feet and 299 parking spaces. Longridge features 80 one, 48 two and 16 three bedroom apartment units. Longridge also includes a swimming pool, a fitness centre and a community clubhouse.

Shreveport, Louisiana

"Fox Trail"
(7000 Red Fox Trail, Shreveport, LA 71129)

Fox Trail is a collection of 16 two-story residential buildings. Fox Trail is directly off 70th Street on Red Fox Trail, and close to Interstate 20, the Inner Loop Expressway and Interstate 49, providing access to downtown Shreveport. Willis Knighton North Medical Center, Bill Cockrell Community Center, Shreveport Memorial Library and Shreveport Regional Airport are located near Fox Trail. Built in 1971, Fox Trail contains 144 apartment units, averaging 809 square feet, on 6.95 acres with a net rentable area of 116,544 square feet and 309 parking spaces. Fox Trail features 80 one and 64 two bedroom apartment units. Fox Trail also includes a swimming pool.

"South Pointe"
(2601 Silver Pine Boulevard, Shreveport, LA 71108)

South Pointe is a collection of 14 two-story garden-style residential buildings. South Pointe is located five minutes off Mansfield Road, the main thoroughfare in southern Shreveport. Additionally, South Pointe is directly off Highway

3132 near Highway 49, providing access to downtown Shreveport in 20 minutes. Willis Knighton North Medical Center, Bill Cockrell Community Center, Shreveport Memorial Library and Shreveport Regional Airport are also located just minutes from South Pointe. Built in 1971, Southe Pointe contains 104 apartment units, averaging 865 square feet, on 5.73 acres with a net rentable area of 89,936 square feet and 166 parking spaces. South Point features 48 one, 40 two, and 16 three bedroom apartment units. Southe Pointe also includes a swimming pool and a community clubhouse.

"Summer Pointe"
(5720 South Lakeshore Drive, Shreveport, LA 71119)

Summer Pointe is a collection of 19 residential three-story garden-style apartment buildings. Summer Pointe, located in the Willow Ridge neighborhood, is directly across the street from Cross Lake and within five minutes of the Shreveport Yacht Club. Additionally, Summer Pointe is near Highway 220 and Highway 20, providing access to downtown Shreveport in 15 minutes. Built in 1985, Summer Pointe contains 200 apartment units, averaging 706 square feet, on 8.00 acres with a net rentable area of 141,120 square feet and 362 parking spaces. Summer Pointe features 152 one and 48 two bedroom apartment units. Summer Pointe also includes a swimming pool and a fitness centre.

"Westwood Village"
(6777 Rasberry Lane, Shreveport, LA 71129)

Westwood Village is a collection of 25 two-story garden-style residential buildings. Shreveport is home to the Louisiana Boardwalk, The Outlets at Louisiana Boardwalk, CenturyLink Center and Louisiana State University at Shreveport. Westwood Village is located directly off Interstate 20, which provides direct access Shreveport Regional Airport and downtown Shreveport. Built in 1980, Westwood Village contains 248 apartment units, averaging 803 square feet, on 12.74 acres with a net rentable area of 199,264 square feet and 552 parking spaces. Westwood Village features 144 one and 104 two bedroom apartment units. Westwood Village also includes a swimming pool, a fitness centre, a basketball court and a tennis court.

Mississippi

Pascagoula, Mississippi

"Regency Woods"
(4800 Long Avenue, Pascagoula, MS 39581)

Regency Woods is a collection of 24 two-story garden-style residential buildings. Regency Woods is located in the town of Pascagoula, which is almost equidistant between Biloxi, Mississippi and Mobile, Alabama on the Gulf Coast. Regency Woods is located directly off Highway 90, providing nearby access to employers like Chevron, Ingalls Shipbuilding and Pascagoula Naval Complex. Built in 1974, Regency Woods contains 184 apartment units, averaging 952 square feet, on 11.63 acres with a net rentable area of 175,190 square feet and 298 parking spaces. Regency Woods features 48 one, 88 two and 48 three bedroom apartment units. Regency Woods also includes a swimming pool.

ASSESSMENT AND VALUATION OF THE INITIAL PROPERTIES

Independent Appraisal

BSR retained Newmark Knight Frank – Valuation & Advisory (the "**Appraiser**") to provide an independent opinion as to the aggregate market value of the Initial Properties on a portfolio basis, as of January 1, 2018 (the "**Appraisal**").

The Appraisal was prepared in conformance with the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice, the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and Title XI of the Financial Institution Reform, Recovery and Enforcement Act of 1989. The Appraisal defines "market value", in accordance with Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g], as "the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus." According to the Appraisal Institute of the United States, implicit in the definition of market value is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (i) buyer and seller are typically motivated; (ii) both parties are well informed or well advised, and acting in what they consider their best interests; (iii) a reasonable time is allowed for exposure of each individual Initial Property in the open market (iv) payment is made in terms of cash in U.S. dollars or on terms of financial arrangements comparable thereto; and (v) the price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Based on the Appraisal prepared by the Appraiser, the aggregate market value of the Initial Properties on a portfolio basis, as at January 1, 2018 is estimated to be approximately $890,000,000 including a portfolio premium of approximately 5%. The value conclusions made by the Appraiser reflect all known information about the Initial Properties, market conditions and available data.

The estimated market value of the Initial Properties was determined by the Appraiser using both the (i) income capitalization approach, which utilized the direct capitalization method, as investors in similar types of property typically rely solely on this method and (ii) sales comparison approach, which utilized the sale price per apartment unit analyses, and which was used primarily as support for the income capitalization approach, as significant adjustments are required because of the differences in the various elements of comparison. The income capitalization approach was given the greatest weight in the conclusion of value in the Appraisal, as the value indication from the income capitalization approach is supported by market data regarding income, expenses and required rates of return and a typical investor would place greatest reliance on the income capitalization approach.

The Appraiser analyzed the Initial Properties and market data gathered through the use of appropriate, relevant and accepted market-derived methods and procedures. Further, the Appraiser employed the appropriate and relevant approaches to value, and correlated and reconciled the results into an estimate of market value for each of the Initial Properties. The Appraiser conducted an economic analysis, taking into account the area, surrounding area, and multifamily market, as well as a comparable property analysis, taking into account the land description, improvements, real estate taxes, the highest and best use for the property and the land valuation for each of the Initial Properties.

In determining the appropriate market value of the Initial Properties, under the sales comparison approach, the Appraiser gave appropriate consideration to adjustment factors, an analysis and adjustment of comparable sales and the effective gross income multipliers and operating expense ratios for comparable sales. Under the income capitalization approach, the Appraiser gave appropriate consideration to occupancy and rental rates, a market rent analysis, a gross income estimate, operating expenses, net operating income and the appropriate capitalization rate.

In appraising the Initial Properties, the Appraiser assumed that title to the Initial Properties is good and marketable and free and clear of all liens and encumbrances and the improvements on the Initial Properties were structurally sound. The Appraiser did not take into account soil, engineering, structural or environmental matters. The Appraiser visited each of the Initial Properties, which were considered to be in good condition. Appropriate valuation parameters were used with respect to the calculation of market value, the portfolio premium and exposure time.

Based on the foregoing, the aggregate fair market value of the Initial Properties on a portfolio basis is estimated to be approximately $890,000,000 including an appraiser applied portfolio premium of approximately 5%.

Caution should be exercised in the evaluation and use of appraisal results. An appraisal is an estimate of market value. It is not a precise measure of value but is based on a subjective comparison of related activity taking place in the real estate market. The Appraisal is based on various assumptions of future expectations and while the Appraiser's internal forecasts of net operating income for the Initial Properties is considered to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future.

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the Appraisal. The Appraisal will be filed with the securities regulatory authorities in each of the provinces and territories of Canada and investors are advised to read the Appraisal for a full description of applicable assumptions and conditions.

Environmental Site Assessments

Each of the 48 Initial Properties has been the subject of a Phase I environmental site assessment report ("**Phase I ESA Report**") conducted by independent and experienced environmental consultants from August 8, 2017 to January 31, 2018. The Phase I ESA Reports were prepared in general accordance with the scope and limitations of ASTM Designation E 1527-2013, "Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process". The purpose of the Phase I ESA Reports was to identify any existing or potential recognized environmental conditions ("**RECs**") in connection with the Initial Properties, which means the presence or likely presence of any hazardous substances or petroleum products in, on, or at any property within the Initial Properties (i) due to any release to the environment, (ii) under conditions indicative of a release to the environment, or (iii) under conditions that pose a material threat of a future release to the environment. The Phase I ESA Reports also identified any controlled recognized environmental conditions ("**CRECs**"), historical recognized environmental conditions ("**HRECs**") and non-ASTM environmental issues in connection with the Initial Properties.

Based on the Phase I ESA Reports prepared in respect of the Initial Properties, the independent environmental consultants did not identify any RECs, CRECs or HRECs in connection with any of the Initial Properties as of the date of the respective Phase I ESA Reports. Any other non-ASTM environmental issues noted in the Phase I ESA Reports were issues that can be managed under an operations and maintenance program and did not warrant further environmental assessment investigation as of the date of the respective Phase I ESA Reports.

It is the REIT's operating policy to obtain a Phase I ESA Report conducted by an independent and experienced environmental consultant prior to acquiring a property. If the Phase I ESA Report recommends a Phase II environmental assessment be conducted, the REIT conducts a Phase II environmental assessment, in each case by an independent and experienced environmental consultant.

Management is not aware of any non-compliance with environmental laws at any of the Initial Properties that management believes would have a material adverse effect on the REIT. Management is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of the Initial Properties that would materially adversely affect the REIT or the values of the Initial Properties, taken as a whole, as determined by the Appraiser.

Property Condition Assessments

Property condition assessment reports ("**PCA Reports**") were prepared for each of the 48 Initial Properties for the purpose of assessing and documenting the general condition of the buildings, site and other improvements at each of the Initial Properties. The PCA Reports were also prepared for the purpose of identifying those areas that will require remedial repair at each of the Initial Properties. The PCA Reports were prepared in general accordance with ASTM E2018-08, "Standard Guide for Property Condition Assessments: Baseline Property Condition Assessment Process". The site observations for the PCA Reports were conducted between November 30, 2017 to January 31, 2018. Each of the PCA Reports assessed repairs required to be completed immediately, deferred routine maintenance repairs and capital replacement reserves expenditures to be performed during the subsequent 12 years in order to maintain appropriate building conditions. The cost estimates in the PCA Reports were for components of systems exhibiting significant deferred maintenance and existing deficiencies requiring major repairs or replacement. Repairs or improvements that could be classified as (i) cosmetic, (ii) decorative, (iii) part or parcel of a buildings renovation program or to reposition the asset in the marketplace, (iv) routine or normal preventative maintenance, or (v) that are the responsibility of the tenants were not included.

The PCA Reports provide that each of the Initial Properties was observed to be in good overall condition or good physical condition, except for Capri and Colony Square, which were observed to be in good to fair physical condition and Countryside and Westwood Park, which were observed to be in good to fair overall condition. The PCA Reports identify a total of $1,037,621 in immediate repairs and deferred routine maintenance costs and a total of $31,594,574 capital replacement reserves expenditures (uninflated) over the next 12 years for the Initial Properties, with the exception of Brandon Place, which provides costs for long term capital expenditure using a 20 year timeline. On an annual basis, this represents approximately $258 per apartment unit over the next 12 years (excluding immediate repairs and deferred routine maintenance costs). Notwithstanding the conclusion in the PCA Reports, the REIT intends to spend approximately $400 per apartment unit per year in maintenance capital expenditures.

Projected Uninflated Capital Replacement Reserves Expenditures ($ in thousands)

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Aggregate Expenditure
$2,764	$2,053	$2,323	$2,522	$3,159	$3,093	$2,740	$2,826	$2,454	$2,740	$2,556	$2,365	$31,595

Management expects reserves to adequately cover all capital expenditures over the term. The REIT will monitor the appropriate level of repairs and maintenance and capital expenditures to ensure that the REIT's properties remain competitive.

DEBT STRATEGY AND INDEBTEDNESS

Debt Strategy

The REIT will seek to maintain a debt profile consisting of various sources of low cost capital, including debt from regional and national banks, government-sponsored entities such as Fannie Mae and Freddie Mac, insurance companies, and publicly issued bonds.

Immediately following Closing, management anticipates the REIT's Debt to total approximately $395 million of secured mortgage loans and credit facility implying a Debt to Gross Book Value Ratio of approximately 45.6%. Management intends to target and maintain a Debt to Gross Book Value Ratio of between 50% to 55% in order to maximize returns while minimizing leverage risk.

Upon Closing, the REIT will have a well laddered debt maturity profile, with a weighted average term to maturity of approximately 10.4 years, the longest tenor amongst its public multifamily peers, comprised of publicly listed North American real estate investment trusts with greater than $200 million in equity market capitalization. Over 86% of the REIT's Debt is comprised of fixed rate or hedged to fixed rate debt, which mitigates the REIT's exposure to interest rate risk in a rising interest rate environment.

The REIT maintains an interest rate risk management strategy that uses interest rate swap derivative instruments to minimize significant unanticipated earnings fluctuations caused by interest rate volatility. The REIT has entered into interest rate swap agreements related to five mortgage loans. These swaps are utilized to manage interest rate exposure over the period of the interest rate swaps.

Debt Maturity Schedule

Year	Principal Payments During Period	Principal Repayments on Maturity	Total	% of Total Principal	Weighted Average Interest Rate
2018	$ 2,682,910	—	$ 2,682,910	0.7%	3.85%
2019	$ 3,844,525	$ 39,304,083	$ 43,148,608	10.9%	3.93%
2020	$ 3,553,658	$ 17,998,697	$ 21,552,355	5.5%	3.84%
2021	$ 3,241,492	$ 13,681,014	$ 16,922,506	4.3%	3.96%
2022	$ 3,202,305	$ 29,450,000	$ 32,652,305	8.3%	4.01%
Thereafter	$ 95,487,194	$182,521,774	$278,147,879	70.4%	3.79%
Total	$112,012,085	$282,955,568	$394,967,652	100.0%	3.84%

Revolving Credit Facility

BSR is party to a $71.5 million senior secured revolving credit facility (the "**Credit Facility**") dated as of January 30, 2018 provided by a U.S. chartered bank affiliated with BMO Nesbitt Burns Inc. The interest rate on the Credit Facility is variable and equal to (i) if BSR's leverage ratio is less than 50%, LIBOR plus a margin of 165 basis points or the U.S. base rate (equal to the greater of (a) Lender Prime, (b) the Fed Funds rate plus 50 basis points or (c) 1-month LIBOR plus 1%) plus 65 basis points, (ii) if BSR's leverage ratio is between 50% to 55%, LIBOR plus 175 basis points or the base rate plus 75 basis points, (iii) if BSR's leverage ratio is between 55% to 60%, LIBOR plus 200 basis points or the base rate plus 100 basis points, or (iv) if BSR's leverage ratio is greater than 60%, LIBOR plus 215 basis points or the base rate plus 115 basis points. Payments on the Credit Facility are interest only and are due on the first day of each month. The Credit Facility will fund the REIT's short-term and long-term liquidity needs and will be used to refinance existing mortgages and for general corporate purposes, including working capital, acquisitions, monthly distributions and the REIT's capital redevelopment program. The Credit Facility is secured initially with the option to convert to unsecured, upon which the variable interest rate will be adjusted higher.

The Credit Facility's covenants include the following: (i) maximum total leverage ratio of 65%, (ii) minimum fixed charge coverage ratio of 1.5x, (iii) minimum tangible net worth of at least 80% of tangible net worth at closing of the Credit Facility, plus 80% of the net proceeds generated by any equity offerings or issuance of stock equivalents or operating partnership units, plus 80% of the amount of equity in any real properties subsequently contributed, and (iv) maximum FFO payout ratio of 95%. Upon conversion to an unsecured credit facility, additional covenants will be required to be maintained.

The Credit Facility has a maturity term of four years with an option to extend for one 12-month period, subject to meeting certain conditions. The following Initial Properties are encumbered by the Credit Facility: Bluff Creek, Briarwood, Overbrook I, Overbrook V, Fox Trail, South Pointe, Summer Brook and Summer Green II.

The maximum available under the Credit Facility is $71.5 million. The Credit Facility has an accordion feature allowing BSR, under certain circumstances, to increase the size of the Credit Facility to a maximum of $500 million.

All financial metrics described in this section shall have the meanings given to them in the Credit Facility.

Mortgage Debt Composition

Following Closing, the REIT's mortgage debt will have a weighted average maturity of 11 years and a weighted average interest rate of 3.82%. At Closing, the REIT will only have 18.4% of the total mortgage loans maturing before the year 2021. Of the REIT's mortgage debt, 93% will be at fixed or hedged to fixed rates and 86% of Debt will be at fixed or hedged to fixed rates. Upon Closing, the REIT will have 39 properties encumbered by mortgage loans.

Encumbered Property List

Property	Est. Balance as of March 31, 2018[(1)]	Interest Rate	Maturity Date
	($000s)	(%)	
93 Twenty Apartments	$ 7,444	3.97%	01-May-23
Baystone	$ 15,340	4.03%	01-Nov-27
Bowman Heights / Waterford	$ 6,450	1.34%	01-Jun-42
Brandon Place[(2)]	$ 18,986	3.95%	01-Feb-53
Bridgeport	$ 8,632	2.93%	01-Aug-47
Capri	$ 5,200	1.34%	01-Oct-30
Charleston Crossing	$ 3,920	4.00%	01-Jan-20
Countryside Village	$ 15,950	4.47%	01-Mar-28
Dove Creek	$ 6,820	4.20%	01-Jun-19
Falls At Borough Park	$ 12,729	3.75%	01-Jan-53
Heritage at Hillcrest	$ 14,391	3.92%	01-Jun-23
Indian Hills / Markham Oaks	$ 5,320	1.34%	01-Aug-27
Inverness	$ 5,278	4.25%	31-Mar-19
Lakes at Westview I	$ 8,414	3.47%	01-Sep-56
Lakes at Westview II	$ 16,130	3.22%	01-Sep-51
Longridge Promissory Note	$ 8,404	3.85%	21-Feb-19
Mountain Ranch	$ 19,967	4.12%	06-May-23
Pointe	$ 8,000	4.12%	09-Jul-20
Regency Woods	$ 3,250	3.50%	15-Jan-21
Ridge Park	$ 4,500	4.06%	01-Jun-25

Property	Est. Balance as of March 31, 2018[1]	Interest Rate	Maturity Date
	($000s)	(%)	
Ridgewood	$ 2,833	3.25%	01-Jul-20
South Oaks	$ 3,896	3.85%	01-Mar-46
Spring Valley	$ 5,550	4.00%	05-May-19
Summer Green I	$ 2,020	5.07%	15-Feb-23
Summer Lake	$ 3,915	5.07%	15-Feb-23
Summer Pointe	$ 3,270	5.07%	15-Feb-23
Vanderbilt	$ 14,072	3.71%	27-Aug-19
West End Lodge	$ 21,850	4.53%	01-Mar-30
Westwood Park	$ 11,482	4.11%	01-Sep-21
Westwood Village	$ 10,960	4.50%	01-Mar-28
Willow Lake	$ 3,900	3.50%	05-Nov-20
Wimbledon Green	$ 5,543	3.65%	01-Jun-53
Windhaven Park	$ 45,825	3.79%	01-Nov-29
Windsor Estates I	$ 10,251	3.22%	01-Nov-52
Windsor Estates II	$ 11,282	3.71%	01-Apr-53
Woodland Oaks	$ 4,487	3.75%	01-Nov-50
Woodrun Village	$ 9,256	4.50%	01-Mar-28
Total	**$365,518**	**3.82%**	

Notes:

(1) Actual amounts outstanding upon acquisition of the Initial Properties will be lower due to amortization.

(2) Brandon Place acquisition expected to close in June 2018.

RELATIONSHIP WITH LEDIC REALTY COMPANY, LLC

Ledic Realty Company, LLC ("**LEDIC**"), was formed as a Delaware limited liability company in 2014, by three member groups – BSR, Hunt Realty Investments, Inc. ("**Hunt**") and Scott P. Ledbetter and S. Pierce Ledbetter, Jr. ("**Ledbetter**"). Each of BSR, Hunt and Ledbetter has the right to appoint three of the nine LEDIC board members. BSR has appointed John S. Bailey, F. Blake Brazeal and W. Daniel Hughes, Jr. to the LEDIC board. W. Daniel Hughes, Jr. is the Chairman of LEDIC.

The purpose of LEDIC is to own and operate affordable-rate multifamily properties, which generally consist of multifamily apartment units priced at monthly rents lower than those charged by BSR and capped at certain levels depending on the median income level within the applicable geographic location. LEDIC currently has an affordable portfolio consisting of more than 10,000 owned and 40,000 managed units. In October 2014, BSR divested its affordable multifamily properties through a series of contribution and partnership sale transactions, and in exchange received an approximate 45.67% ownership interest in LEDIC together with cash that was primarily used to finance BSR's capital redevelopment program. BSR also holds 500,000 non-voting units of LEDIC, for a total approximate 49% ownership interest in LEDIC. In connection with the Offering, BSR intends to transfer 100% of its LEDIC ownership interest to BSR II (as defined below). See "The Merger – Principal Transaction Steps".

When BSR divested its affordable assets, certain lender parties required that BSR and some BSR principals (John S. Bailey, Patti Bailey and W. Daniel Hughes, Jr.) remain as guarantors of certain tax credit deliverables and limited loan obligations associated with those properties.

The tax-credit guarantees relate to the potential recapture of approximately $77 million in low-income housing tax credits that could occur in very limited circumstances, as described in further detail under "Risk Factors – Risks Relating to the REIT and its Business – Prior Ownership of Affordable Assets". These types of tax credits have very high compliance rates, with one Internal Revenue Study estimating that U.S. corporations had recapture rates on these tax credits of less than .05%. To date, BSR has not experienced any tax credit recapture with respect to any of its affordable-rate multifamily communities, and has full confidence in the ability of the LEDIC compliance team (many of whom are former BSR employees) to effectively manage these risks.

The guaranteed loan obligations are generally limited to a lender's loss resulting from borrower's personal liability related to fraud, written material misrepresentation, material omission, gross negligence or reckless material misrepresentation in financial reporting, voluntary bankruptcy and similar limited circumstances as set out in each guaranty. The REIT has identified loans in respect of 18 LEDIC properties with an aggregate principal balance of approximately $95.2 million that are the subject of these guarantees. All of these guarantees are non-recourse to BSR, other than two loans with a balance of approximately $12.9 million, which are recourse. LEDIC is in the process of requesting that BSR and its former principals be released from all of these loan guarantees.

All LEDIC-related tax credit and loan guarantees are isolated within individual properties or projects and are not subject to cross-default risks. All guarantees decrease in value over time as the tax credits no longer become subject to recapture or the applicable LEDIC properties are refinanced. Given the nature of the LEDIC-related guarantees, management considers the risks associated with these arrangements to be remote and as a result has not referenced these as commitments or contingencies in BSR's financial statements.

All such guarantees, indemnities and other surety obligations are indemnified by LEDIC pursuant to an agreement entered into when BSR divested its affordable multifamily properties to LEDIC. BSR II will also indemnify BSR for these liabilities when it acquires the LEDIC ownership interest on Closing.

If the REIT is unable to collect under such indemnities, the Operating Agreement will provide that any such LEDIC-related claims can be proportionately set-off against distributions payable on the Class B Units. In addition, John S. Bailey and W. Daniel Hughes, Jr., will jointly and severally indemnify BSR in the event, and to the extent, that there are insufficient Class B Unit distributions to satisfy any such LEDIC-related claims.

THE MERGER

Principal Transaction Steps

The following is a summary of the principal transactions that will take place prior to or in connection with the Closing of the Offering:

Pre-Closing Events

(i) BSR has formed a new limited liability company ("**BSR II**"), pursuant to the laws of Delaware.

(ii) BSR will contribute to BSR II (a) its approximate 46% interest in LEDIC, which is to be excluded from the Offering (the "**Excluded Assets**") and (b) all of the shares of Peace of Mind Insurance Company, Inc. ("**POM**"), BSR's wholly owned captive insurance company. In connection with this contribution, BSR II will indemnify BSR for any future claims relating to the Excluded Assets.

(iii) BSR will distribute all of the equity of BSR II to the Legacy BSR Holders in proportion to their interest in BSR. Effectively, BSR II will become a mirror "sister" of BSR holding the Excluded Assets.

(iv) BSR REIT Holdings, Inc. ("**US Holdco**") has formed a new limited liability company, BSR Merger Sub, LLC ("**MergerSub**"), under the laws of Delaware.

The Offering

(i) The REIT will complete the Offering and the Unit held by the initial Unitholder of the REIT will be redeemed for $10.

Debt Conversion, Merger and Indirect Acquisition of the Initial Properties

(i) Approximately $30 million of principal amount (plus interest) owing by BSR to an affiliate of John S. Bailey will be converted into Units at the Offering Price.

(ii) The REIT will contribute the net proceeds of the Offering to US Holdco in subscription for preferred shares and common shares of US Holdco.

(iii) BSR II will transfer all of the shares of POM to US Holdco in consideration for a number of Units with an aggregate fair market value equal to the fair market value of POM.

(iv) US Holdco will contribute the proceeds received from the REIT to MergerSub.

(v) MergerSub will merge with and into BSR, which indirectly holds the Initial Properties, (the "**Merger**") with BSR continuing as the surviving entity (the surviving entity is referred to herein as the "**BSR Operating LLC**"). BSR Operating LLC will be treated as a partnership for U.S. federal income tax purposes.

(vi) Concurrently with step (v), the operating agreement of BSR Operating LLC will be amended and restated (the "**Operating Agreement**") pursuant to which the capital of BSR Operating LLC will be restated to consist of Class A Units and Class B Units.

(vii) Upon the Merger,

(a) each issued and outstanding class A unit of BSR, class C unit of BSR, and common unit of BSR held by the Legacy BSR Holders will be exchanged for new Class B Units pursuant to a prescribed exchange formula taking into account the relative economic terms of the different securities of BSR; and

(b) each issued and outstanding class A unit of MergerSub held by US Holdco will be exchanged for new Class A Units.

(viii) Upon completion of the Merger, the Initial Properties will be indirectly held by the REIT, through its indirect ownership of BSR Operating LLC and POM will be indirectly held by the REIT through US Holdco.

The completion of the Offering and the Merger and indirect acquisition by the REIT of the Initial Properties will occur concurrently. For an illustration of the corporate structure of the REIT upon completion of the Offering and the above transactions, see "Post-Closing Structure".

RETAINED INTEREST

Ownership Interest

Following Closing, the Legacy BSR Holders will own, in the aggregate, [●] Class B Units and [●] Units, together representing an aggregate approximate [●]% ownership interest in the REIT, and an aggregate approximate [●]% ownership interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units) (the "**Retained Interest**"). Certain of the Legacy BSR Holders are members or affiliates of the Bailey family (the "**Bailey Holders**") or are members or affiliates of the Hughes family (the "**Hughes Holders**"), who together founded BSR (collectively, the "**Bailey/Hughes Holders**"). Following Closing, the Bailey/Hughes Holders will own, in the aggregate, [●] Class B Units and [●] Units, together representing an aggregate approximate [●]% ownership interest in the REIT, and an aggregate approximate [●]% ownership interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units).

Lock-up Periods

The Bailey/Hughes Holders have agreed that, for a period of 18 months following Closing, and the other Legacy BSR Holders and BSR II have agreed that, for a period of 12 months following Closing, they will not, directly or indirectly, without the prior written consent of BMO Nesbitt Burns Inc., on behalf of the Underwriters, and the subsequent approval of the Board, which consents will not be unreasonably withheld (i) offer, sell, contract to sell, secure, pledge, grant or sell any option, right or warrant to purchase or otherwise lend, transfer or dispose of any Units, financial instruments or securities convertible into or exercisable, exchangeable or redeemable for Units (collectively, "**REIT Securities**"), or (ii) make any short sale, engage in any hedging transaction, or enter into any swap, monetization, securitization or other arrangement that transfers to another in whole or in part, any of the economic consequences of ownership of REIT Securities, in each case forming part of the Retained Interest, whether any such transaction described in this section is to be settled by delivery of such securities, other securities, cash or otherwise; provided however, that (a) the Bailey/Hughes Holders shall be entitled to pledge their respective REIT Securities as collateral for a bona fide loan if the terms of such pledge expressly prohibit the party to which the pledge is granted from selling, directly or indirectly, the pledged REIT Securities during the 18 month period described above; and (b) after the date that is 180 days after the Closing Date, Legacy BSR Holders may transfer REIT Securities among themselves; provided that the Bailey/Hughes Holders may only acquire (and not sell) such securities.

Investor Rights Agreement

The following is a summary of certain provisions of the Investor Rights Agreement, which is a material contract for the REIT and is qualified in its entirety by reference to all of the provisions of such agreement. The Investor Rights Agreement will be available following Closing on SEDAR at www.sedar.com.

On Closing, the REIT, BSR Operating LLC and the Bailey/Hughes Holders will enter into the Investor Rights Agreement which will govern the rights of the Bailey/Hughes Holders as Unitholders. The Investor Rights Agreement will contain the following provisions, a summary of which is not intended to be complete.

Nomination Rights

Pursuant to the Investor Rights Agreement, the Bailey/Hughes Holders will be granted the right to nominate three Trustees (such nominees will be subject to election together with the remaining Trustees at annual meetings of Unitholders) subject to the Bailey/Hughes Holders owning, in the aggregate, 30% or more of the then-outstanding Units, such number being reduced to two nominees if the Bailey/Hughes Holders own, in the aggregate, less than 30% but 20% or more of the then-outstanding Units, and further reduced to one nominee if the Bailey/Hughes Holders own, in the aggregate, less than 20% but 10% or more of the then-outstanding Units (in each case, determined as if all Class B Units are redeemed for Units). Upon the Bailey/Hughes Holders' aggregate ownership falling below 10%, the Bailey/Hughes Holders will not have any Board nomination rights. For so long as John S. Bailey is the Chief Executive Officer of the REIT, he will comprise one of the Bailey/Hughes Holders' nominees. For so long as the Bailey/Hughes Holders have nomination rights under the Investor Rights Agreement, the Board of Trustees will be restricted from nominating more than seven Trustees. For clarity, this restriction will not affect the ability of a Unitholder to nominate Trustees in accordance with the terms of the Declaration of Trust or applicable law. On Closing, it is expected that the Bailey/Hughes Holders will own, in the aggregate, [●]% of the outstanding Units (determined as if all Class B Units are redeemed for Units) and will therefore be entitled to nominate three Trustees at annual meetings of Unitholders.

Consent Rights

Pursuant to the Investor Rights Agreement, the following transactions shall require the consent of the Bailey/Hughes Holders (the "**Consent Rights**"), provided that the Bailey/Hughes Holders own, in the aggregate, 33% or more of the Units (determined as if all Class B Units are redeemed for Units):

- the REIT and/or BSR Operating LLC entering into a merger, consolidation or business combination, not in the ordinary course of business;
- selling, assigning, conveying or otherwise disposing of all or substantially all of BSR Operating LLC's assets;
- adopting any plan or proposal for a complete or partial liquidation or dissolution, or any reorganization or recapitalization or commencement of any case, proceeding or action seeking relief under any existing or future laws relating to bankruptcy, insolvency, conservatorship or relief of debtors or the REIT and/or BSR Operating LLC;
- adding, changing or removing any restriction on the business or businesses that BSR Operating LLC may carry on;
- effecting any subdivision, re-division, consolidation, exchange, reclassification, reorganization, recapitalization, split, combination or similar change in any units or other securities of BSR Operating LLC;
- changing the size of the Board of Trustees of the REIT; and
- agreeing or committing to any of the preceding actions.

Registration Rights

The Investor Rights Agreement will provide the Bailey/Hughes Holders with the right (the "**Piggy-Back Registration Right**"), among others, to require the REIT to include Units (including Units issuable upon the redemption of Class B Units) held by Bailey/Hughes Holders in any future offering undertaken by the REIT by way of prospectus that it may file with applicable Canadian securities regulatory authorities (a "**Piggy-Back Distribution**"). The REIT will be required to use reasonable commercial efforts to cause to be included in the Piggy-Back Distribution all of the Units the Bailey/Hughes Holders request to be sold, provided that if the Piggy-Back Distribution involves an underwriting and the lead underwriter determines that the total number of Units to be included in such Piggy-Back Distribution should be limited for certain prescribed reasons, the Units to be included in the Piggy-Back Distribution will be first allocated to the REIT.

In addition, the Investor Rights Agreement will provide the Bailey/Hughes Holders with the right (the "**Demand Registration Right**") to require the REIT to use reasonable commercial efforts to file one or more prospectuses with applicable Canadian securities regulatory authorities, qualifying Units held (or issuable upon the redemption of Class B Units) by the Bailey/Hughes Holders for distribution (a "**Demand Distribution**"), provided that such Demand Registration Right may only be exercised by one designee on behalf the Bailey Holders and one designee on behalf of the Hughes Holders, respectively. The designee for the Bailey Holders and the designee for the Hughes Holders will each be entitled to request not more than one Demand Distribution per calendar year and each request for a Demand Distribution must relate to such number of Units that would reasonably be expected to result in gross proceeds of at least $15 million. The REIT may also distribute Units in connection with a Demand Distribution provided that if the Demand Distribution involves an underwriting and the lead underwriter determines that the total number of Units to be included in such Demand Distribution should be limited for certain prescribed reasons, the Units to be included in the Demand Distribution will be first allocated to the Bailey/Hughes Holders.

Each of the Piggy-Back Registration Right and the Demand Registration Right will be exercisable at any time from 18 months following Closing, provided that the Bailey/Hughes Holder exercising such rights, together with its affiliates and joint actors, collectively own, in the aggregate, at least 10% of the Units (determined as if all Class B Units are redeemed for Units) at the time of exercise. The Piggy-Back Registration Right and the Demand Registration Right will be subject to various conditions and limitations, and the REIT will be entitled to defer any Demand Distribution in certain circumstances for a period not exceeding 90 days. The expenses in respect of a Piggy-Back Distribution, subject to certain exceptions, will be borne by the REIT, except that any underwriting fee on the sale of Units by the Bailey/Hughes Holders and the fees of the Bailey/Hughes Holders' external legal counsel will be borne by the Bailey/Hughes Holders. The expenses in respect of a Demand Distribution, subject to certain exceptions, will be borne by the REIT and the Bailey/Hughes Holders on a proportionate basis according to the number of Units distributed by each.

Pursuant to the Investor Rights Agreement, the REIT will indemnify the Bailey/Hughes Holders for any misrepresentation in a prospectus under which the Bailey/Hughes Holders' Units are distributed (other than in respect of any prospectus disclosure provided by the Bailey/Hughes Holders, in respect of the Bailey/Hughes Holders). The Bailey Holders will indemnify the REIT and any selling Hughes Holders for any prospectus disclosure provided by the Bailey Holders in respect of the Bailey Holders. The Hughes Holders will indemnify the REIT and any selling Bailey Holders for any prospectus disclosure by the Hughes Holders in respect of the Hughes Holders.

The REIT has not and will not, pursuant to the Investor Rights Agreement or otherwise, have any obligation to register, nor will it register, Units under the U.S. Securities Act.

Pre-Emptive Rights

In the event the REIT, BSR Operating LLC or one of their Subsidiaries decides to issue equity securities of the REIT or BSR Operating LLC or securities convertible into or exchangeable or redeemable for equity securities of the REIT or BSR Operating LLC or an option or other right to acquire such securities other than to an affiliate thereof, the Investor Rights Agreement will provide that the Bailey/Hughes Holders, for so long as they continue to own, in the aggregate, at least 10% of the outstanding REIT Units (determined as if all Class B Units are redeemed for Units), shall have pre-emptive rights to purchase Units, Class B Units or such other securities as are being contemplated for issuance by the REIT, BSR Operating LLC or one of their Subsidiaries to maintain their pro rata ownership interest in the REIT. Notice of exercise of such rights is to be provided in advance of the commencement of any offering of securities of the REIT or BSR Operating LLC or such other securities as are being contemplated for issuance and otherwise in accordance with the terms and conditions to be set out in the Operating Agreement.

Pursuant to the Investor Rights Agreement, the pre-emptive rights will not apply to issuances in the following circumstances:

- to participants in a distribution reinvestment plan or similar plan;
- in respect of the exercise or issuance of options, warrants, rights or other securities issued under security based compensation arrangements of the REIT or BSR Operating LLC;
- in respect of the exercise of the Class B Unit redemption right for Units;
- to Unitholders in lieu of cash distributions;
- as full or partial consideration for the purchase of real property by the REIT or its subsidiaries;
- in respect of the exercise by a holder of a conversion, exchange or other similar right pursuant to the terms of a security in respect of which the Bailey/Hughes Holders were granted the right to exercise their pre-emptive rights or in respect of which the pre-emptive rights did not apply;
- pursuant to a unitholders' rights plan of the REIT;
- to the REIT, the BSR Operating LLC or any Subsidiary or affiliate; and
- pursuant to the exercise of the Over-Allotment Option, if any.

Drag-Along Rights

If the REIT enters into a transaction that will involve: (i) the transfer, directly or indirectly, of all or substantially all of its assets to a third party; and (ii) the winding up, dissolution or termination of the REIT, or exchange of Units for securities of a third party issuer or successor issuer, then the Investor Rights Agreement will provide that each of the Bailey/Hughes Holders (if at such time, the Bailey/Hughes Holders own, in the aggregate, directly or indirectly, 20% or less of the outstanding Units (determined as if all Class B Units are redeemed for Units)) will be obligated to, upon the written request of the REIT, exercise their respective redemption right in respect of the Class B Units then held by the Bailey/Hughes Holders.

Tag-Along Rights

For so long as the Bailey/Hughes Holders own, in the aggregate, directly or indirectly, at least 10% of the outstanding Units (determined as if all Class B Units are redeemed for Units) the Bailey/Hughes Holders will have tag-along rights that will apply in respect of any sale by the REIT of its interest in BSR Operating LLC.

Bailey/Hughes Unitholders Agreement

The following is a summary of certain provisions of the Bailey/Hughes Unitholders Agreement, which is qualified in its entirety by reference to all of the provisions of such agreement. The Bailey/Hughes Unitholders Agreement will be available following Closing on SEDAR at www.sedar.com.

On Closing, the Bailey/Hughes Holders will enter into the Bailey/Hughes Unitholders Agreement. The Bailey/Hughes Unitholders Agreement will set out how the Bailey/Hughes Holders may collectively assert their rights under the Investor Rights Agreement. For purposes of the Bailey/Hughes Unitholders Agreement, each Bailey/Hughes Holder will be entitled to one vote for each Class B Unit or Unit owned by such Bailey/Hughes Holder.

With regard to the Trustee nomination rights provided for in the Investor Rights Agreement, the Bailey Holders will initially submit for nomination two nominees, and the Hughes Holders will initially submit for nomination one nominee. In the event that the collective holdings of the Bailey/Hughes Holders decrease to a level that allows for fewer than three nominees, the ownership of the Bailey Holders or the Hughes Holders as a percentage of the total remaining ownership of the Bailey/Hughes Holders will determine which subgroup has the right to nominate the nominee(s), as the case may be.

With regard to the Consent Rights provided for in the Investor Rights Agreement, the Bailey/Hughes Holders will vote as to whether to assert any such right and a simple majority of votes cast will govern.

The exercise of a Demand Registration Right shall be determined by a simple majority vote of the Bailey Holders or the Hughes Holders, as the case may be, and either subgroup in their exercise of such Demand Registration Right will elect a designee to act on behalf of such subgroup.

The pre-emptive rights, Piggy-Back Registration Rights and tag-along rights may be exercised by individual Bailey/Hughes Holders.

In addition, the Bailey/Hughes Holders will elect, also by simple majority of votes cast, one person to serve as the designee of the Bailey/Hughes Holders to act on behalf of the group. The initial representative shall be John S. Bailey.

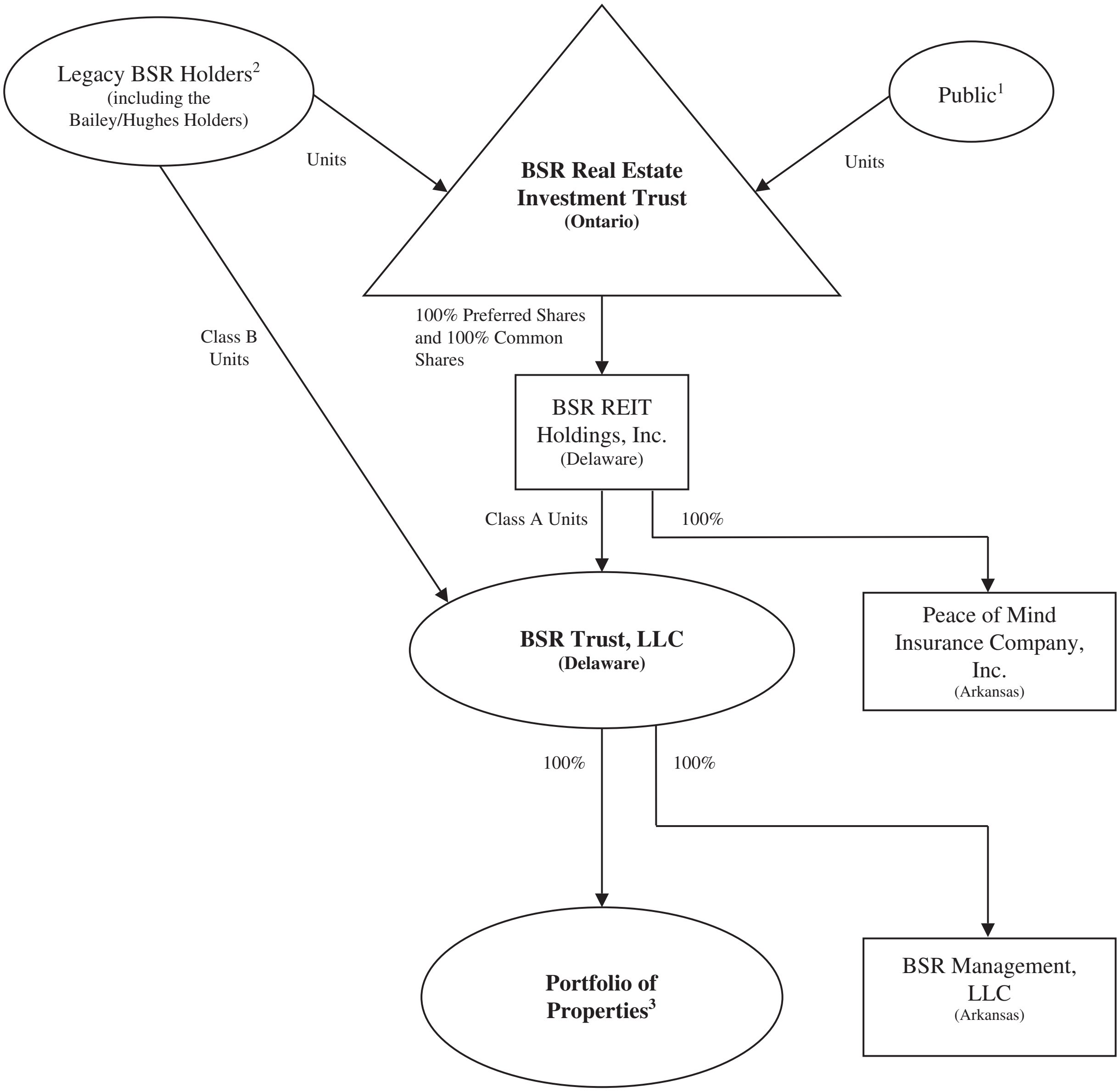
Brandon Place AFFO Support

Brandon Place is currently the subject of a binding purchase and sale agreement and is expected to be acquired by the REIT from a third party vendor in June 2018. The financial forecast included in this prospectus assumes that Brandon Place will be acquired on June 1, 2018 and will thereafter contribute approximately $37,948 per month of AFFO to the REIT for the Forecasted Period (the "**Brandon Place AFFO**").

In order to mitigate risks associated with a delay in closing or termination of the Brandon Place purchase and sale agreement, the Legacy BSR Holders have agreed to provide support for the Brandon Place AFFO from June 1, 2018 until the earliest of the (a) date Brandon Place is actually acquired, (b) end of the Forecasted Period, and (c) date the Brandon Place AFFO is replaced through AFFO generated by another acquisition. This support will be effected through a term in the Operating Agreement that will provide for any shortfall in Brandon Place AFFO that is not offset by AFFO generated by another acquisition to be proportionately set-off against distributions payable on the Class B Units.

POST-CLOSING STRUCTURE

The following chart sets out the organizational structure of the REIT immediately following Closing:



Notes:

(1) It is anticipated that upon the Closing, the public will hold an approximate [●]% ownership interest in the REIT, and an aggregate approximate [●]% ownership interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units).

(2) It is anticipated that upon the Closing, the Legacy BSR Holders will own, in the aggregate, [●] Class B Units and [●] Units, together representing an aggregate approximate [●]% ownership interest in the REIT, and an aggregate approximate [●]% ownership interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units). As a subset of the Legacy BSR Holders, the Bailey/Hughes Holders will own, in the aggregate, [●] Class B Units and [●] Units, together representing an aggregate approximate [●]% ownership interest in the REIT, and an aggregate approximate [●]% ownership interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units).

(3) Ownership of the Initial Properties is held through special purpose entities.

TRUSTEES AND EXECUTIVE OFFICERS OF THE REIT

Governance and Board of Trustees

The Declaration of Trust will provide that, subject to certain conditions, the Trustees will have absolute and exclusive power, control and authority over the REIT's assets and operations, as if the Trustees were the sole and absolute legal and beneficial owners of the REIT's assets. The governance practices, investment guidelines and operating policies of the REIT will be overseen by a Board of Trustees consisting of a minimum of one and a maximum of seven Trustees, a majority of whom will be Canadian residents. The REIT must, at all times after the Offering, have a majority of Trustees who are independent within the meaning of NI 58-101; provided, however, that if at any time a majority of the Trustees are not independent because of the death, resignation, bankruptcy, adjudicated incompetence, removal or change in circumstance of any Trustee who was an Independent Trustee, this requirement shall not be applicable for a period of 60 days thereafter, during which time the remaining Trustees shall appoint a sufficient number of Trustees who qualify as "independent" to comply with this requirement.

The Board will initially be comprised of seven Trustees, a majority of whom will be independent Canadian residents. One of the independent Canadian resident Trustees will be designated as Chair of the Board. Pursuant to NI 58-101, an Independent Trustee is one who is free from any direct or indirect relationship which could, in the view of the Board, be reasonably expected to interfere with a Trustee's independent judgment. The REIT has determined that William A. Halter, Bryan H. Held, Neil J. Labatte, Graham D. Senst and Elizabeth A. Wademan will be independent under these standards. John S. Bailey, as the REIT's Chief Executive Officer and W. Daniel Hughes, Jr., as founder and former Chief Executive Officer of BSR and as the current Chairman of LEDIC, will not be independent under these standards. All of the trusteeships and directorships of the Trustees with other public entities are disclosed in the biographical information for each Trustee set out below.

The mandate of the REIT's Board will be one of stewardship and oversight of the REIT and its business. In fulfilling its mandate, the Board will adopt a written charter setting out its responsibility for, among other things, (i) participating in the development of and approving a strategic plan for the REIT; (ii) supervising the activities and managing the investments and affairs of the REIT; (iii) approving major decisions regarding the REIT; (iv) defining the roles and responsibilities of management; (v) reviewing and approving the business and investment objectives to be met by management; (vi) assessing the performance of and overseeing management; (vii) reviewing the REIT's debt strategy; (viii) identifying and managing risk exposure; (ix) ensuring the integrity and adequacy of the REIT's internal controls and management information systems; (x) succession planning; (xi) establishing committees of the Board, where required or prudent, and defining their mandate; (xii) maintaining records and providing reports to Unitholders; (xiii) ensuring effective and adequate communication with Unitholders, other stakeholders and the public; (xiv) determining the amount and timing of distributions to Unitholders; and (xv) acting for, voting on behalf of and representing the REIT as a holder of shares of US Holdco and, indirectly, the Class A Units of BSR Operating LLC.

The Board will adopt a written position description for the Chair of the Board, which will set out the Chair's key responsibilities, including, as applicable, duties relating to setting Board meeting agendas, chairing Board and Unitholder meetings, Trustee development and communicating with Unitholders and regulators. The Board will also adopt a written position description for each of the committee chairs which will set out each of the committee chair's key responsibilities, including duties relating to setting committee meeting agendas, chairing committee meetings and working with the respective committee and management to ensure, to the greatest extent possible, the effective functioning of the committee.

The standard of care and duties of the Trustees provided in the Declaration of Trust will be similar to those imposed on directors of a corporation governed by the CBCA. Accordingly, each Trustee will be required to exercise the powers and discharge the duties of his or her office honestly, in good faith and in the best interests of the REIT and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust will provide that each Trustee is entitled to indemnification from the REIT in respect of the exercise of the Trustee's powers and the discharge of the Trustee's duties, provided that the Trustee acted honestly and in good faith with a view to the best interests of the REIT or, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, where the Trustee had reasonable grounds for believing that his or her conduct was lawful.

Other than Trustees appointed prior to Closing, which Trustees will hold office for a term expiring at the close of the next annual meeting of Unitholders or until a successor is appointed, Trustees will be elected at each annual meeting of Unitholders to hold office for a term expiring at the close of the next annual meeting, or until a successor is appointed, and will be eligible for re-election. Other than the Bailey/Hughes Holders' nominees (determined from time to time based on ownership levels) nominated by the Bailey/Hughes Holders in connection with their nomination right described above, nominees will be nominated by the Compensation, Governance and Nominating Committee, in each case for election by Unitholders as Trustees in accordance with the provisions of the Declaration of Trust and will be included in the proxy-related materials to be sent to Unitholders prior to each annual meeting of Unitholders. The first annual meeting of Unitholders will be held on or before June 30, 2019.

A quorum of the Trustees, being the majority of the Trustees then holding office (provided a majority of the Trustees comprising such quorum are residents of Canada), will be permitted to fill a vacancy in the Board, except a vacancy resulting from an increase in the number of Trustees, from a failure of the Unitholders to elect the required number of Trustees or a vacancy in the Trustee appointed by virtue of serving as Chief Executive Officer of the REIT. In the absence of a quorum of Trustees, or if the vacancy has arisen from an increase in the number of Trustees other than in accordance with the provision regarding the appointment of trustees in the Declaration of Trust or from a failure of the Unitholders to elect the required number of Trustees, the Trustees will promptly call a special meeting of the Unitholders to fill the vacancy. If the Trustees fail to call that meeting or if there is no Trustee then in office, any Unitholder will be entitled to call such meeting. Except as otherwise provided in the Declaration of Trust, the Trustees may, between annual meetings of Unitholders, appoint one or more additional Trustees to serve until the next annual meeting of Unitholders, provided that the number of additional Trustees so appointed will not at any time exceed one-third of the number of Trustees who held such office at the conclusion of the immediately preceding annual meeting of Unitholders. Any Trustee may resign upon 30 days' written notice to the REIT, unless such resignation would cause the number of remaining Trustees to be less than a quorum, and may be removed by an ordinary resolution passed by a majority of the votes cast at a meeting of Unitholders.

As described above under "Retained Interest", the Investor Rights Agreement will grant the Bailey/Hughes Holders the exclusive right to nominate Trustees in certain circumstances. On Closing, it is anticipated that John S. Bailey, W. Daniel Hughes, Jr. and William A. Halter will serve on the Board pursuant to the Bailey/Hughes Holders' nomination right. John S. Bailey will also serve as the Chief Executive Officer of the REIT, and for so long as he serves as Chief Executive Officer, he will comprise one of the Bailey/Hughes Holders' nominees. See "Retained Interest – Investor Rights Agreement".

The following table sets forth the name, municipality of residence, positions held with the REIT and principal occupation of the Trustees of the REIT:

Name and Municipality of Residence	Position with the REIT	Principal Occupation
JOHN S. BAILEY(1) Little Rock, Arkansas, USA	Trustee and Chief Executive Officer	Chief Executive Officer of the REIT and BSR
WILLIAM A. HALTER Little Rock, Arkansas, USA	Trustee	Chief Executive Officer of Scenic Hill Solar
BRYAN H. HELD(2)(3)(4) Etobicoke, Ontario, Canada	Trustee	Corporate Director
W. DANIEL HUGHES, JR. Montgomery, Alabama, USA	Trustee	Chairman of LEDIC Realty Company, LLC
NEIL J. LABATTE(1)(3)(5) Toronto, Ontario, Canada	Trustee	Founder of Global Dimension Capital, Inc.
GRAHAM D. SENST(1)(2)(6) Toronto, Ontario, Canada	Trustee	Corporate Director
ELIZABETH A. WADEMAN(2)(3)(7) Toronto, Ontario, Canada	Trustee	Corporate Director

Notes:

(1) Member of the Investment Committee.

(2) Member of the Audit Committee.

(3) Member of the Compensation, Governance and Nominating Committee.
(4) Chair of the Audit Committee.
(5) Chair of the Board.
(6) Chair of the Investment Committee.
(7) Chair of the Compensation, Governance and Nominating Committee.

As a group, the Trustees and executive officers of the REIT will beneficially own, control or direct, directly or indirectly, [●] Units on Closing, representing approximately [●]% of the issued and outstanding Units upon completion of the Offering. In addition, John S. Bailey and W. Daniel Hughes, Jr. will beneficially own, control or direct, directly or indirectly, [●] Class B Units and [●] Units, together representing an approximate [●]% ownership interest in the REIT on Closing (determined as if all Class B Units are redeemed for Units).

Biographical Information Regarding the Trustees

Additional biographical information regarding the individuals who will be Trustees of the REIT as of Closing, for the past five years is set out below:

John S. Bailey

Mr. Bailey serves as a Trustee of the REIT and Chief Executive Officer. Prior to joining the REIT, he was the Chief Executive Officer and Manager of Bailey Properties, LLC and its predecessor company since 1992, which combined with Summit Housing Partners in 2012 to form BSR. Previously, Mr. Bailey worked and traded his own account at the Chicago Mercantile Exchange in the Eurodollar financial futures pit from 1980 to 1991. In 1991, Mr. Bailey transitioned to a career in the multifamily real estate industry when he began purchasing commercial and multifamily properties, including the historic Union Station in downtown Little Rock. In addition to the REIT, Mr. Bailey also currently serves on the board of directors of The Salvation Army, Centennial Bank (Little Rock) and the University Of Arkansas at Little Rock Board of Visitors. Mr. Bailey has a BSBA in Finance and Banking from the University of Arkansas, earned his CCIM designation in 1996 and is an Arkansas licensed real estate broker.

William A. Halter

Mr. Halter serves as a Trustee of the REIT. Lieutenant Governor William A. Halter currently serves as the Chief Executive Officer of Scenic Hill Solar, a developer, owner, and operator of solar power plants for commercial, industrial and municipal utility clients. Mr. Halter served as the Lieutenant Governor of Arkansas from January 2007 to January 2011. He was the chair of the Democratic Lieutenant Governors Association and also served as the chair of the Southern Region of the National Lieutenant Governors Association. Before his election as Lieutenant Governor, from 1999 to 2001, Mr. Halter served as Deputy Commissioner and later as Acting Commissioner of Social Security Administration of the United States Social Security Administration. From 1993 to 1999, he served as a Senior Advisor in the Director's Office, Office of Management and Budget, Executive Office of the President of the United States. Mr. Halter also served as Economist for the Joint Economic Committee of Congress and as the Chief Economist of the U.S. Senate Committee on Finance. Before entering public service, he served as a Management Consultant with McKinsey & Company. He has served as a Director of five public companies including Akamai Technologies Inc., InterMune Inc., Threshold Pharmaceuticals Inc., webMethods Inc., and Xenogen Corporation, Mr. Halter has also served as a Director of five privately held companies. Mr. Halter serves a Trustee Emeritus of Stanford University and has served on several Advisory Councils of Stanford. Mr. Halter is a Rhodes Scholar and holds a Master of Philosophy in Economics from Oxford University and a BA in Economics and Political Science from Stanford University where he was a Truman Scholar.

Bryan H. Held

Mr. Held serves as a Trustee of the REIT and chair of the Audit Committee. Mr. Held previously served as a director and audit committee member of The Second Cup Ltd. from 2012 to 2013. Prior to that, he served as trustee of Vicwest Income Fund from 2003 to 2009, chair of the audit committee from 2003 to 2005, Chairman of the Board from 2005 to 2009 and interim Chief Executive Officer from 2006 to 2007. Mr. Held served as a director and audit committee member of Stephenson's Rental Services Income Fund from 2005 to 2007. Prior to this, Mr. Held was the President and Chief Executive Officer of SMK Speedy International Inc., retiring when ownership changed in 2004. He then served as chair of the audit committee for Speedy from 2004 to 2005. He also served on the audit committee of John Forsythe Shirt Company. Since 1986 and prior to joining Speedy, Mr. Held held senior management positions in various public companies in the aerospace, manufacturing and retail industries, participating in several restructurings. Mr. Held is a chartered accountant (FCPA, FCA) and was a partner of Arthur Andersen & Co., where he served clients in many diverse industries from 1969 to 1986. From 2014 to 2016, he served as chair of the Ontario chapter of the Institute of Corporate Directors and has his ICD.D designation. Mr. Held has a B. Comm. from the University of Witwatersrand. Mr. Held has served on various boards and is a past chair of The William Osler Health Centre.

W. Daniel Hughes, Jr.

Mr. Hughes serves as a Trustee of the REIT. Mr. Hughes has served as the Chairman of LEDIC Realty Company, LLC, a manager, owner and developer of multifamily properties across the United States, since 2014. He was the founder of Summit Housing Partners, LLC, the predecessor to BSR Trust, LLC, and served as the Chief Executive Officer of BSR Trust, LLC. Prior to founding Summit in 1996, Mr. Hughes was an investment banker with a focus on housing and economic development. He is a trustee of the approximately $3.5 billion Alabama Heritage Fund. Mr. Hughes also serves on the State's College Counts Board of Directors, which oversees Alabama' 529 College Savings Plan, and serves as Executive Committee Member and Treasurer of State of Alabama Archives and Historical Foundation. He is a past member of the Board of Directors of the Montgomery Area Chamber of Commerce and was Chairman in 2009. He is a prior Trustee and Executive Committee Member for the Alabama Real Estate Research and Education Center. Mr. Hughes has a BA, an MBA and is a graduate of the Southwestern Graduate School of Banking.

Neil J. Labatte

Mr. Labatte serves as a Trustee of the REIT and is Chair of the Board. Mr. Labatte is the founder of Global Dimension Capital, Inc., a real estate and hotel investment advisory firm. He is currently the President and Chief Executive Officer of Talon International Development Inc., a real estate development company. Mr. Labatte currently serves on the board of Triovest Inc. He was previously a Director of Pomeroy Hotels as well as HealthLease Properties REIT, Alpha Peak and Holloway Lodging Corporation, all current or former TSX-listed entities. Mr. Labatte is also the former President and Chief Executive Officer of the Legacy Hotels REIT, positions he held since June 1999 and March 2003, respectively until January 2004. Mr. Labatte joined Fairmont Hotels & Resorts in 1997 as Vice President Acquisitions, and from October 2001 to December 31, 2004 served as Senior Vice President, Real Estate and was a member of the organization's Executive Committee. Mr. Labatte possesses over 35 years of experience within the real estate sector. For four years prior to joining Fairmont Hotels & Resorts, Mr. Labatte was a founder, principal and board member of AEW Mexico Company, a Dallas, Texas private equity real estate investment management company formed with one of the largest institutional real estate private equity companies in the United States. For the 12 years prior to the formation of AEW Mexico Company, he was involved in the hotel and real estate sectors in the capacity of investment banker and consultant. Mr. Labatte received his B.Sc. and M.Sc. in Finance from the University of Utah. Mr. Labatte played professional hockey with the St. Louis Blues and Salt Lake Golden Eagles from 1977-1982. He was previously Co-Chairman of the NHL Alumni Association.

Graham D. Senst

Mr. Senst serves as a Trustee of the REIT and chair of the Investment Committee. Mr. Senst served as President of the Institute of Canadian Real Estate Investment Managers until its sale in August 2012. Prior to this role, Mr. Senst served as Managing Director of KingSett Capital Real Estate Income Fund and as an Executive Vice President of Bentall Capital and Penreal Capital Management. Mr. Senst served as an Executive Vice President of Bentall Investment Management. Prior to joining Bentall in April 2003, Mr. Senst served as Vice President of Real Estate for the OMERS Administration Corp. (also known as Ontario Municipal Employees Retirement System). Mr. Senst has many years of senior real estate investment experience as a principal with a major Ontario pension fund and other Canadian financial institutions. Prior to joining OMERS, Mr. Senst served as Vice President of Real Estate at a Subsidiary of Mackenzie Financial Corporation, where he developed debt and equity investment products for various Mackenzie funds. Mr. Senst served as the Vice President of Corporate Real Estate at both Canada Trust and Truscan Realty. He served as a Member of Advisory Board at KingSett Capital Income Fund. He served as trustee of Residential Equities Real Estate Investment Trust (ResREIT). He served as a Director of Oxford Properties Group, Inc., Morgan Stanley Real Estate Fund IV and Soros Real Estate Investors, C.V. From 2013 to 2017, Mr. Senst served as a trustee of Milestone Apartments Real Estate Investment Trust and was the chair of the investment committee. Mr. Senst holds an Honours of Business Administration and a Masters of Business Administration from the Ivey School of Business at the University of Western Ontario in London, Ontario and is a graduate of the Institute of Corporate Directors 2011.

Elizabeth A. Wademan

Ms. Wademan serves as a Trustee of the REIT and is chair of the Compensation, Governance and Nominating Committee. Ms. Wademan is a senior executive with over 20 years of financial services experience as a capital markets professional. She spent 18 years in investment banking at BMO Capital Markets, where she was a Managing Director in Equity Capital Markets before retiring in 2016. Ms. Wademan has extensive experience in capital markets advisory and investment banking in both domestic and international markets, as well as in securities and commodities. She is currently an independent corporate director serving on the boards of publicly listed corporations Torex Gold Resources Inc., where she is chair of the Environmental and Corporate Social Responsibility Committee and member of the audit committee, and SSR Mining Inc., where she is a member of the compensation and safety and sustainability committees. Ms. Wademan also sits on the board of St Joseph's Health Centre Foundation. She obtained her Bachelor of Commerce (Finance and International Business) from McGill University, is a CFA charterholder and is a holder of the Institute of Corporate Directors Director designation (ICD.D).

Penalties or Sanctions

None of the REIT's proposed Trustees or executive offices, and to the best of the REIT's knowledge, no Unitholder holding a sufficient number of securities to affect materially the control of the REIT, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Individual Bankruptcies

None of the REIT's existing or proposed Trustees or executive officers, and to the best of the REIT's knowledge, no Unitholder holding a sufficient number of securities to affect materially the control of the REIT, has, within the ten years prior to the date of this prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Corporate Cease Trade Orders and Bankruptcies

Other than as set forth below, none of the REIT's existing or proposed Trustees or executive officers, and to the best of the REIT's knowledge, no Unitholder holding a sufficient number of securities to affect materially the control of the REIT is, as at the date of this prospectus, or has been within the ten years before the date of this prospectus, (i) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued while the existing or proposed director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (ii) was subject to an order that was issued after the existing or proposed director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, or (iii) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. For the purposes of this paragraph, "order" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

During the period of 2011 to mid-2013, Global Dimension Capital, Inc., a company founded by Mr. Neil J. Labatte, was retained to provide advisory services to Talon International Inc. and its related companies as it concerned its ownership of certain assets, undertakings and properties acquired for or used in relation to the residence and hotel branded as the Trump International Hotel & Tower in Toronto, Ontario. In July 2013, the contract with Global Dimension Capital, Inc. provided that consulting services of Mr. Labatte, through Global Dimension Capital, Inc., would be provided and Mr. Labatte was appointed director, CEO and President of Talon International Inc. Talon International Inc., through certain affiliates, was responsible for construction, parking, information technology, food and beverage and spa operations directly, together with oversight of certain hotel condo units and other related items.

Trump Organization was the direct manager of these entity activities through two condominium corporations (2263847 Ontario Limited and 2270039 Ontario Limited). Talon International Inc. subsequently appointed Mr. Labatte to be an independent director of Talon International Development Inc. and TFB Inc., related entities of Talon International Inc., and an officer of TFB Inc. and the two condominium corporations (2263847 Ontario Limited and 2270039 Ontario Limited). On November 1, 2016, Talon International Inc., Talon International Development Inc., TFB Inc. and the two condominium corporations became parties to a receivership order from the Ontario Superior Court of Justice (Commercial List) appointing FTI Consulting Canada Inc. as a court-appointed receiver of certain assets of such entities used in relation to the Trump International Hotel & Tower in Toronto, Ontario. Through the receivership process, Talon International Inc. facilitated the sale of the hotel to JCF Capital ULC for C$298 million, the sale of the C$300 million construction loan from Raiffeisen Bank International AG to JCF Capital ULC, and in September 2017, the subsequent sale of the hotel to a third party for an undisclosed amount.

Interests of Trustees in Material Transactions

Other than as described in this prospectus, there are no material interests, direct or indirect, of any Trustee or executive officer of the REIT, any Unitholder that beneficially owns, or controls or directs (directly or indirectly), more than 10% of the aggregate votes attached to the Units, or any associate or affiliate of any of the foregoing persons, in any transaction within the three years before the date hereof that has materially affected or is reasonably expected to materially affect the REIT or any of its Subsidiaries.

Committees of the Board of Trustees

The Board will establish three committees: the Audit Committee, the Compensation, Governance and Nominating Committee and the Investment Committee. All members of the Audit Committee will be persons determined by the Board to be Independent Trustees, except for temporary periods in limited circumstances in accordance with National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"), and will be residents of Canada. A majority of the members of the Compensation, Governance and Nominating Committee will be persons determined by the Board to be Independent Trustees and will be residents of Canada. A majority of the members of the Investment Committee will be persons determined by the Board to be Independent Trustees and will each be required to have at least five years of substantial experience in the real estate industry.

Audit Committee

The Audit Committee will consist of at least three Trustees, all of whom will be persons determined by the REIT to be both Independent Trustees and financially literate within the meaning of NI 52-110 and all of whom will be residents of Canada. The Audit Committee will initially be comprised of Bryan H. Held, who will act as chair of this committee, Graham D. Senst and Elizabeth A. Wademan, all of whom have extensive financial experience and have been determined to be independent. Each of the Audit Committee members will have an understanding of the accounting principles used to prepare financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting.

The following is a brief summary of the education or experience of each member of the Audit Committee that is relevant to the performance of his or her responsibilities as a member of the Audit Committee, including any education or experience that has provided the member with an understanding of the accounting principles used by the REIT to prepare its financial statements.

Bryan H. Held

Mr. Held is the chair of the Audit Committee. He is a chartered accountant (FCPA, FCA) and was a partners of Arthur Andersen & Co., where he served clients in many diverse industries from 1969 to 1986. He previously served as a trustee of Vicwest Income Fund from 2003 to 2009, chair of the audit committee from 2003 to 2005, chair of the board from 2005 to 2009 and interim Chief Executive Officer from 2006 to 2007. Mr. Held served as a director and audit committee member of Stephenson's Rental Services Income Fund from 2005 to 2007. Prior to that, Mr. Held was the President and Chief Executive Officer of SMK Speedy International Inc., retiring when ownership changed in 2004. He also served on the audit committee of John Forsythe Shirt Company. Mr. Held has occupied senior management positions in various public companies in the aerospace, manufacturing and retail industries. Mr. Held has a B. Comm. from the University of Witwatersrand and has his Institute of Corporate Directors ICD.D designation.

Graham D. Senst

From 2013 to 2017, Mr. Senst served as a trustee of Milestone Apartments Real Estate Investment Trust and was the chair of the investment committee. Mr. Senst holds an Honours of Business Administration and a Masters of Business Administration from the Ivey School of Business at the University of Western Ontario in London, Ontario and is a graduate of the Institute of Corporate Directors 2011.

Elizabeth A. Wademan

Ms. Wademan has over 20 years of financial services experience as a capital markets professional. She spent 18 years in investment banking at BMO Capital Markets. Ms. Wademan has extensive experience in capital markets advisory and investment banking in both domestic and international markets, as well as in commodities and securities. Ms. Wademan serves on the audit committee of Torex Gold Resources Inc. She obtained her Bachelor of Commerce (Finance and International Business) from McGill University, is a CFA charterholder and is a holder of the Institute of Corporate Directors ICD.D designation.

The Board will adopt a written charter for the Audit Committee, substantially in the form set out under Appendix A to this prospectus, which sets out the Audit Committee's responsibilities. It is expected that the Audit Committee's responsibilities will include: (i) reviewing the REIT's procedures for internal control with the REIT's auditors and Chief Financial Officer; (ii) reviewing and approving the engagement of the auditors; (iii) reviewing annual and quarterly financial statements and all other material continuous disclosure documents, including the REIT's annual information form and management's discussion and analysis; (iv) assessing the REIT's senior financial and accounting personnel; (v) assessing the REIT's accounting policies; (vi) reviewing the REIT's risk management procedures; (vii) reviewing any significant transactions outside the REIT's ordinary course of business and any pending litigation involving the REIT (viii) overseeing the work and reviewing of the independence of the external auditors and (ix) reviewing, evaluating and approving the internal control procedures that are implemented and maintained by management.

The Audit Committee will have direct communication channels with the Chief Financial Officer and the external auditors of the REIT to discuss and review such issues as the Audit Committee may deem appropriate.

The following table presents, by category, the fees accrued by KPMG LLP as external auditor of, and for other services provided to, the REIT in connection with the REIT's formation and organization, for the period indicated:

Category of Fees	**12 Months Ended December 31, 2017**	**Period from January 1, 2018 to [●], 2018**
Audit fees(1)	$740,000	[●]
Audit-related fees(2)	—	[●]
Tax fees(3)	—	[●]
All other fees(4)	$380,000	[●]

Notes:

(1) "Audit fees" relate to the audit of financial statements included in this prospectus, the review of interim financial statements included in this prospectus, the examination of the financial forecast and procedures performed in connection with the IPO.

(2) "Audit-related fees" include French translation services.

(3) "Tax fees" relates to certain tax advisory services provided to management.

(4) "All other fees" relates to certain IPO advisory services provided to management.

Compensation, Governance and Nominating Committee

The Compensation, Governance and Nominating Committee will be comprised of at least three Trustees, a majority of whom will be persons determined by the REIT to be Independent Trustees and a majority of whom will be residents of Canada, and will be charged with reviewing, overseeing and evaluating the compensation, corporate governance and nominating policies of the REIT. The Compensation, Governance and Nominating Committee will initially be comprised of Elizabeth A. Wademan, who will act as chair of this committee, Bryan H. Held and Neil J. Labatte, all of whom have been determined by the REIT to be Independent Trustees.

The Board will adopt a written charter for the Compensation, Governance and Nominating Committee setting out its responsibilities for: (i) assessing the effectiveness of the Board, each of its committees and individual Trustees; (ii) overseeing the recruitment and selection of candidates as Trustees of the REIT, other than the candidates nominated by the Bailey/Hughes Holders; (iii) organizing an orientation and education program for new Trustees; (iv) considering and approving proposals by the Trustees to engage outside advisors on behalf of the Board as a whole or on behalf of the Independent Trustees; (v) reviewing and making recommendations to the Board concerning any change in the number of Trustees composing the Board; (vi) considering questions of management succession; (vii) administering securities based compensation plans of the REIT including the Equity Incentive Plan (as defined below), any purchase plan of the REIT, and any other compensation incentive programs; (viii) assessing the performance of management of the REIT; (ix) reviewing and approving the compensation paid by the REIT, if any, to the officers of the REIT; and (x) reviewing and making recommendations to the Board concerning the level and nature of the compensation payable to Trustees and officers of the REIT.

The Board believe that the members of the Compensation, Governance and Nominating Committee individually and collectively will possess the requisite knowledge, skill and experience in governance and compensation matters, including human resource management, executive compensation matters and general business leadership, to fulfill the committee's mandate. All members of the Compensation, Governance and Nominating Committee will have substantial knowledge and experience as current and former senior executives of large and complex organizations and on the boards of other publicly traded entities. For additional details regarding the relevant education and experience of each member of the Compensation, Governance and Nominating Committee, see "– Biographical Information Regarding the Trustees".

In determining total compensation for the REIT's Trustees and executive officers, the Compensation, Governance and Nominating Committee and the Board will consider a number of key factors, including (i) relative total unitholder return, (ii) acquisitions, financings and refinancings and (iii) financial performance. The Compensation, Governance and Nominating Committee and the Board will also assess the individual performance of each executive including a consideration of leadership, team development, asset management, investment and financing strategy development and execution, public company governance, and execution of specific objectives.

Investment Committee

The Investment Committee will be comprised of at least three Trustees, a majority of whom will be persons determined by the REIT to be Independent Trustees and residents of Canada and each of whom must have at least five years of substantial experience in the real estate industry, and will be charged with assessing particular acquisition opportunities based on a variety of factors, including the expected risk-adjusted returns, credit fundamentals, liquidity, availability of adequate financing, borrowing costs and macroeconomic conditions. The Investment Committee will initially be comprised of Graham D. Senst, who will act as chair of this committee, John S. Bailey and Neil J. Labatte, a majority of whom have been determined by the REIT to be Independent Trustees.

The Board will adopt a written charter for the Investment Committee setting out its responsibilities and duties which may include, at the Board's discretion, the grant of authority to the Investment Committee to authorize, without board approval, proposed acquisitions, dispositions or borrowings where the value of such transaction is within a pre-determined threshold and such further delegation of authority to management in certain circumstances as determined by the Investment Committee in accordance with its charter.

The Board believe that the members of the Investment Committee individually and collectively will possess the requisite knowledge, skill and experience in investment matters to fulfill the committee's mandate. For additional details regarding the relevant education and experience of each member of the Investment Committee, see "– Biographical Information Regarding the Trustees".

Nomination of Trustees

Other than the Bailey/Hughes Holders' nominees nominated pursuant to the Investor Rights Agreement, all board nominees are nominated by the Compensation, Governance and Nominating Committee, who make such nominations after considering the mix of skills and experience it believes are necessary to further the REIT's goals. Trustees elected at an annual meeting will be elected for a term expiring at the close of the subsequent annual meeting and will be eligible for re-election. Trustees appointed by the Trustees between meetings of Unitholders in accordance with the

Declaration of Trust shall be appointed for a term expiring at the close of the next annual meeting and will be eligible for election or re-election, as the case may be.

Term Limits

The REIT does not impose term limits on its Trustees as it takes the view that term limits are an arbitrary mechanism for removing Trustees that can result in valuable, experienced Trustees being forced to leave the Board solely because of length of service. Instead, the REIT believes that Trustees should be assessed a minimum of annually based on their ability to continue to make a meaningful contribution to the REIT. The REIT is committed to ensuring that its Board is comprised of individuals with appropriate skill sets and annually asks its Trustees to evaluate the effectiveness of the Board and the individual Trustees. The results of these annual surveys are taken into account when determining the appropriate slate of individuals to stand for election as Trustees at each annual meeting.

Remuneration of Trustees

Each non-management Trustee will be paid an annual board retainer fee of $32,000 per year as well as a fee of $1,500 per meeting of the Board or any committee thereof. Each Trustee will be reimbursed for all reasonable travel and ancillary expenses incurred. The Chair of the Board will receive an additional annual retainer of $45,000. The chair of the Audit Committee will receive an additional annual retainer of $15,000. The chair of the Investment Committee will receive an additional annual retainer of $10,000 and the chair of the Compensation, Governance and Nominating Committee will receive an additional annual retainer of $10,000. The Trustees will not receive any additional remuneration for acting as directors on the boards of any of the REIT's Subsidiaries. Trustees who are also members of management will not receive any remuneration for their role as a Trustee.

Trustees will have the option to elect to receive up to 100% of all fees that are otherwise payable in cash (i.e. annual board retainer fee, meeting fees and additional retainers) in the form of Deferred Units. The REIT shall match 100% of the total value of the annual board retainer fee that a Trustee elects to receive in the form of Deferred Units. Accordingly, the number of Deferred Units to be awarded to a Trustee is equal to (i) the value of all fees that the Trustee elects to receive in the form of Deferred Units plus an additional 100% of the annual board retainer fee elected to be received in the form of Deferred Units pursuant to the REIT's obligation to match, (ii) divided by the volume-weighted average trading price of a Unit on the TSX for the five trading days prior to the date of the award. Trustees must complete an election form to receive Deferred Units in lieu of the cash component of their fees no later than December 31 of the year preceding the applicable grant year. Elections are irrevocable for the year in respect of which they are made. It is expected that Trustees will receive Deferred Units quarterly. See "Executive Compensation – Equity Incentive Plan".

Orientation and Continuing Education

New Trustees

When new Trustees are elected to the Board, they can be expected to participate in a comprehensive orientation program. The orientation program will familiarize new Trustees with the REIT's business and operations, including structure, operations, and risks. They will be briefed on the role of the Board, its committees and the contributions individual trustees are expected to make. New Trustees can also be expected to receive an orientation package containing all Trustees' committee mandates and charters, copies of the REIT's policies and other background information on the REIT's business, operations and risks.

Continuing Education

The REIT's continuing education program for its Trustees will involve the ongoing evaluation by the Compensation, Governance and Nominating Committee of the skills and competencies of existing Trustees. The Board is currently comprised of highly qualified and experienced Trustees with impressive levels of skill and knowledge. Many of the Trustees are seasoned business executives, directors or professionals with considerable experience, including as directors of other significant public companies. The Compensation, Governance and Nominating Committee will continually monitor the composition of the Board and will recommend the adoption of a formal continuing education program should it be determined to be necessary.

As part of the REIT's continuing education program, Trustees will:

- receive a comprehensive electronic package of information prior to each board and committee meeting;
- obtain a quarterly report on the REIT's operations and markets from management;
- receive updates from management and third parties (including advisors) on regulatory developments and trends and issues related to the REIT's business;
- receive reports on the work of board committees following committee meetings;
- complete an annual tour of certain REIT properties; and
- are encouraged to attend industry conferences and events, with the reasonable cost of such events being reimbursed by the REIT.

Board Assessments

The Compensation, Governance and Nominating Committee will conduct an annual assessment of the Board, its committees and of each individual Trustee. The results of the assessments will be communicated to the Board. This process will be used (i) as an assessment tool, (ii) as a component of the regular review process of Board members' participation, and (iii) to assist with the Board's succession planning.

Conflicts of Interest

The Declaration of Trust will contain "conflict of interest" provisions to protect Unitholders without creating undue limitations on the REIT. As the Trustees will be engaged in a wide range of real estate and other activities, the Declaration of Trust will contain provisions, similar to those contained in the CBCA, that will require each Trustee to disclose to the REIT, at the first meeting of Trustees at which a proposed contract or transaction is considered, any interest in a material contract or transaction or proposed material contract or transaction with the REIT (including a contract or transaction involving the making or disposition of any investment in real property or a joint venture agreement) or the fact that such person is a director or officer of or otherwise has a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with the REIT. If a material contract or transaction or proposed material contract or transaction is one that in the ordinary course would not require approval by the Trustees, a Trustee will be required to disclose in writing to the REIT, or request to have entered into the minutes of meetings of Trustees, the nature and extent of his or her interest forthwith after the Trustee becomes aware of the contract or transaction or proposed contract or transaction. In any case, a Trustee who has made disclosure to the foregoing effect will not be entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction primarily relates to his or her remuneration or is for an indemnity under the provisions of the Declaration of Trust or the purchase or maintenance of liability insurance.

All decisions of the Board will require the approval of a majority of the Trustees present in person or by phone at a meeting of the Board, except for each of the following matters which will also require the approval of a majority of the Independent Trustees:

(i) an acquisition of a property or an investment in a property, whether by co-investment or otherwise, in which any related party of the REIT has any direct or indirect interest, whether as owner, operator or manager;

(ii) a material change to any agreement with a related party of the REIT or any renewal, extension or termination thereof or any increase in any fees (including any transaction fees) or distributions payable thereunder;

(iii) the entering into of, or the waiver, exercise or enforcement of any rights or remedies under, any agreement entered into by the REIT, or the making, directly or indirectly, of any co-investment, in each case with (a) any Trustee, (b) any entity directly or indirectly controlled by any Trustee or in which any Trustee holds a significant interest, or (c) any entity for which any Trustee acts as a director or other similar capacity;

(iv) the refinancing, increase or renewal of any indebtedness owed by or to (a) any Trustee, (b) any entity directly or indirectly controlled by any Trustee or in which any Trustee holds a significant interest, or (c) any entity for which any Trustee act as a director or other similar capacity;

(v) decisions relating to any claims by or against one or more parties to any agreement with any related party to the REIT; or

(vi) the appointment of members of the board of directors of US Holdco.

In connection with any transaction involving the REIT, including any transaction which requires the approval of a majority of the Independent Trustees, the Board shall have the authority to retain external legal counsel, consultants or other advisors to assist it in negotiating and completing such transaction without consulting or obtaining the approval of any officer of the REIT.

It is anticipated that the Independent Trustees will hold in-camera meetings, with members of management not in attendance, as part of regulatory scheduled Board meetings. The Chair will conduct the in-camera meetings without the presence of management or the other non-independent Trustees, and in circumstances where the Independent Trustees have determined that the Chair is subject to a potential conflict of interest in connection with his non-independence designation pursuant to NI 58-101 or otherwise, the lead Trustee shall conduct such in-camera sessions both without the presence of management and without the presence of management or the non-independent Trustees (including the Chair).

Executive Officers

The responsibilities of the management of the REIT will include: (i) providing the Board with information and advice relating to the operation of the REIT's properties, acquisitions and financings; (ii) establishing, at least on an annual basis, investment and operating plans for the ensuing period; (iii) conducting and supervising the due diligence required in connection with proposed acquisitions and completing any acquisitions or dispositions; (iv) maintaining the books and financial records of the REIT; (v) determining and preparing designations, elections and determinations to be made in connection with the income and capital gains of the REIT for tax and accounting purposes; (vi) preparing reports and other information required to be sent to Unitholders and other disclosure documents; (vii) calculating all distributions; (viii) communicating with Unitholders and other persons, including investment dealers, lenders and professionals; and (ix) administering or supervising the administration, on behalf of the Board, of the payment of distributions by the REIT.

The Board will adopt, effective as of Closing, a written position description and mandate for the Chief Executive Officer which will set out the key responsibilities of the Chief Executive Officer. The primary functions of the Chief Executive Officer will be to lead management of the business and affairs of the REIT, to lead the implementation of the resolutions and the policies of the Board, to supervise day to day management and to communicate with Unitholders and regulators. The Chief Executive Officer mandate will be considered by the Board for approval annually.

The following table sets forth the name, municipality of residence and positions held with the REIT of each named executive officer of the REIT on Closing:

Name and Municipality of Residence	Office with the REIT
JOHN S. BAILEY Little Rock, Arkansas, USA	Chief Executive Officer
SUSAN R. KOEHN Little Rock, Arkansas, USA	Chief Financial Officer
F. BLAKE BRAZEAL Dallas, Texas, USA	President and Chief Operating Officer
DANIEL M. OBERSTE Little Rock, Arkansas, USA	Chief Investment Officer
SCOTT A. RAY Little Rock, Arkansas, USA	Chief Administrative Officer

Additional biographical information regarding the named executive officers of the REIT, including a description of each individual's principal occupation within the past five years, is provided below:

John S. Bailey – Chief Executive Officer

Mr. Bailey has served as Chief Executive Officer of BSR since 2014. Prior to this, Mr. Bailey was the Chief Executive Officer and Manager of Bailey Properties, LLC and its predecessor company since 1992, which combined with Summit Housing Partners in 2012 to form BSR. Mr. Bailey also currently serves on the board of directors of The Salvation Army, Centennial Bank (Little Rock) and the University Of Arkansas at Little Rock Board of Visitors. Mr. Bailey has a BSBA in Finance and Banking from the University of Arkansas, earned his CCIM designation in 1996 and is an Arkansas licensed real estate broker. For additional biographical information about Mr. Bailey, see "Trustees and Executive Officers of the REIT – Governance and Board of Trustees – Biographical Information Regarding the Trustees".

Susan Koehn – Chief Financial Officer

Ms. Koehn has served as Chief Financial Officer of BSR since 2016. Prior to this, she served as BSR's Chief Accounting Officer since 2014. From 2005 to 2013, Ms. Koehn worked at Education Realty Trust, Inc., a NYSE-listed collegiate housing real estate investment trust, where she served as the Senior Director of Financial Reporting. From 1997 to 2005, she held various positions in the audit practice of PricewaterhouseCoopers LLC, including a three-year international assignment in Zurich, Switzerland. Ms. Koehn is a Certified Public Accountant (inactive) and earned both her Masters and Bachelor of Professional Accountancy from Mississippi State University.

Blake Brazeal – President and Chief Operating Officer

Mr. Brazeal has served as President and Chief Operating Officer of BSR since 2016. Prior to this, he served as the President of Summit Housing Partners Management, LLC as well as its subsidiary, Summit Asset Management, LLC, beginning in January 2004. Prior to joining Summit Housing Partners, LLC, Mr. Brazeal held various management roles in the banking and finance industry. He holds a Graduate Degree in Business from the University of Texas at Austin and the Southwestern Graduate School of Banking at Southern Methodist University.

Daniel Oberste – Chief Investment Officer

Mr. Oberste has served as Chief Investment Officer of BSR since 2012. Prior to this, Mr. Oberste was BSR's Executive Vice President – Investments, General Counsel and Corporate Secretary. Before joining BSR in 2012, Mr. Oberste served as the Vice President of Investments for Bailey Properties, LLC from 2009, gaining extensive experience in sourcing, underwriting, and administering the multifamily and commercial investment, acquisition, and disposition process. Mr. Oberste is an attorney with 11 years of real estate experience. Prior to joining Bailey Properties, LLC, Mr. Oberste worked as an attorney with the Corporate Practice Group at Kutak Rock LLP. Mr. Oberste earned his undergraduate degree from the Sam M. Walton College of Business at the University of Arkansas and his Juris Doctorate from the Leflar School of Law at the University of Arkansas. Mr. Oberste has recently served on the University of Arkansas for Medical Sciences (UAMS) Consortium Advisory Board and as chair of the University of Arkansas at Pulaski Technical College Foundation. In 2013, Oberste joined the board of Good Shepherd Ecumenical Retirement Center, a faith-based affordable senior living non-profit organization, and currently serves as its Treasurer.

Scott Ray – Chief Administrative Officer

Mr. Ray has served as the Chief Administrative Officer of BSR since 2012. Prior to this, Mr. Ray was the President of Bailey Properties, LLC. Having started with Bailey Properties, LLC in 1994 as a Staff Accountant, Mr. Ray has spent 20 years in all departments of BSR, in both front line and supervisory capacities, giving him a comprehensive understanding of BSR's business and of the multifamily real estate industry. Mr. Ray received a BBA in Management of Information Systems and a BS in Accounting from Iowa State University. Mr. Ray is a Certified Public Accountant, a Certified Information Technology Professional and an Arkansas licensed real estate broker.

Trustees' and Officers' Liability Insurance

The REIT intends to obtain trustees' and officers' liability insurance policies, which cover indemnification of Trustees and officers of the REIT in certain circumstances, including coverage for the REIT and its Trustees and officers in relation to the prospectus. The REIT will also obtain a six-year prospectus liability insurance policy providing coverage to the Trustees and officers of the REIT, the REIT and BSR, as promoter, and subject to certain limits, deductibles and other terms and conditions. In addition, the REIT will enter into indemnification agreements with each of its Trustees and officers for liabilities and costs in respect of any action or suit against them in connection with the execution of their duties, subject to customary limitations prescribed by applicable law.

Ethical Business Conduct

The REIT will adopt a written code of conduct (the "**Code of Conduct**") that applies to all Trustees, officers, and management of the REIT and its Subsidiaries. The objective of the Code of Conduct is to provide guidelines for maintaining the integrity, reputation, honesty, objectivity and impartiality of the REIT and its Subsidiaries. The Code of Conduct will address conflicts of interest, protecting the REIT's assets, confidentiality, fair dealing with security holders, competitors and employees, insider trading, compliance with laws and reporting any illegal or unethical behaviour. As part of the Code of Conduct, any person subject to the Code of Conduct will be required to avoid or fully disclose interests or relationships that are harmful or detrimental to the REIT's best interests or that may give rise to real, potential or the appearance of conflicts of interest. The Board will have the ultimate responsibility for the stewardship of the Code of Conduct. The Code of Conduct will also be filed with the Canadian securities regulatory authorities on the SEDAR website at www.sedar.com.

Diversity

The REIT is committed to fostering an open and inclusive workplace culture. The REIT's Code of Conduct will underscore a commitment to diversity and recognizes it as an important asset. The Code of Conduct explicitly states that the REIT and its affiliates are firmly committed to providing equal opportunity in all aspects of employment.

The Compensation, Governance and Nominating Committee values and considers diversity as part of its overall annual evaluation of Trustee nominees for election or re-election, as well as candidates for management positions. Gender and geography (subject to the limitations set forth in the Declaration of Trust) are of particular importance to the REIT in ensuring diversity within the Board and management. Recommendations concerning Trustee nominees are, foremost, based on merit and performance, but diversity is taken into consideration, as it is beneficial that a diversity of backgrounds, views and experiences be present at the Board and management levels.

In furtherance of the REIT's commitment to diversity at the Board level, following Closing, the Board will adopt a diversity policy (the "**Diversity Policy**"). In accordance with the Diversity Policy, the Compensation, Governance and Nominating Committee will consider a number of factors, including gender, ethnic and geographic diversity, as well as age, business experience, professional expertise, personal skills and perspectives, when seeking and considering new Trustees for nomination or evaluating Trustee nominees for re-election. The Board will ensure compliance with the Diversity Policy by requiring that the Compensation, Governance and Nominating Committee conduct annual assessments to consider the level of representation on the Board of the various attributes enumerated in the Diversity Policy, including the number of women on the Board.

The Diversity Policy will not specify a numerical target for women Trustees on the Board, nor will the REIT maintain a specific numerical target in making executive officer appoints. However, as specified in the Diversity Policy, the level of representation of women will be considered by the REIT, the Board and the Compensation, Governance and Nominating Committee in the identification and nomination of Trustees.

The level of representation of women has been, and will continue to be, considered by the REIT, the Board and the Compensation, Governance and Nominating Committee in the making of executive officer appointments. In searches for new executive officers, the Compensation, Governance and Nominating Committee will consider the level of female representation and diversity in management as one of several factors used in its search process. This will be achieved through continuously monitoring the level of female representation in senior management positions and, where appropriate, recruiting qualified female candidates as part of the REIT's overall recruitment and selection process to fill senior management positions, as the need arises, through vacancies, growth or otherwise.

There is currently one female Trustee on the Board (14%) and one female executive officer of the REIT or any of its major subsidiaries (20%).

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The following discussion describes the significant elements of the REIT's expected executive compensation program, with particular emphasis on the process for determining compensation payable to the Chief Executive Officer and the Chief Financial Officer as well as the President and Chief Operating Officer, Chief Investment Officer and Chief Administrative Officer, being the next three most highly compensated executive officers, each of whom will be employed directly by BSR Management, LLC, a subsidiary of the REIT. The Chief Executive Officer, Chief Financial Officer, President and Chief Operating Officer, Chief Investment Officer and Chief Administrative Officer are referred to herein as the "named executive officers" in accordance with applicable Canadian securities laws.

The REIT's proposed compensation arrangements for the named executive officers are described below.

Principal Elements of Compensation

The following discussion supplements the more detailed information concerning executive compensation that appears in the "Summary Compensation Table" and the accompanying narrative that follows.

The compensation of the named executive officers will include three principal elements: (i) base salary; (ii) discretionary annual cash bonuses; and (iii) long-term incentives, which may consist of Restricted Units, Performance Units, Deferred Units, Options or other equity-based incentive compensation awards granted under the Equity Incentive Plan, all as described and defined below.

Base Salaries

Base salaries are intended to provide an appropriate level of fixed compensation that will assist in employee retention and recruitment. Base salaries will be determined on an individual basis, taking into consideration the past, current and potential contribution to the REIT's success, the position and responsibilities of the named executive officers and competitive industry pay practices for other real estate investment trusts and companies of comparable size.

Annual Cash Bonuses

Annual cash bonuses may be paid to the named executive officers. Annual cash bonuses are not intended to be awarded pursuant to any formal or formulaic incentive plan, but may be awarded on a discretionary basis based on qualitative and quantitative performance standards to reward the performance of the named executive officer individually. The Compensation, Governance and Nominating Committee believes it to be appropriate, in the context of a newly created public issuer, to determine executive incentive compensation, within the contractually established range, using a review and global assessment of the performance of the REIT, in terms of financial results, achievements and strategic positioning, and specific individual contributions, among others, rather than adhering to a formulaic approach. The Chief Executive Officer will make an annual recommendation to the Compensation, Governance and Nominating Committee for approval of the amount of cash bonus to be awarded to the other named executive officers. The Chief Executive Officer may establish pre-determined goals and objectives for purposes of assisting in the determination of such bonus amounts to be awarded, which goals and objectives may include a range of targets for the REIT and personal metrics for the individual named executive officer. As the REIT grows and matures, the Compensation, Governance and Nominating Committee will look to develop a more formalized approach to annual cash bonuses, which may include the use of "score cards".

Long-Term Incentives

The REIT believes that equity-based awards provide management with a strong link to long-term performance and the creation of Unitholder value and will allow the REIT to reward named executive officers for their sustained contributions to the REIT. With the competitive nature of the market for talented executives, the retention of successful named executive officers is considered to be critical to the REIT's continued success. Grants of equity-based incentive awards under the Equity Incentive Plan (which may include Restricted Units, Performance Units, Deferred Units, Options and other awards denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Units) may be used to align the interests of the named executive officers more closely with the interests of the Unitholders, since they are tied to the REIT's financial and Unit trading performance and vest or accrue over a number of years. The Board of Trustees, acting on the recommendation of the Compensation, Governance and Nominating Committee, may designate individuals eligible to receive grants of equity-based incentive awards. In determining grants of such awards, the Board of Trustees and the Compensation, Governance and Nominating Committee will take into account the individual's position, scope of responsibility, contributions to the REIT's success, ability to affect profits, the individual's historic and recent performance, tenure and any previous grants, and the value of the awards in relation to other elements of the named executive officer's total compensation in respect of any grants.

Equity Incentive Plan

In connection with this Offering, the Board of Trustees intends to adopt an equity incentive plan (the "**Equity Incentive Plan**") on Closing. All equity and equity-based awards to be made or granted, including future grants to be made to named executive officers of the REIT, will be made under the Equity Incentive Plan. The Equity Incentive Plan will provide eligible participants with compensation opportunities that will encourage ownership of Units, enhance the REIT's ability to attract, retain and motivate executive officers and other key management and incentivize them to increase the long-term growth and equity value of the REIT in alignment with the interests of Unitholders. The material features of the Equity Incentive Plan are summarized below.

Administration and Eligibility

The Equity Incentive Plan will be administered by the Board of Trustees, provided that the Board may, in its discretion, delegate its administrative powers under the Equity Incentive Plan to the Compensation, Governance and Nominating Committee. The Board of Trustees will have the authority to, among other things, determine eligibility for awards to be granted, determine, modify or waive the type or types of, and terms and conditions of, awards, to accelerate the vesting or exercisability of awards, to interpret the terms and provisions of the Equity Incentive Plan and any award agreement, and to otherwise do all things necessary or appropriate to carry out the purposes of the Equity Incentive Plan. The Board of Trustees' decisions with respect to the Equity Incentive Plan and any award under the Equity Incentive Plan are binding upon all persons. All Trustees, officers, employees and consultants the REIT and its designated affiliates who, in the opinion of the Board of Trustees, have dedicated significant time and attention to the affairs and business of the REIT will be eligible to participate in the Equity Incentive Plan.

Types of Awards

The Equity Incentive Plan provides for awards of Restricted Units, Performance Units, Deferred Units, Options, and other awards denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Units.

- Restricted Units: A Restricted Unit award is an award denominated in notional units that entitles the participant to receive Units or, if so elected by the participant and subject to the approval of the Board of Trustees, cash measured by the value of the Units in the future. Restricted Units vest three years after the date they are granted to a participant and will be settled by Units issued from treasury or, if so elected by the participant and subject to the approval of the Board of Trustees, cash payable upon vesting.

- Performance Units: A Performance Unit award is an award denominated in notional units that entitles the participant to receive Units or, if so elected by the participant and subject to the approval of the Board of Trustees, cash measured by the value of the Units in the future. Performance Units vest after a designated performance period as designated by the Board of Trustees subject to performance based vesting conditions and will be settled by Units issued from treasury or, if so elected by the participant and subject to the approval of the Board of Trustees, cash payable upon vesting.

- Deferred Units: A Deferred Unit award is an award denominated in notional units that entitles the participant to receive Units or, if so elected by the participant and subject to the approval of the Board of Trustees, cash measured by the value of the Units in the future. Deferred Units granted to a participant further to the amount elected to be received by the participant vest immediately upon grant and will be settled by Units issued from treasury or, if so elected by the participant and subject to the approval of the Board of Trustees, cash payable upon the participant's separation from service with the REIT. Deferred Units granted to a Trustee further to the REIT's obligation to match 100% of the total value of the annual board retainer elected to be received in the form of Deferred Units by the Trustee will generally vest immediately. The Board shall have the discretion to vary the manner in which the REIT contributed Deferred Units vest for any participant.

- Options: An Option award entitles the holder to acquire one Unit upon the exercise of the Option at the exercise price as determined by the Board of Trustees at the time of the Option grant. Options vest in accordance with a vesting schedule as determined by the Board of Trustees and as detailed in the individual Option agreement for each Option award. Unless otherwise determined by the Board, all Options will have a maximum term of ten years from the date of grant, provided that if the expiry falls during or within ten business days immediately following a blackout period, the expiry date will automatically extend until ten business days after the end of the blackout period. Options will be settled by Units issued from treasury payable upon the exercise by the participant. The Equity Incentive Plan will also allow for a cashless exercise of Options under certain circumstances.

- Other Awards: The Board of Trustees may, from time to time, subject to the provisions of the Equity Incentive Plan, grant other awards to participants which are denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Units (including, without limitation, securities convertible into Units). The Board of Trustees will determine the terms and conditions of such other awards.

The number of Restricted Units, Performance Units, Deferred Units or Options, as applicable granted at any particular time pursuant to the Equity Incentive Plan will be calculated by dividing (i) the dollar value amount of the participant's award, by (ii) the market value of a Unit on the award date. "**Market value**" of a Unit at any date for purposes of the Equity Incentive Plan shall mean the volume weighted average price of all Units traded on the TSX for the five trading days immediately preceding such date (or, if such Units are not listed and posted for trading on the TSX, on such stock exchange on which such Units are listed and posted for trading as may be selected for such purpose by the Board of Trustees). In the event that the Units are not listed and posted for trading on any stock exchange, the market value shall be the fair market value of the Units as determined by the Board of Trustees in its sole discretion.

Wherever cash distributions are paid on the Units, additional Restricted Units, Performance Units or Deferred Units, as the case may be, are credited to the participant's account. The number of such additional Restricted Units, Performance Units or Deferred Units, as the case may be, is calculated by multiplying the aggregate number of Restricted Units, Performance Units or Deferred Units, as the case may be, held on the relevant distribution record date by the amount of the distribution paid by the REIT on each Unit, and dividing the result by the market value of the Units on the Distribution Date. These additional Restricted Units, Performance Units or Deferred Units, as the case may be, vest on the same basis as the initial Restricted Units, Performance Units or Deferred Units, as the case may be, to which they relate.

Under no circumstances are Restricted Units, Performance Units, Deferred Units and Options considered Units nor do they entitle a participant to any rights as a Unitholder, including, without limitation, voting rights, distribution entitlements (other than as set out above) or rights on liquidation.

Units Subject to the Equity Incentive Plan and Participation Limits

The maximum number of Units that will be available for issuance under the Equity Incentive Plan is [●], which is expected to represent approximately [●]% of the issued and outstanding Units upon completion of the Offering (or 10% of the outstanding Units determined as if all Class B Units are redeemed for Units), or such greater number as may be determined by the Board and approved by the Unitholders and, if required, by any relevant stock exchange or other regulatory authority. Units underlying Options that have expired or have been cancelled will become available for subsequent issuance under the Equity Incentive Plan. Units underlying Restricted Units, Performance Units and Deferred Units that have expired or have been cancelled or settled in cash or without issuing Units from treasury will become available for subsequent issuance under the Equity Incentive Plan.

The maximum aggregate number of Units subject to all awards under the Equity Incentive Plan that may be granted to insiders of the REIT (as defined in the Securities Act) is 10% of the outstanding Units at any time, and the number of Units subject to all awards under the Equity Incentive Plan issued to insiders, within any one year period, shall not exceed 10% of the then outstanding Units. The maximum aggregate value of securities issuable to any non-management Trustee under the Equity Incentive Plan shall not exceed $150,000 per annum, which limitations do not apply to (i) grants of Deferred Units made pursuant to the Equity Incentive Plan in lieu of any cash retainer or meeting fees, or (ii) a one-time initial grant of Deferred Units or Units to a non-management Trustee upon such Trustee joining the Board. The initial Trustees of the REIT are not receiving any Deferred Units or other compensation prior to, or in connection with, Closing of the Offering.

Termination of Employment

Unless otherwise determined by the Board of Trustees, and subject to the specific terms of the participant's employment agreement, upon a participant's resignation or the termination of a participant's employment with the REIT for any reason, (a) all unvested awards granted pursuant to the Equity Incentive Plan shall immediately terminate, (b) all vested Deferred Units, Restricted Units and Performance Units shall be redeemable; provided that if such awards are not redeemed within 30 days of termination or resignation such awards shall be settled for Units on such date without any action required on the part of the participant, and (c) all vested options will be exercisable until the date that is 12 months after the date of termination or resignation, following which they will expire.

Change in Control

Unless otherwise determined by the Board of Trustees, if a participant's employment is terminated without cause or the participant resigns with good reason, in each case, within 12 months following a change of control of the REIT, all Restricted Units and Deferred Units granted under the Equity Incentive Plan that have not otherwise vested will immediately vest and be settled (based on the performance achieved up to the termination date in respect of Performance Units) and all Options will immediately vest and be exercisable until the earlier of 12 months after the termination date and the expiry date of the Options, after which time all Options will expire.

In the event of a change of control of the REIT, the Board has the authority to take all necessary steps to ensure the preservation of the economic interests of the participants in, and to prevent the dilution or enlargement of, any awards granted under the Equity Incentive Plan, including ensuring that the REIT or any entity which is or would be the successor to the REIT or which may issue securities in exchange for the Units upon the change of control will assume each outstanding award, or provide each participant with new, replacement or amended awards which will continue to vest following the change of control on similar terms and conditions as provided in the Equity Incentive Plan, failing which all outstanding awards will vest and be settled (having regard to the performance achieved prior to the change of control in respect of Performance Units) or be exercisable, as applicable, prior to the date on which the change of control is consummated.

Assignability

Except as required by law, the rights of participants under the Equity Incentive Plan are not transferable or assignable.

Adjustments

In the event of an extraordinary distribution, securities based distribution, stock split or combination (including a reverse stock split) or any recapitalization, business combination, merger, amalgamation, consolidation, spin-off, exchange of Units, liquidation or dissolution of the REIT or other similar transaction affecting the Units, the Board of Trustees will make such proportionate adjustments, if any, as it determines in its sole discretion to the number and kind of Units available for issuance under the Equity Incentive Plan, the annual per-participant Unit limits, the number, class, exercise price (or base value), performance objectives applicable to outstanding awards and any other terms of outstanding awards affected by such transaction to preserve the proportionate rights and obligations of the participants under the Equity Incentive Plan. The Board of Trustees may also make adjustments of the type described in the preceding sentence to take into account distributions and events other than those listed above if it determines that adjustments are appropriate to avoid distortion in the operation of the Equity Incentive Plan and to preserve the proportionate rights and obligations of the participants under the Equity Incentive Plan.

Discontinuance and Amendments

The Board of Trustees may amend the Equity Incentive Plan or outstanding awards, or terminate the Equity Incentive Plan as to future grants of awards, except that the Board of Trustees will not be able to alter the terms of an award if it would affect materially and adversely a participant's rights under the award without the participant's consent. Notwithstanding the above, Unitholder approval will be required for the following amendments to the Equity Incentive Plan:

- increasing the number of Units available for issuance under the Equity Incentive Plan, except pursuant to the provisions in the Equity Incentive Plan which permit the plan administrator to make equitable adjustments in the event of transactions affecting the REIT or its capital;
- increasing or removing the insider participation limit;
- reducing the exercise price of an Option, except pursuant to the provisions in the Equity Incentive Plan which provide for the plan administrator to make equitable adjustments in the event of transactions affecting the REIT or its capital;
- extending the term of any award granted beyond its original expiry date;
- permitting an Option to be exercisable beyond ten years from its date of grant (except where an expiry date would have fallen within a blackout period of the REIT);
- modifying the class of persons eligible for participation in the Equity Incentive Plan;
- increasing the length of the period after a blackout period during which Options may be exercised;
- permitting awards to be transferred other than for normal estate settlement purposes; and
- deleting or reducing the range of amendments which require approval of the Unitholders.

Equity Ownership Policy

The REIT will establish equity ownership guidelines for the Trustees and executive officers of the REIT to further align the interests of Trustees and executive officers with those of the Unitholders. The ownership guidelines will establish minimum equity ownership levels for each Trustee and executive officer over a specified time period. These levels will be determined by the Compensation, Governance and Nominating Committee following Closing. Each Trustee and executive officers will be required to continue to hold such minimum ownership levels for as long as they serve as a Trustee or executive officer of the REIT. Awards granted under the Equity Incentive Plan will be included in determining an individual's equity ownership value.

Clawback Policy

To further align management's interests with Unitholders, the REIT will adopt a "clawback" policy. The clawback policy will provide that the Board, at the recommendation of the Compensation, Nominating and Governance Committee, may seek reimbursement of annual or long-term incentive compensation awarded to executives if the Board believes the amount of compensation was based on financial results that were subject to a material restatement (other than a restatement due to, or to comply with, changes in applicable accounting principles or related to an acquisition or disposition). Reimbursement could be sought for any excess amount that relates to the material restatement if the executive engaged in fraud or intentional misconduct that caused the material restatement.

Employment Agreements

Chief Executive Officer

Pursuant to the terms of an employment agreement with BSR Management, LLC, a subsidiary of the REIT, Mr. Bailey serves as the REIT's Chief Executive Officer for an indefinite term. Mr. Bailey's employment agreement does not provide for an annual base salary, any short-term annual incentive compensation or any Unit-based compensation under the Equity Incentive Plan. His employment agreement does provide for benefits. Mr. Bailey's employment agreement provides that, in the event Mr. Bailey's employment is terminated without "cause" (as such term is defined in the agreement) or Mr. Bailey terminates his employment agreement for "good reason" (as such term is defined in the agreement), he will be entitled to (i) accrued amounts for vacation and benefits up to the termination date, (ii) a $1,800,000 lump sum severance payment, which amount is to be paid in a single lump sum within 30 days following termination, (iii) accelerated vesting of awards granted to him under the Equity Incentive Plan, and (iv) a continuation of benefits (except for disability insurance and others that cannot be continued) for two years or until he becomes eligible for such benefits from a new employer. If Mr. Bailey's employment is terminated due to his death or "disability" (as defined in the agreement), Mr. Bailey will be entitled to (i) a $900,000 lump sum severance payment, and (ii) accelerated vesting of awards granted to him under the Equity Compensation Plan. Mr. Bailey's employment agreement also includes restrictive covenants that require Mr. Bailey not to compete with the REIT for a period of one year following termination of employment and not to solicit certain employees for a period of three years following termination of employment, in each case subject to subject to certain exceptions. Mr. Bailey has forgone compensation for his services on the basis that doing so best reflects Mr. Bailey's investment in the REIT and the REIT's value of teamwork. The terms of Mr. Bailey's employment agreement may be revisited two years following the date of the Offering.

Chief Financial Officer

Pursuant to the terms of an employment agreement with BSR Management, LLC, a subsidiary of the REIT, Ms. Koehn serves as the REIT's Chief Financial Officer for an indefinite term. The agreement provides for an annual base salary of $285,000 and the ability to earn an annual short-term incentive cash bonus in an amount up to 40% of her annual salary. Ms. Koehn's employment agreement provides that, in the event Ms. Koehn's employment is terminated without "cause" (as such term is defined in the agreement) or Ms. Koehn terminates her employment agreement for "good reason" (as such term is defined in the agreement), she will be entitled to (i) accrued amounts for (a) earned but unpaid base salary, vacation and benefits up to the termination date, and (b) earned but unpaid short-term incentive cash bonus for the previously completed calendar year, (ii) a lump sum severance payment equal to two times (a) her base salary immediately prior to termination (or any higher base salary in effect during the 12 months prior to termination) plus (b) the greater of the short term incentive bonus paid to or earned by her for the prior year or the average short term incentive bonus paid to or earned by her for the two prior years, which amount is to be paid in a single lump sum within 30 days following termination, (iii) accelerated vesting of awards granted to her under the Equity Incentive Plan, and (iv) a continuation of benefits (except for disability insurance and others that cannot be continued) for two years or until she becomes eligible for such benefits from a new employer. If Ms. Koehn's employment is terminated due to her death or "disability" (as defined in the agreement), Ms. Koehn will be entitled to (i) a lump sum severance payment equal to one times (a) her base salary immediately prior to termination (or any higher base salary in effect during the 12 months prior to termination) plus (b) the greater of the short term incentive bonus paid to or earned by her for the prior year or the average short term incentive bonus paid to or earned by her for the two prior years, and (ii) accelerated vesting of awards granted to her under the Equity Incentive Plan. Ms. Koehn's employment agreement also includes restrictive covenants that require Ms. Koehn not to compete with the REIT for a period of one year following termination of employment and not to solicit certain employees for a period of three years following termination of employment, in each case subject to subject to certain exceptions.

President & Chief Operating Officer

Pursuant to the terms of an employment agreement with BSR Management, LLC, a subsidiary of the REIT, Mr. Brazeal serves as the REIT's President and Chief Operating Officer for an indefinite term. The agreement provides for an annual base salary of $360,000 and the ability to earn an annual short-term incentive cash bonus in an amount up to 40% of his annual salary. Mr. Brazeal's employment agreement provides that, in the event Mr. Brazeal's employment is terminated without "cause" (as such term is defined in the agreement) or Mr. Brazeal terminates his employment agreement for "good reason" (as such term is defined in the agreement), he will be entitled to (i) accrued amounts for (a) earned but unpaid base salary, vacation and benefits up to the termination date, and (b) earned but unpaid short-term incentive cash bonus for the previously completed calendar year, (ii) a lump sum severance payment equal to two times (a) his base salary immediately prior to termination (or any higher base salary in effect during the 12 months prior to termination) plus (b) the greater of the short term incentive bonus paid to or earned by him for the prior year or the average short term incentive bonus paid to or earned by him for the two prior years, which amount is to be paid in a single lump sum within 30 days following termination, (iii) accelerated vesting of awards granted to him under the Equity Incentive Plan, and (iv) a continuation of benefits (except for disability insurance and others that cannot be continued) for two years or until he becomes eligible for such benefits from a new employer. If Mr. Brazeal's employment is terminated due to his death or "disability" (as defined in the agreement), Mr. Brazeal will be entitled to (i) a lump sum severance payment equal to one times (a) his base salary immediately prior to termination (or any higher base salary in effect during the 12 months prior to termination) plus (b) the greater of the short term incentive bonus paid to or earned by him for the prior year or the average short term incentive bonus paid to or earned by him for the two prior years, and (ii) accelerated vesting of awards granted to him under the Equity Incentive Plan. Mr. Brazeal's employment agreement also includes restrictive covenants that require Mr. Brazeal not to compete with the REIT for a period of one year following termination of employment and not to solicit certain employees for a period of three years following termination of employment, in each case subject to subject to certain exceptions.

Chief Investment Officer

Pursuant to the terms of an employment agreement with BSR Management, LLC, a subsidiary of the REIT, Mr. Oberste serves as the REIT's Chief Investment Officer for an indefinite term. The agreement provides for an annual base salary of $285,000 and the ability to earn an annual short-term incentive cash bonus in an amount up to 50% of his annual salary. Mr. Oberste's employment agreement provides that, in the event Mr. Oberste's employment is terminated without "cause" (as such term is defined in the agreement) or Mr. Oberste terminates his employment agreement for "good reason" (as such term is defined in the agreement), he will be entitled to (i) accrued amounts for (a) earned but unpaid base salary, vacation and benefits up to the termination date, and (b) earned but unpaid short-term incentive cash bonus for the previously completed calendar year, (ii) a lump sum severance payment equal to two times (a) his base salary immediately prior to termination (or any higher base salary in effect during the 12 months prior to termination) plus (b) the greater of the short term incentive bonus paid to or earned by him for the prior year or the average short term incentive bonus paid to or earned by him for the two prior years, which amount is to be paid in a single lump sum within 30 days following termination, (iii) accelerated vesting of awards granted to him under the Equity Incentive Plan, and (iv) a continuation of benefits (except for disability insurance and others that cannot be continued) for two years or until he becomes eligible for such benefits from a new employer. If Mr. Oberste's employment is terminated due to his death or "disability" (as defined in the agreement), Mr. Oberste will be entitled to (i) a lump sum severance payment equal to one times (a) his base salary immediately prior to termination (or any higher base salary in effect during the 12 months prior to termination) plus (b) the greater of the short term incentive bonus paid to or earned by him for the prior year or the average short term incentive bonus paid to or earned by him for the two prior years, and (ii) accelerated vesting of awards granted to him under the Equity Incentive Plan. Mr. Oberste's employment agreement also includes restrictive covenants that require Mr. Oberste not to compete with the REIT for a period of one year following termination of employment and not to solicit certain employees for a period of three years following termination of employment, in each case subject to subject to certain exceptions.

Chief Administrative Officer

Pursuant to the terms of an employment agreement with BSR Management, LLC, a subsidiary of the REIT, Mr. Ray serves as the REIT's Chief Administrative Officer for an indefinite term. The agreement provides for an annual base salary of $220,000 and the ability to earn an annual short-term incentive cash bonus in an amount up to 40% of his annual salary. Mr. Ray's employment agreement provides that, in the event Mr. Ray's employment is terminated without "cause" (as such term is defined in the agreement) or Mr. Ray terminates his employment agreement for "good reason" (as such term is defined in the agreement), he will be entitled to (i) accrued amounts for (a) earned but unpaid base salary, vacation and benefits up to the termination date, and (b) earned but unpaid short-term incentive cash bonus for the previously completed calendar year, (ii) a lump sum severance payment equal to one time (a) his base salary immediately prior to termination (or any higher base salary in effect during the 12 months prior to termination) plus (b) the greater of the short term incentive bonus paid to or earned by him for the prior year or the average short term incentive bonus paid to or earned by him for the two prior years, which amount is to be paid in a single lump sum within 30 days following termination, (iii) accelerated vesting of awards granted to him under the Equity Incentive Plan, and (iv) a continuation of benefits (except for disability insurance and others that cannot be continued) for two years or until he becomes eligible for such benefits from a new employer. If Mr. Ray's employment is terminated due to his death or "disability" (as defined in the agreement), Mr. Ray will be entitled to (i) a lump sum severance payment equal to one times (a) his base salary immediately prior to termination (or any higher base salary in effect during the 12 months prior to termination) plus (b) the greater of the short term incentive bonus paid to or earned by him for the prior year or the average short term incentive bonus paid to or earned by him for the two prior years, and (ii) accelerated vesting of awards granted to him under the Equity Incentive Plan. Mr. Ray's employment agreement also includes restrictive covenants that require Mr. Ray not to compete with the REIT for a period of one year following termination of employment and not to solicit certain employees for a period of three years following termination of employment, in each case subject to subject to certain exceptions.

Termination Benefits

The following table indicates the amount payable to each named executive officer under the terms of their employment agreements upon termination other than for cause, if such events were to occur immediately following the completion of the Offering.

Name and principal position	Event	Severance ($)[1]	Accelerated Vesting of Equity Incentive Plan Awards[2] ($)	Total ($)
John S. Bailey *Chief Executive Officer*	Termination without cause or resignation for good reason	$1,800,000	—	$1,800,000
Susan Koehn *Chief Financial Officer*	Termination without cause or resignation for good reason	$ 570,000	$175,000	$ 745,000
Blake Brazeal *President & Chief Operating Officer*	Termination without cause or resignation for good reason	$ 720,000	$350,000	$1,070,000
Daniel Oberste *Chief Investment Officer*	Termination without cause or resignation for good reason	$ 570,000	$245,000	$ 815,000
Scott Ray *Chief Administrative Officer*	Termination without cause or resignation for good reason	$ 220,000	$ 77,000	$ 297,000

Notes:

(1) Assuming no accrued amounts for earned but unpaid base salary, vacation and benefits, or earned but unpaid short-term incentive cash bonus, as this assumes such events were to occur immediately following the completion of the Offering.

(2) Represents amounts payable in respect of accelerated vesting of Restricted Units and Performance Units and assumes Performance Units vest at 100% of target. The number of Performance Units that vest will range between 0% and 200% of the number granted.

Compensation Consultant

In January 2018, Hugessen Consulting, an independent consulting firm, was retained to provide services in connection with executive officer and Trustee compensation matters in advance of the Offering. including, among other things, to:

- develop a compensation peer group for the purposes of benchmarking executive and Trustee pay;
- benchmark executive and Trustee pay levels to determine market pay levels; and
- provide initial commentary on the competitiveness of the executive and Trustee compensation proposal.

The Compensation, Governance and Nominating Committee considered the information provided by Hugessen Consulting and the recommendations it made in connection with the above; however the decisions made regarding final compensation and incentive plan design were made by, and are the responsibility of, the Board on recommendation of the Compensation, Governance and Nominating Committee.

Executive Compensation-Related Fees

The following table summarizes the fees paid to Hugessen Consulting in connection with its mandate:

	2018 fees to date
Executive Compensation-Related Fees	C$25,000
All Other Fees	—

Hugessen Consulting does not provide any services to the REIT other than directly to the Compensation, Governance and Nominating Committee or as approved and overseen by the Compensation, Governance and Nominating Committee. The current 2018 fiscal year is the first fiscal year a compensation consultant has been retained to provide services with respect to the REIT's executive officer and Trustee compensation.

Peer Benchmarking Group

As part of the engagement with Hugessen Consulting, the REIT identified a peer group of companies for the purpose of benchmarking executive and Trustee compensation. The companies within the peer group exhibit similar characteristics to the REIT, are publicly listed, are headquartered in the United States, are internally managed, and have a focus on residential properties, where possible. The peer group is comprised of the following eight comparable companies and real estate investment trusts: Investors Real Estate Trust, TIER REIT, Inc., Independence Realty Trust, Inc., Bluerock Residential Growth REIT, Inc., UMH Properties, Inc., BRT Apartments Corp., One Liberty Properties, Inc. and Invesque Inc. Hugessen Consulting and the Compensation, Governance and Nominating Committee also identified several U.S. and Canadian companies to be used as additional reference points.

Compensation Risk

The Compensation, Governance and Nominating Committee will consider the implications of the risks associated with the REIT's compensation policies and practices as part of its responsibility to ensure that the compensation for the Trustees and the named executive officers of the REIT align the interests of the Trustees and the named executive officers with Unitholders and the REIT as a whole. The REIT's insider trading policy will prohibit all officers and Trustees of the REIT from selling "short" or selling "call options" on any of the REIT's securities and from purchasing financial instruments, such as prepaid variable forward contracts, equity swaps, collars or units of exchange funds that are designed to hedge or offset a decrease in the market value of equity securities granted to such executive officers and Trustees as compensation or held directly or indirectly by such person.

Summary Compensation Table Expected for Fiscal 2018

The following table sets out information concerning the expected compensation to be paid to the named executive officers in fiscal 2018.

					Non-equity incentive plan compensation ($)				
Name and principal position	**Year**	**Salary ($)**	**Unit-based awards[1] ($)**	**Option-based awards ($)**	**Annual incentive plans[2]**	**Long-term incentive plans**	**Pension value ($)**	**All other compensation ($)**	**Total compensation ($)**
John S. Bailey *Chief Executive Officer*	2018	—	—	—	—	—	—	—	$ 0
Susan Koehn *Chief Financial Officer*	2018	$285,000	$175,000	—	$114,000	—	—	—	$574,000
Blake Brazeal *President & Chief Operating Officer*	2018	$360,000	$350,000	—	$144,000	—	—	—	$854,000
Daniel Oberste *Chief Investment Officer*	2018	$285,000	$245,000	—	$142,500	—	—	—	$672,500
Scott Ray *Chief Administrative Officer*	2018	$220,000	$ 77,000	—	$ 88,000	—	—	—	$385,000

Notes:

(1) Represents Restricted Units (approximately 57%) and Performance Units (approximately 43%) to be granted on Closing under the REIT's Equity Incentive Plan that are subject to vesting conditions. The grant date fair value of the Restricted Units and Performance Units has been calculated as the number of Restricted Units and Performance Units granted times the Offering Price. The grant date value of the Performance Units award assumes vesting at 100% of target. The number of Performance Units that vest will range between 0% and 200% of the number granted. See " – Outstanding Unit-Based Awards". Determination of future long-term compensation awards will be made on an annual basis at the discretion of the Trustees, though it is expected that management will be granted equity-based awards in the future subject to the REIT meeting certain performance metrics.

(2) This amount represents the annual cash bonus and assumes that the executive will earn the maximum bonus amount available under his or her employment agreement. However, since this amount is based upon future performance of the REIT and the individual, it is subject to change.

Discussion of Summary Compensation Table

The compensation payable to the named executive officers in fiscal 2018 is expected to consist of base salary, a short-term incentive cash bonus and long-term incentive grants under the Equity Incentive Plan.

John S. Bailey, the REIT's Chief Executive Officer, has agreed not to receive a base salary, short-term incentive bonus or long-term Unit-based incentive grants for a period of two years. Mr. Bailey and the REIT believe that this further illustrates Mr. Bailey's commitment to the REIT and alignment with the REIT's Unitholders. It is expected that the terms of Mr. Bailey's employment will be revisited two years following the Offering, at which time more customary compensation arrangements (including meaningful long-term incentive grants) may be made to Mr. Bailey commensurate with the REIT's and Mr. Bailey's performance.

Outstanding Unit-Based Awards

On Closing, the REIT will grant a total of approximately 51,000 Restricted Units and approximately 38,250 Performance Units to its employees pursuant to the Equity Incentive Plan, representing approximately [●]% of the total issued and outstanding number of Units as of such date ([●]% determined as if all Class B Units are redeemed for Units) and approximately [●]% of the maximum authorized number of Units issuable pursuant to the Equity Incentive Plan ([●]%). Following Closing, there will be approximately [●] Units remaining available for issuance under the Equity Incentive Plan, representing approximately [●]% of the total issued and outstanding number of Units as of such date ([●]% determined as if all Class B Units are redeemed for Units).

The Restricted Units will vest three years from the date of grant. The Performance Units will also vest three years from the date of grant depending on the total unitholder return ("**TUR**") generated by the REIT over that time period, as compared to a pre-determined peer group. If the REIT's percentile TUR ranking is in the top third of the peer group 200% of the Performance Units granted on Closing will vest. If the REIT's percentile TUR ranking is in the top two-thirds of the peer group 100% of the Performance Units granted on Closing will vest. If the REIT's percentile TUR ranking is in the bottom third of its peer group none of the Performance Units granted on Closing will vest.

The following table summarizes the securities outstanding on Closing held by the named executive officers:

	Option-based Awards				Unit-based Awards		
Name and principal position	**Number of Units underlying unexercised Options (#)**	**Option exercise price ($)**	**Option expiration date**	**Value of unexercised in-the-money Options ($)**	**Number of underlying Units that have not vested[(1)] (#)**	**Market value or payout value of Unit-based awards that have not vested[(1)] ($)**	**Market or payout value of vested Unit-based awards not paid out or distributed ($)**
John S. Bailey *Chief Executive Officer*	—	—	—	—	—	—	—
Susan Koehn *Chief Financial Officer*	—	—	—	—	17,500	$175,000	—
Blake Brazeal *President & Chief Operating Officer*	—	—	—	—	35,000	$350,000	—
Daniel Oberste *Chief Investment Officer*	—	—	—	—	24,500	$245,000	—
Scott Ray *Chief Administrative Officer*	—	—	—	—	7,700	$ 77,000	—

Notes:

(1) Represents Restricted Units (approximately 57%) and Performance Units (approximately 43%) to be granted on Closing under the REIT's Equity Incentive Plan that are subject to vesting conditions. The grant date fair value of the Restricted Units and Performance Units has been calculated as the number of Restricted Units and Performance Units granted times the Offering Price. The grant date value of the Performance Units award assumes vesting at 100% of target. The number of Performance Units that vest will range between 0% and 200% of the number

granted. See " – Outstanding Unit-Based Awards". Determination of any future long-term compensation awards will be made on an annual basis at the discretion of the Trustees, though it is expected that management will be granted equity-based awards in the future subject to the REIT meeting certain performance metrics.

INDEBTEDNESS OF TRUSTEES AND EXECUTIVE OFFICERS

None of the Trustees, executive officers, employees, former executive officers or former employees of the REIT or any of its Subsidiaries, and none of their respective associates, is or has within 30 days before the date of this prospectus or at any time since the beginning of the most recently completed financial year been indebted to the REIT or any of its Subsidiaries or another entity whose indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar agreement or understanding provided by the REIT or any of its Subsidiaries.

CAPITALIZATION OF THE REIT

The following table sets forth the consolidated capitalization of the REIT as at [●], 2018 both before and after giving effect to the Offering (net of costs relating to the Offering) and use of proceeds therefrom, including the transactions described under "The Merger", but without giving effect to the exercise of the Over-Allotment Option. The table should be read in conjunction with the *pro forma* financial statements and notes of the REIT thereto contained in this prospectus. See "Index to the Financial Statements".

	As at January 9, 2018 ($000s)(1)	**As at [●], 2018 after giving effect to the Offering (net of costs relating to the Offering) and the use of proceeds therefrom ($000s)**
Indebtedness		
Mortgages payable	—	$[●]
Redeemable units (Class B Units)	—	$[●]
Credit Facility	—	$[●]
Unitholders' Equity		
Units	—	$[●]
(Authorized – unlimited; Issued – [●])	—	
Total Capitalization	**—**	**$[●]**

Notes:
(1) The REIT was initially settled on January 9, 2018 with $10.00 in cash.

FINANCIAL FORECAST

The following financial forecast was prepared by management of the REIT, using assumptions with an effective date of April 1, 2018 and was approved by the Trustees of the REIT on [●], 2018. Pursuant to applicable securities policies, the REIT is required to update the forecast during the forecast period by identifying any material changes from the forecast resulting from events that have occurred since it was issued and by comparing such forecast with annual audited actual results and interim unaudited actual results for the periods covered. The results of this comparison will accompany the annual or interim financial statements of the REIT for the relevant periods.

The forecast has been prepared in accordance with the measurement and presentation principles of IFRS and reflects the significant accounting policies expected to be applied by the REIT. The forecast has been prepared using assumptions that reflect management's intended courses of action for the REIT for the periods covered, given management's judgment as to the most probable set of economic conditions. The forecast has been prepared after giving effect to the Offering and the other transactions contemplated in this prospectus to be completed before or concurrently with Closing.

The assumptions used in the preparation of a forecast, although considered reasonable by management at the time of preparation, may not materialize as forecast and unanticipated events and circumstances may occur subsequent to the date of the forecast. Accordingly, there is a significant risk that actual results achieved for the forecast period will vary from the forecast results and that such variations may be material. There is no representation by the REIT that actual results achieved during the forecast period will be the same in whole or in part as those forecast. Important factors that could cause actual results to vary materially from the forecast include those disclosed under "Risk Factors". See "Forward-Looking Statements".

The financial forecast should be read in conjunction with the unaudited pro forma condensed consolidated financial statements of the REIT as of and for the year ended December 31, 2017, the audited financial statements of the REIT as of and for the one day period ended January 9, 2018 (date of formation), as well as the audited combined and carve-out financial statements of the BSR Initial Properties as of December 31, 2017, December 31, 2016, December 31, 2015 and January 1, 2015 and for the years ended December 31, 2017, December 31, 2016 and December 31, 2015, and the audited carve-out financial statements of Windhaven Park as at September 30, 2017, December 31, 2016, December 31, 2015 and January 1, 2015, and for the nine-months ended September 30, 2017 and the years ended December 31, 2016 and December 31, 2015 that are contained in this prospectus. See "Index to Financial Statements".

REPORT ON CONSOLIDATED FINANCIAL FORECAST

To the Trustees of BSR Real Estate Investment Trust

The accompanying financial forecast of BSR Real Estate Investment Trust ("REIT"), consisting of the consolidated statements of forecasted net income and comprehensive income for each of the three-month periods ending June 30, 2018, September 30, 2018, December 31, 2018 and March 31, 2019 and the 12 month period ending March 31, 2019 has been prepared by management using assumptions with an effective date of April 1, 2018. We have examined the support provided by management for the assumptions, and the preparation and presentation of this forecast. Our examination was made in accordance with the applicable Assurance and Related Services Guideline issued by the Chartered Professional Accountants of Canada. We have no responsibility to update this report for events and circumstances occurring after the date of our report.

In our opinion:

- as at the date of this report, the assumptions developed by management are suitably supported and consistent with the plans of the REIT, and provide a reasonable basis for the financial forecast;
- this financial forecast reflects such assumptions; and
- the financial forecast complies with the presentation and disclosure standards for future-oriented financial information established in Parts 4A and 4B of National Instrument 51-102 – *Continuous Disclosure Obligations*.

Since this financial forecast is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material. Accordingly, we express no opinion as to whether this financial forecast will be achieved.

Toronto, Canada
[●], 2018

(Signed) [●]
Chartered Professional Accountants, Licensed Public Accountants

BSR REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Forecasted Net Income and Comprehensive Income (In thousands of U.S. dollars)

	Three-month periods ending				Twelve-month period ending
	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	March 31, 2019
Revenue:					
Rental	$21,449	22,032	22,203	22,220	87,904
Other	3,075	3,145	3,097	3,097	12,414
	24,524	25,177	25,300	25,317	100,318
Expenses:					
Direct Property	9,800	9,889	9,704	9,755	39,148
Real estate taxes	—	—	1,204	7,940	9,144
Fair value adjustment of investment property	141	82	25	(6)	242
IFRIC 21 fair value adjustment of investment property	2,233	2,286	1,082	(5,654)	(53)
General and administrative	1,439	1,427	1,432	1,593	5,891
Interest and other financing charges:					
Interest	4,008	4,185	4,193	4,147	16,533
Distributions on Class B Redeemable Units	3,030	3,030	3,031	3,031	12,122
	20,651	20,899	20,671	20,806	83,027
Net income and comprehensive income	$ 3,873	4,278	4,629	4,511	17,291

See accompanying notes to consolidated statements of forecasted net income and comprehensive income.

Notes to Consolidated Statements of Forecasted Net Income and Comprehensive Income (In thousands of U.S. dollars)

Three-month periods ending June 30, 2018, September 30, 2018, December 31, 2018, and March 31, 2019, and twelve-month period ending March 31, 2019

1. Purpose of the consolidated financial forecast:

This consolidated financial forecast has been prepared by management of BSR Trust, LLC on behalf of BSR Real Estate Investment Trust (the "REIT") for use by prospective investors in their evaluation of potential investments in the REIT and may not be appropriate for any other purpose.

2. Basis of presentation of financial forecast:

The REIT is a recently created unincorporated open-ended real estate investment trust established pursuant to a Declaration of Trust dated January 9, 2018. The REIT was established under the laws of the Province of Ontario. The head office of the REIT is located at 333 Bay Street, Suite 3400, Toronto, Ontario. The REIT has been formed to carry out the initial public offering (the "Offering") and to acquire an interest in BSR Trust, LLC and one additional multi-suite residential property located in Oklahoma City, Oklahoma. The acquisitions will result in the REIT indirectly owning an interest in 48 multi-suite residential properties located in the United States (the "Initial Properties").

The consolidated financial forecast consists of the consolidated statements of forecasted net income and comprehensive income of the REIT for the three-month periods ending June 30, 2018, September 30, 2018, December 31, 2018, and March 31, 2019, and the 12 month period ending March 31, 2019. The financial forecast has been prepared using assumptions with an effective date of April 1, 2018, and reflects the assumptions described in note 4.

The consolidated financial forecast has been prepared using assumptions that reflect the REIT's intended course of action for the periods presented, given management's judgment as to the most probable set of economic conditions. The consolidated financial forecast will be compared with the reported results for the financial forecast periods and any significant differences will be disclosed. The actual results achieved during the financial forecast periods will vary from the forecasted results, and these variations may be material. Amounts are in thousands of U.S. dollars, unless otherwise stated.

3. Summary of significant accounting policies:

The consolidated financial forecast has been prepared using the following policies in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board and incorporate the principal accounting policies expected to be used to prepare the REIT's financial statements.

(a) Basis of consolidation:

The consolidated financial statements comprise the financial statements of the REIT and its subsidiaries, including BSR REIT Holdings, Inc. and BSR Trust, LLC. Subsidiaries are entities controlled by the REIT. The financial statements of the subsidiaries are prepared for the same reporting periods as the REIT using consistent accounting policies. All intercompany balances, transactions and unrealized gains and losses arising from intercompany transactions are eliminated on consolidation.

The REIT's subsidiaries include one entity which owns an interest in a single property located in the United States. The REIT does not have an ownership interest in the entity, but has determined that it controls the entity and as a result the revenues and expenses of the entity is included in the consolidated financial forecast. The interest of the owners of this entity is accounted for as a tenant in common interests liability and the net income attributable to the owners of the entity is recorded as a finance cost.

(b) Business combinations:

At the time of acquisition of property, whether through a controlling share investment or directly, the REIT considers whether the acquisition represents the acquisition of a business. The REIT accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired. If no significant processes, or only insignificant processes, are acquired, the acquisition is treated as an asset acquisition rather than a business combination.

The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition. The REIT recognizes assets or liabilities, if any, resulting from a contingent consideration arrangement at their acquisition date fair value and such amounts form part of the cost of the business combination. Subsequent changes in the fair value of contingent consideration arrangements are recognized in net income. The difference between the purchase price and the REIT's net fair value of the acquired identifiable net assets and liabilities is goodwill. On the date of acquisition, positive goodwill is recorded as an asset. Negative goodwill is immediately recognized in the consolidated statements of income. The REIT expenses transaction costs associated with business combinations in the period incurred. When an acquisition does not meet the criteria for business combination accounting treatment, it is accounted for as an acquisition of a group of assets and liabilities, the cost of which includes transaction costs that are allocated to the assets and liabilities acquired based upon their relative fair values. No goodwill is recognized for asset acquisitions.

3. Summary of significant accounting policies (continued):

(c) Foreign currency transactions:

The functional and presentation currency of the REIT and its subsidiaries is the U.S. dollar.

(d) Investment properties:

A property is determined to be investment property when it is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment properties include land and building structures situated on the properties. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Unrealized gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. Fair values are primarily determined using the direct capitalization income method.

Subsequent capital expenditures are added to the carrying value of the investment properties only when it is probable that future economic benefits will flow to the property and cost can be measured reliably.

Investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Prior to its disposal, the carrying value of the investment property is adjusted to reflect its fair value. This adjustment is recorded as a fair value gain (loss). Any remaining gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

(e) Revenue recognition:

The REIT has retained substantially all of the risks and benefits of ownership of its investment properties and, therefore, accounts for its leases with tenants as operating leases. The REIT charges a fixed amount for the rental of apartment units, parking spaces and storage units as well as for services such as amenities and property maintenance. The leases allow for additional charges in respect of utility recoveries and services such as liability insurance.

Base rent is allocated to lease components based on relative stand-alone selling prices. The stand-alone selling prices of the rental component is determined using an adjusted market assessment approach and the stand–alone selling price of the service components is determined using an expected cost plus a margin approach.

Revenue from lease components is recognized on a straight-line basis over the lease term and includes the recovery of property taxes and insurance as well as consideration related to late rent, month-to-month leases and payments for early terminations. Revenue recognition commences when a tenant has the right to use the property and is recognized pursuant to the terms of the lease agreement. Payments are due at the beginning of each month and any payments made in advance of scheduled due dates are deferred as prepaid rents.

Revenue related to the service components of the REIT's leases is accounted for in accordance with IFRS 15, Revenue from Contracts with Customers. These services consist primarily of the recovery of utility, property maintenance and amenity costs where the REIT has determined it is acting as a principal, as well as tenant liability insurance premiums, and is recognized over time when the services are provided. Payments are due at the beginning of each month and any payments made in advance of scheduled due dates are recorded as contract liabilities.

Upon recognition of a receivable, management records a loss allowance for lifetime expected credit losses resulting from the inability of tenants to meet the contractual obligations under their contracts with tenants. Such allowances are reviewed periodically based on the recovery experience of the REIT and the creditworthiness of the tenants.

(f) Financial instruments:

The REIT classifies financial assets and liabilities according to their characteristics and management's intention for use on an ongoing basis. The following summarizes the REIT's classification and measurement of financial assets and liabilities:

Financial assets and liabilities	Classification
Cash and cash equivalents	Amortized cost
Restricted cash	Amortized cost
Resident and other receivables	Amortized cost
Accounts payable and other liabilities	Amortized cost
Mortgage notes payable	Amortized cost
Credit facility	Amortized cost
Tenant in common interests	Amortized cost
Derivatives and embedded derivatives	Fair value through profit or loss
Class B Units	Fair value through profit or loss

3. Summary of significant accounting policies (continued):

(i) Non-Derivative Financial Assets

The REIT initially recognizes financial assets (including assets designated as at fair value through profit or loss), on the trade date, which is the date that the REIT becomes a party to the contractual provisions of the instrument. The REIT derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and positioned when, and only when, the REIT has the legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(ii) Non-Derivative Financial Liabilities

The REIT initially recognizes financial liabilities on the trade date, which is the date that the REIT becomes a party to the contractual provisions of the instrument.

The REIT derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Mortgage notes payable, credit facility and tenant in common interests liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financing fees and other costs incurred in connection with debt financing are recorded net of the related debt obligation and amortized using the effective interest method.

The Class B Units of BSR Trust, LLC ("Class B Units") are redeemable at the option of the holder and, therefore, are considered puttable instruments in accordance with International Accounting Standards 32, Financial Instruments – Presentation ("IAS 32"). The Class B Units are redeemable for cash or trust units of the REIT ("REIT Units") on a one-for-one basis subject to customary anti-dilution adjustments at the option of BSR Trust, LLC and, therefore, the Class B Units meet the definition of a financial liability under IAS 32. Further, the Class B Units are designated as fair value through profit or loss financial liabilities and are measured at fair value at each reporting period with any changes in fair value recorded in profit or loss. The Class B Units are, in all material aspects, economically equivalent to the REIT Units on a per unit basis. The distributions paid on Class B Units are accounted for as finance costs.

The REIT Units are redeemable at the option of the holder and, therefore, are considered puttable instruments in accordance with IAS 32. Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32; in which case, the puttable instruments may be presented as equity. The REIT Units meet the exemption conditions of IAS 32 and are, therefore, presented as equity.

(iii) Derivative financial instruments:

The REIT uses derivative financial instruments to manage risks from fluctuations in interest rates. All derivative instruments, including embedded derivatives that must be separately accounted for, are valued at their respective fair values in the consolidated financial statements.

(g) Finance costs:

Finance costs comprise interest expense on borrowings, payments on swap contracts, gain (loss) on change in fair value of swap contracts, distributions on Class B Units classified as liabilities, gain (loss) on change in fair value of Class B Units and income allocations to tenant in common interest liability holders.

Finance costs associated with financial liabilities presented at amortized cost are recognized in net income using the effective interest method.

(h) Employee benefits:

(i) Short-term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized as the amount expected to be paid under the short-term cash bonus or profit-sharing plans if the REIT has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3. Summary of significant accounting policies (continued):

(ii) Defined contribution plan:

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the statements of forecasted net income and comprehensive income in the periods during which related services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Unit-based payment plans:

The REIT maintains an Executive Incentive Plan for its employees, directors and trustees. Awards under the Executive Incentive Plan, such as Deferred Trust Units (“DTU”), Restricted Trust Units (“RTU”) and Performance Units (“PU”) may be settled by REIT Units issued from treasury or, if so elected by the participant and subject to the approval of the Board of Trustees, cash payable upon vesting. All such awards are accounted for as cash-settled awards, as the REIT Units are puttable. The fair value of the amount payable is recognized as an expense with a corresponding increase in liabilities, over the employees’ or trustees’ service period. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized in profit or loss.

(i) Income taxes:

(i) Canadian mutual fund status:

The REIT is a mutual fund trust pursuant to the Income Tax Act (Canada). Under current tax legislation, a mutual fund trust that is not a Specified Investment Flow-Through Trust (“SIFT”) pursuant to the Income Tax Act (Canada) is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided that its taxable income is fully distributed to unitholders. The REIT intends to continue to qualify as a mutual fund trust that is not a SIFT trust and to make distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes.

(ii) U.S. REIT status:

The REIT is classified as a U.S. corporation for U.S. federal income tax purposes under current Treasury Regulations. Further, pursuant to section 7874 of the United States Internal Revenue Code of 1986, as amended (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 it is organized as a Canadian entity. In general, a company that elects real estate investment trust status, distributes at least 90% of its real estate investment trust taxable income to its shareholders in any taxable year, and complies with certain other requirements is not subject to U.S. federal income taxation to the extent of the income it distributes. If it fails to qualify as a real estate investment trust in any taxable year, it will be subject to U.S. federal income tax at regular corporate income tax rates on its taxable income. Even if it qualifies for taxation as a real estate investment trust, it may be subject to certain state and local taxes on its income and property and to federal income and excise taxes on its undistributed income. The REIT has reviewed the real estate investment trust requirements and has determined that it qualifies as a real estate investment trust under the Code. Accordingly, no provision for U.S. federal income or excise taxes has been made with respect to the income of the REIT.

Certain of the REIT’s operations or a portion thereof are conducted through taxable real estate investment trust subsidiaries (“TRS”). A TRS is a corporation that has not elected REIT status and has made a joint election with a real estate investment trust to be treated as a TRS. As such, it is subject to U.S. federal and state corporate income tax. No provision was required to be recorded by the REIT in its consolidated financial forecast in respect of its TRS.

(iii) Current taxes:

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(iv) Deferred taxes:

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: (a) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and (b) differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. Summary of significant accounting policies (continued):

(j) Levies:

In accordance with IFRS Interpretations Committee ("IFRIC") 21, Levies ("IFRIC 21"), the REIT recognizes the full amount of annual property tax liabilities at the point in time when the realty tax obligation is imposed.

(k) Sources of estimation uncertainties:

In making estimates, the REIT relies on external information and observable conditions where possible, supplemented by internal analysis as required. There are no known trends, commitments, events or even uncertainties that management believes will materially affect the methodology or assumptions utilized in making estimates in these consolidated financial statements. The estimates used in determining the recorded amount for assets and liabilities in these consolidated financial statements include the following:

(i) Investment properties:

The estimates used when determining the fair value of investment properties are capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. In addition, there is a normalized management fee allowance and capital expenditure reserve taken into consideration when determining future property cash flows. Management determines fair value internally using internal financial information, external market data and capitalization rates provided by independent industry experts.

(ii) Other:

Estimates are also made in the determination of the fair value of financial instruments and include assumptions and estimates regarding future interest rates, the relative creditworthiness of the REIT to its counterparties, the credit risk of the REIT's counterparties relative to the REIT, estimated future cash flows and discount rates.

(l) Critical judgements:

Management must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment impacts the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The REIT's acquisitions are generally determined to be asset purchases as the REIT does not acquire an integrated set of processes as part of the acquisition transaction.

(m) IFRS standards and amendments issued:

(i) IFRS 16, Leases ("IFRS 16"):

On January 13, 2016, the IASB issued IFRS 16. IFRS 16 will replace IAS 17, Leases ("IAS 17"). The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset, representing its right to use the underlying asset and a lease liability, representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, Revenue from Contracts with Customers, at or before the date of initial adoption of IFRS 16. For purposes of the financial forecast, the REIT has adopted the new standard effective January 1, 2019. The adoption did not have a material impact on the financial forecast.

(ii) IFRIC Interpretation 23, Uncertainty over Income Tax Treatments ("IFRIC 23"):

On June 7, 2017, the IASB issued IFRIC 23, which provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. IFRIC 23 is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

IFRIC 23 requires (i) an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; (ii) an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and (iii) if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

For purposes of the financial forecast, the REIT has adopted the new standard effective January 1, 2019. The adoption did not have a material impact on the financial forecast.

3. Summary of significant accounting policies (continued):

(iii) Annual Improvements to IFRS Standards (2015-2017) Cycle:

On December 12, 2017, the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. The amendments are effective for annual periods beginning on or after January 1, 2019, with early application permitted. Each of the amendments has its own specific transition requirements. Amendments were made to the following standards:

- IFRS 3, Business Combinations and IFRS 11, Joint Arrangements – to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business;
- IAS 12, Income Taxes – to clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI, or equity; and
- IAS 23, Borrowing Costs – to clarify that specific borrowings – i.e. funds borrowed specifically to finance the construction of a qualifying asset – should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed.

For purposes of the financial forecast, the REIT has adopted the new standard effective January 1, 2019. The adoption did not have a material impact on the financial forecast.

4. Significant assumptions:

The assumptions used in the preparation of the consolidated financial forecast, although considered reasonable by the REIT, require significant judgments to be made about future events, which may not materialize as forecasted. It is not possible to forecast unanticipated events and circumstances.

(a) Initial transactions:

The consolidated financial forecast reflects that subsequent to December 31, 2017 BSR Trust, LLC:

- obtained proceeds of $59,900 from a new credit facility to repay $53,989 of mortgages payable related to the Initial Properties and $5,892 of financing costs, including prepayment penalties and related costs. The transaction resulted in the receipt of $19 of excess cash proceeds and the return of $1,098 of previously held escrow deposits;
- refinanced $54,750 of variable rate mortgages payable related to the Initial Properties with $58,016 of fixed rate mortgages and incurred financing prepayment penalties of $161;
- drew an additional $2,400 on the Centennial Bank credit facilities, $1,671 of related party loans payable and $2,000 on the Credit Facility (defined in note 4(b)(iii)) to finance $6,071 of additions to investment property;
- drew $4,800 on the Credit Facility to repay amounts owing on the Centennial Bank credit facilities;
- Paid $980 in regular principal repayments on mortgages payable;
- issued $9,844 of units and paid $344 in cash to settle its $13,155 obligation in respect of tenant in common interests (note 2(a)) related to two income producing properties; and
- paid $3,000 of costs relating to the Offering.

(b) Subsequent transactions:

The consolidated financial forecast further assumes that on Closing, the REIT will raise gross proceeds of $135,000 (excluding any over-allotment option) pursuant to the Offering through the issuance of 13,500,000 REIT Units at $10 per REIT Unit (the "Offering Price"). Costs relating to the Offering, including underwriters' fees, are forecast to be $15,750 and are charged directly to unitholders' equity.

Concurrent with or immediately following Closing, it is assumed that the REIT will indirectly acquire BSR Trust, LLC's existing portfolio of 47 income producing properties (the "BSR Initial Properties"). As a result of the transactions, the REIT will acquire all issued and outstanding Class A units, Class C units and

Common units of BSR Trust, LLC in exchange for the issuance of $500 of REIT Units and $269,465 of Class B Units.

It is assumed that on June 1, 2018 the REIT will acquire one additional multi-suite residential property, Brandon Place, located in Oklahoma City, Oklahoma for $23,412 to be settled for cash of $3,764, and the assumption of a mortgage with a fair value of $20,574, including a mark-to-market premium of $662 and a prepayment premium derivative valued at $926.

(In thousands of U.S. dollars)

4. Significant assumptions (continued):

For purposes of the financial forecast, it is assumed that the closing of the transactions contemplated by this prospectus occur on or about April 1, 2018, and in the case of the acquisition of Brandon Place, June 1, 2018. However, the actual closing date may differ.

(i) Acquisitions:

The fair value of the net assets of the BSR Initial Properties, which is accounted for as a business combination using the purchase method of accounting, and the acquisition of Brandon Place, which is accounted for as an asset acquisition, is as follows:

Investment property	$ 840,757
Tenant and other receivables	1,636
Prepaid expenses and other assets	4,192
Prepayment embedded derivatives	6,549
Restricted cash	11,943
Cash and cash equivalents	8,706
Mortgages	(517,865)
Interest rate swaps	(1,064)
Accounts payable and other liabilities	(15,300)
Due to related party	(30,000)
Tenant in common interests	(2,172)
Net assets acquired for cash	$ 307,382
Excess of fair value of net assets acquired over consideration paid	(33,653)
	$(273,729)
Consideration given by the REIT consists of the following:	
REIT Units	$ 500
Class B Units	269,465
Cash	3,764
	$273,729

The actual calculation and allocation of the purchase price for the investment properties outlined above will be based on the assets purchased and liabilities assumed on the effective date of the acquisition and other information available at that date. Accordingly, the actual amounts for each of these assets and liabilities will vary from the above amounts and the variation may be material.

(ii) Mortgages payable:

The net assets acquired include mortgages on 39 of the Initial Properties with an outstanding principal balance of $366,164, (including a mark-to-market discount of $5,902 and a debt premium for embedded derivatives relating to early prepayment of $6,549), resulting in a weighted average interest rate on such debt of 3.78%. The mortgages are generally secured by first charges on the income properties.

(iii) Revolving credit facility:

A wholly owned subsidiary of the REIT has a $71,500 revolving credit facility (the "Credit Facility"). The Credit Facility is secured by seven of the REIT's investment properties and is due on January 30, 2022, with an option to extend for one additional year, subject to meeting certain conditions. The Credit Facility bears interest at the Adjusted LIBOR rate, as defined in the Credit Facility, plus 1.65% to 2.15% based on meeting certain leverage ratios as defined in the Credit Facility. Alternatively the REIT has the ability to borrow using base rate loans at a rate equal to 0.65% to 1.15% plus the greatest of the bank's prime rate, the Federal Funds Rate plus 0.5%, or the one-month LIBOR rate, plus 1.0%.

The REIT assumes that on Closing, $37,250 of the proceeds of the Offering will be used to repay a portion of the $66,700 outstanding under the Credit Facility prior to Closing and that it will incur interest expense of $1,270. No amortization of principal under the Credit Facility is required.

(iv) Repayment of debt

The REIT assumes that on Closing, proceeds of the offering will be used to fully repay obligations of BSR Trust, LLC in respect of the Centennial Bank credit facilities in an amount of $85,000. The REIT further assumes that the $30,000 obligation in respect of a related party loan is repaid on closing through the issuance of 3,000,000 REIT Units valued at $30,000.

(In thousands of U.S. dollars)

4. Significant assumptions (continued):

(v) Interest rate swaps:

To manage interest rate risk on variable rate mortgages, the Initial Properties have entered into interest rate swap agreements (the "Swap Agreements") which will be assumed by the REIT on Closing. In the Swap Agreements, the REIT has agreed to exchange the difference between fixed and variable rate interest on a principal amount of $28,236. The Swap Agreements effectively fix the interest at a rate of the variable rate mortgages to rates ranging between 3.71% and 5.07% and mature between February 2019 and September 2025. The Swap Agreements will not be designated as a hedge and will be marked to fair value each reporting period through finance cost in the consolidated statement of net income and comprehensive income.

For the purpose of the consolidated financial forecast, it is assumed that there is no change in the fair value of the interest rates swaps during the forecast period.

(vi) Sources and uses of cash:

The REIT's sources and uses of cash after the completion of the transactions contemplated in the Offering are as follows:

Sources:	
Proceeds from the Offering	$135,000
Uses:	
Offering costs and expenses	(12,750)
Partial repayment of Credit Facility	(37,250)
Repayment of Centennial Bank credit facilities	(85,000)
Acquisition of Brandon Place	(3,764)
Cash reduction to working capital of the REIT	$ (3,764)

(c) Revenue:

	Three-month periods ending				12 month period ending
	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	March 31, 2019
Lease revenue	$21,713	22,323	22,518	22,536	$89,090
Revenue from services	2,811	2,854	2,782	2,781	11,228
	$24,524	25,177	25,300	25,317	$100,318

Forecast rental revenue from investment properties is based on rents from existing leases, as well as expected income from the lease-up of units that are vacant or due to become vacant due to lease expires.

Rents for retained tenants are calculated by increasing in-place rents to expected market rates upon lease expiry. The consolidated forecast assumes 7.3% rental revenue growth during the forecast period over 2017 rental revenues. The Economic Occupancy rate during the forecast period is assumed to be 89.9%, which is an improvement over the Economic Occupancy rate of 85.3% for the 12 months ended December 31, 2017.

The consolidated forecast also reflects historical levels of other income. Existing tenants are assumed to fulfill their current contractual lease obligations and remain in occupancy and pay rent for the term of their leases.

Included in rental revenues for the 12 month period ending March 31, 2019 is $242 related to straight-line rent ($141, $82, $26, and $(6) for the three-month periods ending June 30, 2018, September 30, 2018, December 31, 2018 and March 31, 2019, respectively).

(d) Direct property expenses and realty taxes:

Direct property expenses and realty taxes have been forecasted with reference to the operating plans and budgets for the Initial Properties. The consolidated financial forecast reflects historical data, anticipated changes, adjusted for changes in costs due to inflation and other market trends. The major components of operating costs consist of salaries, utilities, repairs and maintenance and insurance.

(In thousands of U.S. dollars)

4. Significant assumptions (continued):

(e) Finance costs:

Finance costs will include interest expense on mortgages payable, distributions on Class B Units, distributions to tenant in common interests, and gain or loss on the change in fair value of financial liabilities designated as at fair value through profit or loss, including Class B Units and interest rate swaps. The Class B Units are entitled to distributions of cash from BSR Trust LLC on the same per unit basis as holders of REIT Units. The distributions on Class B Units are based on the assumption that annual distributions will be made based on 76.9% of forecasted annual adjusted funds from operations, as defined, of $25,453 for the 12 month period ending March 31, 2019, and that the Class B Units represent approximately a 62.0% interest in the REIT on a fully exchanged basis.

Net finance costs consists of:

	Three-month periods ending				12 month period ending
	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	March 31, 2019
Interest expense	$3,924	4,101	4,109	4,063	16,197
Amortization of premium on mortgage notes payable	135	135	135	135	540
Amortization of embedded prepayment penalty premium	(63)	(63)	(63)	(63)	(252)
Distributions paid to tenant in common interests	12	12	12	12	48
Finance costs	$4,008	4,185	4,193	4,147	16,533
Distributions on Class B Units	$3,030	3,030	3,031	3,031	12,122
Total Finance Costs	$7,038	7,215	7,224	7,178	28,655

(f) General and administrative expenses:

General and administrative expenses are forecasted based on management's best estimates with reference to the REIT's plans and budgets and relate to the day-to-day administration of the REIT. The expenses will include trust costs, including legal and audit fees, trustee fees, investor relations and reporting costs, transfer agent fees, insurance costs, executive salaries, benefits and incentive compensation.

(g) Equity Incentive Plan:

The REIT plans to adopt an Equity Incentive Plan (the "Plan"). Under the terms of the Plan, the Board of Trustees may from time to time, at its discretion, grant trustee, officers, employees and consultants restricted units, performance units, deferred units, options or other awards. The restricted units, performance units and deferred units are notional units with a fair value based on the REIT Units' closing trading price.

On Closing the REIT assumes it will grant 51,000 restricted units which vest three years from the date of grant. On Closing the REIT also assumes it will grant 38,250 performance units which also vest three years from the date of grant, subject to certain performance objectives being met. The grant date fair value of the restricted units and the performance units has been calculated as the number of restricted units and performance units granted times the Offering Price. The number of performance units that vest will range between 0% and 200% of the number granted.

The consolidated financial forecast assumes that trustees elect to receive their annual retainers in the form of deferred units.

Compensation under the Plan is measured at fair value as at the grant date and compensation expense is recognized in general and administrative expense over the related vesting period. The amounts are fair valued each reporting period and the change in fair value is recognized as compensation expense. The compensation expense of $287 for the restricted units and performance units and the $403 of expense related to the granting of deferred units to trustees was determined based on the fair value of the award at the grant date using the issuance price of the REIT Units on Closing and in in the case of the performance units, a Monte Carlo pricing model. The expenses are included within general and administrative expenses.

4. Significant assumptions (continued):

(h) Acquisitions and dispositions of investment properties:

This consolidated financial forecast does not reflect any potential sales of the Initial Properties or acquisitions of multifamily residential properties other than the acquisitions discussed in note 4(b). However, it is possible that the REIT will make purchases and sales of properties during the forecast period which will only be undertaken on a basis considered by management to be advantageous to the REIT and as approved by the Trustees of the REIT.

(i) Fair value change in investment properties:

The REIT has applied the fair value model to accounting for investment properties, requiring the fair value of the properties to be determined at each reporting period. For financial reporting purposes, fair values are impacted by many variables, such as local and global economic conditions that are by their nature not susceptible to forecasting. Accordingly, the forecast does not reflect any changes in fair values of the investment properties. For purposes of the consolidated financial forecast, the change in fair value of investment properties reflects the reversal of the capitalization of straight-line rent (note 4(c)) and adjustments resulting from the application of IFRIC 21, Levies. For illustrative purposes, assuming all other variables remain constant, a 25-basis point decrease in the overall capitalization rate of the investment properties would result in a fair value increase of approximately $35,702. A 25-basis point increase in the overall capitalization rate of the investment properties would result in a fair value decrease of approximately $32,882.

The consolidated financial forecast does not reflect the impact of anticipated bargain purchase gains as a result of the excess of the fair value of net assets acquired over the consideration paid (note 4(b)).

(j) Class B Units:

The Class B Units are accounted for at fair value with changes in fair value recognized in net income each period. Fair values are impacted by many variables, such as local and global economic conditions that are by their nature not susceptible to forecasting. Accordingly, the financial forecast does not reflect any change in the fair value of the Class B Units. For illustrative purposes, a 10% change in the market value of a REIT Unit, into which Class B Units may be redeemed, would result in a fair value change of approximately $26,946.

(k) Interest rate swaps:

Interest rate swaps are accounted for at fair value with changes in fair value recognized in net income each period. Fair values are impacted by many variables, such as local and global economic conditions that are by their nature not susceptible to forecasting. Accordingly, the financial forecast does not reflect any change in the fair value of the interest rate swaps.

(l) Income taxes:

The REIT intends to meet the real estate investment trust requirements under the Code, to not be a SIFT trust pursuant to the Income Tax Act (Canada), and to make the necessary distributions to not be subject to Canadian or U.S. federal income tax.

Accordingly, in the financial forecast, the REIT has not recorded a provision for current income taxes or deferred income taxes in respect of the assets, liabilities and earnings of the REIT.

(m) Other matters:

No significant changes in economic conditions and government legislation with respect to taxes, including realty taxes, other than announced changes, are anticipated during the forecast period.

5. Related party transactions:

The consolidated financial forecast includes the following related party transactions:

(a) Class B Units

Distributions on the Class B Units of $7,397 are paid to key management personnel.

5. Related party transactions (continued):

(b) Employee benefits

Expenses include $2,737 paid to key management personnel.

(c) Office lease

Lease payments of $129 are paid to a an irrevocable trust controlled by the family of the REIT's Chief Executive Officer in respect of the corporate office of BSR Trust, LLC.

(d) The issuance of 3,000,000 REIT Units with a value of $30,000 to an affiliate of the Chief Executive Officer in settlement of a related party loan.

6. Additional commitments and contingencies:

In connection with the Offering, the REIT has agreed to indemnify the underwriters against certain liabilities, including liabilities under applicable securities legislation, or to contribute to payments the underwriters may be required to make in respect of those liabilities. The REIT has agreed to indemnify, in certain circumstances, the Trustees and the officers of the REIT.

FORECAST NON-IFRS RECONCILIATION

The following table reconciles forecast net income and comprehensive income to FFO, AFFO and reconciles certain components of forecast net income and comprehensive income to NOI. See "Non-IFRS Measures" and "Financial Forecast".

(in thousands of $)	Forecast Three-month periods ending June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	Twelve-month period ending March 31, 2019 (Forecast)
Net income and comprehensive income	$ 3,873	4,278	4,629	4,511	17,291
Add/(Deduct)					
Distributions on Class B Redeemable Units treated as interest expense	3,030	3,030	3,031	3,031	12,122
Fair value adjustment of investment property	141	82	25	(6)	242
IFRIC 21 fair value adjustment of investment property	2,233	2,286	1,082	(5,654)	(53)
IFRIC 21 real estate tax liability adjustment	(2,233)	(2,286)	(1,082)	5,654	53
FFO	7,044	7,390	7,685	7,536	29,655
Add/(Deduct)					
Maintenance capital expenditures	(990)	(990)	(990)	(990)	(3,960)
Straight line rental revenue differences	(141)	(82)	(25)	6	(242)
AFFO	$ 5,913	6,318	6,670	6,552	25,453
Calculation of Net Operating Income					
Rental revenue	$21,449	22,032	22,203	22,220	87,904
Other revenue	3,075	3,145	3,097	3,097	12,414
Deduct:					
Direct property expenses	(9,800)	(9,889)	(9,704)	(9,755)	(39,148)
Real estate taxes	—	—	(1,204)	(7,940)	(9,144)
IFRIC 21 fair value adjustment of investment property	(2,233)	(2,286)	(1,082)	5,654	53
NOI	$12,491	13,002	13,310	13,276	52,079

Immediately following Closing, the Debt to Gross Book Value Ratio of the REIT is expected to be as follows:

Principal amounts outstanding under mortgages payable	$365,517
Principal amounts outstanding under the credit facilities	$ 29,450
Debt	$394,967
Gross Book Value	$867,019
Debt to Gross Book Value Ratio	45.6%

Below is a reconciliation of the pro forma NOI for the year ended December 31, 2017 to the forecast NOI for the 12 months ending March 31, 2019. This reconciliation is illustrative in nature and has been prepared by management as a supplement for the reader to the financial forecast. The assumptions used in respect of rental activity, unit roll over to market rates and the other items that make up other adjustments in order to arrive at the figures below constitute forward-looking information. While these assumptions are considered reasonable by management as of the date of this prospectus, they are inherently subject to significant uncertainties and contingencies that may affect the outcome of the forward-looking information. Investors should use caution when considering such forward-looking information, and the REIT cautions readers not to place undue reliance on these statements. See "Forward-Looking Statements".

Add (Deduct):	
Pro forma BSR NOI for year ended December 31, 2017	$ 46,446
Adjustments for assets not owned throughout 2017 (1)(2)(3)	$ 3,252
Adjusted 2017 NOI for Year Ended December 31, 2017	**$ 49,698**
Rent increases, unit lease up and unit roll over to market rates	$ 5,504
Increase in property operating expenses	($ 2,350)
Increase in real estate tax expense	($ 773)
Forecast NOI	**$ 52,079**

Notes:

(1) Mountain Ranch was acquired on February 28, 2017. An NOI adjustment of $598 is included to annualize Mountain Ranch to make the run rate BSR NOI for the year ended December 31, 2017 comparable against the Forecasted Period.

(2) Windhaven Park was acquired on October 11, 2017. An NOI adjustment of $2,869 is included to annualize Windhaven Park to make the run rate BSR NOI for the year ended December 31, 2017 comparable against the Forecasted Period.

(3) During the Forecasted Period ending March 31, 2019, Brandon Place only includes ten months of operations beginning June 1, 2018. An adjustment of ($215) is made to the run rate 2017 NOI for the year ended December 31, 2017 to remove two months of operations making NOI comparable against the Forecasted Period.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Presentation

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("**MD&A**") discusses the financial condition and results of operations and changes thereto of the 47 multifamily properties located throughout the United States owned by BSR (collectively, the "**BSR Initial Properties**") and should be read in conjunction with the financial statements included in this prospectus. All amounts are stated in thousands of U.S. dollars, unless otherwise noted. Financial data has been prepared in accordance with IFRS and its interpretations adopted by the International Accounting Standards Board (the "**IASB**"). This MD&A is dated as of, and has been prepared based on information available to management as of, the date of this prospectus.

One of the BSR Initial Properties ("**Windhaven Park**") was owned by an unrelated third party until October 11, 2017, when it was acquired by BSR for cash proceeds of $69.8 million, after which date Windhaven Park is included in the financial statements of the BSR Initial Properties. On Closing of the Offering, the REIT will indirectly acquire ownership of all of the Initial Properties. This prospectus includes separate historical financial statements for the BSR Initial Properties and Windhaven Park. Accordingly, this MD&A for the BSR Initial Properties and Windhaven Park has been presented on a separate basis as well.

Additionally, following the completion of the Offering and the acquisition of the Initial Properties by the REIT, the REIT expects to acquire one additional property, Brandon Place. Brandon Place is not currently owned by the REIT; however, it is the subject of a binding purchase and sale agreement and is expected to be acquired by the REIT from a third party vendor in June 2018.

The objective of this discussion is to provide a prospective purchaser of Units of the REIT with an analysis of the historical assets, liabilities, revenues and operating expenses, including mortgage interest, of the BSR Initial Properties for the periods referenced. Less emphasis has been placed on analyzing the impact of income taxes and the historical capital structure of the BSR Initial Properties, as the historical financial statements contained in this prospectus do not reflect the REIT's proposed capital structure and income tax status, which will be significantly different. The unaudited "pro forma" condensed consolidated financial statements of the REIT contained in this prospectus reflect the impact of financial leverage, REIT tax status and proposed capital structure on a going forward basis.

Cautionary Note Regarding Forward-Looking Information

Some of the information contained in this MD&A contains forward-looking information. See "Forward-Looking Statements".

Non-IFRS Measures

This MD&A contains certain non-IFRS financial measures, including Funds from Operations ("FFO"), Adjusted Funds from Operations ("AFFO"), Net Operating Income ("NOI") and Same Community results. See "Non-IFRS Measures".

The BSR Initial Properties for the Years Ended December 31, 2017 , 2016 and 2015

Overview

The following discusses the financial condition and results of operations and changes thereto of the historical information relating to the BSR Initial Properties and should be read in conjunction with the combined and carve-out financial statements of the BSR Initial Properties. The combined and carve-out financial statements of the BSR Initial Properties consist of the statements of financial position as of December 31, 2017, December 31, 2016, December 31, 2015 and January 1, 2015, respectively, along with the statements of comprehensive income, divisional surplus and cash flows for the years ended December 31, 2017, December 31, 2016 and December 31, 2015, respectively.

BSR was formed in May 2008 as a Delaware limited liability company that owns, acquires and manages multifamily housing communities in the Sunbelt region of the United States through its wholly owned subsidiaries, BSR Management, LLC, Bailey Properties, LLC and Multifamily Capital Appreciation Fund-2007, LLC. BSR has operated through its predecessors since 1956. Through various subsidiary entities, BSR owns directly and indirectly 100% of 47 asset-specific limited liability entities, each owning a single market-rate multifamily housing development. As of December 31, 2017, the BSR Initial Properties consisted of 47 apartment properties containing 9,679 apartment units.

The BSR Initial Properties earn income primarily from rental payments received as a result of their ownership of multifamily housing communities.

From the second half of 2015 through December 31, 2017, the BSR Initial Properties have completed approximately $51.4 million of upgrades to over 4,500 apartment units. Management has identified approximately 3,000 additional apartment units within the Initial Properties that could also benefit from a similar renovation program over the next three years.

During the year ended December 31, 2017, as compared to the year ended December 31, 2016, total revenue increased $10,880, or 14.3%, to $86,792. The purchase of the properties referred to as West End Lodge in May of 2016, Mountain Ranch in February of 2017 and Windhaven Park in October of 2017 contributed $6,169 to the increase in total revenue. The Same Community portfolio contributed $4,711 to the increase due to a $2,879 increase in occupancy, a $1,009 increase in rental rates and a $821 increase in other income. These increases in Same Community total revenue were primarily attributable to the comprehensive redevelopment program discussed above. The weighted average occupancy rate of the BSR Initial Properties, another important indicator of BSR's performance, increased by 4.4% for the year ended December 31, 2017, compared to the prior year, as demonstrated in the tables below.

Property operating expenses increased $2,248, or 6.9%, for the year ended December 31, 2017 compared to 2016. The purchase of West End Lodge, Mountain Ranch and Windhaven Park contributed $1,916 to the increase. Same Community property operating expenses for the same period increased $322 primarily due to an increase in employee wages and benefits, as there were less vacant positions in 2017 compared to 2016.

During the year ended December 31, 2016, as compared to the year ended December 31, 2015, total revenue increased $4,113, or 5.7%, to $75,913. The purchase of the properties referred to as West End Lodge in May of 2016, The Pointe in July of 2015 and Willow Lake in November of 2015 contributed $4,795 to the increase in total revenue. Same Community total revenue declined $682 primarily due to apartment units taken off line throughout 2016 for the comprehensive redevelopment program discussed above. The weighted average occupancy rate of the BSR Initial Properties decreased by 2.2% for the year ended December 31, 2016 compared to the year ended December 31, 2015 for the same reason.

During the year ended December 31, 2016, as compared to the year ended December 31, 2015, property operating expenses increased $3,014, or 10.3%. The purchases of West End Lodge, The Pointe and Willow Lake contributed $1,678 to the increase. Same Community property operating expenses for the same period increased $1,336 primarily due to an increase in payroll expense related to the new team member discount policy implemented as part of the Great Places to Work program, lower turnover and fewer unfilled positions as compared to the prior year.

	As of December 31	Year ended December 31		
	2017	2017	2016	2015
Weighted average occupancy	92.9%	90.8%	86.4%	88.6%

	Year ended December 31		
	2017	2016	2015
Same Community average monthly in-place leases[(1)]			
Year ended December 31, 2017 Same Community	$754	740	n/a
Year ended December 31, 2016 Same Community	749	734	714
Same Community retention rate[(2)]			
Year ended December 31, 2017 Same Community	49%	50%	n/a
Year ended December 31, 2016 Same Community	49%	50%	50%

Notes:

(1) The monthly in-place rent per unit represents the average monthly in-place rents for the years presented. The monthly in-place rent is calculated as the total monthly in-place rent per property, divided by the average number of occupied units. Same Community results represent properties owned throughout the comparative periods, which removes the impact of acquisitions and dispositions.

(2) The retention rate represents the percentage of residents retained as of the end of each year presented. The retention rate is calculated as number of residents retained at the end of the year divided by the total occupied units at the beginning of the year presented. Same Community results represent properties owned throughout the comparative periods, which removes the impact of acquisitions and dispositions.

Review of Selected Financial and Operating Information of the BSR Initial Properties as of and for the Years Ended December 31, 2017 and 2016

The following tables highlight selected financial information of the BSR Initial Properties as of and for the years ended December 31, 2017 and 2016. This information has been compiled from, and should be read in conjunction with, the combined and carve-out financial statements of the BSR Initial Properties and notes thereto included elsewhere in this prospectus. Additionally, presented below is a summary of the unaudited FFO, AFFO and NOI for the years ended

December 31, 2017 and 2016, with additional detail provided in "Funds from Operations, Adjusted Funds from Operations, Net Operating Income and Same Community Results".

	Year ended December 31	
	2017	**2016**
Total revenue	$ 86,793	75,912
Property operating expenses	(34,650)	(32,402)
Real estate taxes	(7,044)	(5,966)
General and administrative expenses	(4,732)	(3,984)
Interest expense, net	(20,201)	(17,593)
Change in fair value of investment property	46,382	32,751
Change in fair value of investment property (IFRIC 21)	(431)	(440)
Net change in fair value of interest rate swaps	455	449
Net change in fair value of prepayment embedded derivatives	(1,485)	(1,583)
Loss on extinguishment of debt	(256)	(1,664)
Change in tenant in common interests	(784)	(2,446)
Net income and comprehensive income	**$ 64,047**	**43,035**
Weighted average occupancy as of December 31 (unaudited)	**92.9%**	**85.7%**

Year ended December 31	2017 (unaudited)	2016 (unaudited)
Funds from Operations	$18,695	11,418
Adjusted Funds from Operations	15,454	7,351
Net Operating Income	44,668	37,105

	As of December 31	
	2017	**2016**
Total assets	$849,534	669,097
Non-current liabilities	532,815	422,978

Review and Comparison of Operational Results of the BSR Initial Properties for the Years Ended December 31, 2017 and 2016

Total Revenue

	Year ended December 31			
	2017	**2016**	**Variance**	**%**
Rental revenue	$75,234	66,484	8,750	13.2%
Other property income	11,559	9,429	2,130	22.6%
Total revenue	**$86,793**	**75,913**	**10,880**	**14.3%**

Rental revenue consists of all rental related income earned from the investment properties, including rent earned from residents under lease agreements. Other property income mainly comprises utility charges and other fee income from residents under the terms of the lease arrangements. Total revenue increased $10,880, or 14.3%, to $86,793 for the year ended December 31, 2017 compared to $75,913 for the year ended December 31, 2016.

The property acquisitions of Windhaven Park on October 11, 2017, Mountain Ranch on February 28, 2017 and West End Lodge on May 4, 2016, resulted in a total revenue increase of $1,659, $3,100 and $1,410, respectively.

Same Community total revenue increased $4,711 over the prior year with $2,879 of the increase attributable to higher occupancy. Specifically, compared to the year ended December 31, 2016, weighted average occupancy rates increased by 4.4% during the year ended December 31, 2017. Increases in rental rates contributed $1,009 and other property income streams contributed $822 to the remainder of the increase over prior year. These increases in revenue primarily relate to the comprehensive redevelopment program discussed above.

Property Operating Expenses

	Year ended December 31			
	2017	2016	Variance	%
Property operating expenses	$34,650	32,402	2,248	6.9%

Property operating expenses are comprised mainly of building common area and maintenance expenses, payroll, insurance and other costs associated with the management and maintenance of the investment properties. These expenses increased by $2,248, or 6.9%, to $34,650 for the year ended December 31, 2017 compared to $32,402 for the year ended December 31, 2016.

The increase in expenses was primarily driven by the property acquisitions of Windhaven Park, Mountain Ranch and West End Lodge, resulting in property operating expense increases of $446, $861 and $609, respectively. Same Community property operating expenses increased by $177 due to an increase in payroll expenses as a result of unfilled positions in the comparative period.

Real Estate Taxes

	Year ended December 31			
	2017	2016	Variance	%
Real estate taxes	$7,044	5,966	1,078	18.1%

Real estate taxes increased by $1,078, or 18.1%, to $7,044 for the year ended December 31, 2017 compared to $5,966 for the year ended December 31, 2016. Annual property taxes are recognized when the realty tax obligation is imposed. The increase in real estate taxes was primarily driven by the property acquisition of West End Lodge, resulting in a real estate tax increase of $953. The remainder of the increase was due to an increase of $125 in Same Community real estate taxes as a result of increases in jurisdictional real estate tax obligations versus the prior year.

General and Administrative Expenses

	Year ended December 31			
	2017	2016	Variance	%
General and administrative expenses	$4,732	3,984	748	18.8%

General and administrative expenses increased by $748, or 18.8%, to $4,732 for the year ended December 31, 2017 compared to $3,984 for the year ended December 31, 2016. The increase was primarily attributable to the increase in payroll expenses and professional fees.

Interest Expense, Net

	Year ended December 31			
	2017	2016	Variance	%
Interest expense, net	$20,201	17,593	2,608	14.8%

Interest expense, net consists of interest expense on loans and borrowings, amortization of deferred financing costs, amortization of issuance (premium) discounts, interest paid on hedging instruments which are recognized in profit or loss, and distributions paid to tenant in common interests. Interest expense, net increased by $2,608, or 14.8%, to $20,201 for the year ended December 31, 2017 compared to $17,593 for the year ended December 31, 2016.

The increase was mainly attributable to an increase of $2,277 in interest expense on loans and borrowings at the stated rate, driven by incremental interest expense of $510 associated with the loan assumption from the Mountain Ranch acquisition and incremental interest expenses of $396 and $342 associated with the new loans from the Windhaven Park and West End Lodge acquisitions, respectively. The remainder of the increase in interest expenses on loans and borrowings was related to rising interest rates on the variable-rate mortgages.

Change in Fair Value of Investment Properties

	Year ended December 31	
	2017	2016
Change in fair value of investment property	$46,382	32,751

In accordance with IFRS, management has elected to use the fair value model to account for investment properties resulting in a fair value gain of $46,382 for the year ended December 31, 2017 compared to $32,751 for the comparative year. Fair value adjustments were determined based on the movement of various parameters, including changes in stabilized NOI and capitalization rates. The increase in fair value for the year ended December 31, 2017 was primarily due to changes in capitalization rates during the periods as a result of market conditions and property level stabilized NOI increases versus the prior year.

Change in Fair Value of Investment Properties (IFRIC 21)

	Year ended December 31			
	2017	2016	Variance	%
Change in fair value of investment property (IFRIC 21)	$431	440	(9)	(2.0%)

Change in fair value of investment property (IFRIC 21) results from a pro rata property tax basis adjustment included in property sales prices in the United States. This adjustment is included in the assessment of the fair value of investment property as an adjustment due to IFRIC 21, upon acquisition of a property, as the fair value model is used to account for investment properties.

Net Change in Fair Value of Interest Rate Swaps

	Year ended December 31	
	2017	2016
Net change in fair value of interest rate swaps	$455	499

The BSR Initial Properties are subject to receive-variable based on 1 Month USD – London Interbank Offered Rate ("**LIBOR**") / pay fixed interest rate swap agreements related to three mortgage loans. These swaps are utilized to manage interest rate exposure over the period of the interest rate swaps. The valuation of these instruments was determined using a discounted cash flow analysis based on the contractual terms of the derivatives, including the period to maturity of each instrument, using observable market-based inputs, including interest rate curves and implied volatilities. Changes in fair value are recognized as net change in fair value of interest rate swaps in the combined and carve-out financial statements.

Fair value adjustments were due to an increase in LIBOR rates as of December 31, 2017 compared to December 31, 2016, resulting in a gain of $455 for the year ended December 31, 2017.

Net Change in Fair Value of Prepayment Embedded Derivatives

	Year ended December 31	
	2017	2016
Net change in fair value of prepayment embedded derivatives	$1,485	1,583

Management considers whether a contract contains an embedded derivative at inception of the contract. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through the statements of comprehensive income. Under IAS 39, Financial Instruments:

Recognition and Measurement, certain early redemption options that meet the definition of an embedded derivative are bifurcated from the financial liability and measured at fair value. The fair value of the prepayment embedded derivatives has been determined using LIBOR based interest rate swap options as a proxy. The net change in fair value of prepayment embedded derivatives was a result of changes in these assumptions for the periods presented.

Loss on Extinguishment

	Year ended December 31			
	2017	**2016**	**Variance**	**%**
Loss on extinguishment of debt	$256	1,664	(1,408)	(84.6%)

Loss on extinguishment of debt decreased by $1,408, or 84.6%, to $256 for the year ended December 31, 2017 compared to $1,664 for the year ended December 31, 2016. This decrease was due to prepayment penalties associated with the refinancing of debt on two properties during the year ended December 31, 2016.

Change in Tenant in Common Interests

	Year ended December 31	
	2017	**2016**
Change in tenant in common interests	$784	2,446

Tenant in common ("**TIC**") interests represent the ownership interests in certain consolidated subsidiaries not owned by BSR. Under International Accounting Standard (IAS) 32, the TIC interests meet the definition of a liability. TIC interest holders are indemnified from the impact of the performance of the respective subsidiary; however, upon the sale of a property, the TIC interest holder would receive their interest in the proceeds from the property sale based on the respective TIC agreement. As such, the changes in expectation of what the TIC interests would receive as a result of changes in the fair value of the respective properties results in a re-measurement of the TIC interests. The change in TIC interests for the year ended December 31, 2017 and December 31, 2016 was reflective of the change in the overall fair value of the properties affiliated with the TIC agreements.

Net Income and Comprehensive Income

	Year ended December 31			
	2017	**2016**	**Variance**	**%**
Net income and comprehensive income	$64,047	43,035	21,012	48.8%

Net income and comprehensive income increased by $21,012, or 48.8%, to $64,047 for the year ended December 31, 2017 as compared to $43,035 for the year ended December 31, 2016. As discussed above, this decrease was primarily due to the following components of net income and comprehensive income:

- an increase in total revenue of $10,880 resulting from the property acquisitions discussed above and an increase in Same Community occupancy and rental rates;
- an increase in property operating expenses of $2,248 resulting from the recent property acquisitions discussed above;
- an increase in real estate taxes of $1,078 resulting from the property acquisitions discussed above;
- an increase in general and administrative expenses of $748;
- an increase in interest expense, net of $2,608 related to the interest on mortgages associated with recently acquired properties discussed above and increases in interest rates on variable-rate debt;
- an increase in the change in fair value of investment property of $13,631;
- a decrease of $1,408 in loss on extinguishment of debt due to less refinancing activity during the year ended December 31, 2017; and
- an increase in the change in TIC interests of $1,602.

Funds from Operations, Adjusted Funds from Operations, Net Operating Income and Same Community Results of the BSR Initial Properties for the Years Ended December 31, 2017 and December 31, 2016

Set out below is a reconciliation of the unaudited FFO, AFFO and NOI for the year ended December 31, 2017 and 2016:

	Year ended December 31	
	2017	2016
	(unaudited)	(unaudited)
Income for the period	**$ 64,047**	**43,035**
Adjustments to arrive at FFO:		
Change in fair value of investment property	(46,382)	(32,751)
Change in fair value of investment property (IFRIC 21)	431	440
Property tax liability adjustment, net (IFRIC 21)	(431)	(440)
Net change in fair value of interest rate swaps	(455)	(449)
Net change in fair value of prepayment embedded derivatives	1,485	1,583
Funds from Operations	**18,695**	**11,418**
Maintenance capital expenditures	(3,128)	(3,831)
Straight-line rental revenue differences	(113)	(236)
Adjusted Funds from Operations	**$ 15,454**	**7,351**

	Year ended December 31	
	2017	2016
	(unaudited)	(unaudited)
Total revenue	$ 86,793	75,913
Property operating expenses	(34,650)	(32,402)
Real estate taxes	(7,044)	(5,966)
	45,099	**37,545**
Property tax liability adjustment (IFRIC 21)	(431)	(440)
Net Operating Income	**$ 44,668**	**37,105**

Same Community results represent the performance of investment properties owned as of January 1, 2016 and throughout the comparative periods, which removes the impact of acquisitions and dispositions. Set out below is a reconciliation and analysis of the Same Community and non-Same Community figures for the years ended December 31, 2017 and 2016:

	Year ended December 31, 2017		
	Total Portfolio	Same Community	Non-Same Community
Total revenue	**$ 86,793**	77,704	9,089
Property operating expenses	**(34,650)**	(31,780)	(2,870)
Real estate taxes	**(7,044)**	(6,091)	(953)
	45,099	39,833	5,266
Property tax liability adjustment, net (IFRIC 21)	**(431)**	—	(431)
Net Operating Income	**$ 44,668**	39,833	4,835

	Year ended December 31, 2016		
	Total Portfolio	Same Community	Non-Same Community
Total revenue	**$ 75,913**	72,992	2,921
Property operating expenses	**(32,402)**	(31,448)	(954)
Real estate taxes	**(5,966)**	(5,966)	—
	37,545	35,578	1,967
Property tax liability adjustment, net (IFRIC 21)	**(440)**	—	(440)
Net Operating Income	**$ 37,105**	35,578	1,527

Financial Statement Analysis of the BSR Initial Properties as of and for the Years Ended December 31, 2017 and December 31, 2016

The following table highlights selected financial information for the BSR Initial Properties as of December 31, 2017 and December 31, 2016. This information has been compiled from, and should be read in conjunction with, the combined and carve-out financial statements of the BSR Initial Properties and the notes thereto included elsewhere in this prospectus.

	December 31	
	2017	2016
Total current assets	$ 24,564	25,096
Investment properties	818,007	635,484
Prepayment embedded derivatives	6,850	8,335
Restricted cash – bond sinking fund	113	182
Total assets	**849,534**	**669,097**
Loans and borrowings	492,987	419,808
Total liabilities	**553,007**	**451,957**

Total Current Assets

	Year ended December 31			
	2017	2016	Variance	%
Total current assets	$24,564	25,096	(532)	(2.1%)

Total current assets are comprised of cash and cash equivalents, restricted cash, resident and other receivables, and prepaid expenses and other assets. Total current assets decreased by $532, or 2.1%, to $24,564 as of December 31, 2017 compared to $25,096 as of December 31, 2016. The decrease was primarily due to a cash outflow related to property acquisitions offset by an increase in cash from operating activities and capital contributions.

Investment Properties

Investment properties include land and land improvements, building and building improvements, as well as furniture and equipment. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Subsequent capital expenditures are added to the carrying value of the investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

	Year ended December 31			
	2017	2016	Variance	%
Investment properties	$818,007	635,484	182,523	28.7%

Investment properties increased by $182,523, or 28.7%, to $818,007 as of December 31, 2017 compared to $635,484 as of December 31, 2016. Of this increase, $102,166 was due to investment property acquisitions and $33,975 was the result of capital additions to the existing investment properties. Additionally, $46,382 of the increase was due to a change in fair value as a result of changing market variables and improvements in property level stabilized NOI.

The fair value of the BSR Initial Properties was determined using the direct capitalization income method. The stabilized future cash flows are divided by an overall capitalization rate. As of December 31, 2017, the BSR Initial Properties were valued using an overall weighted capitalization rate of 6.2% as compared to 6.4% as of December 31, 2016. The high and low capitalization rates are set out in the following table:

	December 31	
	2017	2016
High capitalization rate	8.5%	8.5%
Low capitalization rate	5.3%	5.5%

Loans and Borrowings

Loans and borrowings totalled $492,987 as of December 31, 2017, compared to $419,808 as of December 31, 2016, representing an increase of $73,179, or 17.4%. The majority of the change was attributable to the assumed loan related to the Mountain Ranch acquisition valued at $19,965 and the new loan related to the Windhaven Park acquisition of $45,825. Further, there was an increase of $7,400 outstanding on the Centennial Bank credit facilities. These increases were offset by normal recurring payments on principal for existing mortgages.

As of December 31, 2017, the aggregate principal repayments and balances maturing on loans and borrowings in the next five years, and thereafter, are as follows:

	Principal Payments During Period	Principal Repayments On Maturity	Total	Weighted Average Interest Rate
2018	$ 4,629	—	4,629	4.0%
2019	4,566	150,996	155,562	3.9%
2020	4,124	17,997	22,121	3.8%
2021	3,885	47,010	50,895	3.8%
2022	3,901	—	3,901	3.8%
Thereafter	96,678	151,849	248,527	3.7%
			485,635	**3.8%**
Net unamortized premium on mortgage notes payable			9,948	
Net unamortized deferred financing costs			(2,596)	
Loans and borrowings			**$492,987**	

Cash Flows of the BSR Initial Properties for the Years Ended December 31, 2017 and December 31, 2016

The BSR Initial Properties reported a cash balance of $8,808 as of December 31, 2017 as compared to a cash balance of $10,899 as of December 31, 2016. The changes in cash flow for the years ended December 31, 2017 and 2016 are as follows:

	December 31	
	2017	2016
Cash flows provided by (used in):		
Operating activities	$ 40,959	34,618
Investing activities	(118,845)	(59,107)
Financing activities	75,794	19,411
Decrease in cash and cash equivalents	**$ (2,091)**	**(5,078)**

Operating activities for the year ended December 31, 2017 and 2016

Cash flows from operating activities for the year ended December 31, 2017 generated a net cash inflow of $40,959 compared to a net cash inflow of $34,618 for the year ended December 31, 2016. The increase of $6,341 in cash flows from operating activities was largely driven by an increase in net income of $21,012 adjusted for non-cash items of $14,192, offset by a decrease in working capital accounts of $479.

Investing activities for the year ended December 31, 2017 and 2016

Cash flows used in investing activities for the year ended December 31, 2017 resulted in a net cash outflow of $118,845 compared to a net cash outflow of $59,107 for the year ended December 31, 2016. The increase of $59,738 in net cash outflows from investing activities was primarily due to an increase in the acquisition of investment property of $45,674, an increase in additions to investment property of $13,246, as well as an increase in deposits of restricted cash of $818.

Financing activities for the year ended December 31, 2017 and 2016

Cash flows used in financing activities for the year ended December 31, 2017 resulted in a net cash inflow of $75,795 compared to a net cash inflow of $19,411 for the year ended December 31, 2016. The increase of $56,384 in net cash inflows from financing activities was driven by an increase in proceeds from the issuance of loans and borrowings of $35,594, an increase in proceeds from a related party of $40,990 and an increase of $3,099 in contributions from members of BSR. These increases were offset by a $3,219 increase in principal repayments of loans and borrowings, an increase of $12,661 in payments to a related party and a decrease in contributions from BSR of $6,295. BSR paid distributions to members of $11,077 and $11,909 during the years ended December 31, 2017 and December 31, 2016, respectively. BSR paid distributions to TIC interests $581 and $496 during the years ended December 31, 2017 and December 31, 2016, respectively, which is presented within interest expense, net, in the combined and carve-out statements of comprehensive income.

Transactions with Related Parties

BSR leases its Little Rock, Arkansas corporate headquarters from an entity owned by BSR's Chief Executive Officer's family under an operating lease with a term expiring in 2018.

On January 5, 2017, BSR entered into a loan facility with BSR's Chief Executive Officer through which BSR could draw up to $30,000. The loan agreement is subject to a variable interest rate based on the Wall Street Journal Prime Rate plus 50 basis points with a minimum rate of 4.75% and a maximum rate of 5.25% with a maturity date of December 31, 2019.

Through this arrangement, on February 28, 2017, BSR's Chief Executive Officer loaned BSR $12,661 to fund the acquisition of Mountain Ranch. While the loan was scheduled to mature on December 31, 2019, BSR repaid the loan in full on May 12, 2017.

Additionally, during September and October 2017, BSR's Chief Executive Officer loaned BSR a total of $28,329 to fund the acquisition of Windhaven Park. Consistent with the terms of the agreement, the loan is schedule to mature on December 31, 2019 and is included in due to related party on the combined and carve-out statements of financial position. In January 2018, subsequent to the year ended December 31, 2017, BSR's Chief Executive Officer loaned BSR an additional $1,671.

Interest expense paid on related party loans for the year ended December 31, 2017 was $420, and is included in Interest expense, net in the combined and carve-out statements of comprehensive income.

Subsequent Events

In January and February 2018, BSR refinanced eight property level mortgages payable with outstanding balances totalling $53,989 through a single credit facility with BMO Harris Bank N.A. for $59,900. As a result of this refinance, BSR incurred financing costs totalling $5,892, including prepayment penalties and related costs. BSR incurred a loss on extinguishment of these mortgages of $1,178 due to the write-off of unamortized deferred loan costs when the mortgages were refinanced.

During January 2018, BSR settled TIC interest liabilities in two properties of $13,155 through the issuance of cash of $344 and the issuance of equity for an aggregate settlement amount of $9,844.

On February 8, 2018 the board of directors of BSR declared a quarterly dividend payable to Series A preferred unitholders, Series C preferred unitholders and Common unitholders of record as of December 31, 2017. The dividend was paid on February 15, 2018.

On March 27, 2018, BSR refinanced four property level variable rate mortgages payable with combined outstanding balances of $54,750, of which $33,250 would mature in 2021 and $21,500 would mature in 2026. These mortgages payable were refinanced with four new fixed rate mortgages payable totalling $58,016 and an average fixed interest rate of 4.50%. Of the $58,016 new mortgages payable, $20,216 will mature in 2028 and $37,800 will mature in 2030.

Additionally, following the completion of the Offering and the acquisition of the Initial Properties by the REIT, the REIT expects to acquire an additional property, Brandon Place. Brandon Place is currently the subject of a binding purchase and sale agreement and is expected to be acquired by the REIT from a third party vendor in June 2018.

Critical Accounting Estimates and Assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates may differ from actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are outlined below. Further information is set forth in Note 4 of the combined and carve-out financial statements.

Investment properties

Investment properties are recorded at fair value, with fair value as of December 31, 2017 being determined by appraisals performed by independent, U.S. certified appraisers. Investment properties fair values for all other periods presented were determined internally by management. For both the appraisals and the internal valuations, a direct capitalization income method was used to calculate fair value. In determining estimates of fair value of the investment properties, the assumptions underlying estimated values are limited by the availability of comparable data and the uncertainty of predictions concerning future events. The primary assumptions underpinning the fair value determination are capitalization rates and stabilized net operating income.

The estimates used when determining the fair value of investment properties are capitalization rates and stabilized future net operating income. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. In addition, there is a normalized management fee allowance and capital expenditure reserve taken into consideration when determining future property cash flows. For fair values determined internally, management utilized internal financial information, external market data and capitalization rates provided by independent industry experts and other periodic third-party appraisals.

Significant Accounting Policies

A summary of significant accounting policies is set forth in Note 3 of the combined and carve-out financial statements.

Future Accounting Changes

New standards and amendments to existing standards issued by the IASB may be relevant to the REIT in preparing the combined financial statements in future periods, including IFRS 9, IFRS 15, and IFRS 16. The REIT intends to adopt these standards on their respective effective dates.

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standard on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018.

In July 2014, the IASB issued IFRS 9, Financial Instruments replacing IAS 39, Financial Instruments – Recognition and Measurement. The project has three main phases: classification and measurement, impairment and general hedging. The standard becomes effective for annual periods beginning on or after January 1, 2018.

On January 13, 2016 the IASB issued IFRS 16, Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right- of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

Based on its preliminary assessment of IFRS 9 and IFRS 15, BSR does not expect these standards to have a material impact on the financial statements. The extent of the impact of adoption of IFRS 16 on the REIT or the Initial Properties has not yet been determined.

Financial Risk Management

The activities of the BSR Initial Properties expose them to credit risk, market risk and liquidity risk. Risk management is carried out by the Chief Financial Officer under policies approved by executive management.

(a) Credit Risk

Credit risk is the risk that (i) counterparties to contractual financial obligations will default; and (ii) the possibility that the residents may experience financial difficulty and be unable to meet their rental obligations. Management mitigates the risk of credit loss with respect to residents by evaluating creditworthiness of new residents, obtaining security deposits wherever permitted by legislation, and geographically diversifying the location of its properties. Management monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. Subsequent recoveries of amounts previously written-off are credited in the combined and carve-out statements of comprehensive income.

(b) Market Risk

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices and comprises the following:

Interest Rate Risk

There is interest rate risk associated with the Initial Properties' fixed rate mortgages payable due to the expected requirement to refinance such mortgages payable in the year of maturity. To manage exposure to interest rate risk, management endeavours to manage maturities of fixed rate mortgages payable, and match the nature of the mortgage payable with the cash flow characteristics of the underlying asset. This risk is also minimized through management's current strategy of having the majority of its mortgages payable in fixed term arrangements. As such, BSR's cash flows are not significantly impacted by a change in market interest rates. As of December 31, 2017, BSR's total mortgages payable was 80% fixed and 20% variable. Management administers a portion of its variable rate mortgages payable using an interest rate swap that alters its exposure to the impact of changing interest rates.

(c) Liquidity Risk

Liquidity risk is the risk that BSR may encounter difficulties in accessing capital and refinancing its financial obligations as they come due. To mitigate the risk associated with the refinancing of maturing debt, BSR staggers the maturity dates of its mortgage portfolio over a number of years.

Liquidity, Capital Resources and Contractual Commitments

The REIT will seek to maintain a combination of short, medium and long-term debt maturities that are appropriate for the overall debt level of its portfolio, taking into account the availability of financing and market conditions, and the financial characteristics of each investment property. The REIT believes that cash generated from rental income, together with availability under the Credit Facility, will be sufficient to meet future operating expenses, capital expenditures and future debt service requirements. In addition, the REIT believes that its capital structure will provide it with financial flexibility to pursue future growth strategies. However, the REIT's ability to fund operating expenses, capital expenditures and future debt service requirements will depend on, among other things, future operating performance, which will be affected by general economic, industry, financial and other factors, including factors beyond the REIT's control. See the "Risk Factors" section in this prospectus.

Cash flow generated from leasing the investment properties represents the primary source of liquidity to service debt, pay operating expenses and make distributions to Unitholders. Cash flow from operations is dependent upon collection of contracted rental amounts, cost of debt and other factors.

At December 31, 2017, the total mortgages payable of the BSR Initial Properties were 80% fixed and 20% variable. Management administers a portion of its variable-rate mortgages payable using an interest rate swap that alters its exposure to the impact of changing interest rates.

A summary of future debt obligations, based on principal debt maturities as of December 31, 2017, is as follows:

	Carrying amount	Contractual cash flows	1 Year	2 Years	3 Years	4 Years	More than 4 Years
Loans and borrowings	$492,987	485,635	4,629	155,562	22,121	50,895	252,428
Interest payable on loans and borrowings	1,623	145,672	19,328	14,826	11,902	10,935	88,681

As of the years ended December 31, 2017 and 2016, BSR Initial Properties' accounts payable and other liabilities contained capital expenditure accruals of $2,377 and $3,424, respectively. These accrued capital expenditures are part of the upgrades to approximately 4,500 apartment units through December 31, 2017, discussed previously. There are no additional capital commitments outside of these accrued balances.

Investment Property Performance

Management evaluates its financial performance of the BSR Initial Properties by analyzing the performance of their investment property portfolio in a given period. The investment property portfolio had 47 properties as of December 31, 2017.

Acquisitions

Detailed below are the asset acquisitions completed for the years ended December 31, 2017, 2016 and 2015. For the year ended December 31, 2017:

Property	Location	Acquisition date	Apartment units	Gross purchase price(1)	Fair value of mortgage payable assumed
Mountain Ranch	Fayetteville, Arkansas	February 28, 2017	360	$ 32,324	19,966
Windhaven Park	Plano, Texas	October 11, 2017	474	69,842	—
				$102,166	19,966

Notes:
(1) Includes transaction costs of $45 and $42, respectively.

For the year ended December 31, 2016:

Property	Location	Acquisition date	Apartment units	Gross purchase price(1)	Fair value of mortgage payable assumed
West End Lodge	Beaumont, Texas	May 4, 2016	360	$36,526	—

Notes:
(1) Includes transaction costs of $76.

For the year ended December 31, 2015:

Property	Location	Acquisition date	Apartment units	Gross purchase price[(1)]	Fair value of mortgage payable assumed
The Pointe	Beaumont, Texas	July 10, 2015	152	$13,306	—
Willow Lake	Longview, Texas	November 10, 2015	134	6,403	—
				$19,709	—

Notes:
(1) Includes transaction costs of $6 and $3, respectively.

Disposals

There were no property disposals completed by BSR from January 1, 2015 to the date of this prospectus.

Disclosure Controls and Procedures and Internal Controls

BSR's management maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, accurate, reliable and timely. The disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in its various reports are recorded, processed, summarized and reported accurately. As of the end of the period covered by this MD&A, the Chief Executive Officer and the Chief Financial Officer of BSR have reviewed and evaluated the BSR Initial Properties disclosure controls and procedures (as that term is defined in NI 52-109) and, based upon that review and evaluation, concluded that those disclosure controls and procedures were effective and met the requirements thereof. Nevertheless, management does recognize that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance and not absolute assurance of achieving the desired control objectives.

NI 52-109 requires the Chief Executive Officer and Chief Financial Officer to certify that they are responsible for establishing and maintaining internal control over financial reporting for the BSR Initial Properties and that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. The Chief Executive Officer and Chief Financial Officer are also responsible for disclosing any changes to the internal controls for the BSR Initial Properties that have materially affected, or are reasonably likely to materially affect, BSR's internal control over financial reporting.

Management, including the Chief Executive Officer and Chief Financial Officer, does not expect that the disclosure controls or internal controls over financial reporting of the BSR Initial Properties will prevent or detect all errors and all fraud or will be effective under all potential future conditions. A control system is subject to inherent limitations and, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control systems objectives will be met.

The Chief Executive Officer and Chief Financial Officer have, using the framework and criteria established by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework (2013), evaluated the design and operating effectiveness of the internal controls over financial reporting of the BSR Initial Properties and concluded that, as of December 31, 2017, and subject to the inherent limitations described above, internal controls over financial reporting were effective to provide reasonable assurance that information related to consolidated results and decisions to be made on those results were appropriate.

There have been no changes in the internal controls over financial reporting of the BSR Initial Properties during the year ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect BSR's internal controls over financial reporting.

Review of Selected Financial and Operating Information of the BSR Initial Properties as of and for the Years Ended December 31, 2016 and December 31, 2015

The following tables highlight selected financial information of the BSR Initial Properties for the years ended December 31, 2016 and December 31, 2015. This information has been compiled from, and should be read in conjunction with, the combined and carve-out financial statements of the BSR Initial Properties and notes thereto included elsewhere in this prospectus. Additionally, presented below is a summary of the unaudited FFO, AFFO and NOI for the years ended December 31, 2016 and December 31, 2015, with additional detail provided in "Funds from Operations, Adjusted Funds from Operations, Net Operating Income and Same Community Results".

	Year ended December 31	
	2016	**2015**
Total revenue	$ 75,913	71,800
Property operating expenses	(32,402)	(29,388)
Real estate taxes	(5,966)	(5,921)
General and administrative expenses	(3,984)	(3,759)
Interest expense, net	(17,593)	(17,561)
Change in fair value of investment property	32,751	7,897
Change in fair value of investment property (IFRIC 21)	(440)	(121)
Net change in fair value of interest rate swaps	449	250
Net change in fair value of prepayment embedded derivatives	(1,583)	942
Loss on extinguishment of debt	(1,664)	(3,290)
Change in tenant in common interests	(2,446)	(1,594)
Net income and comprehensive income	**$43,035**	**19,255**
Weighted average occupancy as of December 31 (unaudited)	**85.7%**	**87.0%**

Year ended December 31	2016	2015
	(unaudited)	(unaudited)
Funds from Operations	$11,418	10,166
Adjusted Funds from Operations	7,351	6,329
Net Operating Income	37,105	36,370

	As of December 31	
	2016	**2015**
Total assets	$669,097	580,712
Loans and borrowings	422,978	407,676

Review and Comparison of Operational Results of the BSR Initial Properties as of and for the Years Ended December 31, 2016 and December 31, 2015

Total Revenue

	Year ended December 31			
	2016	**2015**	**Variance**	**%**
Rental revenue	$66,484	62,879	3,605	5.7%
Other property income	9,429	8,921	508	5.7%
Total revenue	**$75,913**	**71,800**	**4,113**	**5.7%**

Rental revenue consists of all rental related income earned from the investment properties, including rent earned from residents under lease agreements. Other property income mainly comprises utility charges and other fee income from residents under the terms of the lease arrangements. Total revenue increased by $4,113, or 5.7%, to $75,912 for the year ended December 31, 2016 compared to $71,800 for the year ended December 31, 2015.

Non-Same Community total revenue increased by $4,795 due to the property acquisitions of West End Lodge on May 4, 2016, Willow Lake on November 6, 2015, and The Pointe on July 10, 2015. This resulted in total revenue increases of $2,921, $892 and $982, respectively.

Same Community total revenue declined $682 related to apartment units taken off line as part of the comprehensive redevelopment program previously discussed which led to a 2.2% decrease in occupancy during 2016. This decrease was offset by an increase in rental rates in the Same Community portfolio for the year ended December 31, 2016 compared to the prior year.

Property Operating Expenses

	Year ended December 31			
	2016	2015	Variance	%
Property operating expenses	$32,402	29,388	3,014	10.3%

Property operating expenses are comprised mainly of building common area and maintenance expenses, insurance and other costs associated with the management and maintenance of the investment properties. These expenses increased by $3,014, or 10.3%, to $32,402 for the year ended December 31, 2016 compared to $29,388 for the year ended December 31, 2015. The increase in expenses was primarily driven by an increase of $1,678 due to the property acquisitions of West End Lodge, Willow Lake and The Pointe, resulting in property operating expense increases of $954, $399 and $235, respectively.

Same Community property operating expenses for the same period increased by $1,336 primarily due to an increase in payroll expense related to the new team member discount policy implemented as part of the Great Places to Work program, lower turnover and fewer unfilled positions as compared to the prior year.

Real Estate Taxes

	Year ended December 31			
	2016	2015	Variance	%
Real estate taxes	$5,966	5,921	45	0.8%

Real estate taxes increased by $45, or 0.8%, to $5,966 for the year ended December 31, 2016 compared to $5,921 for the year ended December 31, 2015. The full annual property tax expense is recognized when the realty tax obligation is imposed.

General and Administrative Expenses

	Year ended December 31			
	2016	2015	Variance	%
General and administrative expenses	$3,984	3,759	225	6.0%

General and administrative expenses increased by $225, or 6.0%, to $3,984 for the year ended December 31, 2016 compared to $3,759 for the year ended December 31, 2015. The increase was primarily attributable to an increase in payroll expenses and professional fees.

Interest Expense, Net

	Year ended December 31			
	2016	2015	Variance	%
Interest expense, net	$17,593	17,561	32	0.2%

Interest expense, net consists of interest expense on loans and borrowings, amortization of deferred financing costs, amortization of issuance (premium) discounts, interest paid on hedging instruments which are recognized in profit or loss, and distributions paid to TIC interests. Interest expense, net increased by $32, or 0.2%, to $17,593 for the year ended December 31, 2016 compared to $17,561 for the year ended December 31, 2015. The increase was attributable to an increase of $369 in the interest expense on loans and borrowings at the stated rate as well as an increase of $290 in distributions paid to TIC interests. This was offset by a decrease in the interest expense on interest rate swaps of $365 and amortization of deferred financing costs of $293.

Change in Fair Value of Investment Property

	Year ended December 31	
	2016	2015
Change in fair value of investment property	$32,751	7,897

In accordance with IFRS, management has elected to use the fair value model to account for its investment properties resulting in a fair value gain of $32,751 for the year ended December 31, 2016 compared to $7,897 for the year ended December 31, 2015. Fair value adjustments are determined based on the movement of various parameters, including changes in stabilized NOI and capitalization rates. The increase in fair value of investment property for the year ended December 31, 2016 was primarily due to changes in capitalization rates during the period as a result of capital expenditure upgrades and market conditions, as well as property level NOI improvements versus the comparative year period.

Change in Fair Value of Investment Property (IFRIC 21)

	Year ended December 31			
	2016	2015	Variance	%
Change in fair value of investment property (IFRIC 21)	$440	121	319	263.6%

Change in fair value of investment property (IFRIC 21) results from a pro rata property tax basis adjustment included in property sales prices in the United States. This adjustment is included in the assessment of the fair value of investment property as an adjustment due to IFRIC 21, upon acquisition of a property, as the fair value model was used to account for investment properties. Change in fair value of investment property (IFRIC 21) increased by $319 due to the timing of property acquisitions and the respective property taxes during the year ended December 31, 2016 compared to the prior year.

Net Change in Fair Value of Interest Rate Swaps

	Year ended December 31	
	2016	2015
Net change in fair value of interest rate swaps	$449	250

The BSR Initial Properties are subject to receive-variable based on 1 Month USD – LIBOR / pay fixed interest rate swap agreements related to three mortgage loans. These swaps are used to manage interest rate exposure over the period of the interest rate swaps. The valuation of these instruments was determined using a discounted cash flow analysis based on the contractual terms of the derivatives, including the period to maturity of each instrument, using observable market-based inputs, including interest rate curves and implied volatilities. Changes in fair value were recognized as net change in fair value of interest rate swaps in the combined and carve-out financial statements.

Fair value adjustments were due to an increase in LIBOR rates as of December 31, 2016 compared to December 31, 2015, resulting in a gain of $449 for the year ended December 31, 2016.

Net Change in Fair Value of Prepayment Embedded Derivatives

	Year ended December 31	
	2016	2015
Net change in fair value of prepayment embedded derivatives	$1,583	(942)

Management considers whether a contract contains an embedded derivative at inception of the contract. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through the statements of comprehensive income. Under IAS 39, Financial Instruments:

Recognition and Measurement, certain early redemption options that meet the definition of an embedded derivative, are bifurcated from the financial liability and measured at fair value. The fair value of the prepayment embedded derivatives has been determined using LIBOR based interest rate swap options as a proxy. The net change in fair value of prepayment embedded derivatives was a result of changes in these assumptions for the periods presented.

Loss on Extinguishment

	Year ended December 31			
	2016	2015	Variance	%
Loss on extinguishment of debt	$1,664	3,290	(1,626)	(49.4%)

Loss on extinguishment of debt decreased by $1,626, or 49.4%, to $1,664 for the year ended December 31, 2016 compared to $3,290 for the year ended December 31, 2015. Loss on extinguishment of debt decreased due to a reduction in debt refinancing activity. For the year ended December 31, 2015, the Key Bank credit facility and Almanac Realty Investors term loan were refinanced compared to the lesser refinancing prepayment penalty for two properties for the year ended December 31, 2016.

Change in Tenant in Common Interests

	Year ended December 31	
	2016	2015
Change in tenant in common interests	$2,446	1,594

TIC interests represent the ownership interests in certain consolidated subsidiaries not owned by BSR. Under International Accounting Standard (IAS) 32 the TIC interests meet the definition of a liability. TIC interest holders are indemnified from the impact of the performance of the respective subsidiary; however, upon the sale of a property under a TIC agreement, the TIC interest holder would receive their interest in the proceeds from the property sale based on the respective TIC agreement. As such, the changes in expectation of what the TIC interests would receive as a result of changes in the fair value of the respective properties results in a re-measurement of the TIC interests. The change in TIC interests for the years ended December 31, 2016 and December 31, 2015 reflects the change in the overall fair value of the properties affiliated with the TIC agreements.

Net Income and Comprehensive Income

	Year ended December 31			
	2016	2015	Variance	%
Net income and comprehensive income	$43,035	19,255	23,780	123.5%

Net income and comprehensive income increased by $23,780, or 123.5%, to $43,035 for the year ended December 31, 2016 compared to $19,255 for the year ended December 31, 2015. As discussed above, this increase was primarily due to the following components of net income and comprehensive income:

- an increase in total revenue of $4,113 resulting from the property acquisitions discussed above and an increase in Same Community rental rates, offset by a decrease in Same Community occupancy;
- an increase in the property operating expenses of $3,014 resulting from the recent property acquisitions discussed above as well as an increase in Same Community payroll expenses primarily related to the new team member discount policy rolled out in conjunction with the Great Places to Work program;
- an increase in the change in fair value of investment property of $24,854;
- an increase in the change in fair value of prepayment embedded derivatives of $2,525;
- a decrease of $1,626 in loss on extinguishment of debt due to less refinancing activity during the year ended December 31, 2016; and
- an increase of $852 in the change in TIC interests.

Funds from Operations, Adjusted Funds from Operations, Net Operating Income and Same Community Results of the BSR Initial Properties for the Years Ended December 31, 2016 and December 31, 2015

Further to the "Non-IFRS Measures" section, set out below is a reconciliation of the unaudited FFO, AFFO and NOI for the year ended December 31, 2016 and 2015:

	Year ended December 31	
	2016	2015
	(unaudited)	(unaudited)
Income for the period	**$ 43,035**	**19,255**
Adjustments to arrive at FFO:		
Change in fair value of investment property	(32,751)	(7,897)
Change in fair value of investment property (IFRIC 21)	440	121
Property tax liability adjustment, net (IFRIC 21)	(440)	(121)
Net change in fair value of interest rate swaps	(449)	(250)
Net change in fair value of prepayment embedded derivatives	1,583	(942)
Funds from Operations	**11,418**	**10,166**
Maintenance capital expenditures	(3,831)	(3,823)
Straight-line rental revenue differences	(236)	(14)
Adjusted Funds from Operations	**$ 7,351**	**6,329**

	Year ended December 31	
	2016	2015
	(unaudited)	(unaudited)
Total revenue	$ 75,913	71,800
Property operating expenses	(32,402)	(29,388)
Real estate taxes	(5,966)	(5,921)
	37,545	36,491
Property tax liability adjustment (IFRIC 21)	(440)	(121)
Net Operating Income	**$ 37,105**	**36,370**

Same Community results represent the performance of investment properties owned as of January 1, 2015 and throughout the comparative periods, which removes the impact of acquisitions. Set out below is a reconciliation and analysis of the Same Community and non-Same Community figures for the years ended December 31, 2016 and 2015:

	Year ended December 31, 2016		
	Total Portfolio	Same Community	Non-Same Community
Total revenue	**$ 75,913**	70,069	5,844
Property operating expenses	**(32,402)**	(30,404)	(1,998)
Real estate taxes	**(5,966)**	(5,627)	(339)
	37,545	34,038	3,507
Property tax liability adjustment, net (IFRIC 21)	**(440)**	—	(440)
Net Operating Income	**$ 37,105**	34,038	3,067

	Year ended December 31, 2015		
	Total Portfolio	**Same Community**	**Non-Same Community**
Total revenue	**$ 71,800**	70,750	1,050
Property operating expenses	**(29,388)**	(29,067)	(321)
Real estate taxes	**(5,921)**	(5,921)	—
	36,491	35,762	729
Property tax liability adjustment, net (IFRIC 21)	**(121)**	—	(121)
Net Operating Income	**$ 36,370**	35,762	608

Financial Statement Analysis of the BSR Initial Properties as of and for the Years Ended December 31, 2016 and December 31, 2015

The following table highlights selected financial information for the BSR Initial Properties as of December 31, 2016, and December 31, 2015. This information has been compiled from, and should be read in conjunction with, the combined and carve-out financial statements of the BSR Initial Properties and notes thereto included elsewhere in this prospectus.

	December 31	
	2016	**2015**
Total current assets	$ 25,096	29,250
Investment properties	635,484	541,159
Prepayment embedded derivatives	8,335	10,078
Restricted cash – bond sinking fund	182	225
Total assets	**669,097**	**580,712**
Loans and borrowings	419,808	398,502
Total liabilities	**451,957**	**423,481**

Total Current Assets

	December 31			
	2016	**2015**	**Variance**	**%**
Total current assets	$25,096	29,250	(4,154)	(14.2%)

Total current assets are comprised of cash and cash equivalents, restricted cash, resident and other receivables, prepaid expenses and other assets. Total current assets decreased by $4,154, or 14.2%, to $25,096 as of December 31, 2016 compared to $29,250 as of December 31, 2015. The decrease was primarily due to a $5,078 net cash outflow related to the acquisition of West End Lodge on May 4, 2016 and additions to investment property, offset by an increase in cash from operating activities and capital contributions.

Investment Properties

Investment properties include land and land improvements, building and building improvements, as well as furniture and equipment. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Subsequent capital expenditures are added to the carrying value of the investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

	December 31			
	2016	**2015**	**Variance**	**%**
Investment properties	$635,484	541,159	94,325	17.4%

Investment properties increased by $94,325, or 17.4%, to $635,484 as of December 31, 2016 compared to $537,047 as of December 31, 2015. Of this increase, $36,526 was due to investment property acquisitions and $25,048 was a result of capital additions to the existing investment properties. Additionally, $32,751 was due to a change in fair value as a result of changing market variables and improvements in property level stabilized NOI.

The fair value of the BSR Initial Properties was determined using the direct capitalization income method. The stabilized future cash flows are divided by an overall capitalization rate. As of December 31, 2016, the BSR Initial Properties were valued using an overall weighted capitalization rate of 6.4% as compared to 6.7% as of December 31, 2015. The high and low capitalization rates are set out in the following table:

	December 31	
	2016	**2015**
High capitalization rate	8.5%	8.5%
Low capitalization rate	5.5%	5.8%

Loans and Borrowings

Loans and borrowings totalled $419,808 as of December 31, 2016, compared to $398,502 as of December 31, 2015, representing an increase of $21,308, or 5.3%. The increase was attributable to the $21,500 loan related to the acquisition of West End Lodge.

Cash Flows of the BSR Initial Properties for the Years Ended December 31, 2016 and December 31, 2015

The BSR Initial Properties reported a cash balance of $10,899 as of December 31, 2016 as compared to a cash balance of $15,977 as of December 31, 2015. The changes in cash flow for the years ended December 31 are as follows:

	Year ended December 31	
	2016	**2015**
Cash flows provided by (used in):		
Operating activities	$ 34,618	34,223
Investing activities	(59,107)	(26,990)
Financing activities	19,411	3,202
(Decrease) increase in cash and cash equivalents	**$ (5,078)**	**10,435**

Operating activities for the years ended December 31, 2016 and 2015

Cash flows from operating activities for the year ended December 31, 2016 generated a net cash inflow of $34,618 compared to a net cash inflow of $34,223 for the year ended December 31, 2015. The increase of $395 in cash flows from operating activities was largely driven by an increase in net income of $23,780 adjusted for non-cash items of $23,022, offset by a decrease in working capital accounts of $363.

Investing activities for the years ended December 31, 2016 and 2015

Cash flows used in investing activities for the year ended December 31, 2016 resulted in a net cash outflow of $59,107 compared to a net cash outflow of $26,990 for the year ended December 31, 2015. The increase of $32,177 in net cash outflows from investing activities was primarily due to an increase in the acquisition of investment property of $16,817, increase in additions to investment property of $14,324 and decrease of $976 in deposits of restricted cash, net of withdrawals.

Financing activities for the years ended December 31, 2016 and 2015

Cash flows used in financing activities for the year ended December 31, 2016 resulted in a net cash inflow of $19,411 compared to a net cash inflow of $3,202 for the year ended December 31, 2015. The increase of $16,209 in net cash inflows from financing activities was mainly attributable to a decrease of $70,415 of principal payments of loans and borrowings offset by a decrease of $54,942 in proceeds from the issuance of loans and borrowings. The BSR Initial Properties paid distributions of $11,909 and $12,237 during the years ended December 31, 2016 and December 31, 2015, respectively. BSR paid distributions to TIC interests of $496 and $206 during the years ended December 31, 2016 and December 31, 2015, respectively, which is presented within interest expense, net, in the combined and carve-out statements of comprehensive income.

Transactions with Related Parties

BSR leases the Little Rock, Arkansas corporate headquarters from an entity owned by BSR's Chief Executive Officer's family under an operating lease with a term expiring in 2018. During the years ended December 31, 2016 and 2015 this lease requires monthly payments of $10. Related lease expense for the years ended December 31, 2016 and 2015 amounted to $120 and $120, respectively.

Windhaven Park for the Periods Ended September 30, 2017 and 2016 (unaudited) and Years Ended December 31, 2016 and 2015

Overview

The following discusses the financial condition and results of operations and changes thereto of the historical information relating to Windhaven Park and should be read in conjunction with the Windhaven Park carve-out financial statements, which consist of the statements of financial position as of September 30, 2017, December 31, 2016, September 30, 2016 (unaudited), December 31, 2015 and January 1, 2015, and the statements of comprehensive income, net parent investment and cash flows for the nine-month period ended September 30, 2017, year ended December 31, 2016, nine-month period ended September 30, 2016 (unaudited) and year ended December 31, 2015.

Windhaven Park represents a single 474 apartment unit multi-family property, located in Texas. The financial statements of Windhaven Park have been prepared for the specific purpose of reporting on the assets, liabilities, revenues, expenses and net parent investment in the net assets of Windhaven Park included in, and for the inclusion in, this prospectus. The financial statements present the financial position, results of operations and cash flows of Windhaven Park for the periods presented as if Windhaven Park had been accounted for on a stand-alone basis.

Windhaven Park currently depends primarily on the rental of residential multifamily apartment units, which generate the majority of the total revenues of Windhaven Park.

BSR acquired Windhaven Park on October 11, 2017. On Closing of the Offering, the REIT will indirectly acquire ownership of Windhaven Park, together with the other Initial Properties.

During the nine-month period ended September 30, 2017, as compared to the nine-month period ended September 30, 2016 (unaudited), total revenue increased by approximately $295 or 6.3%. This change resulted from increased rental rates, offset by a decline in the average occupancy. The average occupancy rate of Windhaven Park, another important indicator of Windhaven Park's performance, decreased by 2.1% as demonstrated in the tables below. During the year ended December 31, 2016, as compared to the year ended December 31, 2015, total revenue increased by $545 or 9.5%. This change resulted from an increase in rental rates. The average occupancy rate of Windhaven Park decreased by 0.5% for the year ended December 31, 2016.

	As of September 30	For the Nine Months ended September 30,	
	2017	2017	2016
Average occupancy	93.8%	91.7%	93.8%

	Year ended December 31,	
	2016	2015
Average occupancy	93.3%	93.8%

Review of Selected Financial and Operating Information of Windhaven Park for the Nine-Month Periods Ended September 30, 2017 and September 30, 2016 (unaudited)

The following tables highlight selected financial information of Windhaven Park for the nine-month periods ended September 30, 2017 and September 30, 2016 (unaudited). This information has been compiled from, and should be read in conjunction with, the carve-out financial statements and notes thereto included elsewhere in this prospectus. Additionally, presented below is a summary of the unaudited FFO, AFFO and NOI for the nine-month periods ended

September 30, 2017 and September 30, 2016 (unaudited), with additional detail provided in "Funds from Operations, Adjusted Funds from Operations, and Net Operating Income".

	For the Nine Months ended September 30	
	2017	2016
		(unaudited)
Total Revenue	$ 4,996	4,701
Property operating expenses	(1,391)	(1,195)
Real estate taxes	(981)	(733)
General and administrative expenses	(265)	(275)
Interest expense	(1,031)	(892)
Change in fair value of investment property	2,980	1,854
Change in fair value of investment property (IFRIC 21)	245	183
Net income and comprehensive income	**$ 4,553**	**3,643**
Weighted average occupancy as of September 30 (unaudited)	**93.8%**	**93.3%**

Nine months ended September 30	2017	2016
	(unaudited)	(unaudited)
Funds from Operations	$1,573	1,789
Adjusted Funds from Operations	1,449	1,665
Net Operating Income	2,869	2,956

Review and Comparison of Operational Results of Windhaven Park as of and for the Nine-Month Periods Ended September 30, 2017 and September 30, 2016 (unaudited)

Total Revenue

	Nine Months ended September 30			
	2017	2016	Variance	%
		(unaudited)		
Rental revenue	$4,403	4,103	300	7.3%
Other property income	593	598	(5)	(0.8%)
Total revenue	**$4,996**	**4,701**	**295**	**6.3%**

Rental revenue consists of all rental related income earned from the investment properties, including rent earned from residents under lease agreements. Other property income mainly comprises miscellaneous income from residents under the terms of the lease arrangements. Total revenue increased by $295, or 6.3%, to $4,996 for the nine-month period ended September 30, 2017 compared to $4,701 for the nine-month period ended September 30, 2016 (unaudited). The increase in total revenue was attributable to increased rental rates.

Property Operating Expenses

	Nine Months ended September 30			
	2017	2016	Variance	%
		(unaudited)		
Property operating expenses	$1,391	1,195	196	16.4%

Property operating expenses are comprised mainly of building common area and maintenance expenses, insurance and other costs associated with the management and maintenance of the investment property. These expenses increased by $196, or 16.4%, to $1,391 for the nine-month period ended September 30, 2017 compared to $1,195 for the nine-month period ended September 30, 2016 (unaudited). The increase in expenses was primarily driven by increased property maintenance costs and repairs.

Real Estate Taxes

	Nine Months ended September 30			
	2017	2016	Variance	%
	(unaudited)			
Real estate taxes	$981	733	248	33.8%

Real estate taxes increased by $248, or 33.8%, to $981 for the nine-month period ended September 30, 2017 compared to $733 for the nine-month period ended September 30, 2016. The annual property taxes are recognized when the realty tax obligation is imposed. The increase in real estate taxes was primarily driven by an increase in jurisdictional real estate tax obligations versus the prior year.

General and Administrative Expenses

	Nine Months ended September 30			
	2017	2016	Variance	%
	(unaudited)			
General and administrative expenses	$265	275	(10)	(3.6%)

General and administrative expenses include general and administrative expenses, casualty and gains and gains (losses) on interest rate swaps. These expenses decreased by $10, or 3.6%, to $265 for the nine-month period ended September 30, 2017 compared to $275 for the nine-month period ended September 30, 2016 (unaudited). The decrease was attributable to normal minor expense fluctuations.

Interest Expense

	Nine Months ended September 30			
	2017	2016	Variance	%
	(unaudited)			
Interest expense	$1,031	892	139	15.6%

Interest expense consists of interest expense on mortgage payable and amortization of deferred financing costs. Interest expense increased by $139, or 15.6%, to $1,031 for the nine-month period ended September 30, 2017 compared to $892 for the nine-month period ended September 30, 2016 (unaudited). The increase was attributable to an increase of $149 in interest expense on mortgage payable due to increases in the variable rate, offset by a decrease in the amortization of deferred financing costs.

Change in Fair Value of Investment Property

	Nine months ended September 30	
	2017	2016
	(unaudited)	
Change in fair value of investment property	$2,980	1,854

In accordance with IFRS, Windhaven Park elects to use the fair value model to account for its investment properties and recognized a fair value gain of $2,980 for the nine-month period ended September 30, 2017 compared to $1,854 for the comparative year ending September 30, 2016 (unaudited). The increase in fair value for the nine-month period ended September 30, 2017 is primarily due to property level NOI improvements versus the comparative nine-month period.

Change in Fair Value of Investment Property (IFRIC 21)

	Nine months ended September 30	
	2017	2016
	(unaudited)	
Change in fair value of investment property (IFRIC 21)	$245	183

Change in fair value of investment property (IFRIC 21) results from a pro rata property tax basis adjustment included in property sales prices in the United States. This adjustment is included in the assessment of the fair value of investment property as an adjustment due to IFRIC 21, upon acquisition of a property, as the fair value model is used to account for investment properties. Change in fair value of investment property (IFRIC 21) was $245 for the nine-month period ended September 30, 2017 compared to $183 for the nine-month period ended September 30, 2016 (unaudited).

Net Income and Comprehensive Income

	Nine Months ended September 30			
	2017	2016	Variance	%
		(unaudited)		
Net income and comprehensive income	$4,553	3,643	910	25.0%

Net income and comprehensive income increased by $910, or 25.0% to $4,553 for the nine-month period ended September 30, 2017 as compared with $3,643 for the nine-month period ended September 30, 2016 (unaudited). This increase is mainly attributable to the change in fair value of investment property of $1,126, offset by an increase in real estate taxes of $248.

Funds from Operations, Adjusted Funds from Operations and Net Operating Income of Windhaven Park as of and for the Periods Ended September 30, 2017 and September 30, 2016 (unaudited)

Further to the "Non-IFRS Measures" section, set out below is a reconciliation of the unaudited FFO, AFFO and NOI for the periods ended September 30, 2017 and 2016 (unaudited):

	Nine months ended September 30	
	2017	2016
	(unaudited)	(unaudited)
Income for the period	**$ 4,553**	**3,643**
Adjustments to arrive at FFO:		
Change in fair value of investment property	(2,980)	(1,854)
Change in fair value of investment property (IFRIC 21)	(245)	(183)
Property tax liability adjustment, net (IFRIC 21)	245	183
Funds from Operations	**1,573**	**1,789**
Maintenance capital expenditures	(124)	(124)
Adjusted Funds from Operation	**$ 1,449**	**1,665**

	Nine months ended September 30	
	2017	2016
	(unaudited)	(unaudited)
Total revenue	$ 4,996	4,701
Property operating expenses	(1,391)	(1,195)
Real estate taxes	(981)	(733)
	2,624	2,773
Property tax liability adjustment, net (IFRIC 21)	245	183
Net Operating Income	**$ 2,869**	**2,956**

Financial Statement Analysis of Windhaven Park as of September 30, 2017 and December 31, 2016

The following table highlights selected financial information for Windhaven Park as of September 30, 2017 and December 31, 2016. This information has been compiled from, and should be read in conjunction with, the carve-out financial statements of Windhaven Park and notes thereto included elsewhere in this prospectus.

	September 30, 2017	December 31, 2016
Total current assets	$ 921	1,252
Investment property	69,800	65,700
Total assets	**$70,721**	**66,952**
Accounts payable and other liabilities	$ 1,004	993
Mortgage payable	37,862	37,476
Total liabilities	**$38,866**	**38,469**

Total Current Assets

	September 30, 2017	December 31, 2016	Variance	%
Total current assets	$921	1,252	(331)	(26.4%)

Total current assets are comprised of cash and cash equivalents, restricted cash, resident and other receivables, and prepaid expenses and other assets. Total current assets decreased by $331, or 26.4%, to $921 as of September 30, 2017 compared to $1,252 as of December 31, 2016. The decrease is primarily due to a decrease in cash and cash equivalents of $245.

Investment Property

Investment property includes land and land improvements, building and building improvements, as well as furniture and equipment. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Subsequent capital expenditures are added to the carrying value of the investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

	September 30, 2017	December 31, 2016	Variance	%
Investment property	$69,800	65,700	4,100	6.2%

Investment properties increased by $4,100, or 6.2%, to $69,800 as of September 30, 2017 compared to $65,700 as of December 31, 2016. Of this increase, $1,120 is the result of capital additions to the existing investment properties and $2,980 is due to a change in fair value as a result of changing market variables and improvements in property level NOI.

The fair value of Windhaven Park was determined using the direct capitalization income method. The stabilized future cash flows are divided by an overall capitalization rate. As of September 30, 2017, the property was valued using a capitalization rate of 5.0% as compared to 5.0% as of December 31, 2016.

Accounts Payable and Other Liabilities

	September 30, 2017	December 31, 2016	Variance	%
Accounts payable and other liabilities	$1,004	993	11	1.1%

Accounts payable and other liabilities increased by $11, or 1.1%, to $1,004 as of September 30, 2017 compared to $993 as of December 31, 2016 with the increase being attributable to an increase of $15 in accrued interest.

Mortgage Payable

Mortgage payable totalled $37,862 as of September 30, 2017, compared to $37,476 as of December 31, 2016, representing an increase of $386, or 1.0%. The majority of the change is attributable to an increase in principal drawn down, offset by scheduled recurring principal payments.

The aggregate principal repayments and balances maturing of the mortgage payable as of September 30, 2017 in the next five years and, thereafter, are as follows:

	Principal Payments During Period	Principal Repayments On Maturity	Total	Weighted Average Interest Rate
2017	$—	37,862	37,862	3.4%
Thereafter	—	—	—	—
Total	$—	37,862	37,862	3.4%

Cash Flows of Windhaven Park for the Nine-Month Periods Ended September 30, 2017 and September 30, 2016 (unaudited)

Windhaven Park reported a cash balance of $206 as of September 30, 2017 as compared to a cash balance of $173 as of September 30, 2016 (unaudited). The changes in cash flow for the nine-month periods ended September 30 are as follows:

	Nine months ended September 30	
	2017	2016
Cash flows provided by (used in):		(unaudited)
Operating activities	$ 2,551	2,582
Investing activities	(985)	(1,223)
Financing activities	(1,811)	(1,396)
Decrease in cash	**$ (245)**	**(38)**

Operating activities for the periods ended September 30, 2017 and 2016 (unaudited)

Cash flows from operating activities for the nine-month period ended September 30, 2017 generated a net cash inflow of $2,551 compared to a net cash inflow of $2,582 for the nine-month period ended September 30, 2016 (unaudited). The decrease of $31 in cash flows from operating activities was driven by natural fluctuations in operating accounts and net income, adjusted for non-cash items.

Investing activities for the periods ended September 30, 2017 and 2016 (unaudited)

Cash flows used in investing activities for the nine-month period ended September 30, 2017 resulted in a net cash outflow of $985 compared to a net cash outflow of $1,223 for the nine-month period ended September 30, 2016 (unaudited). The decrease of $238 in net cash outflows from investing activities was primarily due to a decrease in additions to investment property of $217.

Financing activities for the periods ended September 30, 2017 and 2016 (unaudited)

Cash flows used in financing activities for the nine-month period ended September 30, 2017 resulted in a net cash outflow of $1,811 compared to a net cash outflow of $1,396 for the nine-month period ended September 30, 2016 (unaudited). The increase of $415 in net cash outflows from financing activities was driven by an increase in distributions to members of $277. Windhaven Park paid distributions to members of $1,181 and $904 during the periods ended September 30, 2017 and September 30, 2016 (unaudited), respectively.

Transactions with Related Parties

For the nine-month period ended September 30, 2017, in accordance with a property management agreement with a related party, property management fees totalled $138, as compared to $131 for the nine-month period ended September 30, 2016 (unaudited), of which $16 was payable as of September 30, 2017, as compared to $14 payable as of September 30, 2016 (unaudited), and is included in accrued liabilities in the financial statements.

Subsequent Events

On October 11, 2017, Windhaven Park was sold to BSR for cash proceeds of $69,800, and the related mortgage was paid off. Following that date, the financial position and results of operations of Windhaven Park has been reported in the financial statements of the BSR Initial Properties.

Critical Accounting Estimates and Assumptions

Management makes estimates and assumptions concerning the future. The resultant accounting estimates may differ from actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are outlined below. Further information is set forth in Note 4 of the carve-out financial statements.

Investment Property

The investment property is recorded at fair value, with fair value being determined by appraisals performed by independent, U.S. certified appraisers. For the purpose of such appraisals, a direct capitalization income method is used to calculate fair value. In determining estimates of fair value of the investment property, the assumptions underlying estimated values are limited by the availability of comparable data and the uncertainty of predictions concerning future events. The primary assumptions underpinning the fair value determination are the capitalization rate and stabilized net operating income.

The estimates used when determining the fair value of investment properties are capitalization rates and stabilized future net operating income. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. In addition, there is a normalized management fee allowance and capital expenditure reserve taken into consideration when determining future property cash flows. Management determines fair value internally using internal financial information, external market data and capitalization rates provided by independent industry experts and periodic third-party appraisals.

Significant Accounting Policies

A summary of significant accounting policies is set forth in Note 3 of the carve-out financial statements.

Review of Selected Financial and Operating Information of Windhaven Park for the Years Ended December 31, 2016 and December 31, 2015

The following tables highlight selected financial information of Windhaven Park for the years ended December 31, 2016 and December 31, 2015. This information has been compiled from, and should be read in conjunction with, the carve-out financial statements and notes thereto included elsewhere in this prospectus. Additionally, presented below is a summary of the unaudited FFO, AFFO and NOI for the year ended December 31, 2016 and December 31, 2015, with additional detail provided in "Funds from Operations, Adjusted Funds from Operations, and Net Operating Income".

	Year ended December 31	
	2016	2015
Total revenue	$ 6,308	5,763
Property operating expenses	(1,635)	(1,626)
Real estate taxes	(733)	(722)
General and administrative expenses	(350)	(352)
Interest expense	(1,200)	(1,049)
Change in fair value of investment property	2,394	8,044
Net income and comprehensive income	**$ 4,784**	**10,058**
Weighted average occupancy as of December 31 (unaudited)	**92.2%**	**94.7%**

Year ended December 31	2016	2015
	(unaudited)	(unaudited)
Funds from Operations	$2,390	2,014
Adjusted Funds from Operations	2,224	1,848
Net Operating Income	3,940	3,415

Review and Comparison of Operational Results of Windhaven Park for the Years Ended December 31, 2016 and December 31, 2015

Total Revenue

	Year ended December 31			
	2016	2015	Variance	%
Rental revenue	$5,522	5,025	497	9.9%
Other property income	786	738	48	6.5%
Total revenue	**$6,308**	**5,763**	**545**	**9.5%**

Rental revenue consists of all rental related income earned from the investment properties, including rent earned from residents under lease agreements. Other property income mainly comprises miscellaneous income from residents under the terms of the lease arrangements. Total revenue increased by $545, or 9.5%, to $6,308 for the year ended December 31, 2016 compared to $5,763 for the year ended December 31, 2015. The increase in total revenue was attributable to increased rental rates.

Property Operating Expenses

	Year ended December 31			
	2016	2015	Variance	%
Property operating expenses	$1,635	1,626	9	0.6%

Property operating expenses are comprised mainly of building common area and maintenance expenses, insurance and other costs associated with the management and maintenance of the investment properties. These expenses increased by $9, or 0.6%, to $1,635 for the year ended December 31, 2016 compared to $1,626 for the year ended December 31, 2015, due to natural fluctuations of property operating expenses.

Real Estate Taxes

	Year ended December 31			
	2016	2015	Variance	%
Real estate taxes	$733	722	11	1.5%

Real estate taxes increased by $11, or 1.5%, to $733 for the year ended December 31, 2016 compared to $722 for the year ended December 31, 2015. Windhaven Park recognizes the full amount of annual property tax expense at the point in time when the realty tax obligation is imposed. While this distinction varies between local property tax jurisdictions, generally, a property tax expense is recognized on a property when the property tax levy is prepared by the respective local tax authority. The increase of $11 in real estate taxes is driven by increases in jurisdictional real estate tax obligations versus the comparative year period.

General and Administrative Expenses

	Year ended December 31			
	2016	2015	Variance	%
General and administrative expenses	$350	352	(2)	(0.6%)

General and administrative expense includes general and administrative expenses, casualty and other gains and gains (losses) on interest rate swaps. These expenses decreased by $2, or 0.6%, to $350 for the year ended December 31, 2016 compared to $352 for the year ended December 31, 2015.

Interest Expense

	Year ended December 31			
	2016	2015	Variance	%
Interest expense	$1,200	1,049	151	14.4%

Interest expense consists of interest expense on mortgage payable and amortization of deferred financing costs. Interest expense increased by $151, or 14.4%, to $1,200 for the year ended December 31, 2016 compared to $1,049 for the year ended December 31, 2015. The increase was attributable to an increase of $151 in the interest expense on mortgage payable due to increases in the variable rate.

Change in Fair Value of Investment Property

	Year ended December 31	
	2016	2015
Change in fair value of investment property	$2,394	8,044

In accordance with IFRS, Windhaven Park elects to use the fair value model to account for its investment properties and recognized a fair value gain of $2,394 for the year ended December 31, 2016 compared to $8,044 for the comparative year ended. Fair value adjustments are determined based on the movement of various parameters, including changes in stabilized NOI and capitalization rates.

Net Income and Comprehensive Income

	Year ended December 31			
	2016	2015	Variance	%
Net income and comprehensive income	$4,784	10,058	(5,274)	(52.4%)

Net income and comprehensive income decreased by $5,274, or 52.4% to $4,784 for the year ended December 31, 2016 as compared with $10,058 for the year ended December 31, 2015. This increase is mainly attributable to the decrease in the change in fair value of investment property of $5,650 and increases in variable-rate mortgage payable interest, offset by increased rental rates.

Funds from Operations, Adjusted Funds from Operations and Net Operating Income of Windhaven Park for the Years Ended December 31, 2016 and December 31, 2015

Further to the "Non-IFRS Measures" section, set out below is a reconciliation of the unaudited FFO, AFFO and NOI for the year ended December 31, 2016 and 2015:

	Year ended December 31	
	2016 (unaudited)	2015 (unaudited)
Income for the period	**$ 4,784**	**10,058**
Change in fair value of investment property	(2,394)	(8,044)
Funds from Operations	**2,390**	**2,014**
Maintenance capital expenditures	(166)	(166)
Adjusted Funds from Operations	**$ 2,224**	**1,848**

	Year ended December 31	
	2016 (unaudited)	2015 (unaudited)
Total revenue	$ 6,308	5,763
Property operating expenses	(1,635)	(1,626)
Real estate taxes	(733)	(722)
Net Operating Income	**$ 3,940**	**3,415**

Financial Statement Analysis of Windhaven Park as of and for the Years Ended December 31, 2016 and December 31, 2015

The following table highlights selected financial information for Windhaven Park as of December 31, 2016 and December 31, 2015. This information has been compiled from the carve-out financial statements of Windhaven Park for the same dates and from the notes thereto and should be read in conjunction with Windhaven Park's carve-out financial statements and the notes thereto included elsewhere in this prospectus.

	December 31	
	2016	**2015**
Total current assets	$ 1,252	948
Investment property	65,700	61,300
Total assets	**$66,952**	**62,248**
Accounts payable and other liabilities	$ 993	962
Mortgage payable	37,476	36,683
Total liabilities	**$38,469**	**37,645**

Total Current Assets

	December 31			
	2016	**2015**	**Variance**	**%**
Total current assets	$1,252	948	304	32.1%

Total current assets are comprised of cash and cash equivalents, restricted cash, resident and other receivables, prepaid expenses and other assets. Total current assets increased by $304, or 32.1%, to $1,252 as of December 31, 2016 compared to $948 as of December 31, 2015. The increase is primarily due to an increase in cash and cash equivalents of $240, related to normal operations of the business and an increase in cash on hand as of December 31, 2016.

Investment Property

Investment property includes land and land improvements, building and building improvements, as well as furniture and equipment. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Subsequent capital expenditures are added to the carrying value of the investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

	December 31			
	2016	**2015**	**Variance**	**%**
Investment property	$65,700	61,300	4,400	7.2%

Investment properties increased by $4,400, or 7.2%, to $65,700 as of December 31, 2016 compared to $61,300 as of December 31, 2015. Of this increase, $2,006 is the result of capital additions to the investment property and $2,394 is due to a change in fair value as a result of improvements in property level NOI.

The fair value of Windhaven Park was determined using the direct capitalization income method. The stabilized future cash flows are divided by an overall capitalization rate. As of December 31, 2016 and December 31, 2015 the property was valued using an overall capitalization rate of 5.0%.

Accounts Payable and Other Liabilities

	December 31			
	2016	**2015**	**Variance**	**%**
Accounts payable and other liabilities	$993	962	31	3.2%

Accounts payable and other liabilities increased by $31, or 3.2%, to $993 as of December 31, 2016 compared to $962 as of December 31, 2015, with the increase being attributable to the decrease of normal trade payables due to the timing of payments.

Mortgage Payable

Mortgage payable totalled $37,476 as of December 31, 2016, compared to $36,683 as of December 31, 2015, representing an increase of $793, or 2.2%. The majority of the change is attributable to an increase in principal drawn down, offset by scheduled recurring principal payments.

Cash Flows of Windhaven Park for the Years Ended December 31, 2016 and December 31, 2015

Windhaven Park reported a cash balance of $451 as of December 31, 2016 compared to a cash balance of $211 as of December 31, 2015. The changes in cash flow for the years ended December 31 are as follows:

	Year ended December 31	
	2016	**2015**
Cash flows provided by (used in):		
Operating activities	$ 3,606	3,213
Investing activities	(2,067)	(2,789)
Financing activities	(1,299)	(395)
Increase in cash	**$ 240**	**29**

Operating activities for the years ended December 31, 2016 and 2015

Cash flows from operating activities for the year ended December 31, 2016 generated a net cash inflow of $3,606 compared to a net cash inflow of $3,213 for the year ended December 31, 2015. The increase of $393 in cash flows from operating activities was largely driven by an increase in net income adjusted for non-cash items of $527, offset by a decrease in accounts payable and other liabilities of $111.

Investing activities for the years ended December 31, 2016 and 2015

Cash flows used in investing activities for the year ended December 31, 2016 resulted in a net cash outflow of $2,067 compared to a net cash outflow of $2,789 for the year ended December 31, 2015. The decrease of $722 in net cash outflows from investing activities was primarily due to a decrease in additions to investment property of $740.

Financing activities for the years ended December 31, 2016 and 2015

Cash flows used in financing activities for the year ended December 31, 2016 resulted in a net cash outflow of $1,299 compared to a net cash outflow of $395 for the year ended December 31, 2015. The decrease of $904 in net cash outflows from financing activities was driven by a decrease of $1,777 in mortgage proceeds and an increase of $300 in principal payments, offset by a decrease of $1,327 in distributions to members. Windhaven Park paid distributions to members of $904 and $2,231 during the years ended December 31, 2016 and December 31, 2015, respectively.

Transactions with Related Parties

For the year ended December 31, 2016, in accordance with a property management agreement with a related party, property management fees totalled $175, as compared to $158 for the year ended December 31, 2015, of which $15 was payable as of December 31, 2016, compared to $14 payable as of December 31, 2015, and is included in accrued liabilities in the financial statements.

INVESTMENT GUIDELINES AND OPERATING POLICIES

Investment Guidelines

The Declaration of Trust provides certain guidelines on investments that may be made directly or indirectly by the REIT. The assets of the REIT after Closing may be invested only with the approval of the trustees and only in accordance with the following restrictions:

(i) the REIT may only invest, directly or indirectly, in interests (including fee ownership and leasehold interests) in income-producing real estate located in the United States and Canada (including, for greater certainty, assets whose revenue stems primarily from multifamily assets but which may include income from other asset classes), assets ancillary thereto necessary for the operation of such real estate and such other activities as are consistent with the other investment guidelines of the REIT and assets involved in and ancillary to the REIT's captive insurance business;

(ii) notwithstanding anything else contained in the Declaration of Trust, the REIT shall not make any investment, take any action or omit to take any action that would result in Units not being units of a "mutual fund trust" within the meaning of the Tax Act or that would result in the Units not being qualified investments for Exempt Plans;

(iii) the business of the REIT shall be limited to and conducted in such a manner as to permit the REIT at all times to be classified as a Real Estate Investment Trust (as defined in the Code) for U.S. federal income tax purposes, unless the Trustees have unanimously determined, at their full discretion, that the REIT cease qualifying as a real estate investment trust under the Code.

(iv) the REIT shall not invest in any interest in a single real property (which for greater certainty shall not include a portfolio of properties) if, after giving effect to the proposed investment, the cost to the REIT of such investment (net of the amount of debt incurred or assumed in connection with such investment) will exceed 20% of Gross Book Value at the time the investment is made;

(v) the REIT may, directly or indirectly, invest in a joint venture arrangement for the purposes of owning interests or investments otherwise permitted to be held by the REIT; provided that such joint venture arrangement contains terms and conditions which, in the opinion of the Independent Trustees, are commercially reasonable, including without limitation such terms and conditions relating to restrictions on the transfer, acquisition and sale of the REIT's and any joint venturer's interest in the joint venture arrangement, provisions to provide liquidity to the REIT, provisions to limit the liability of the REIT and its Unitholders to third parties, and provisions to provide for the participation of the REIT in the management of the joint venture arrangement. For purposes hereof, a "joint venture arrangement" is an arrangement between the REIT and one or more other persons pursuant to which the REIT, directly or indirectly, conducts an undertaking for one or more of the purposes set out in the investment guidelines of the REIT and in respect of which the REIT may hold its interest jointly or in common or in another manner with others either directly or through the ownership of securities of a corporation or other entity;

(vi) except for the REIT's indirect ownership in POM, temporary investments held in cash, deposits with a Canadian or U.S. chartered bank or trust company registered under the laws of a province of Canada or a state of the United States, short-term government debt securities or money market instruments maturing prior to one year from the date of issue and except as permitted pursuant to the investment guidelines and operating policies of the REIT, the REIT may not hold securities of a person other than to the extent such securities would constitute an investment in real property (as determined by the Trustees) and provided further that, notwithstanding anything contained in the Declaration of Trust to the contrary, but in all events subject to paragraph (ii) above, the REIT may hold securities of a person: (a) acquired in connection with the carrying on, directly or indirectly, of the REIT's activities or the holding of its assets; or (b) which focuses its activities primarily on the activities described in paragraph (i) above, provided in the case of any proposed investment or acquisition which would result in the beneficial ownership of more than 10% of the outstanding securities of an issuer (the "**Acquired Issuer**"), the investment is made for the purpose of subsequently effecting the merger or combination of the business and assets of the REIT and the Acquired Issuer or for otherwise ensuring that the REIT will control the business and operations of the Acquired Issuer;

(vii) the REIT shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;

(viii) except for the REIT's indirect ownership in POM, the REIT shall not invest, directly or indirectly, in operating businesses unless:

  (a) revenue will be principally associated with the ownership, directly or indirectly, of multifamily properties; or

  (b) it principally involves the ownership, maintenance, development, improvement, leasing or management, directly or indirectly, of a multifamily property (in each case as determined by the Trustees); or

  (c) it is an indirect investment and is incidental to a transaction which satisfies (a) or (b) above;

(ix) the REIT shall not invest in raw land for development, except (a) for existing properties with additional development or properties adjacent to existing properties of the REIT for the purpose of the renovation or expansion of existing properties, or (b) the development of new properties which will be capital property of the REIT, provided that the aggregate value of the investments of the REIT in raw land, excluding raw land under development, after giving effect to the proposed investment, will not exceed 10% of Gross Book Value;

(x) the REIT may invest in and originate mortgages and mortgage bonds (including participating or convertible mortgages) and similar instruments where:

  (a) the real property which is security for such mortgages and similar instruments is income producing real property which otherwise meets the other investment guidelines of the REIT; and

  (b) the aggregate book value of the investments of the REIT in mortgages, after giving effect to the proposed investment, will not exceed 15% of Gross Book Value; and

(xi) the REIT may invest an amount (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any debt incurred or assumed in connection with such investment) up to 10% of the Gross Book Value of the REIT in investments which do not comply with one or more of paragraphs (i), (v), (vi), (viii) and (ix).

Operating Policies

The Declaration of Trust provides that operations and affairs of the REIT are to be conducted in accordance with the following policies:

(i) the REIT shall not purchase, sell, market or trade in currency or interest rate futures contracts otherwise than for hedging purposes where, for the purposes hereof, the term "hedging" has the meaning ascribed thereto by National Instrument 81-102 – *Mutual Funds* adopted by the Canadian Securities Administrators, as replaced or amended from time to time;

(ii) (a) any written instrument creating an obligation which is or includes the granting by the REIT of a mortgage; and

  (b) to the extent the Trustees determine to be practicable and consistent with their fiduciary duties to act in the best interest of the Unitholders, any written instrument which is, in the judgment of the Trustees, a material obligation,

  shall contain a provision, or be subject to an acknowledgement to the effect, that the obligation being created is not personally binding upon, and that resort must not be had to, nor will recourse or satisfaction be sought from, by lawsuit or otherwise the private property of any of the Trustees, Unitholders, annuitants or beneficiaries under a plan of which a Unitholder acts as a trustee or carrier, or officers, employees or agents of the REIT, but that only property of the REIT or a specific portion thereof is bound; the REIT, however, is not required, but must use all reasonable efforts, to comply with this requirement in respect of obligations assumed by the REIT upon the acquisition of real property;

(iii) the REIT may engage in construction or development of real property: (a) to maintain its real properties in good repair or to improve the income producing potential of properties in which the REIT has an interest; and (b) to develop new properties that will be capital properties of the REIT on completion, provided that the aggregate value of the investments of the REIT in properties under development after giving effect to the proposed investment in the construction or development, will not exceed 15% of Gross Book Value;

(iv) title to each real property shall be held by and registered in the name of the REIT, a Subsidiary of the REIT, the Trustees or a corporation or other entity wholly-owned, directly or indirectly, by the REIT or jointly-owned, directly or indirectly, by the REIT, with joint venturers; provided, that where land tenure will not provide fee simple title, the REIT, the Trustees or a corporation or other entity wholly-owned, directly or indirectly, by the REIT or jointly owned, directly or indirectly, by the REIT shall hold a land lease as appropriate under the land tenure system in the relevant jurisdiction;

(v) the REIT shall not incur or assume any indebtedness if, after giving effect to the incurrence or assumption of such indebtedness, the total indebtedness of the REIT would be more than 60% of Gross Book Value (or 65% of Gross Book Value including convertible debentures);

(vi) other than the guarantees by BSR of certain tax credit deliverables and limited loan obligations of LEDIC Realty Company, LLC, the REIT shall not directly or indirectly guarantee any indebtedness or liabilities of any kind of a third party, except indebtedness or liabilities assumed or incurred by an entity in which the REIT holds an interest, directly or indirectly, or by an entity jointly owned by the REIT with joint venturers and operated solely for the purpose of holding a particular property or properties, where such indebtedness, if granted by the REIT directly, would cause the REIT to contravene its investment guidelines or operating policies. The REIT is not required but shall use its reasonable best efforts to comply with this requirement (a) in respect of obligations assumed by the REIT pursuant to the acquisition of real property; or (b) if doing so is necessary or desirable in order to further the initiatives of the REIT permitted under the Declaration of Trust;

(vii) the REIT shall directly or indirectly obtain and maintain at all times property insurance coverage in respect of potential liabilities of the REIT and the accidental loss of value of the assets of the REIT from risks, in amounts, with such insurers, and on such terms as the Trustees consider appropriate, taking into account all relevant factors including the practice of owners of comparable properties;

(viii) the REIT shall have obtained an appraisal of each real property that it intends to acquire and an engineering survey with respect to the physical condition thereof, in each case, by an independent and experienced consultant, unless the requirement for such an appraisal or engineering survey is waived by the Independent Trustees;

(ix) the REIT shall obtain a Phase I environmental site assessment of each real property to be acquired by it and, if the Phase I environmental site assessment report recommends that a further environmental site assessment be conducted, the REIT shall have conducted such further environmental site assessments, in each case by an independent and experienced environmental consultant; as a condition to any acquisition such assessments shall be satisfactory to the Trustees; and

(x) the REIT shall not engage in any sales of properties, directly or indirectly, if it would subject the REIT to tax under Section 857 of the Code.

For the purpose of the foregoing investment guidelines and operating policies, the assets, liabilities and transactions of a corporation or other entity wholly or partially-owned by the REIT will be deemed to be those of the REIT on a proportionate consolidation basis. In addition, any references in the foregoing investment guidelines and operating policies to investment in real property will be deemed to include an investment in a joint venture arrangement that invests in real property.

Amendments to Investment Guidelines and Operating Policies

Pursuant to the Declaration of Trust, all of the investment guidelines set out under the heading "Investment Guidelines" and the operating policies contained in paragraphs (i), (v), (vi), (vii), (viii) and (ix) set out under the heading "Operating Policies" may be amended only with the approval of two-thirds of the votes cast by Unitholders of the REIT at a meeting of Unitholders called for such purpose. The remaining operating policies may be amended with the approval of a majority of the votes cast by Unitholders at a meeting called for such purpose.

Notwithstanding the foregoing paragraph, if at any time a government or regulatory authority having jurisdiction over the REIT or any property of the REIT shall enact any law, regulation or requirement which is in conflict with any investment guideline or operating policy of the REIT then in force (other than subparagraph (ii) at "Investment Guidelines and Operating Policies – Investment Guidelines"), such investment guideline or operating policy in conflict shall, if the Trustees on the advice of legal counsel to the REIT so resolve, be deemed to have been amended to the extent necessary to resolve any such conflict and, notwithstanding anything to the contrary, any such resolution of the Trustees shall not require the prior approval of Unitholders.

DECLARATION OF TRUST

General

The REIT is an unincorporated open-ended real estate investment trust established pursuant to the Declaration of Trust under, and governed by, the laws of the Province of Ontario. Although the REIT is expected to qualify on Closing as a "mutual fund trust" as defined in the Tax Act, the REIT will not be a "mutual fund" as defined by applicable securities legislation.

The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of such Act or any other legislation. The Units are not shares in the REIT and, although the protections, rights and remedies set out in the Declaration of Trust are similar to those provided under the CBCA, Unitholders do not have statutory rights of shareholders of a corporation including, for example, "dissent rights" in respect of certain corporate transactions and fundamental changes, the right to apply to a court to order the liquidation or dissolution of the REIT, or the right to bring "oppression" or "derivative" actions. Furthermore, the REIT is not a trust company and accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Units

The REIT is authorized to issue an unlimited number of Units. Issued and outstanding Units may be subdivided or consolidated from time to time by the Trustees without notice to or the approval of the Unitholders.

No Unit will have any preference or priority over another. Each Unit will represent a Unitholder's proportionate undivided beneficial ownership interest in the REIT and will confer the right to one vote at any meeting of Unitholders and to participate *pro rata* in any distributions by the REIT, whether of net income, net realized capital gains or other amounts and, in the event of termination or winding-up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. Units will be fully paid and non-assessable when issued and are transferable. The Units are redeemable by the holder thereof, as described below under "Redemption Right" and, except as set out in "Retained Interest", "Issuance of Units" and "Operation", the Units have no other conversion, retraction, redemption or pre-emptive rights. Fractional Units may be issued as a result of an act of the Trustees, but fractional Units will not entitle the holders thereof to vote, except to the extent that such fractional Units may represent in the aggregate one or more whole Units.

Restrictions on Ownership and Transfer

REIT Qualification

In order for the REIT to qualify as a real estate investment trust for U.S. federal income tax purposes, the Units must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year. Also, not more than 50% of the value of the outstanding Units (after taking into account options to acquire Units) may be owned, directly or through certain constructive ownership rules, by five or fewer individuals (as defined in the Code to include certain entities such as private foundations) at any time during the last half of a taxable year.

The Declaration of Trust contains restrictions on the ownership and transfer of the Units that are intended to assist the REIT in complying with these requirements to qualify as a real estate investment trust. The relevant sections of the Declaration of Trust provide that, subject to the exceptions described below, no person or entity may actually or beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Code, more than 9.8% of the Units, excluding any Units that are not treated as outstanding for U.S. federal income tax purposes. Each of these restrictions, as well as the restrictions described below under "Declaration of Trust – FIRPTA", is referred to as an "ownership limit" and collectively as the "ownership limits." A person or entity that would have acquired actual, beneficial or constructive ownership of the Units but for the application of the ownership limits or any of the other restrictions on ownership and transfer of the Units is a "prohibited owner."

The constructive ownership rules under the Code are complex and may cause Units owned actually or constructively by a group of related individuals and/or entities to be owned constructively by one individual or entity.

As a result, the acquisition of less than 9.8% of the Units (or the acquisition of an interest in an entity that owns, actually or constructively, the Units) by an individual or entity could, nevertheless, cause that individual or entity, or another individual or entity, to own constructively in excess of 9.8% of the Units and thereby violate the applicable ownership limit.

The Declaration of Trust provides that the Board of Trustees, subject to certain limits including any applicable fiduciary duties, shall prospectively exempt a person from the ownership limits and, if necessary, establish a different limit on ownership for such person if it determines that such exemption could not cause or permit:

- five or fewer individuals to actually or beneficially own more than 49% in value of the outstanding Units; or
- the REIT to own, actually or constructively, an interest in a tenant of the REIT (or a tenant of any entity owned in whole or in part by the REIT).

As a condition of the exception, the Board of Trustees may require an opinion of counsel or an IRS ruling, in either case in form and substance satisfactory to the Board of Trustees, in its sole and absolute discretion, in order to determine or ensure the REIT's status for U.S. federal income tax purposes, and such representations, covenants and/or undertakings as are necessary or prudent to make the determinations above. Notwithstanding the receipt of any ruling or opinion, the Board of Trustees may impose such conditions or restrictions as it deems appropriate in connection with such an exception.

In connection with a waiver of an ownership limit or at any other time, the Board of Trustees may, in its sole and absolute discretion, increase or decrease Unit ownership limits for one or more persons, except that a decreased ownership limit will not be effective for any person whose actual, beneficial or constructive ownership of the Units exceeds the decreased ownership limit at the time of the decrease until the person's actual, beneficial or constructive ownership of the Units equals or falls below the decreased ownership limit, although any further acquisition of the Units will violate the decreased ownership limit. The Board of Trustees may not increase or decrease any ownership limit if the new ownership limit would allow five or fewer persons to actually or beneficially own more than 49% of the Units.

The Declaration of Trust further prohibits:

- any person from actually, beneficially or constructively owning Units that could result in the REIT being "closely held" under Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year) or otherwise cause the REIT to fail to qualify as a real estate investment trust (including, but not limited to, actual, beneficial or constructive ownership of Units that could result in the REIT owning (actually or constructively) an interest in a tenant that is described in Section 856(d)(2)(b) of the Code if the income the REIT derives from such tenant, taking into account the REIT's other income that would not qualify under the gross income requirements of Section 856(c) of the Code, would cause the REIT to fail to satisfy any of the gross income requirements imposed on real estate investment trusts); and
- any person from transferring Units if such transfer would result in the Units being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution).

Any person who acquires or attempts or intends to acquire actual, beneficial or constructive ownership of Units that will or may violate the ownership limits or any of the other restrictions on ownership and transfer of the Units described above must give written notice immediately to the REIT or, in the case of a proposed or attempted transaction, provide us at least 15 days prior written notice, and provide the REIT with such other information as the REIT may request in order to determine the effect of such transfer on the REIT's status for U.S. federal income tax purposes.

The ownership limits and other restrictions on ownership and transfer of the Units described above will not apply if the Board of Trustees determines that it is no longer in the REIT's best interests to continue to qualify as a real estate investment trust or that compliance is no longer required in order for the REIT to qualify as a real estate investment trust.

Every owner of 5% or more (or such lower percentage as required by the Code or the Treasury regulations promulgated thereunder) of the outstanding Units, within 30 days after the end of each taxable year, must give written notice to the REIT stating the name and address of such owner, the number of Units that the owner actually or beneficially owns and a description of the manner in which the Units are held. Each such owner also must provide the REIT with any additional information that the REIT requests in order to determine the effect, if any, of the person's actual or beneficial ownership on the REIT's status for U.S. federal income tax purposes and to ensure compliance with the ownership limits and the other restrictions on ownership and transfer of the Units set forth in the Declaration of Trust. In addition, any person that is an actual, beneficial or constructive owner of Units and any person (including the Unitholder of record) who is holding Units for an actual, beneficial or constructive owner must, on request, disclose to the REIT in writing such information as the REIT may request in good faith in order to determine the REIT's status for U.S. federal income tax purposes and to comply with requirements of any taxing authority or governmental authority or to determine such compliance.

FIRPTA

Under the *Foreign Investment in Real Property Tax Act* of 1980, as amended ("**FIRPTA**"), if any non-U.S. person holds, actually or constructively, more than 10% of the outstanding Units, the REIT will be required to withhold 15% on distributions in excess of the REIT's current and accumulated earnings and profits (as determined for U.S. federal income tax purposes), and to withhold 21% (or less to the extent provided in applicable Treasury Regulations) of any distribution to such non-U.S. person that could be designated by the REIT as a capital gain dividend. Any such withheld amount is creditable against such non-U.S. person's FIRPTA tax liability.

In order for the REIT to comply with its withholding obligations under FIRPTA (and certain other regulatory requirements), the Units are subject to notice requirements and transfer restrictions. Non-U.S. persons holding Units are required to provide the REIT with such information as the REIT may request. Furthermore, any non-U.S. person that would be treated as having acquired sufficient Units to be treated as owning more than 10% 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 10% of the Units.

The constructive ownership rules under the Code are complex and may cause Units owned actually or constructively by a group of related individuals and/or entities to be owned constructively by one individual or entity. As a result, the acquisition of 10% or less of the Units (or the acquisition of an interest in an entity that owns, actually or constructively, the Units) by an individual or entity could, nevertheless, cause that individual or entity, or another individual or entity, to own constructively in excess of 10% of the Units and thereby become subject to the notice requirement. Under these rules of constructive ownership, Units can be attributed (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.

If any non-U.S. person that would otherwise be treated as having acquired sufficient Units to be treated as owning more than 10% of the Units fails to comply with the FIRPTA notice provisions described above, the excess Units (*i.e.*, the excess of the number of Units it would be treated as owning over an amount equal to 10% of the outstanding Units) will be sold, through the mechanism described below under "Declaration of Trust – Excess Units," with such non-U.S. person receiving the lesser of (i) its original purchase price for the excess Units and (ii) the sale price of the excess Units (net of commissions and other expenses of sale). Non-U.S. persons holding Units are strongly advised to monitor their actual and constructive ownership of Units.

Excess Units

Pursuant to the Declaration of Trust, if any purported transfer of the Units or any other event would otherwise result in any person violating the ownership limits described above under "Declaration of Trust – REIT Qualification" or such other limit established by the Board of Trustees or otherwise failing to qualify as a REIT, or if a non-U.S. person would otherwise be treated as owning more than 5% of the Units and has not complied with the notice provisions described under "Declaration of Trust – FIRPTA," then the number of Units that exceeds the applicable ownership limit (rounded up to the nearest whole Unit) will be automatically transferred to, and held by, a charitable trust for the exclusive benefit of one or more charitable beneficiaries selected by the REIT. The prohibited owner will have no rights in Units held by the charitable trustee. The automatic transfer will be effective as of the close of business on the business day prior to the date of the violative transfer or other event that results in the transfer to the charitable trust. Any dividend or other distribution paid to the prohibited owner, prior to the REIT's discovery that the Units had been automatically transferred to a charitable trust, must be repaid to the charitable trustee upon demand. If the transfer to the charitable trust as described above is not automatically effective, for any reason, to prevent violation of the applicable restriction on ownership and transfer of the Units, then the transfer of the number of Units that otherwise would cause any person to violate the above restrictions will be void and of no force or effect and the intended transferee will acquire no rights in the Units. If any transfer of the Units would result in Units being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution), then any such purported transfer will be void and of no force or effect and the intended transferee will acquire no rights in the Units.

Units transferred to the charitable trustee are deemed offered for sale to the REIT, or the REIT's designee, at a price per Unit equal to the lesser of (i) the price per Unit in the transaction that resulted in the transfer of the Units to the charitable trust (or, in the event of a gift, devise or other such transaction, the last sale price reported on the TSX on the day of the transfer or other event that resulted in the transfer of such Units to the charitable trust) and (ii) the last sale price reported on the TSX on the date the REIT accepts, or the REIT's designee accepts, such offer. The REIT must reduce the amount payable to the prohibited owner by the amount of dividends and distributions paid to the prohibited owner and owed by the prohibited owner to the charitable trustee and pay the amount of such reduction to the charitable trustee for the benefit of the charitable beneficiary. The REIT has the right to accept such offer until the charitable trustee has sold the Units held in the charitable trust. Upon a sale to the REIT, the interest of the charitable beneficiary in the Units sold terminates and the charitable trustee must distribute the net proceeds of the sale to the prohibited owner and any dividends or other distributions held by the charitable trustee with respect to such Units will be paid to the charitable beneficiary.

If the REIT does not buy the Units, the charitable trustee must, within 20 days of receiving notice from the REIT of the transfer of Units to the charitable trust, sell the Units to a person or persons designated by the charitable trustee who could own the Units without violating the ownership limits or other restrictions on ownership and transfer of the Units. Upon such sale, the charitable trustee must distribute to the prohibited owner an amount equal to the lesser of (i) the price paid by the prohibited owner for the Units (or, if the prohibited owner did not give value in connection with the transfer or other event that resulted in the transfer to the charitable trust (e.g., a gift, devise or other such transaction), the last sale price reported on the TSX on the day of the transfer or other event that resulted in the transfer of such Units to the charitable trust) and (ii) the sales proceeds (net of commissions and other expenses of sale) received by the charitable trustee for the Units. The charitable trustee must reduce the amount payable to the prohibited owner by the amount of dividends and other distributions paid to the prohibited owner and owed by the prohibited owner to the charitable trustee. Any net sales proceeds in excess of the amount payable to the prohibited owner will be immediately paid to the charitable beneficiary, together with any dividends or other distributions thereon. In addition, if prior to discovery by the REIT that Units have been transferred to the charitable trustee, such Units are sold by a prohibited owner, then such Units shall be deemed to have been sold on behalf of the charitable trust and, to the extent that the prohibited owner received an amount for or in respect of such Units that exceeds the amount that such prohibited owner was entitled to receive, such excess amount shall be paid to the charitable trustee upon demand.

The charitable trustee will be designated by the REIT and will be unaffiliated with the REIT and with any prohibited owner. Prior to the sale of any Units by the charitable trust, the charitable trustee will receive, in trust for the beneficiary, all dividends and other distributions paid by the REIT with respect to such Units, and may exercise all voting rights with respect to such Units for the exclusive benefit of the charitable beneficiary.

Subject to Ontario law, effective as of the date that the Units have been transferred to the charitable trust, the charitable trustee may, at the charitable trustee's sole discretion:

- rescind as void any vote cast by a prohibited owner prior to the REIT's discovery that the Units have been transferred to the charitable trust; and
- recast the vote in accordance with the desires of the charitable trustee acting for the benefit of the beneficiary of the charitable trust.

However, if the REIT has already taken irreversible corporate action, then the trustee may not rescind and recast the vote.

If the Board of Trustees determines in good faith that a proposed transfer or other event has taken place that violates the restrictions on ownership and transfer of the Units set forth in the Declaration of Trust, the Board of

Trustees may take such action as it deems advisable in its sole discretion to refuse to give effect to or to prevent such transfer, including, but not limited to, causing the REIT to redeem Units, refusing to give effect to the transfer on the REIT's books or instituting proceedings to enjoin the transfer.

The Units are subject to the restrictions on ownership and transfer of the Units described herein under "Declaration of Trust – Restrictions on Ownership and Transfer." These restrictions on ownership and transfer could delay, defer or prevent a transaction or a change of control of the REIT that might involve a premium price for the Units that the Unitholders believe to be in their best interest.

Meetings of Unitholders

The Declaration of Trust provides that meetings of Unitholders will be required to be called and held in various circumstances, including (i) for the election or removal of Trustees, (ii) the appointment or removal of the auditors of the REIT, (iii) the approval of amendments to the Declaration of Trust (except as described below under "Amendments to the Declaration of Trust"), (iv) the sale or transfer of the assets of the REIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the REIT approved by the Trustees), (v) the termination of the REIT, and (vi) for the transaction of any other business as the Trustees may determine or as may be properly brought before the meeting. Meetings of Unitholders will be called and held annually, commencing in 2019, for the election of the Trustees and the appointment of the auditors of the REIT. All meetings of Unitholders must be held in Canada.

A meeting of Unitholders may be convened at any time and for any purpose by the Trustees and must be convened, except in certain circumstances, if requisitioned in writing by the holders of not less than 5% of the Units then outstanding. A requisition must state in reasonable detail the business proposed to be transacted at the meeting. Unitholders have the right to obtain a list of Unitholders to the same extent and upon the same conditions as those which apply to shareholders of a corporation governed by the CBCA.

Unitholders may attend and vote at all meetings of Unitholders either in person or by proxy. Two persons present in person or represented by proxy, and such persons holding or representing by proxy not less in aggregate than 25% of the total number of outstanding Units, will constitute a quorum for the transaction of business at all such meetings. Any meeting at which a quorum is not present within one-half hour after the time fixed for the holding of such meeting, if convened upon the request of the Unitholders, will be terminated, but in any other case, the meeting will stand adjourned to a day not less than 14 days later and to a place and time as chosen by the chair of the meeting, and if at such adjourned meeting a quorum is not present, the Unitholders present either in person or by proxy will be deemed to constitute a quorum.

Pursuant to the Declaration of Trust, a resolution in writing executed by Unitholders holding a proportion of the outstanding Units equal to the proportion required to vote in favour thereof at a meeting of Unitholders to approve that resolution is valid as if it had been passed at a meeting of Unitholders.

Advance Notice Provision

The Declaration of Trust includes certain advance notice provisions (the "**Advance Notice Provision**"), which will: (i) facilitate orderly and efficient annual general or, where the need arises, special, meetings; (ii) ensure that all Unitholders receive adequate notice of the Trustee nominations and sufficient information with respect to all nominees; and (iii) allow Unitholders to register an informed vote.

Except as otherwise provided in the Declaration of Trust, only persons who are nominated by Unitholders in accordance with the Advance Notice Provision or in accordance with the Investor Rights Agreement shall be eligible for election as Trustees. Nominations of persons for election to the Board of Trustees may be made for any annual meeting of Unitholders, or for any special meeting of Unitholders if one of the purposes for which the special meeting was called was the election of Trustees: (i) by or at the direction of the Board of Trustees, including pursuant to a notice of meeting; (ii) by or at the direction or request of one or more Unitholders pursuant to a requisition of the Unitholders made in accordance with the Declaration of Trust; or (iii) by any person (a "**Nominating Unitholder**"): (a) who, at the close of business on the date of the giving of the notice provided for below and on the record date for notice of such meeting, is entered in the REIT's register as a holder of one or more Units carrying the right to vote at such meeting or who beneficially owns Units that are entitled to be voted at such meeting; and (b) who complies with the notice procedures set forth in the Advance Notice Provision.

In addition to any other applicable requirements, for a nomination to be made by a Nominating Unitholder, the Nominating Unitholder must have given timely notice thereof in proper written form to the Trustees.

To be timely, a Nominating Unitholder's notice to the Trustees must be made: (i) in the case of an annual meeting of Unitholders, not less than 30 days prior to the date of the annual meeting of Unitholders; provided, however, that in the event that the annual meeting of Unitholders is to be held on a date that is less than 50 days after the date that is the earlier of the date that a notice of meeting is filed for such meeting or the date on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Unitholder may be made not later than the close of business on the tenth day following the date on which the first public announcement of the date of the annual meeting of Unitholders was made; and (ii) in the case of a special meeting (which is not also an annual meeting) of Unitholders called for the purpose of electing Trustees (whether or not called for other purposes), not later than the close of business on the 15th day following the date on which the first public announcement of the date of the special meeting of Unitholders was made.

To be in proper written form, a Nominating Unitholder's notice to the Trustees must set forth: (i) as to each person whom the Nominating Unitholder proposes to nominate for election as a Trustee: (a) the name, age, business address and residential address of the person; (b) the principal occupation or employment of the person; (c) the class or series and number of Units which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of Unitholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; and (d) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of Trustees pursuant to applicable Securities Laws (as defined in the Declaration of Trust); and (ii) as to the Nominating Unitholder giving the notice, any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Unitholder has a right to vote any Units and any other information relating to such Nominating Unitholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of Trustees pursuant to applicable Securities Laws.

The chairperson of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

Notwithstanding the foregoing, the Board of Trustees may, in its sole discretion, waive any requirement in the Advance Notice Provision.

Redemption Right

Units are redeemable at any time on demand by the holders thereof upon delivery to the REIT of a duly completed and properly executed notice requesting redemption in a form reasonably acceptable to the Trustees, together with written instructions as to the number of Units to be redeemed. A Unitholder not otherwise holding a fully registered Unit certificate who wishes to exercise the redemption right will be required to obtain a redemption notice form from the Unitholder's investment dealer who will be required to deliver the completed redemption notice form to the REIT and to CDS. Upon receipt of the redemption notice by the REIT, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof will be entitled to receive a price per Unit (the "**Redemption Price**") equal to the lesser of:

(i) 90% of the "Market Price" of a Unit calculated as of the date on which the Units were surrendered for redemption (the "**Redemption Date**"); and

(ii) 100% of the "Closing Market Price" on the Redemption Date.

For purposes of this calculation, the "**Market Price**" of a Unit as at a specified date will be:

(iii) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of ten consecutive trading days ending on such date;

(iv) an amount equal to the weighted average of the closing market prices of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of ten consecutive trading days ending on such date, if the applicable exchange or market does not provide information necessary to compute a weighted average trading price; or

(v) if there was trading on the applicable exchange or market for fewer than five of the ten trading days, an amount equal to the simple average of the following prices established for each of the ten consecutive trading days ending on such date: the simple average of the last bid and last asking price of the Units for each day on which there was no trading; the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; and the simple average of the highest and lowest prices of the Units for each day that there was trading, if the market provides only the highest and lowest prices of Units traded on a particular day.

The "**Closing Market Price**" of a Unit for the purpose of the foregoing calculations, as at any date will be:

(vi) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading on the specified date if the principal exchange or market provides information necessary to compute a weighted average trading price of the Units on the specified date;

(vii) an amount equal to the closing price of a Unit on the principal market or exchange if there was a trade on the specified date and the principal exchange or market provides only a closing price of the Units on the specified date;

(viii) an amount equal to the simple average of the highest and lowest prices of the Units on the principal market or exchange, if there was trading on the specified date and the principal exchange or market provides only the highest and lowest trading prices of the Units on the specified date; or

(ix) the simple average of the last bid and last asking prices of the Units on the principal market or exchange, if there was no trading on the specified date.

If Units are not listed or quoted for trading in a public market, the Redemption Price will be the fair market value of the Units, which will be determined by the Trustees in their sole discretion.

The aggregate Redemption Price payable by the REIT in respect of any Units surrendered for redemption during any calendar month will be paid in U.S. dollars within 30 days after the end of the calendar month in which the Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that: (i) the total amount payable by the REIT in respect of such Units and all other Units tendered for redemption in the same calendar month must not exceed $50,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) on the date such Units are tendered for redemption, the outstanding Units must be listed for trading on the TSX or traded or quoted on any other stock exchange or market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, in any market where the Units are quoted for trading) on the Redemption Date or for more than five trading days during the ten-day trading period commencing immediately before the Redemption Date; and (iv) the redemption of the Units must not result in the delisting of the Units from the principal stock exchange on which the Units are listed.

Cash payable on redemptions will be paid *pro rata* to all Unitholders tendering Units for redemption in any month. To the extent a Unitholder is not entitled to receive cash upon the redemption of Units as a result of any of the foregoing limitations, then the balance of the Redemption Price for such Units will, subject to any applicable regulatory approvals, be paid and satisfied by way of a distribution *in specie* to such Unitholder of Redemption Notes. In the event of distributions of Redemption Notes, each Redemption Note so distributed to the redeeming holder of Units shall be in the principal amount of $100 or such other amount as may be determined by the Trustees. No fractional Redemption Notes shall be distributed and where the number of Redemption Notes to be received upon redemption by a holder of Units would otherwise include a fraction, that number shall be rounded down to the next lowest whole number. The Trustees may deduct or withhold from all payments or other distributions payable to any Unitholder pursuant to the Declaration of Trust all amounts required by law to be so withheld. Where the REIT makes a distribution *in specie* on the redemption of Units of a Unitholder, the REIT currently intends to allocate to that Unitholder any capital gain or income realized by the REIT on or in connection with such distribution. See "Certain Canadian Federal Income Tax Considerations".

It is anticipated that the redemption right described above will not be the primary mechanism for Unitholders to dispose of their Units. Redemption Notes which may be distributed to holders of Units in connection with a redemption will not be listed on any exchange, no market is expected to develop in Redemption Notes and such securities may be subject to an indefinite "hold period" or other resale restrictions under applicable securities laws. Redemption Notes so distributed may not be qualified investments for Exempt Plans, depending upon the circumstances at the time.

Purchases of Units by the REIT

The REIT may from time to time purchase Units in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange and regulatory policies. Any such purchase will constitute an "issuer bid" under Canadian provincial securities legislation and must be conducted in accordance with the applicable requirements thereof.

Take-Over Bids

The Declaration of Trust contains provisions to the effect that if a take-over bid or issuer bid is made for Units within the meaning of the Securities Act and not less than 90% of the Units (other than Units 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 Units held by Unitholders who do not accept the offer either, at the election of each Unitholder, on the terms offered by the offeror or at the fair value of such Unitholder's Units determined in accordance with the procedures set out in the Declaration of Trust.

The Declaration of Trust and the Operating Agreement will provide that in the event that a non-exempt take-over bid from a person acting at arm's length to holders of Class B Units (or any affiliate or associate thereof) is made for Units, unless the take-over bid is structured to (i) permit holders of Class B Units to both redeem for Units and tender conditional on take-up, or (ii) such that the offer is made for all Class B Units on identical terms, then from and after the first take-up of Units under the said take-over bid (provided that not less than 25% of the Units other than Units held at the date of the take-over bid by the offeror or associates or affiliates of the offeror are so taken up) the terms and conditions of the Class B Units held by persons other than the offeror (or any affiliate or associate thereof will automatically (without further action) be amended such that the redemption rate shall be varied to equal 110% of the redemption rate then in effect (such that on conversion, exercise, redemption or exchange the holder shall receive 1.1 Units for each Unit that the holder would otherwise have received). Notwithstanding any adjustment on completion of an exclusionary offer as described above, the distribution rights attaching to the Class B Units will also not be adjusted until the redemption right is actually exercised.

Non-Certificated Inventory System

Other than pursuant to certain exceptions, registration of interests in and transfers of Units held through CDS, or its nominee, will be made electronically through the NCI system of CDS. On Closing, the REIT, via its transfer agent, will electronically deliver the Units registered to CDS or its nominee. Units held in CDS must be purchased, transferred and surrendered for redemption through a CDS participant, which includes securities brokers and dealers, banks and trust companies. All rights of Unitholders who hold Units in CDS must be exercised through, and all payments or other property to which such Unitholders are entitled will be made or delivered by CDS or the CDS participant through which the Unitholder holds such Units. A holder of a Unit participating in the NCI system will not be entitled to a certificate or other instrument from the REIT or the REIT's transfer agent evidencing that person's interest in or ownership of Units, nor, to the extent applicable, will such Unitholder be shown on the records maintained by CDS, except through an agent who is a CDS participant.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such Unitholder's interest in such Units (other than through a CDS participant) may be limited due to the lack of a physical certificate.

Issuance of Units

The REIT may issue new Units from time to time, in such manner, for such consideration and to such person or persons as the Trustees shall determine. Unitholders will not have any pre-emptive rights whereby additional Units proposed to be issued would be first offered to existing Unitholders, except that for so long as the Bailey/Hughes Holders continue to beneficially own, in the aggregate, directly or indirectly, at least 10% of the outstanding Units of the REIT (determined as if all Class B Units are redeemed for Units), the Bailey/Hughes Holders will have the pre-emptive right to purchase additional Units issued by the REIT to maintain its *pro rata* interest in the REIT. If the Trustees determine that the REIT does not have cash in an amount sufficient to make payment of the full amount of any distribution, the payment may include the issuance of additional Units having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Trustees to be available for the payment of such distribution.

The REIT may also issue new Units (or securities exchangeable into Units) (i) as consideration for the acquisition of new properties or assets by it, at a price or for the consideration determined by the Trustees, (ii) pursuant to any incentive or option plan established by the REIT from time to time, (iii) pursuant to a distribution reinvestment plan of the REIT (See "Distribution Policy"), or (iv) pursuant to a Unitholder rights plan of the REIT.

The Declaration of Trust also provides that immediately after any *pro rata* distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated so that each Unitholder will hold, after the consolidation, the same number of Units as the Unitholder held before the non-cash distribution. In this case, each certificate representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation. Where amounts distributed represent income, Non-Resident holders will be subject to withholding tax and the consolidation will not result in such Non-Resident Unitholders holding the same number of Units. Such Non-Resident Unitholders will be required to surrender the certificates (if any) representing their original Units in exchange for a certificate representing post-consolidation Units.

Information and Reports

The REIT will furnish to Unitholders such financial statements (including quarterly and annual financial statements) and other reports as are from time to time required by the Declaration of Trust and by applicable law. Prior to each meeting of Unitholders, the Trustees will provide the Unitholders (along with notice of such meeting) information as required by applicable tax and securities laws.

Amendments to the Declaration of Trust

The Declaration of Trust may be amended or altered from time to time. Certain amendments require approval by at least two-thirds of the votes cast at a meeting of Unitholders called for such purpose. Other amendments to the Declaration of Trust require approval by a majority of the votes cast at a meeting of Unitholders called for such purpose.

Except as described below, the following amendments, among others, require the approval of two-thirds of the votes cast by all Unitholders at a meeting:

(i) an exchange, reclassification or cancellation of all or part of the Units;

(ii) the addition, change or removal of the rights, privileges, restrictions or conditions attached to the Units;

(iii) any constraint on the issue, transfer or ownership of the Units or the change or removal of such constraint;

(iv) any sale or transfer of the assets of the REIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the REIT approved by the Trustees and not prejudicial to Unitholders);

(v) the termination of the REIT or its Subsidiaries (other than as part of an internal reorganization of the assets of the REIT or its Subsidiaries as approved by the Trustees and not prejudicial to Unitholders);

(vi) the combination, amalgamation or arrangement of any of the REIT or its Subsidiaries with any other entity (other than as part of an internal reorganization of the assets of the REIT or its Subsidiaries as approved by the Trustees and not prejudicial to Unitholders); and

(vii) except as described herein, the amendment of the investment guidelines and operating policies of the REIT. See "Investment Guidelines and Operating Policies – Amendments to Investment Guidelines and Operating Policies".

Notwithstanding the foregoing, the Trustees may, without the approval of the Unitholders, make certain amendments to the Declaration of Trust, including amendments:

(i) aimed at ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over: (a) the Trustees or the REIT; (b) the continuing status of the REIT as a "mutual fund trust" under the Tax Act; (c) the continuing status of the REIT as a "real estate investment trust" for U.S. federal income tax purposes; or (d) the distribution of Units;

(ii) which, in the opinion of the Trustees, provide additional protection for the Unitholders;

(iii) to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Unitholders;

(iv) which, in the opinion of the Trustees, are necessary or desirable to remove conflicts or inconsistencies between the disclosure in this prospectus and the Declaration of Trust;

(v) of a minor or clerical nature or to correct typographical mistakes, ambiguities or manifest omissions or errors, which amendments, in the opinion of the Trustees, are necessary or desirable and not prejudicial to the Unitholders;

(vi) which, in the opinion of the Trustees, are necessary or desirable: (a) to ensure continuing compliance with IFRS; or (b) to ensure the Units are classified as equity for purposes of IFRS;

(vii) which, in the opinion of the Trustees, are necessary or desirable to enable the REIT to implement a Unit option or purchase plan or issue Units for which the purchase price is payable in instalments;

(viii) which, in the opinion of the Trustees, are necessary or desirable for the REIT to qualify for a particular status under, or as a result of changes in, taxation or other laws, or the interpretation of such laws, including to qualify for the definition of "real estate investment trust" in the Tax Act and the Code or to otherwise prevent the REIT or any of its Subsidiaries from becoming subject to tax under the SIFT Rules;

(ix) to create one or more additional classes of units solely to provide voting rights to holders of shares, units or other securities that are exchangeable, redeemable, exercisable or convertible for Units entitling the holder thereof to a number of votes not exceeding the number of Units into which the exchangeable shares, units or other securities are exchangeable, redeemable, exercisable or convertible but that do not otherwise entitle the holder thereof to any rights with respect to the REIT's property or income other than a return of capital; and

(x) for any purpose (except one in respect of which a Unitholder vote is specifically otherwise required) which, in the opinion of the Trustees, is not prejudicial to Unitholders and is necessary or desirable.

US HOLDCO

US Holdco is a corporation incorporated under the laws of the State of Delaware. Upon completion of the Offering and related transactions, US Holdco will own all of the Class A Units of BSR Operating LLC. The board of directors of US Holdco will be determined (and may be removed without cause) by the REIT; provided that the board of directors of US Holdco shall always be comprised of a majority of (i) U.S. residents, and (ii) individuals who are neither employed by nor affiliated with the Bailey/Hughes Holders.

The operations of US Holdco will be subject to the terms of its constating documents, which will provide, among other things, (i) that US Holdco will operate in a manner consistent with the governance and other terms of the Declaration of Trust, including the investment guidelines and operating principles set out therein, and (ii) certain fundamental actions to be taken by US Holdco (including items such as acquisitions, dispositions and refinancings of real property) will require the approval of two-thirds of the US Holdco directors, subject to situations where individuals must abstain from voting due to a conflict of interest or under applicable law.

BSR OPERATING LLC

General

BSR Operating LLC is a Delaware limited liability company governed by the Operating Agreement and the laws of the State of Delaware. The registered office of BSR Operating LLC is located at 1209 Orange Street, Wilmington, Delaware, U.S.A, 19801. The principal place of business of BSR Operating LLC is located at 1400 West Markham Street, Suite 202, Little Rock, Arkansas, U.S.A, 72201. On Closing, the sole holder of the Class A Units will be US Holdco. The board of directors of BSR Operating LLC will be determined (and may be removed without cause) by US Holdco; provided that the board of directors of BSR Operating LLC shall always be comprised of a majority of (i) U.S. residents, and (ii) individuals who are neither employed by nor affiliated with the Bailey/Hughes Holders. BSR Operating LLC will be treated as a partnership for U.S. federal income tax purposes.

The REIT is considered an umbrella partnership real estate investment trust (an "**UPREIT**") for U.S. federal income tax purposes. An UPREIT is a structure that REITs often use to acquire real property from sellers on a tax deferred basis for U.S. federal income tax purposes because the sellers can generally accept equity interests and defer taxable gain otherwise required to be recognized by them upon the disposition of their properties. Such sellers may also desire to achieve diversity in their investment and other benefits afforded to unitholders in a real estate investment trust. For purposes of satisfying the asset and income tests for qualification as a real estate investment trust for U.S. federal income tax purposes, the REIT's proportionate share of the assets and income of BSR Operating LLC will be deemed to be assets and income of the REIT, so long as BSR Operating LLC continues to be treated as a partnership for U.S. federal income tax purposes.

BSR Operating LLC Units

Upon Closing and the related transactions, BSR Operating LLC will have outstanding (i) Class A Units, all of which will be held by US Holdco, and (ii) Class B Units, all of which will be held by the Legacy BSR Holders, including, for greater certainty, the Bailey/Hughes Holders. The Class B Units will, in all material respects, be economically equivalent to the Units on a per unit basis, subject to certain customary anti-dilution adjustments. The holders of Class B Units will be entitled to receive distributions from BSR Operating LLC on the same per unit basis as holders of Units. Class B Units do not carry a voting right with respect to matters put before Unitholders of the REIT for a vote. It is anticipated that Class B Units may be subsequently issued to U.S. persons in connection with the acquisition of additional properties by the REIT in the United States.

Transfers of Class A Units and Class B Units are generally not permitted subject to limited exceptions, including (i) pursuant to the redemption of the Class B Units, (ii) transfers from a legal entity to an affiliate, Subsidiary or successor in interest of such entity, and (iii) with regards to Class B Units only, transfers to other Class B Unitholders after the date that is 180 days after the Closing of the Offering, provided that the Bailey/Hughes Holders may only acquire (and not sell) such Class B Units.

Redemption Rights

After holding Class B Units for at least 12 months (subject to acceleration in certain circumstances), the holders of Class B Units, acting individually, have the right to cause BSR Operating LLC to redeem all or a portion of such Class B Units for a cash payment of equivalent value or Units, as determined by BSR Operating LLC and as directed by the REIT in their sole discretion. If BSR Operating LLC elects to redeem Class B Units for Units, the REIT will generally deliver (indirectly) one Unit for each Class B Unit redeemed (subject to customary anti-dilution adjustments). In connection with the exercise of these redemption rights, a holder of Class B Units will be required to make certain representations, including that the delivery of Units upon redemption will not result in such holder owning Units in excess of the ownership limits in the Declaration of Trust. The Bailey/Hughes Holders may exercise this right of redemption after 18 months rather than 12 months.

Compulsory Acquisition

The Operating Agreement provides that in the event of an acquisition of not less than 90% of the Units (including Units issuable upon the redemption of Class B Units) by a person (including persons acting jointly or in concert with such person), BSR Operating LLC will have the right, subject to applicable laws, to acquire outstanding Class B Units in exchange for an equal number of Units, subject to adjustments for splits, consolidations and reorganizations in accordance with the Declaration of Trust.

Operation

The Operating Agreement requires that BSR Operating LLC be operated in a manner that will enable the REIT to (i) satisfy the requirements for being classified as a real estate investment trust for U.S. federal income tax purposes, unless the Board elects for the REIT to cease to qualify as a real estate investment trust, (ii) not be subject to any federal income or excise tax liability, unless the Board elects for the REIT to cease to qualify as a real estate investment trust, and (iii) ensure that BSR Operating LLC will not be classified as a "publicly traded partnership" for purposes of Section 7704 of the Code, which classification could result in BSR Operating LLC being taxed as a corporation for U.S. federal income tax purposes, rather than as a partnership.

The authority of US Holdco with respect to BSR Operating LLC will be limited to certain matters delegated to it by the REIT and its Board. US Holdco's authority will also be limited in certain other respects. In particular, pursuant to the Investor Rights Agreement, certain material transactions taken by the REIT or BSR Operating LLC will require the approval of the REIT (through its control of US Holdco) and the Bailey/Hughes Holders (for so long as the Bailey/Hughes Holders own, in the aggregate, 33% or more of the Units (determined as if all Class B Units are redeemed for Units)). See " Retained Interest – Investor Rights Agreement."

The operations of BSR Operating LLC will be subject to the terms of the Operating Agreement, which will provide, among other things, that (i) BSR Operating LLC will operate in a manner consistent with the governance and other terms of the Declaration of Trust, including the investment guidelines and operating principles set out therein, and (ii) certain fundamental actions to be taken by BSR Operating LLC (including items such as acquisitions, dispositions and refinancings of real property) will require the approval of two-thirds of the BSR Operating LLC directors, subject to situations where individuals must abstain from voting due to a conflict of interest or under applicable law.

Distributions and Allocations of Profits and Losses

The Operating Agreement generally provides that BSR Operating LLC will distribute cash flow from operations and, except as provided below, net sales proceeds from the disposition of assets, to all of the members of BSR Operating LLC will be distributed pro rata in accordance with their ownership interests. Upon the liquidation of BSR Operating LLC, after payment of (or adequate provision for) debts and obligations, any remaining assets of BSR Operating LLC will be distributed in accordance with the distribution provisions contained in the Operating Agreement. The holders of Class B Units will be entitled to receive distributions from BSR Operating LLC proportionately to the distributions made by the REIT to holders of Units. Following Closing, it is anticipated that the aggregate distributions paid on Class A Units will be approximately [●]% and the aggregate distributions paid on Class B Units will be approximately [●]% of the total distributions paid (changing to [●]% and [●]%, respectively, if the Over-Allotment Option is exercised in full).

The Operating Agreement provides that generally, net income, net loss and, to the extent necessary, individual items of income, gain, loss or deduction of BSR Operating LLC will be allocated among the members pro rata in accordance with their ownership interests. Following Closing, it is anticipated that approximately [●]% of the profits and losses will be allocated to the Class A Units and approximately [●]% of the profits and losses will be allocated to the Class B Units (changing to [●]% and [●]%, respectively, if the Over-Allotment Option is exercised in full).

If the REIT elects to cause BSR Operating LLC to admit additional members to BSR Operating LLC, the distributions and allocations of profits and losses to the members generally will be pro rata in accordance with their ownership interests.

In addition to the administrative and operating costs and expenses incurred by BSR Operating LLC and its Subsidiaries in acquiring, operating and servicing their assets, BSR Operating LLC will either pay the administrative costs and expenses of US Holdco directly or make cash distributions to reimburse for expenses incurred by US Holdco. For U.S. federal income tax purposes, such expenses will be treated as expenses of BSR Operating LLC. Such expenses will include, but not be limited to:

- administrative and operating costs and expenses and other expenses, including any salaries or other payments to directors, officers and/or employees, including any 401(k) plan or other incentive, bonus or compensation plan, and any accounting and legal expenses;
- costs and expenses relating to the formation and continuity of existence of the REIT, including taxes, fees and assessments associated therewith, any and all costs, expenses or fees payable to any director, officer or employee of the REIT;

- costs and expenses associated with the preparation and filing of any periodic reports by the REIT under Canadian federal or provincial laws or regulations and U.S. federal, state or local laws or regulations;
- costs and expenses associated with compliance by the REIT with laws, rules and regulations promulgated by any regulatory body; and
- costs and expenses relating to any issuance, redemption or repurchase of Units or other securities by the REIT.

Indemnification

To the fullest extent permitted by law, the Operating Agreement provides for indemnification of any person for any loss incurred by such a person by reason of such person's status as the REIT or a director, officer, employee, agent or affiliate of the REIT or BSR Operating LLC.

Tax Matters

Pursuant to the Operating Agreement, John S. Bailey will be the "partnership representative" of BSR Operating LLC for U.S. federal income tax purposes pursuant to Section 6223 of the Code, and as such, will have authority to make tax decisions under the Code on behalf of BSR Operating LLC. BSR Operating LLC will file a U.S. federal income tax return annually on IRS Form 1065 (or such other successor form) or on any other IRS form as may be required.

DISTRIBUTION POLICY

The following outlines the distribution policy of the REIT to be adopted pursuant to the Declaration of Trust. Determinations as to the amounts distributable, however, will be made in the sole discretion of the Trustees from time to time.

Distribution Policy

The REIT intends to adopt a distribution policy, as permitted under the Declaration of Trust, pursuant to which it will make *pro rata* monthly cash distributions to Unitholders and, through BSR Operating LLC, to holders of Class B Units, if any, initially equal to, on an annual basis, approximately 77% of estimated AFFO for the Forecasted Period. See "Non-IFRS Measures", "Forecast Non-IFRS Reconciliation" and "Risk Factors". Management of the REIT believes that the 77% AFFO Payout Ratio initially set by the REIT should allow the REIT to meet its internal funding needs, while being able to support stable growth in cash distributions. However, subject to compliance with the Declaration of Trust, the actual AFFO Payout Ratio will be determined by the Trustees in their discretion. Pursuant to the Declaration of Trust, the Trustees have full discretion respecting the timing and amounts of distributions including the adoption, amendment or revocation of any distribution policy. It is the REIT's current intention to make distributions to Unitholders at least equal to the amount of net income and net realized capital gains of the REIT as is necessary to ensure that the REIT will not be liable for ordinary income taxes on such income.

Because the REIT will be 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 Treaty. 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. The foregoing is qualified by the more detailed summary in this prospectus. Distributions 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 REIT estimates that 37% of the monthly cash distributions to be paid to Unitholders in 2018 will be made out of the REIT's current or accumulated earnings and profits and, accordingly, will be subject to U.S. withholding tax. 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) may be eligible for an exemption from U.S. withholding tax. The foregoing is qualified by the more detailed summary in this prospectus. See “Certain Canadian Federal Income Tax Considerations” and “Certain U.S. Federal Income Tax Considerations”. See also “Risk Factors – Tax-Related Risks”.

Pursuant to the REIT’s distribution policy, Unitholders of record as at the close of business on the applicable distribution record date determined by the Trustees from time to time will have an entitlement to receive distributions on such Distribution Date. Distributions may be adjusted for amounts paid in prior periods if the actual AFFO for the prior periods is greater than or less than the estimates for the prior periods. Under the Declaration of Trust and pursuant to the distribution policy of the REIT, where the REIT’s cash is not sufficient to make payment of the full amount of a distribution, such payment will, to the extent necessary, be distributed in the form of additional Units. In exercising their discretion to declare a cash distribution on the Units, the Trustees shall confirm that BSR Operating LLC has or will have sufficient funds to make a corresponding cash distribution on the Class B Units in accordance with their terms. See “Declaration of Trust – Issuance of Units” and “Certain Canadian Federal Income Tax Considerations”.

The first distribution will be for the period from Closing to [●], 2018 and will be paid on [●], 2018, in the amount of $[●] per Unit assuming, Closing occurs on [●], 2018. The REIT intends to make subsequent monthly distributions in the estimated amount of $[●] per Unit commencing [●], 2018.

The ability of the REIT to make cash distributions, and the actual amount distributed, will be entirely dependent on the operations and assets of the REIT and will be subject to various factors including financial performance, obligations under applicable credit facilities and restrictions on payment of distributions thereunder on the occurrence of an event of default, fluctuations in working capital, the sustainability of income derived from the residents of the REIT’s properties and any capital expenditure requirements. See “Risk Factors”.

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 a purchaser who acquires, as beneficial owner, Units pursuant to this prospectus and 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 the Underwriters and holds the Units as capital property (in this section of the prospectus, referred to as a “**Holder**”). The Units generally will be capital property to a Holder provided that the Holder does not hold such Units 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 Units 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 Units, and any other “Canadian security” (as defined in the Tax Act) owned in the taxation year in which the election is made, and in all subsequent taxation years, deemed to be capital property. Holders who do not hold their Units 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) an interest in which would be a “tax shelter investment” within the meaning of the Tax Act; (iii) that has elected to determine its Canadian tax results in a foreign currency pursuant to the “functional currency” reporting rules, in the Tax Act; (iv) that holds or has held, actually or constructively, more than 10% of the outstanding Units, as determined for U.S. federal income tax purposes (See “Certain U.S. Federal Income Tax Considerations”); or (v) that has entered or will enter into a “derivative forward agreement”, as defined in the Tax Act, with respect to the Holder’s Units. Such Holders should consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and disposition of Units. In addition, this summary does not address the deductibility of interest by a purchaser who has borrowed money to acquire Units under this Offering.

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

This summary is based on 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) before the date hereof ("**Proposed Amendments**"), counsel's understanding of the current published administrative policies and practices of 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 tax legislation or considerations. No assurance can be given that the Proposed Amendments will be enacted in the form proposed or at all.

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 Units. The income and other tax consequences of acquiring, holding or disposing of Units will vary depending on a purchaser's particular status and circumstances, including the province or territory in which the purchaser resides or carries on business. This summary is not intended to be, nor should it construed to be, legal or tax advice to any particular purchaser. Purchasers should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units in their own circumstances.

Generally, for purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of Units 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 Units will be dominated in U.S. dollars and distributions made on the Units will be made in U.S. dollars. Accordingly, a holder of Units must convert such amounts to Canadian dollars for the 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 and that the REIT will validly elect under the Tax Act to be a mutual fund trust from the date it was established. An executive officer of the REIT has advised counsel that it intends to ensure that the REIT will meet the requirements necessary for it to qualify as a mutual fund trust no later than the Closing of the Offering and at all times thereafter, and to file the necessary election so that the REIT will qualify as a mutual fund trust throughout its first taxation year. **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. Management 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 is 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 US Holdco, and any net realized taxable capital gains.

US Holdco will be a "foreign affiliate" and a "controlled foreign affiliate" of the REIT for purposes of the Tax Act. To the extent that US Holdco 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 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 US Holdco (or such other controlled foreign affiliate) ends whether or not the REIT actually receives a distribution of FAPI in that year. The FAPI in respect of US Holdco will include FAPI earned directly or indirectly by US Holdco (including income earned 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 US Holdco 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 US Holdco or any other controlled foreign affiliate of the REIT. The adjusted cost base to the REIT of its shares in US Holdco will be increased by the net amount of FAPI included in the income of the REIT in respect of FAPI earned directly or indirectly by US Holdco. At such time as the REIT receives a dividend of amounts that were previously included in its income as FAPI, that dividend will effectively not be taxable to the REIT and there will be a corresponding deduction in the adjusted cost base to the REIT of its shares in US Holdco. Under circumstances currently contemplated by management in respect of the Initial Properties, a portion of the income earned directly or indirectly by US Holdco (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 and 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 Units generally may be deducted by the REIT on a five-year, straight-line basis, pro-rated for short taxation years.

The REIT may 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 will be deductible by the REIT in computing its income.

Taxation of Taxable Holders

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 US Holdco 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 retain its 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 (excluding any amount payable by the REIT which represents an amount that must otherwise be included in the Holder's income as described herein) 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 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 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 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 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 a 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 net taxable capital gains.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

THIS SUMMARY OF CERTAIN 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.

In the opinion of Mitchell, Williams, Selig, Gates & Woodyard, PLLC, 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 of the ownership and disposition of Units to Non-U.S. Holders (as defined below). Greenberg Traurig LLP, U.S. counsel to the Underwriters, has reviewed and concurred with this disclosure.

The *Tax Cuts and Jobs Act* was signed into law on December 22, 2017. The *Tax Cuts and Jobs Act* make significant changes to the U.S. federal income tax rules for taxation of individuals and corporations. While the changes generally appear to be favorable with respect to REITs, the extensive changes to non-REIT provisions in the Code may have unanticipated consequences to the REIT or Unit holders. Prospective purchasers are urged to consult with their tax advisors with respect to the *Tax Cuts and Jobs Act* changes and any other regulatory or administrative developments and proposals and their potential effect on investment in the Units.

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 will be treated as a U.S. corporation for all purposes under the Code and, as a result, it should be 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. Mitchell, Williams, Selig, Gates & Woodyard, PLLC, U.S. counsel to the REIT, and Greenberg Traurig LLP, U.S. counsel to the Underwriters, will each render an opinion in connection with the Closing of the IPO in respect of the treatment of the REIT as a U.S. corporation for U.S. federal income tax purposes as discussed above, subject to customary assumptions and factual matters.

An entity taxed as a corporation is generally considered for U.S. federal income tax purposes to be a tax resident in the jurisdiction of its organization or incorporation. Accordingly, under the generally applicable U.S. federal income tax rules, the REIT, which is organized under the laws of the Canada, would be classified as a non-U.S. corporation (and, therefore, not a U.S. corporation) for U.S. federal income tax purposes. Section 7874 of the Code provides an exception to this general rule (more fully discussed below), under which a non-U.S. incorporated entity may, in certain circumstances, be treated as a U.S. corporation for U.S. federal income tax purposes. These rules are complex and there is limited guidance regarding their application.

Under Section 7874, a corporation created or organized outside the United States (i.e., a non-U.S. entity classified as a corporation for U.S. federal income tax purposes) will nevertheless be treated as a U.S. corporation for U.S. federal income tax purposes if each of the following three conditions are met: (i) the non-U.S. corporation, directly or indirectly, acquires substantially all of the properties held directly or indirectly by a U.S. corporation (including through the acquisition of all of the outstanding shares of the U.S. corporation) or substantially all of the properties constituting a trade or business of a U.S. partnership (the "substantially all" test); (ii) the non-U.S. corporation's "expanded affiliated group" does not have "substantial business activities" in the non-U.S. corporation's country of organization or incorporation and tax residence relative to the expanded affiliated group's worldwide activities; and (iii) after the acquisition, the former shareholders of the acquired U.S. corporation or partnership hold at least 80% (by either vote or value) of the shares of the non-U.S. acquiring corporation or partnership by reason of holding shares in the U.S. acquired corporation or partnership (taking into account the receipt of the non-U.S. corporation's shares in exchange for the U.S. corporation's shares or partnership's interests) as determined for purposes of Section 7874 (this test is referred to as the "80% ownership test").

For purposes of Section 7874, the second condition described above will be met because the REIT, including its "expanded affiliated group," will not have "substantial business activities" in Canada within the meaning of Section 7874 upon consummation of the Merger and the Offering. As a result, whether Section 7874 will apply to cause the REIT to be treated as a U.S. corporation for U.S. federal income tax purposes following the Merger and the Offering depends on the satisfaction of both the 80% ownership test and the "substantially all" test.

Based on the terms of the Merger and the IPO, the rules for determining share ownership under Section 7874 and the Treasury regulations promulgated thereunder (including the Temporary Section 7874 Regulations), the REIT and BSR currently expect that the Section 7874 ownership percentage of the Legacy BSR Holders in the REIT will be more than 80%. While the computation of the Section 7874 ownership percentage is subject to various complex adjustments for which there is limited guidance, the Class B Units should be treated as equity of the REIT for purposes of the 80% ownership test since they provide the holders of such Units with distribution rights that are substantially similar in all material respects to the distribution rights provided to Unitholders of the REIT. In addition, BSR II will acquire Units of the REIT as consideration for the shares of POM. Moreover, under the Section 7874 Regulations, certain share issuances made by the acquiring non-U.S. corporation, such as the Offering, would generally be subtracted from the value of the non-U.S. corporation's shares, which would have the effect of increasing the Section 7874 ownership percentage. However, whether the ownership test has been satisfied must be finally determined at completion of the Merger and the Offering, by which time there could be adverse changes to the relevant facts and circumstances. Management currently expects that the "substantially all" test will be satisfied, but there is limited guidance as to the application of the "substantially all" test under these circumstances. As a result of the foregoing, the precise application of the 80% ownership test and the "substantially all" test will be subject to factual and legal uncertainties and there can be no assurance that the IRS would not challenge the application of these tests or that such an assertion would not be sustained by a reviewing court.

There has been discussion of additional changes to Section 7874. Any changes to the rules of Section 7874 or the Treasury regulations promulgated thereunder, or other changes of law, which could be made retroactively effective, could adversely affect the REIT's status as a U.S. corporation eligible to elect REIT status for U.S. federal income tax purposes.

If the REIT were to be treated as a non-U.S. corporation for U.S. federal income tax purposes, it could be subject to substantial liability for additional U.S. income taxes, including both U.S. federal corporate income tax and a branch profits tax. See "Risk Factors – Tax-Related Risks – U.S. Tax Risks – Qualification as a Real Estate Investment Trust".

Real Estate Investment Trust Status

The REIT intends to operate in a manner that permits it to satisfy the requirements for qualification and taxation as a real estate investment trust under the applicable provisions of the Code, and the following discussion describes certain U.S. federal income tax consequences of its status as a real estate investment trust.

Mitchell, Williams, Selig, Gates & Woodyard, PLLC, U.S. counsel to the REIT, will render an opinion to the REIT to the effect that, commencing with its first taxable year ending December 31, 2018, the REIT is organized and operates 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 under the Code. This opinion will be based on various assumptions and representations as to factual matters. Moreover, the REIT's qualification and taxation as a real estate investment trust depends upon its ability to meet the various qualification tests imposed under the Code, which are discussed below, including through actual annual operating results, asset composition, distribution levels and diversity of stock ownership, the results of which have not been and will not be reviewed by Mitchell, Williams, Selig, Gates & Woodyard, PLLC. Accordingly, no assurance can be given that the REIT's actual results of operations for any particular taxable year will satisfy those requirements. Further, the anticipated U.S. federal income tax treatment that will apply as a result of the REIT's status as a real estate investment trust may be changed, perhaps retroactively, by legislative, administrative or judicial action at any time, and Mitchell, Williams, Selig, Gates & Woodyard, PLLC has no obligation to update its opinion subsequent to the date of such opinion. Mitchell, Williams, Selig, Gates & Woodyard, PLLC's opinion does not foreclose the possibility that the REIT may have to use one or more real estate investment trust savings provisions, described below, which would require it to pay an excise tax or penalty (which may be material) in order to maintain its REIT qualification.

The REIT will elect real estate investment trust status beginning with its taxable year ending December 31, 2018, and the discussion below assumes that it will qualify as a real estate investment trust for such taxable year and in each taxable year thereafter. There can be no assurance, however, that the REIT will qualify, or will continue to qualify in any taxable year, as a real estate investment trust, since qualification as a real estate investment trust depends on continuing to satisfy numerous asset, income and distribution tests described below, which in turn will be dependent in part on the REIT's ongoing operating results.

The REIT owns its interest in BSR Operating LLC through US Holdco, which is treated as a disregarded qualified real estate investment trust subsidiary ("**QRS**"). For purposes of the real estate investment trust status tests discussed below, all of the assets and income and loss of a QRS will be treated as assets and income and loss of the REIT.

All of the REIT's real estate assets are owned through BSR Operating LLC and its subsidiaries. For purposes of the real estate investment trust status tests discussed below, the REIT is considered to own a proportionate share of the assets and receive a proportionate share of the income and loss of any entity treated as a partnership for U.S. federal income tax purposes of which it is a partner or any entity owned by BSR Operating LLC that is disregarded for U.S. federal income tax purposes. 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 does not qualify for an exemption based on the character of its income. 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 Operating Agreement contains provisions intended to ensure that BSR Operating LLC is not considered a "publicly traded partnership." Accordingly Mitchell, Williams, Selig, Gates & Woodyard, PLLC does not anticipate that BSR Operating LLC 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 Operating LLC for the purposes of the REIT 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 REIT. In addition, the income of the Partnership 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 real estate investment trust subsidiary ("**TRS**"). The separate existence of a TRS, unlike a disregarded QRS as discussed above, is not ignored for U.S. federal income tax purposes. A TRS (such as POM) will be subject to U.S. federal corporate income tax on its taxable income, which may reduce the cash flow generated by the REIT and its ability to make distributions to its stockholders. Note, however, that POM is a captive insurance company with premium income of less than $2.2 million that has made an election to only be taxed on its investment income. Under the Code, if a property and casualty insurance company with premium income of $2.2 million or less makes an election, it can avoid tax on its premium income and only pay taxes on its investment 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 issued by the TRS are an asset in the hands of the parent real estate investment trust, and the real estate investment trust recognizes as income the dividends, if any, that it receives from a TRS. This treatment can affect the gross income and asset test calculations described below. Because the REIT does not include the assets and income of subsidiary corporations such as POM that are treated as TRSs in determining the REIT's compliance with the real estate investment trust requirements, such entities may be used by the parent REIT to undertake indirectly activities that the REIT rules might otherwise preclude it from doing directly or through pass-through subsidiaries.

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 real estate investment trust taxable income or capital gain that is distributed to Unitholders. Management expects to distribute amounts at least equal to the REIT's real estate investment trust taxable income and 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 or capital gain not distributed.

Furthermore, notwithstanding the REIT's qualification as a real estate investment trust, it may also be subject to taxation in other circumstances. If the REIT should fail to satisfy either the 75% or the 95% gross income test, as discussed below, and nonetheless maintains its qualification as a real estate investment trust because other requirements are met, and such failure was due to reasonable cause and not wilful neglect, it would be subject to a 100% tax on the greater of the amount by which it fails to satisfy either the 75% or the 95% gross income test, multiplied by a fraction intended to reflect the REIT's profitability. Furthermore, 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 $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 75% or the 95% gross income tests and other than the asset tests, but nonetheless maintains its qualification as a real estate investment trust because such failure was due to reasonable cause and not wilful neglect, it would be subject to a penalty of $50,000 for each such failure. The REIT would also be subject to a tax of 100% on net income from any "prohibited transaction," as described below. If the REIT has net income from the sale or other disposition of "foreclosure property" that is held primarily for sale to customers in the ordinary course of business or other non-qualifying income from foreclosure property, it would be subject to tax on such income from foreclosure property at the highest U.S. federal corporate tax rate. The REIT would also be subject to a tax of 100% on the amount of any rents from real property, deductions or excess interest that is reapportioned to any TRS. The REIT will also pay federal income tax on taxable income, including capital gain, that it does not distribute during, or within a specified time after, the calendar year in which the income is earned. In addition, if the REIT should fail to distribute during each calendar year at least the sum of:

(i) 85% of its real estate investment trust ordinary income for such year;

(ii) 95% of its real estate investment trust capital gain net income for such year, other than capital gains it elects to retain and pay tax on as described below; and

(iii) any undistributed taxable income from prior years,

it would be subject to a 4% non-deductible excise tax on the excess of such required distribution over the amounts actually distributed. The amount that a real estate investment trust is treated as having "actually distributed" during the current taxable year is both the amount distributed during the current year and the amount by which the distributions during the prior year exceed its taxable income and capital gain for that prior year. 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:

(i) the amount of gain recognized at the time of the sale or disposition; and

(ii) 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

In order to qualify as a real estate investment trust, the REIT must meet the requirements discussed below.

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 will be treated as a U.S. corporation for all purposes under the Code and, as a result, should be 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 real estate investment trust). In addition, at all times during the second half of each taxable year as a 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.

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. For this purpose, if the REIT invests in a partnership or other business entity taxed as a partnership or disregarded entity, it will be deemed to own a proportionate share of the partnership's or other business entity's assets, and if the REIT owns 100% of a corporation that is a QRS (not a TRS), it will be deemed to own 100% of the QRS's assets. Under one of the tests, at least 75% of the value of the REIT's total assets must be represented by interests in real property, interests in mortgages on real property, shares in other real estate investment trusts, cash, cash items, U.S. government securities, and qualified temporary investments. In addition to those items, qualifying assets for purposes of the 75% asset test include (i) 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" and (ii) 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.

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 $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 $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. For purposes of these tests, if the REIT invests in a partnership or other business entity taxed as a partnership or disregarded entity, it will be treated as receiving its share of the income and loss of the partnership or other business entity, and the gross income of the partnership or other business entity will retain the same character in the hands of the REIT as it has in the hands of the partnership or other business entity. If the REIT owns 100% of a corporation that is a QRS (not a TRS), it will be deemed to receive 100% of the corporation's income. The two tests are as follows:

1. 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:

(i) rents from real property, except as modified below;

(ii) interest on obligations adequately secured by mortgages on, or interests in, real property;

(iii) 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;

(iv) dividends or other distributions on shares in other real estate investment trusts, as well as gain from the sale of such shares;

(v) abatements and refunds of real property taxes;

(vi) 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;

(vii) commitment fees received for agreeing to make loans secured by mortgages on real property, or to purchase or lease real property;

(viii) 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

(ix) 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.

Gain from the sale of "real estate assets" also includes gain from the sale of a debt instrument issued by a publicly offered real estate investment trust even if not secured by real property or an interest in real property. However, for purposes of the 75% income test, gain from the sale of such a debt instrument is not to be treated as qualifying income to the extent such debt instrument would not be a real estate asset but for the provision described in the preceding sentence.

Rents received from a resident will not, however, qualify as rents from real property in satisfying the 75% gross income test, or the 95% gross income test described below, if the REIT, or an owner of 10% or more of the Units, directly or constructively owns 10% or more of such resident, unless the resident 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 the 75% and 95% 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" solely by reason of being based on a fixed percentage or percentages of receipts or sales. For rents received to qualify as rents from real property, the REIT generally must not furnish or render services to residents, 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, or are not otherwise considered "rendered to the occupant for his convenience." A real estate investment trust is permitted to render a *de minimis* amount of impermissible services to residents, 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. Furthermore, the REIT may furnish such services to residents through a TRS and still treat amounts otherwise received with respect to the property as rent from real property.

2. 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 be derived from the above-described qualifying income, or from dividends, interest or gains from the sale or disposition of stock or other securities that are not dealer property. Dividends, other than on real estate investment trust shares, and interest on any obligations not secured by an interest in real property are included as qualifying income for purposes of the 95% gross income test, but not for purposes of the 75% gross income test.

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. 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. Certain income from hedging transactions entered into to hedge existing qualified hedging positions after any portion of the hedged indebtedness or property is disposed of will not be included in income for purposes of the 75% and the 95% gross income tests if clearly and timely identified. 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.

For purposes of determining whether the REIT complies with the 75% and 95% gross income tests, gross income does not include income from prohibited transactions. A “prohibited transaction” is a sale of property held primarily for sale to customers in the ordinary course of a trade or business, excluding foreclosure property (described below). Certain safe harbor provisions provide that sales of real property will not be treated as prohibited transactions if the REIT holds such property for at least two years for production of rental income and meets at least one of the alternative requirements relating to the number of properties sold in a year, their tax bases or fair market values, and the cost of improvements made to the 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. Property generally ceases to be foreclosure property as of the close of the third taxable year following the taxable year in which a real estate investment trust acquired the property. However, property ceases to be foreclosure property on a date prior to such date under certain circumstances, including if the property is used in a trade or business which is conducted by the real estate investment trust more than 90 days after the real estate investment trust acquired the property. An exception to this rule provides that such property may be used in such a trade or business if such activity is conducted through an “independent contractor” or a TRS.

For purposes of the 75% and 95% 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. The non-qualifying portion of the loan would be subject to, among other requirements, the 10% value test described above under “– Asset Tests”. In the case of mortgage loans 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 such property securing the loan, then the personal property securing the loan will be treated as real property for purposes of determining whether the mortgage loan is a qualifying asset for the 75% asset test and whether the related interest income qualifies for purposes of the 75% gross income test.

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:

(i) following the REIT's identification of the failure, it files a schedule with a description of each item of gross income that caused the failure in accordance with the Treasury Regulations; and

(ii) the REIT's failure to comply was due to reasonable cause and not due to wilful neglect.

If these relief provisions apply, however, 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 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 90% of its net income after tax, if any, from foreclosure property, minus the sum of some items of excess non-cash income. Such distributions must be paid in the taxable year to which they relate, or in the following taxable year if 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. 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 intends to make timely distributions sufficient to satisfy the annual distribution requirements.

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.

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 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 75% and the 95% gross income tests and other than 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 $50,000 for each failure to satisfy the provision.

Taxation of Non-U.S. Holders

The following discussion describes certain U.S. federal income tax consequences to Non-U.S. Holders (as defined below) under present law of an investment in the Units. This discussion applies only to investors that hold the Units as capital assets and that acquire Units in the Offering. 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**" is a beneficial owner of a Unit 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**" is a beneficial owner of a Unit that is, for U.S. federal income tax purposes: (i) an individual citizen or resident of the U.S., (ii) 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, (iii) an estate whose income is subject to U.S. federal income taxation regardless of its source or (iv) 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. HOLDERS ARE COMPLEX AND THIS SUMMARY IS FOR GENERAL INFORMATION ONLY. NON-U.S. 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 UNITS, INCLUDING ANY REPORTING REQUIREMENTS.

Distributions on the Units

Distributions (including any taxable stock dividends) that are neither attributable to gains from sales or exchanges by the REIT of U.S. real property interests, ("**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 and 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 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 below under "Certain U.S. Federal Income Tax Considerations – Dispositions of 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.

Distributions of proceeds attributable to gains from the sale or exchange by the REIT of USRPIs are subject to U.S. federal income and withholding taxes pursuant to FIRPTA. Under FIRPTA, such gains are considered effectively connected with a U.S. trade or business of the foreign shareholder 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 shareholder 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 U.S. real property interests will not be subject to tax under FIRPTA or the branch profits tax, and will instead 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 United States (as management believes is the case with respect to the Units, see discussion below under "– Dispositions of 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 foreign shareholder's FIRPTA tax liability.

Qualified Shareholders

Subject to the exception discussed below, any distribution attributable to gains from the sale or exchange by the REIT of USRPIs to a "qualified shareholder" who holds stock in a real estate investment trust 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, a distribution to a qualified shareholder that otherwise would have been taxable under FIRPTA will be treated as an ordinary dividend, and 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 stock of such real estate investment trust (whether or not by reason of the investor's ownership in the "qualified shareholder")) may be subject to FIRPTA withholding.

In addition, a sale of stock in a real estate investment trust by a "qualified shareholder" who holds such stock directly or indirectly (through one or more partnerships) will not be subject to U.S. federal income taxation under FIRPTA. As with 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 stock of such real estate investment trust (whether or not by reason of the investor's ownership in the "qualified shareholder")) may be subject to FIRPTA withholding on a sale of our stock.

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 United States 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 (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. 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 United States, (ii) which is established to provide retirement or pension benefits to participants or beneficiaries that are current or former employees (or persons designated by such employees) of one or more employers in consideration for services rendered, (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 and provides annual information reporting about its beneficiaries (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 taxed at a reduced rate.

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. 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. See " Declaration of Trust – Restrictions on Ownership and Transfer – FIRPTA" for a more detailed discussion of these rules. 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.

Dispositions of Units

Generally, a Non-U.S. Holder will not be subject to U.S. federal income tax with respect to gain on the disposition of such Non-U.S. Holder's Units unless:

- 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 Units were held;
- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met; or
- the gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States and, if required by an applicable income tax treaty, attributable to a permanent establishment of the Non-U.S. Holder.

A Non-U.S. Holder described in the second bullet point above is subject to a flat 30% tax on the gain derived from the sale, which may be offset by U.S. source capital losses (even though the individual is not considered a resident of the United States). A Non-U.S. 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, management believes that the REIT is and will continue to be a USRPHC for U.S. federal income tax purposes. However, 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 (the "**TSX Publicly Traded Exception**").

In addition, the Units are considered "regularly traded" on an established securities market for a calendar quarter if the established securities market is located in the United States and the Units are 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 marketplace (the "**Pink Sheets**"). The Pink Sheets are an over-the-counter market with an interdealer quotation system that should be treated as an "established securities market" located in the United States. 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 Pink Sheets. For each calendar quarter during which the Units are regularly quoted on the Pink Sheets, the Units should be treated as "regularly traded" on an established securities market in the United States (the "**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 should 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 Pink Sheets 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.

Management believes that the Units will satisfy the U.S. Publicly Traded Exception and may satisfy the TSX Publicly Traded Exception in the future. However, if neither the U.S. Publicly Traded Exception nor the TSX Publicly Traded Exception is satisfied, the sale of 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. Furthermore, even though management expects that the Units will satisfy the U.S. Publicly Traded Exception, a prospective purchaser of Units may disagree with this position. The U.S. federal income taxation of Non-U.S. Holders is a highly complex matter that may be affected by many other considerations. Accordingly, Non-U.S. Holders of Units should consult their own tax advisors regarding the income and withholding tax considerations with respect to their investment in Units.

Withholding Taxes on Certain Foreign Accounts

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 US-Canada FATCA 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.

The withholding provisions described above apply to payments of dividends and will apply to payments of gross proceeds from a sale or other disposition of stock on or after January 1, 2019. 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 Unit within the United States 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.

Non-U.S. Holders are advised to consult with their own tax advisor regarding the specific tax consequences to them of the ownership and sales of Units, including the U.S. federal, state, local, non-U.S. and other tax consequences of such purchase and ownership and of potential changes in applicable tax laws.

PLAN OF DISTRIBUTION

General

Pursuant to the terms and conditions of the Underwriting Agreement, the REIT has agreed to issue and sell and the Underwriters have agreed to purchase on Closing [●] Units at a price of $[●] per Unit, for aggregate gross consideration of $[●] payable in cash to the REIT against delivery of the Units. The terms of the Offering, including the Offering Price, were determined by negotiation between the REIT, BSR and the Underwriters.

The REIT has granted the Underwriters the Over-Allotment Option to cover over-allotments, if any, and for market stabilization purposes. The Over-Allotment Option may be exercised by the Underwriters, in whole or in part, for a 30-day period following the Closing and entitles the Underwriters to purchase from the REIT up to [●] Units on the same terms and conditions as set out below (being approximately 15% of the aggregate number of Units offered hereunder). The REIT will pay the Underwriters' commission in respect of Units sold pursuant to the exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, the total price to the public will be $[●], the Underwriters' commission will be $[●] and the net proceeds to the REIT will be $[●]. The proceeds received by the REIT on the exercise of the Over-Allotment Option, if exercised, will be used by the REIT for capital expenditures on the Initial Properties, to repay indebtedness or for future acquisitions. See "Use of Proceeds". This prospectus qualifies the grant of the Over-Allotment Option. A purchaser who acquires Units forming part of the Underwriters' over-allocation position acquires such Units under this prospectus, regardless of whether the position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

In the Underwriting Agreement, the Underwriters have agreed, subject to compliance with all necessary legal requirements and to the conditions set forth therein, to purchase all but not less than all of the Units. In consideration for their services in connection with the Offering, the REIT has agreed to pay the Underwriters a fee equal to $[●] per Unit, representing [●]% of the gross proceeds of the Offering. The REIT will also pay the Underwriters' commission in respect of Units sold by the REIT if the Over-Allotment Option is exercised.

The Offering is being made in each of the provinces and territories of Canada and in the United States in an offering to qualified institutional buyers exempt from the registration requirements of the U.S. Securities Act, pursuant to Rule 144A thereunder. The Units will be offered in each of the provinces and territories of Canada through those Underwriters or their affiliates who are registered to offer the Units for sale in such provinces and territories and such other registered dealers as may be designated by the Underwriters. Subject to applicable law, and residency restrictions under the Declaration of Trust, the Underwriters may offer the Units outside of Canada.

There is currently no market through which the Units may be sold and purchasers may not be able to resell Units purchased under this prospectus. This may affect the pricing of the Units in the secondary market, the transparency and availability of trading prices, the liquidity and the extent of issuer regulation (See "Risk Factors"). The REIT has applied to have its Units listed on the TSX. Listing is subject to the approval of the TSX in accordance with its original listing requirements. The TSX has not conditionally approved the REIT's listing application and there is no assurance that the TSX will approve the listing application.

All of the Units sold in the Offering will be freely tradeable without restriction or further registration under applicable Canadian securities laws.

The obligations of the Underwriters under the Underwriting Agreement are joint (and not joint and several), are subject to certain closing conditions and may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Units if any Units are purchased under the Underwriting Agreement.

The REIT and BSR have agreed to indemnify the Underwriters and their directors, officers, employees and agents against certain liabilities, including without limitation, civil liabilities under Canadian securities legislation, and to contribute to any payments the Underwriters may be required to make in respect thereof.

In connection with the completion of the Offering, the REIT has agreed with the Underwriters that, for a period of 180 days following the Closing, it will not, directly or indirectly, (i) offer, issue, grant any option, right or warrant to purchase, or otherwise transfer or dispose of any Units, financial instruments or securities convertible into or exercisable or exchangeable for Units or announce any intention to do any of the foregoing, in a public offering, by way of private placement or otherwise (except pursuant to the Equity Incentive Plan, or issued to vendors as partial consideration for the acquisition of assets, or issued pursuant to any distribution reinvestment plan) or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Units, whether any such transaction is to be settled by delivery of Units, other securities, cash or otherwise.

The Bailey/Hughes Holders have agreed that, for a period of 18 months following Closing, and the other Legacy BSR Holders and BSR II have agreed that, for a period of 12 months following Closing, they will not, directly or indirectly, without the prior written consent of BMO Nesbitt Burns Inc., on behalf of the Underwriters, and the subsequent approval of the Board, which consents will not be unreasonably withheld (i) offer, sell, contract to sell, secure, pledge, grant or sell any option, right or warrant to purchase or otherwise lend, transfer or dispose of any REIT Securities, or (ii) make any short sale, engage in any hedging transaction, or enter into any swap, monetization, securitization or other arrangement that transfers to another in whole or in part, any of the economic consequences of ownership of REIT Securities, in each case forming part of the Retained Interest, whether any such transaction described in this section is to be settled by delivery of such securities, other securities, cash or otherwise; provided however, that (a) the Bailey/Hughes Holders shall be entitled to pledge their respective REIT Securities as collateral for a bona fide loan if the terms of such pledge expressly prohibit the party to which the pledge is granted from selling, directly or indirectly, the pledged REIT Securities during the 18 month period described above; and (b) after the date that is 180 days after the Closing Date, Legacy BSR Holders may transfer REIT Securities among themselves; provided that the Bailey/Hughes Holders may only acquire (and not sell) such securities.

The Units have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws and may not be offered or sold in the United States except in transactions pursuant to Rule 144A under the U.S. Securities Act that are exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, except to the extent permitted by the Underwriting Agreement, the Units may not be offered or sold within the United States. The Underwriting Agreement provides that the Underwriters may re-offer and resell the Units that they have acquired pursuant to the Underwriting Agreement to qualified institutional buyers in the United States in accordance with Rule 144A under the U.S. Securities Act. The Underwriting Agreement also provides that the Underwriters will offer and sell the Units outside the United States only in accordance with Regulation S under the U.S. Securities Act. In addition, until 40 days after Closing, an offer or sale of the Units within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in reliance on Rule 144A under the U.S. Securities Act.

The Underwriters propose to offer the Units to the public initially at the Offering Price. After the Underwriters have made a reasonable effort to sell all of the Units at the Offering Price, the Offering Price of the Units may be decreased and may be further changed from time to time to amounts not greater than the Offering Price, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers of the Units is less than the amount paid by the Underwriters to the REIT.

Relationship Between the REIT and Certain Underwriters

BMO Nesbitt Burns Inc. is an affiliate of a U.S. chartered bank that has provided BSR with the Credit Facility, which is available to BSR up to a maximum amount of $71.5 million. See “Debt Strategy and Indebtedness”. Consequently, the REIT may be considered a “connected issuer” of BMO Nesbitt Burns Inc. under applicable Canadian securities laws. As of the date of this prospectus, BSR is in compliance with the terms of its indebtedness under the Credit Facility, which indebtedness is secured against the Initial Properties. 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, BSR was indebted under the Credit Facility in an aggregate amount of approximately $[●] million. The decision to undertake the Offering was made by BSR and the REIT. The affiliate of BMO Nesbitt Burns Inc. was not involved in the decision to undertake the Offering. The terms of the Offering, including the Offering Price, were determined by negotiation between BSR, the REIT and the Underwriters, and the affiliate of BMO Nesbitt Burns Inc. had no influence as to the determination of the terms of the Offering. BMO Nesbitt Burns Inc. will not receive any direct benefit from the Offering other than its portion of the fee payable by the REIT to the Underwriters. Approximately $[●] of the net proceeds of the Offering will be applied towards the payment of indebtedness owed by BSR to the affiliate of BMO Nesbitt Burns Inc. under the Credit Facility.

Price Stabilization, Short Positions and Passive Market Making

In connection with the Offering, the Underwriters may, subject to applicable law, over-allocate or effect transactions which stabilize or maintain the market price of the Units at levels other than those which otherwise might prevail on the open market, including:

- stabilizing transactions;
- short sales;
- purchases to cover positions created by short sales;
- imposition of penalty bids; and
- syndicate covering transaction.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Units while the Offering is in progress. These transactions may also include making short sales of the Units, which involve the sale by the Underwriters of a greater number of Units than they are required to purchase in the Offering. Short sales may be “covered short sales”, which are short positions in an amount not greater than the Over-Allotment Option, or may be “naked short sales”, which are short positions in excess of that amount.

The Underwriters may close out any covered short position either by exercising the Over-Allotment Option, in whole or in part, or by purchasing Units in the open market. In making this determination, the Underwriters will consider, among other things, the price of Units available for purchase in the open market compared with the price at which they may purchase Units through the Over-Allotment Option. If, following Closing, the market price of the Units decreases, the short position created by the over-allocation position in Units may be filled through purchases in the market, creating upward pressure on the price of the Units. If, following Closing, the market price of Units increases, the over-allocation position in Units may be filled through the exercise of the Over-Allotment Option in respect of Units at the Offering Price.

The Underwriters must close out any naked short position by purchasing Units in the open market. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward pressure on the price of the Units in the open market that could adversely affect investors who purchase in the Offering. Any naked short sales will form part of the Underwriters’ over-allocation position. A purchaser who acquires Units forming part of the Underwriters’ over-allocation position resulting from any covered short sales or naked short sales will, in each case, acquire such Units under this prospectus, regardless of whether the Underwriters’ over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

In addition, in accordance with rules and policy statements of certain Canadian securities regulators and the Universal Market Integrity Rules for Canadian Marketplaces (the "**UMIR**"), the Underwriters may not, at any time during the period of distribution, bid for or purchase Units. The foregoing restriction is, however, subject to exceptions where the bid or purchase is not made for the purpose of creating actual or apparent active trading in, or raising the price of, the Units. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable regulatory authorities and the applicable stock exchange, including the UMIR, relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution.

As a result of these activities, the price of the Units may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Underwriters at any time. The Underwriters may carry out these transactions on any stock exchange on which the Units are listed, in the over-the-counter market, or otherwise.

NCI System

Subscriptions for the Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Offering will be conducted under the NCI book-based system administered by CDS. Units registered in the name of CDS or its nominee will be deposited electronically with CDS on an NCI basis at Closing. Units must be purchased or transferred through a CDS participant and all rights of holders of Units must be exercised through, and all payments or other property to which such holder is entitled will be made or delivered by, CDS or the CDS participant through which the holder of Units holds such Units. Beneficial owners of Units will not, except in certain limited circumstances, be entitled to receive physical certificates evidencing their ownership of Units.

USE OF PROCEEDS

The net proceeds of this Offering are estimated to be approximately $[●] million (approximately $[●] million if the Over-Allotment Option is exercised in full) after deduction of the Underwriters' fee and the estimated expenses of this Offering. The Underwriters' fee and the expenses of this Offering will be paid out of the proceeds of this Offering. The REIT will directly or indirectly use the net proceeds of the Offering to repay approximately $[●] million (assuming the Over-Allotment Option is not exercised) of indebtedness owing by BSR (including approximately $[●] million of indebtedness outstanding under the Credit Facility) and to fund transaction costs associated with the Offering. Some of the indebtedness being repaid was incurred over the past two years by BSR to fund the acquisitions of properties, BSR's internal capital redevelopment program and working capital.

The net proceeds from the issue of Units on exercise of the Over-Allotment Option will be used by the REIT for capital expenditures on the Initial Properties, to repay indebtedness or for future acquisitions.

For greater certainty, the Legacy BSR Holders will not be receiving any portion of the net proceeds of the Offering.

RISK FACTORS

The REIT faces a variety of significant and diverse risks, many of which are inherent in the business conducted by the REIT. Described below are certain risks that could materially affect the REIT and the value of the Units. Other risks and uncertainties that the REIT does not presently consider to be material, or of which the REIT is not presently aware, may become important factors that affect the REIT's future financial condition and results of operations. The occurrence of any of the risks discussed below could materially and adversely affect the business, prospects, financial condition, results of operations, cash flow or the ability of the REIT to make cash distributions to Unitholders or value of the Units of the REIT. Prospective purchasers of the Units should carefully consider these risks before investing in the Units.

Risk Factors Related to the Real Estate Industry

Real Property Ownership and Revenue Risks

Investing in real estate will expose the REIT to a high degree of risk. There is no assurance that the operations of the REIT will be profitable or that cash from operations will be available to make distributions to Unitholders. Because real estate, like many other types of long-term investments, experiences significant fluctuations and cycles in value, specific market conditions may result in occasional or permanent reductions in the value of the REIT's portfolio. Further, the REIT may buy and/or sell properties at less than optimal times. By specialising in a particular type of real estate, the REIT is exposed to adverse effects on that segment of the real estate market and does not benefit from a diversification of its portfolio by property type. The REIT's revenues as well as the marketability and value of the portfolio will depend on many factors beyond the control of the REIT, including, without limitation: (i) changes in general economic conditions (such as the availability, terms and cost of mortgage financings and other types of credit); (ii) local economic conditions (such as business layoffs, industry slowdowns, changing demographics, neighbourhood characteristics and other factors); (iii) local real estate conditions (such as an oversupply of properties or a reduction in demand for real estate in the area); (iv) changes in occupancy rates; (v) the attractiveness of properties to potential residents or purchasers; (vi) competition with other landlords with similar available space and competition from prospective buyers for, and sellers of, other similar properties; (vii) the ability of the REIT to provide adequate maintenance at competitive costs; (viii) the promulgation and enforcement of governmental regulations relating to land-use and zoning restrictions, environmental protection and occupational safety; (ix) changes in governmental rules and fiscal policies; (x) the financial condition of residents, buyers and sellers of property; (xi) changes in real estate tax rates and other operating expenses; (xii) changes in interest rates and in the availability, cost and terms of financing; (xiii) the imposition of rent controls; (xiv) energy and supply shortages; (xv) various uninsured or uninsurable risks; (xvi) civil unrest; (xvii) acts of God and natural disasters; and (xviii) acts of war or terrorism. In the event that any of the REIT's properties experience any of the foregoing events or occurrences, the value of, and return on, such investments would be negatively impacted.

There can be no assurance of profitable operations because the costs of operating the portfolio, including debt service, may exceed gross rental income therefrom, particularly since certain expenses related to real estate, such as property taxes, utility costs, maintenance costs and insurance, tend to increase even if there is a decrease in the REIT's income from such investments. There is also no assurance that there will be a ready market for the sale of the portfolio because, as outlined below, investments in real estate generally are not liquid.

The success of the REIT will depend on the availability of, and the degree of competition for, attractive investments. The REIT's operating results will depend on the availability of, as well as the ability of management to identify, consummate, manage and realize, attractive real estate investment opportunities. It may take considerable time for the REIT to identify and consummate appropriate investments. No assurance can be given that the REIT will be successful in identifying and consummating future investments which satisfy the REIT's rate of return objective or that such investments, once consummated, will perform as expected. The REIT will be engaged in a competitive business and will be competing for attractive investments with existing real estate investment funds and other funds formed in the future with similar investment objectives. These factors may affect the REIT's ability to make investments in the future.

Rental Income Risks

The Initial Properties generate income primarily through rent payments made by residents. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the resident replaced for a number of reasons. Furthermore, the terms of any subsequent lease may be less favourable than the existing lease. The REIT's cash flows and financial position would be materially adversely affected if its residents were to become unable to meet their obligations under their leases or if a significant amount of available space in the REIT's properties was not able to be leased on economically favourable lease terms. In the event of default by a resident, the REIT may experience delays or limitations in enforcing its rights as lessor and incur substantial costs in protecting its investment. Furthermore, at any time, a resident may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of the lease by the resident and, thereby, cause a reduction in the REIT's cash flows, financial condition and results of operations and its ability to make distributions to Unitholders.

Additionally, due to changing trends in the design of the types of properties owned by the REIT, it is possible that the REIT's properties will be less desirable than newer multifamily properties developed by competitors. This, in turn, would affect the ability of the REIT to renew its leases with existing residents and, in the event that such leases are not renewed, to rent unleased units.

The short-term nature of residential resident leases exposes the REIT to the effects of declining market rent, which could materially adversely affect the REIT's results from operations and ability to make distributions to Unitholders. Most of the REIT's residential resident leases will be for a term of one year or less. Because the REIT's residential resident leases generally permit residents to leave at the end of their lease term without any penalty, the REIT's rental revenue may be materially adversely affected by declines in market rents more quickly than if such leases were for longer terms.

Substitutions for Residential Rental Units

Demand for the REIT's residential rental properties is impacted by and inversely related to the relative cost of home ownership. The cost of home ownership depends upon, among other things, interest rates offered by financial institutions on mortgages and similar home financing transactions. Interest rates offered by financial institutions for financing home ownership have been at historically low levels. If the interest rates offered by financial institutions for home ownership financing remain low, demand for rental properties may be adversely affected. Additionally, the Southeastern United States has experienced historically high levels of foreclosures on single family homes, which has increased the supply of single family homes available for purchase or rental, and may adversely affect demand for multifamily rental properties. A reduction in the demand for multifamily rental properties may have a material adverse effect on the REIT's ability to lease units in its properties and on the rents charged. This, in turn, may have a material adverse effect on the REIT's business, cash flow, financial condition and results of operations and ability to make distributions to Unitholders.

Competition

The REIT will compete with other investors, managers and owners of properties in seeking residents and for the purchase of desirable real estate properties. The average age of the Initial Properties is 28 years (based on the year built or year renovated, as applicable). Some of the multifamily properties of the REIT's competitors are newer, better located or better capitalized than the Initial Properties. Certain of these competitors may have greater financial and other resources and greater operating flexibility than the REIT. Those entities may be able to use higher leverage than the REIT is permitted to use and/or accept more risk than the REIT can prudently manage. The existence of competing managers and owners could have a material adverse effect on the REIT's ability to lease space and on the rents the REIT is able to charge, and could materially adversely affect revenues and the REIT's ability to meet its obligations. In addition, such competition could have an adverse effect on property values in the markets in which the investments are located. Competition generally reduces the number of suitable investment opportunities available to the REIT and increases the bargaining power of property owners seeking to sell. Furthermore, the number of entities and the amount of funds competing for suitable multifamily properties may increase. This will result in increased demand for these assets and therefore, increased prices paid for them. No assurance can be given that such competition will not adversely affect the REIT's ability to make investments and generate revenues.

Furthermore, the multifamily residential properties that the REIT will own on Closing or may acquire compete with numerous housing alternatives to attract residents, including owner occupied single homes and multi-unit residential buildings available to rent or purchase. The relative demand for such alternatives may be increased by declining mortgage interest rates, government programs which promote home ownership, or other events or initiatives which increase the affordability of such alternatives to multifamily residential rental properties, and could materially adversely affect the REIT's ability to retain residents, lease units and increase or maintain rental rates. Such competition may reduce occupancy rates and rental revenues of the REIT, and could have a material adverse effect on the REIT's business, cash flow, financial condition and results of operations and ability to make distributions to Unitholders.

Regulation and Changes in Applicable Laws

The REIT is subject to laws and regulations governing the ownership and leasing of real property, zoning, building standards, landlord tenant relationships, employment standards, environmental matters, taxes and other matters. It is possible that future changes in applicable federal, provincial, state, local or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting the

REIT (including with retroactive effect). Any changes in the laws to which the REIT is subject could materially adversely affect the REIT's rights and title to its assets. It is not possible to predict whether there will be any further changes in the regulatory regimes to which the REIT is subject or the effect of any such changes on its investments.

Lower revenue growth or significant unanticipated expenditures may result from the REIT's need to comply with changes in applicable laws or the enactment of new laws, including: (i) laws imposing environmental remedial requirements and the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions; (ii) rent control or rent stabilization laws or other residential landlord/tenant laws; or (iii) other governmental rules and regulations or enforcement policies affecting the development, use and operation of the REIT's properties, including changes to building codes and fire and life-safety codes. Further, residential landlord/tenant laws in certain states may provide residents with the right to bring certain claims to the respective judicial or administrative body seeking an order to, among other things, compel landlords to comply with health, safety, housing and maintenance standards. As a result, the REIT may, in the future, incur capital expenditures which may not be fully recoverable from residents.

The Trump Administration and the U.S. Congress have enacted, or called for consideration of, proposals relating to a variety of issues, including with respect to financial regulation reform, tax reform, infrastructure spending, climate change, executive compensation and others. These and other potential proposals could have varying degrees of impact on the REIT ranging from minimal to material. At this time, the REIT is unable to predict with certainty what level of impact specific proposals could have on it.

U.S. Congressional rulemaking and administrative efforts that may have an impact on the REIT focus principally on the areas perceived as contributing to the global financial crisis and the most recent economic recession. These initiatives have created a degree of uncertainty regarding the basic rules governing the real estate industry and many other businesses. The U.S. federal legislative response in this area culminated in the enactment on July 21, 2010 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act. Many of the provisions of the Dodd-Frank Act have extended implementation periods and delayed effective dates and continue to require rulemaking by regulatory authorities; thus, the impact on the REIT may not be known for an extended period of time. The Dodd-Frank Act, including rules implementing its provisions and the interpretation of those rules, along with other legislative and regulatory proposals that are proposed or pending in the U.S. Congress, including the repeal of or additional amendments to the Dodd-Frank Act, may limit the REIT's revenues, impose fees or taxes on it, and/or intensify the regulatory framework in which the REIT operates in ways that are not currently identifiable.

Environmental Matters

Environmental legislation and regulations have become increasingly important in recent years. As a current or previous owner of interests in real property in the United States, the REIT will be subject to various U.S. federal, state and municipal laws relating to environmental matters. Such laws provide that the REIT could be, or become, liable for environmental harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment and/or affecting persons, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its properties or at third party sites, at which wastes were sent for disposal, including lead-based paints, mold, asbestos, polychlorinated biphenyls, petroleum-based fuels, mercury, volatile organic compounds, underground storage tanks, pesticides and other miscellaneous materials. Further, liability may be incurred by the REIT with respect to the release of such substances from or to the REIT's properties. These laws often impose liability regardless of whether the property owner knew of, or was responsible for, the presence of such substances. Those laws also govern the maintenance and removal of asbestos containing materials in the event of damage, demolition or renovation of a property and also govern emissions of and exposure to asbestos fibres in the air. Certain of the Initial Properties might contain asbestos containing materials. The costs of investigation, removal and remediation of such substances or properties, if any, may be substantial and could adversely affect the REIT's financial condition and results of operations but are not estimable. There may be contamination on the Initial Properties of which management is not aware. The presence of contamination or the failure to remediate contamination may adversely affect the REIT's ability to sell such property, realize the full value of such property or borrow using such property as collateral security, and could potentially result in claims against the REIT by public or private parties.

The Initial Properties may contain soil or groundwater contamination, hazardous substances and/or other residual pollution and environmental risks. Buildings and their fixtures might contain asbestos, mold or other hazardous substances above the allowable or recommended thresholds, or other environmental risks could be associated with the buildings. The REIT will bear the risk of cost-intensive assessment, remediation or removal of such soil or groundwater contamination, hazardous substances or other residual pollution. The discovery of any such contamination or residual pollution on the sites and/or in the buildings, particularly in connection with the lease or sale of properties or borrowing using the real estate as security, could trigger claims for rent reductions or termination of leases for cause, for damages and other breach of warranty claims against the REIT. The remediation of any contamination and the related additional measures the REIT would have to undertake could have a materially adverse effect on the REIT and could involve considerable additional costs. The REIT will also be exposed to the risk that recourse against the polluter or the previous owners of the properties might not be possible. Moreover, the existence or even the mere suspicion of the existence of soil or groundwater contamination, hazardous materials or other residual pollution can materially adversely affect the value of a property and the REIT's ability to lease or sell such a property.

The REIT's operating policy is to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring a property and to have Phase II environmental site assessment work completed where recommended in a Phase I environmental site assessment. Although such environmental site assessments would provide the REIT with some level of assurance about the condition of the property, the REIT may become subject to liability for undetected contamination or other environmental conditions at its properties, which could negatively impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. See "Assessment and Valuation of the Initial Properties – Environmental Site Assessments".

The REIT intends to make the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues and such costs relating to environmental matters that may have a material adverse effect on the REIT's business, financial condition or results of operation and decrease the amount of cash available for distribution. Furthermore, environmental laws can change and the REIT may become subject to even more stringent environmental laws in the future, with increased enforcement of laws by the government. Compliance with more stringent environmental laws, which may be more rigorously enforced, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have an adverse effect on the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

Terrorism

Possible terrorist attacks in the markets where the REIT's properties are located may result in declining economic activity, which could reduce the demand for space at the REIT's properties and reduce the value of the REIT's properties. Additionally, terrorist activities could directly affect the value of the REIT's properties through damage, destruction or loss. The REIT's insurance may not cover some losses due to terrorism or such insurance may not be obtainable at commercially reasonable rates. Terrorism may have a material and adverse effect on the REIT's business, cash flows, financial condition, results of operations and ability to make distributions to Unitholders.

Natural Disasters

Certain of the Initial Properties are located in Texas, Louisiana and other areas which have sustained significant storm damage in the past and where buildings are susceptible to sustaining storm damage. While the REIT has insurance to cover a substantial portion of the cost of such events, the REIT's insurance includes deductible amounts and certain items may not be covered by insurance. Future hurricanes, floods or other natural disasters may significantly affect the REIT's operations and properties and, more specifically, may cause the REIT to experience reduced rental revenue (including from increased vacancy), incur clean-up costs or otherwise incur costs in connection with such events. Any of these events may have a material adverse effect on the REIT's business, cash flows, financial condition, results of operations and ability to make distributions to Unitholders. Further, to the extent the REIT must pay unexpectedly large amounts for insurance, it could suffer reduced earnings that would result in lower distributions to Unitholders.

Accidental Death or Severe Injuries

The accidental death or severe injuries of persons living in or working on the REIT's communities due to fire, natural disasters or other hazards could have a material adverse effect on the REIT's business and results of operations. The REIT's insurance coverage may not cover all losses associated with such events, and the REIT may experience difficulty marketing communities where any such events have occurred, which could have a material adverse effect on the REIT's business and results of operations.

Capital Expenditures and Fixed Costs

As a matter of conducting business in the ordinary course, certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. In order to retain desirable rentable space and to generate adequate revenue over the long-term, the REIT must maintain or, in some cases, improve each property's condition to meet market demand. Maintaining a rental property in accordance with market standards can entail significant costs, which the REIT may not be able to pass on to its residents. Numerous factors, including the age of the relevant building structure, the material and substances used at the time of construction or currently unknown building code violations could result in substantial unbudgeted costs for refurbishment or modernization. The timing and amount of capital expenditures required by the REIT will indirectly affect the amount of cash available for distribution to Unitholders. Distributions may be reduced, or even eliminated, at times when the REIT deems it necessary to make significant capital or other expenditures.

If the actual costs of maintaining or upgrading a property exceed the REIT's estimates, or if hidden defects are discovered during maintenance or upgrading which are not covered by insurance or contractual warranties, or if the REIT is not permitted to raise rents due to legal constraints, the REIT will incur additional and unexpected costs. If competing multifamily properties are built in the area where one of the REIT's properties is located or similar multifamily properties located in the vicinity of one of the REIT's properties are substantially refurbished, the net operating income derived from and the value of such property could be reduced. Any failure by the REIT to undertake appropriate maintenance and refurbishment work in response to the factors described above could materially adversely affect the rental income that the REIT earns from such properties and could have a material adverse effect on the REIT's cash flows, financial condition and results of operations and its ability to make distributions to Unitholders.

Liquidity

An investment in real estate is relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity will tend to limit the REIT's ability to vary its portfolio of properties promptly in response to changing economic, investment or other conditions. If the REIT were to be required to quickly liquidate its real property investments, the proceeds to the REIT might be significantly less than the aggregate carrying or net asset value of its properties or less than what would be expected to be received under normal circumstances which could have an adverse effect on the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. Illiquidity may result from the absence of an established market for real property investments, as well as from legal or contractual restrictions on their resale. In addition, in recessionary times, it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable, and during an economic recession the REIT may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for the REIT to dispose of properties at lower prices in order to generate sufficient cash for operations and making distributions. There can be no assurance that the fair market value of any properties held by the REIT will not decrease in the future.

Economic Environment

The REIT is subject to risks involving the economy in general, including inflation, deflation or stagflation, unemployment and geopolitical issues. Poor economic conditions could adversely affect the REIT's ability to generate revenues, thereby reducing its operating income and earnings. Such conditions could also have an adverse impact on the ability of the REIT to maintain occupancy rates which could harm the REIT's financial condition. In weak economic environments, the REIT's residents may be unable to meet their rental payments and other obligations due to the REIT, which could have a material and adverse effect on the REIT. In addition, fluctuation in interest rates or other financial market volatility may restrict the availability of financing for future prospective purchasers of the REIT's investments and could potentially reduce the value of such investments.

A significant component of the REIT's ability to successfully operate relates to certain external factors that are beyond the REIT's control, particularly interest rates and capital markets conditions. It is possible that capitalization rates within the U.S. multifamily sector could expand in the future due to external market factors, which tend to put downward pressure on the market values of publicly traded real estate companies.

Risks Relating to the REIT and its Business

Geographic Concentration

The Initial Properties are located in the United States, primarily in Texas. Currently, approximately 43% of the units within the Initial Properties, generating approximately 52% of NOI for the Forecasted Period, are located in Texas. Within Texas, most of the REIT's properties are located in Houston. As a result, the REIT's performance is particularly sensitive to economic changes in Texas, generally, and in Houston, specifically. The REIT is subject to specific risks relating to the oil and gas subset of the U.S. economy, which has been under significant pressure during the past several years. Further, the market value of the REIT's properties, the income generated by the REIT and the REIT's performance are particularly sensitive to changes in the economic condition and regulatory environment of Texas and Houston. Adverse changes in the economic condition or regulatory environment of Texas or Houston may have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders. See "The Initial Properties".

Reliance on BSR Operating LLC

The REIT's NOI will be almost wholly dependent on the business of BSR Operating LLC. The cash distributions to Unitholders are dependent on the ability of BSR Operating LLC to pay distributions in respect of BSR Operating LLC's securities. The ability of BSR Operating LLC to pay distributions or make other payments or advances to the REIT may be subject to contractual restrictions contained in any instruments governing the indebtedness of BSR Operating LLC. The ability of BSR Operating LLC to pay distributions or make other payments or advances is also dependent on the ability of its Subsidiaries to pay distributions or make other payments or advances to BSR Operating LLC.

Acquisitions

The REIT's business plan includes, among other things, growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and leasing such properties. While the REIT initially intends to compete for new acquisitions in the Sunbelt region and other select target markets, with near term focus within its existing markets, the REIT could take advantage of other acquisition opportunities (regardless of location or specific asset type) if the Board considers it to be in the best interests of the REIT to do so. The acquisition of properties entails risks that investments will fail to perform in accordance with expectations, including risks that the properties will not achieve anticipated occupancy levels and that estimates of the costs of improvements to bring an acquired property up to standards established for the market position intended for that property may prove inaccurate. If the REIT is unable to make accretive acquisitions or otherwise manage its growth effectively, it could adversely impact the REIT's financial position and results of operations and decrease the cash available for distribution. There can be no assurance as to the pace of growth through property acquisitions or that the REIT will be able to acquire assets on an accretive basis and, as such, there can be no assurance that distributions to Unitholders will increase in the future.

Acquired properties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse impact on the operations and financial results of the REIT. Representations and warranties given by third parties to the REIT may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties. Furthermore, it is not always possible to obtain from the seller the records and documents that are required in order to fully verify that the buildings to be acquired are constructed in accordance with and that their use complies with, planning laws and building code requirements. Accordingly, in the course of acquiring a property, specific risks might not be or might not have been recognized or correctly evaluated. These circumstances could lead to additional costs and could have a material adverse effect on revenues from the relevant properties. The REIT's ability to acquire properties on satisfactory terms and successfully integrate and operate them is subject to the following additional risks: (a) the REIT may be unable to acquire desired properties because of competition from other real estate investors with more capital, including other real estate operating companies, real estate investment trusts and investment funds; (b) the REIT may acquire properties that are not accretive to results upon acquisition, and the REIT may not successfully manage and lease those properties to meet its expectations; (c) competition from other potential acquirers may significantly increase the purchase price of a desired property; (d) the REIT may be unable to generate sufficient cash from operations, or obtain the necessary debt or equity financing to consummate an acquisition or, if obtainable, financing may not be on satisfactory terms; (e) the REIT may need to spend more than budgeted amounts to make necessary improvements or renovations to acquired properties; (f) agreements for the acquisition of properties are typically subject to customary conditions to closing, including satisfactory completion of due diligence investigations, and the REIT may spend significant time and money on potential acquisitions that the REIT does not consummate; (g) the REIT may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into existing operations; (h) the REIT may acquire properties without any recourse, or with only limited recourse, for liabilities, whether known or unknown, such as clean-up of environmental contamination, claims by residents, vendors or other persons against the former owners of the properties and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties; (i) the effort of acquiring or pursuing the acquisition of a new property may divert the attention of the REIT's management team from existing business operations; and (j) market conditions may result in higher than expected vacancy rates and lower than expected rental rates. If the REIT cannot complete property acquisitions on favourable terms, or operate acquired properties to meet the REIT's goals or expectations, the REIT's business, financial condition, results of operations and cash flow, the per Unit trading price and the REIT's ability to satisfy debt service obligations and to make distributions to the Unitholders could be materially and adversely affected.

The REIT will compete for acquisitions with both public and private acquirers. Other public acquirers may have access to lower cost capital, which private acquirers may be able to use greater leverage and higher proportion of lower coupon floating rate debt.

No Assurance of Recovery

When acquiring assets, the REIT will endeavour to obtain certain representations and warranties with respect to the assets being acquired. Such representations and warranties, to the extent obtained, are subject to limitations, and generally represent unsecured contractual rights. Notwithstanding the foregoing, when acquiring assets, the REIT will endeavour to negotiate holdbacks from the aggregate purchase price, which holdback amounts are deposited into escrow at the closing of an acquisition, and are held and released in accordance with, and subject to, the terms of the relevant purchase and sale agreement and a separate holdback escrow agreement. Holdback amounts are used to satisfy the indemnification obligations of the sellers of the assets acquired by the REIT with respect to the representations and warranties provided by the sellers under the purchase and sale agreements pursuant to which the assets are acquired.

There can be no assurance of recovery by the REIT for any breach of the representations and warranties provided under any of the purchase and sale agreements pursuant to which it will acquire properties, as there can be no assurance that the holdback amounts, if any, or assets of the sellers of the properties will be sufficient to satisfy such obligations. The REIT may not be able to successfully enforce applicable indemnities contained in the purchase and sale agreements pursuant to which the REIT will acquire properties and such indemnities may not be sufficient to fully indemnify the REIT from third party claims. Only the REIT (or its Subsidiaries) will be entitled to bring a claim or action for misrepresentation or breach of contract under such purchase and sale agreements and Unitholders will not have any contractual rights or remedies under such agreements.

Operational Risk

Operational risk is the risk that a direct or indirect loss may result from an inadequate or failed technology, from a human process or from external events. The impact of this loss may be financial loss, loss of reputation or legal and regulatory proceedings. Management endeavours to minimize losses in this area by ensuring that effective infrastructure and controls exist. These controls are constantly reviewed and if deemed necessary improvements are implemented.

Access to Capital

The real estate industry is highly capital intensive. The REIT will require access to capital to maintain its properties, as well as to fund its growth strategy and certain capital expenditures from time to time. Although the REIT has access to the Credit Facility, there can be no assurances that the REIT will otherwise have access to sufficient capital or access to capital on terms favourable to the REIT for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. Further, in certain circumstances, the REIT may not be able to borrow funds due to the limitations set forth in the Declaration of Trust. Market conditions and unexpected volatility or illiquidity in financial markets may inhibit the REIT's access to long-term financing in the Canadian capital markets. As a result, it is possible that financing which the REIT may require in order to grow and expand its operations, upon the expiry of the term of financing, upon refinancing any particular property owned by the REIT or otherwise, may not be available or, if it is available, may not be available on favourable terms to the REIT. Failure by the REIT to access required capital could have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders.

Financing Risks

The REIT estimates that its outstanding indebtedness following the acquisition of the Initial Properties (including Brandon Place) will be approximately $395 million. Although a portion of the cash flow generated by the Initial Properties will be devoted to servicing such debt, there can be no assurance that the REIT will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the REIT is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. The failure of the REIT to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing could adversely impact the REIT's financial condition, liquidity and results of operations and decrease the amount of cash available for distribution to Unitholders. If the REIT defaults under a mortgage loan, it may lose the properties securing such loan.

The REIT will be subject to the risks associated with debt financing, including the risk that the mortgages and banking facilities secured by the REIT's properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness, which may reduce AFFO. There is currently a heightened risk that not only will existing maturing mortgages be subject to increased interest rates, but that maturing mortgages could be renewed at significantly lower loan-to-value ratios. The REIT's mortgages mature between 2018 through to 2056. Of the REIT's Debt, 30% will mature in the next five years, with 11% and 8% maturing in each of 2019 and 2022, respectively. The percentage of Debt that will mature in the next five years amplifies the risks described above. See "Debt Strategy and Indebtedness – Debt Maturity Schedule". To the extent that interest rates rise following Closing, the REIT's operating results and financial condition could be adversely affected and decrease the amount of cash available for distribution.

The Credit Facility will contain covenants that require it to maintain certain financial ratios on a consolidated basis. If the REIT does not maintain such ratios, its ability to make distributions will be limited. Additionally, to the extent that the REIT incurs variable rate indebtedness, such indebtedness will result in fluctuations in the REIT's cost of borrowing as interest rates change.

Fluctuations in Capitalization Rates

As interest rates fluctuate in the lending market, generally so too do capitalization rates which affect the underlying value of real estate. As such, when interest rates rise, generally capitalization rates should be expected to rise. Over the period of investment, capital gains and losses at the time of disposition can occur due to the increase or decrease of these capitalization rates.

Fixed Costs and Increased Expenses

The failure to maintain stable or increasing average monthly rental rates combined with acceptable occupancy levels would likely have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units. Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made throughout the period of ownership of real property regardless of whether a property is producing any income. If the REIT is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.

The REIT is subject to utility risk relating to increased costs that the REIT may experience as a result of higher resource prices. Utility expenses, mainly consisting of natural gas and electricity service charges, have been subject to considerable price fluctuations over the past several years. Any significant increase in these resource costs that the REIT cannot charge back to the resident may have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders. Unlike commercial leases, which generally are "net" leases and allow a landlord to recover expenditures from residents, residential leases are generally "gross" leases and the landlord is not able to pass on costs to its residents.

There is a risk that unidentified property conditions could exist with respect to any of the Initial Properties or those subsequently acquired by the REIT that could require significant and unanticipated capital expenditures to be made by the REIT in the future, which could in turn have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders.

The timing and amount of capital expenditures by the REIT will affect the amount of cash available for distributions to Unitholders. Distributions may be reduced, or even eliminated, at times when the REIT deems it necessary to make significant capital or other expenditures.

Property Taxes

The REIT will be subject to property tax risk as a result of its exposure to the potential for significant increases in property taxes. The assessed values of the REIT's properties for local and state property tax purposes may increase, perhaps materially, resulting in an increase, perhaps materially, to property tax expense and a corresponding decrease to NOI. In some instances, improvements to properties may result in significant increases in property assessments following a re-valuation and a corresponding increase in property tax expense.

Litigation at the Property Level

The acquisition, ownership and disposition of real property carries certain specific litigation risks. Litigation may be commenced with respect to a property acquired by the REIT or its Subsidiaries in relation to activities that took place prior to the REIT's acquisition of such property. In addition, at the time of disposition of an individual property, a potential buyer may claim that it should have been afforded the opportunity to purchase the asset or alternatively that such buyer should be awarded due diligence expenses incurred or damages for misrepresentation relating to disclosures made, if such buyer is passed over in favour of another as part of the REIT's efforts to maximize sale proceeds. Similarly, successful buyers may later sue the REIT under various damage theories, including those sounding in tort, for losses associated with latent defects or other problems not uncovered in due diligence.

General Litigation Risks

In the normal course of the REIT's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the REIT and as a result, could have a material adverse effect on the REIT's assets, liabilities, business, financial condition and results of operations. Even if the REIT prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from the REIT's business operations, which could have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders. This risk may be heightened for the REIT as compared to other Canadian real estate investment trusts without properties located in the United States because the legal climate in the United States, in comparison to that in Canada, tends to give rise to a greater number of claims and larger damages awards.

Asset Class Diversification

The REIT will make a relatively limited number of real estate investments and the REIT's investments will not be widely diversified by asset class. All of the REIT's investments will be in multifamily residential assets. A lack of asset class diversification increases risk because residential real estate, including multifamily real estate, is subject to its own set of risks, such as adverse housing pattern changes and uses, increased real estate taxes, vacancies, rent controls, rising operating costs and changes in mortgage rates.

Control Over Investments

In certain situations, the REIT may, directly or indirectly, invest in a joint venture arrangement, thereby acquiring a non-controlling interest in certain investments. Although the REIT may not have control over these investments and therefore, may have a limited ability to protect its position therein, such joint venture arrangements will contain terms and conditions which, in the opinion of the Independent Trustees, are commercially reasonable, including without limitation, such terms and conditions relating to restrictions on the transfer, acquisition and sale of the REIT's and any joint venturer's interest in the joint venture arrangement, provisions to provide liquidity to the REIT, provisions to limit the liability of the REIT and its Unitholders to third parties and provisions to provide for the participation of the REIT in the management of the joint venture arrangements. Nevertheless, such investments may involve risks not present in investments where a third party is not involved, including without limitation (i) the possibility that a co-venturer may have financial difficulties resulting in a negative impact on such investment; (ii) the possibility that a co-venturer may have economic or business interests or goals which are inconsistent with those of the REIT (including relating to the sale of properties held in the joint venture or the timing of the termination and liquidation of such joint venture); (iii) the risk that a co-venturer may be in a position to take action contrary to the REIT's investment objectives; (iv) the risk that a co-venturer may, through its activities on behalf of or in the name of the joint venture or partnership, expose or subject the REIT to liability; or (v) the need to obtain a co-venturer's consent with respect to major decisions or the inability to have any decision making authority. In addition, the sale or transfer of interests in certain of the joint ventures may be subject to certain requirements, such as rights of first refusal, rights of first offer or drag-along rights, and certain of the joint venture agreements may provide for buy-sell or similar arrangements. Such rights may limit the REIT's ability to sell an interest in a property or a joint venture within the time frame or otherwise on the basis the REIT desires. Additionally, drag-along rights may be triggered at a time when the REIT may not intend to sell a property and the REIT may be forced to do so at a time when it would not otherwise be in the REIT's best interest.

New Markets

If the opportunity arises, the REIT may explore acquisitions of properties in new markets. Each of the risks applicable to the REIT's ability to acquire and successfully integrate and operate properties in its current markets is also applicable to its ability to acquire and successfully integrate and operate properties in new markets. In addition to these risks, the REIT may not possess the same level of familiarity with the dynamics and market conditions of any new markets, which could adversely affect its ability to expand into or operate in those markets. The REIT may be unable to achieve a desired return on its investments in new markets. If the REIT is unsuccessful in expanding into new markets, it could adversely affect its business, financial condition, results of operations and cash flow, the per Unit trading price and ability to satisfy debt service obligations and to make distributions to Unitholders.

Property Redevelopment and Renovations

Property redevelopment or major renovation work are subject to a number of risks, including: (i) the potential that the REIT may fail to recover expenses already incurred if it abandons redevelopment opportunities after commencing to explore them; (ii) the potential that the REIT may expend funds on and devote management time to projects which it does not complete; (iii) construction or redevelopment costs of a project may exceed original estimates, possibly making the project less profitable than originally estimated, or unprofitable; (iv) the time required to complete the construction or redevelopment of a project or to lease up the completed project may be greater than originally anticipated, thereby adversely affecting the REIT's cash flow and liquidity; (v) the cost and timely completion of construction (including risks beyond the REIT's control, such as weather, labour conditions or material shortages); (vi) contractor and subcontractor disputes, strikes, labour disputes or supply disruptions; (vii) the failure to achieve expected occupancy and/or rent levels within the projected time frame, if at all; (viii) delays with respect to obtaining, or the inability to obtain, necessary zoning, occupancy, land use and other governmental permits, and changes in zoning and land use laws; (ix) occupancy rates and rents of a completed project may not be sufficient to make the project profitable; (x) the REIT's ability to dispose of properties redeveloped with the intent to sell could be impacted by the ability of prospective buyers to obtain financing given the current state of the credit markets; and (xi) the availability and pricing of financing to fund the REIT's development activities on favourable terms or at all.

The above risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent the initiation of redevelopment activities or the completion of redevelopment activities once undertaken. In addition, redevelopment projects entail risks that investments may not perform in accordance with expectations and can carry an increased risk of litigation (and its attendant risks) with contractors, subcontractors, suppliers, partners and others. Further, as described under "Growth Strategies of the REIT", the REIT intends to continue its ongoing capital redevelopment program over the next three years with a targeted capital cost of approximately $20 – 25 million over three years, and may target acquisitions with value enhancement opportunities. The REIT has not yet determined how it will finance these future redevelopment activities, and as a result, the costs associated with financing future redevelopment activities, which could be significant, have not been included in the financial forecast contained in this prospectus. Any of these risks could have an adverse effect on the REIT's financial condition, results of operations, cash flow, per Unit trading price of the Units, distributions to Unitholders and ability to satisfy the REIT's principal and interest obligations. Also, it is anticipated that the REIT would be required to execute a guarantee in connection with construction financing for redevelopments which would subject the REIT to recourse for construction completion risks and repayment of the construction indebtedness.

Potential Conflicts of Interest

The Trustees may, from time to time, in their individual capacities, deal with parties with whom the REIT may be dealing, or may be seeking investments similar to those desired by the REIT. The interest of these persons could conflict with those of the REIT. The Declaration of Trust contains conflict of interest provisions requiring the Trustees to disclose their interests in certain contracts and transactions and to refrain from voting on those matters. In addition, certain decisions regarding matters that may give rise to a conflict of interest must be made by a majority of the Independent Trustees only. See "Trustees And Executive Officers of the REIT – Conflicts of Interest".

Property Encumbrances

The Initial Properties are subject to various easements including, without limitation, utility, sewer and drainage easements. The REIT has identified that in some instances, buildings and other improvements located on the Initial Properties encroach onto these easements and, in some isolated instances, improvements on the Initial Properties encroach onto adjacent properties. Where such encroachments exist, the REIT may be required to grant or obtain additional easement area and could be responsible for the cost of moving existing infrastructure. In the event that the owner of an easement damages an improvement while working within the easement, the REIT could be responsible for the cost of repairs.

Certain of the Initial Properties may not comply fully with current building setback requirements, although many may qualify as permitted non-conforming uses. While the REIT could be forced to seek variances for certain Initial Properties that are not in conformity with setback requirements, there is no assurance that these variances would be granted. In the event that the REIT renovates or redevelops any of the Initial Properties that currently do not comply with current setback requirements, such renovation or redevelopment may require the REIT to first secure a variance. This could result in increased costs to the REIT and/or reduced space within which to redevelop the property.

Direct and Indirect Ownership of Units by the Bailey/Hughes Holders

On Closing, it is expected that the Bailey/Hughes Holders will own, in the aggregate, [●] Class B Units and [●] Units, together representing an aggregate approximate [●]% ownership interest in the REIT, and an aggregate approximate [●]% ownership interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units). In addition, the Investor Rights Agreement will grant the Bailey/Hughes Holders the right to nominate up to three Trustees of the REIT based on the Bailey/Hughes Holders' ownership in the REIT. See "Retained Interest" and "Trustees and Executive Officers of the REIT – Governance and Board of Trustees". For so long as the Bailey/Hughes Holders own, in the aggregate, at least 33% of the Units (determined as if all Class B Units are redeemed for Units), the Bailey/Hughes Holders will have the ability to exercise certain influence with respect to the affairs of the REIT and BSR Operating LLC and will have the ability to prevent certain fundamental transactions.

Accordingly, the Units may be less liquid and trade at a relative discount compared to circumstances where the Bailey/Hughes Holders did not have the ability to influence or determine matters affecting the REIT. Additionally, the Bailey/Hughes Holders' significant effective interest in the REIT and its voting rights afforded in respect of certain fundamental transactions undertaken by BSR Operating LLC for so long as it maintains a certain threshold ownership may discourage transactions involving a change of control of the REIT, including transactions an investor, as a holder of the Units, might otherwise receive a premium for its Units over the then-current market price.

Pursuant to the Operating Agreement of BSR Operating LLC, each Class B Unit will be redeemable by the holder thereof for cash or one Unit of the REIT (subject to customary anti-dilution adjustments), as determined by BSR Operating LLC in its sole discretion.

The Bailey/Hughes Holders may seek to sell some or all of their Units in the future. While the Bailey/Hughes Holders' Retained Interest will be subject generally to an 18-month contractual lock-up, the Bailey/Hughes Holders may exchange some of that Retained Interest in limited circumstances. See "Retained Interest". No prediction can be made as to the effect, if any, a future sale of Units by the Bailey/Hughes Holders will have on the market price of the Units prevailing from time to time. However, the future sale of a substantial number of Units by the Bailey/Hughes Holders, or the perception that such sale could occur, could adversely affect prevailing market prices for the Units.

Insurance Coverage May be Inadequate

The REIT will attempt to obtain adequate insurance of the type and coverage customarily obtained for properties similar to those owned by the REIT to cover significant areas of risk to it as an entity and to its properties. However, there are types of losses at the property level, generally catastrophic in nature, such as losses due to wars, acts of terrorism, earthquakes, floods, tornadoes, hurricanes, pollution or environmental matters, which are uninsurable or not economically insurable, or may be insured subject to limitations, such as large deductibles or co-payments. The REIT may not have adequate coverage for such losses. If any of the REIT's properties incurs a casualty loss that is not fully insured or the insurer is unable to pay due to insolvency, the value of the REIT's assets will be reduced by any such uninsured loss. In addition, other than any working capital reserve or other reserves the REIT may establish, it has no source of funding to repair or reconstruct any uninsured damaged property. Further, to the extent the REIT must pay unexpectedly large amounts for insurance, it could suffer reduced earnings that may result in lower distributions to Unitholders. In addition, the REIT will purchase prospectus liability insurance for a six year term, the beneficiaries of which will be the following persons/entities in accordance with the following priority: (i) individual Trustees and officers of the REIT; (ii) the REIT, and (iii) BSR, as promoter, subject to certain limits, deductibles and other terms and conditions.

Degree of Leverage

The REIT's degree of leverage could have important consequences to Unitholders. For example, the degree of leverage could affect the REIT's ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, development or other general trust purposes, making the REIT more vulnerable to a downturn in business or the economy in general. Under the Declaration of Trust, the maximum the REIT can leverage is 60% of its Gross Book Value (or 65% of its Gross Book Value including convertible debentures). Gross Book Value is a calculation with reference to the fair market value of the REIT's properties. As a result, the REIT's leverage ratio changes based on changes to the fair market value of the REIT's properties.

Derivative Risks

The REIT invests in and uses derivative instruments, primarily swaps, to manage its interest rate risks inherent in its operations. There can be no assurance that the REIT's hedging activities will be effective. Further, these activities, although intended to mitigate price volatility, expose the REIT to other risks. The REIT is subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange traded instruments or another third party in the case of over-the-counter instruments) may be unable to meet its obligations. In addition, to the extent that the REIT invests in certain derivative instruments, there is a risk of loss by the REIT of margin deposits upon the bankruptcy of the dealer with whom the REIT has an open position. Derivatives also involve the risk of mispricing or improper valuation and the risk that changes in value of a derivative may not correlate perfectly with the underlying reference exposure. In the absence of actively quoted market prices and pricing information from external sources, the valuation of these contracts involves judgment and use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these contracts. The ability of the REIT to close out its positions may also be affected by exchange-imposed daily trading limits on options and futures contracts. If the REIT is unable to close out a position, it will be unable to realize its profit or limit its losses until such time as the option becomes exercisable or expires or the futures or forward contract terminates, as the case may be. The inability to close out options, futures and forward positions could also have a material adverse effect on the REIT's ability to use derivative instruments to effectively hedge its currency exchange and interest rate risks.

United States Financing Renewal Risk – Condition of Fannie Mae, Freddie Mac or HUD

In the future, the REIT will seek to manage its financing risk by maintaining a balanced maturity profile with no significant amounts coming due in any particular period. Management believes that the use of Fannie Mae, Freddie Mac or HUD insured mortgages will assist the REIT in managing its renewal risk. Given the increased credit quality of such debt, the probability of the REIT being unable to renew the maturing debt or transfer this debt to another accredited lending institution is significantly reduced. However, there can be no assurance that the renewal of debt will be on as favourable terms as the REIT's existing debt.

The ongoing financial and real estate market disruptions that began in 2007 could adversely affect the multifamily residential property sector's ability to obtain financing from Freddie Mac, Fannie Mae or HUD, which could materially adversely affect the REIT's operations. Fannie Mae, Freddie Mac and HUD are major sources of financing for the U.S. multifamily residential sector, and Freddie Mac, Fannie Mae and HUD have experienced significant losses during the recent years due to credit-related expenses, securities impairments and fair value losses. If new U.S. government regulations (i) heighten the underwriting standards of Freddie Mac, Fannie Mae or HUD, (ii) adversely affect interest rates, or (iii) reduce the amount of capital that Freddie Mac, Fannie Mae or HUD can make available to the multifamily residential sector, such regulations could reduce or remove entirely a vital resource of multifamily residential financing. Any potential reduction in loans, guarantees and credit enhancement arrangements from Freddie Mac, Fannie Mae or HUD could limit the availability of financing, increase the cost of financing or otherwise decrease the amount of liquidity and credit available to the multifamily residential sector generally and the REIT specifically.

On September 7, 2008, the Federal Housing Finance Agency, or the FHFA, placed Fannie Mae and Freddie Mac into conservatorship and, together with the U.S. Treasury, established a program designed to boost investor confidence in Fannie Mae's and Freddie Mac's debt and mortgage-related securities. Although the U.S. Treasury has committed capital to Fannie Mae and Freddie Mac, there can be no assurance that these actions will be adequate for their needs. If these actions are inadequate, Fannie Mae and Freddie Mac could continue to suffer losses and could fail to honour their guarantees and other obligations. The future roles of Fannie Mae and Freddie Mac could be significantly reduced and the nature of their guarantees could be considerably limited relative to historical measurements. Any changes to the nature of the guarantees provided by Fannie Mae and Freddie Mac could redefine what constitutes a U.S. government agency mortgage-backed security and could have broad adverse market implications. Such market implications could negatively affect the performance and market value of the REIT's portfolio.

Limitations on Sale

The REIT may be required to expend funds to correct defects or to make improvements before a property can be sold. No assurance can be given that the REIT will have funds available to correct such defects or to make such improvements. In acquiring a property, the REIT may agree to lock-out provisions that materially restrict it from selling that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property or debt or other contracts that are not prepayable or terminable and must be assumed by a buyer. These provisions would restrict the REIT's ability to sell a property. These factors and any others that would impede the REIT's ability to respond to adverse changes in the performance of its properties could significantly affect the REIT's financial condition and operating results and decrease the amount of cash available for distribution to Unitholders.

Investments in Debt Instruments

Although BSR has not historically invested in debt instruments, the REIT may hold direct or indirect investments in mortgages and mortgage bonds (including participating or convertible mortgages). Adverse changes to the financial condition of a mortgagor with respect to a mortgage held directly or indirectly by the REIT could have an adverse impact on the REIT's ability to collect principal and interest payments from such mortgagor and therefore, cause a reduction in the REIT's ability to make distributions to Unitholders and in the value of that investment.

Based upon applicable laws governing the REIT's investment in debt instruments and the loans underlying the REIT's debt securities, the REIT's investments in debt may also be adversely affected by: (i) the operation of applicable laws regarding the ability to foreclose mortgage loans or to exercise other creditors' rights provided in the underlying loan documents; (ii) lender liability with respect to the negotiation, administration, collection or foreclosure of mortgage loans; (iii) penalties for violations of applicable usury limitations; and (iv) the impact of bankruptcy or insolvency laws.

Further, the REIT will not know whether the values of the properties securing the mortgage loans will remain at the levels existing on the dates of origination of those mortgage loans. If the values of the underlying properties fall, the risk to the REIT will increase because of the lower value of the security associated with such loans.

Troubled Assets

The REIT may make investments in non-performing or other troubled assets that involve a high degree of financial risk and there can be no assurance that the REIT's investment objectives will be realized or that there will be any cash available for distribution to Unitholders. Furthermore, investments in properties operating in work-out modes or under bankruptcy protection laws may, in certain circumstances, be subject to additional potential liabilities that could exceed the value of the REIT's original investment. In addition, under certain circumstances, payments to the REIT and distributions by the REIT to Unitholders may be reclaimed if any such payments or distributions are later determined to have been fraudulent conveyances or preferential payments under applicable law.

Less Marketable Assets

Less marketable assets may be more difficult to value due to the unavailability of reliable comparables. The sale of less marketable assets may require more time and result in lower prices, due to higher brokerage charges and other selling expenses, than the sale of more marketable assets. In addition, the marketability of the portfolio will be dependent on numerous other factors, including interest rates, competition from other residential properties and general economic conditions. There can be no assurance that the REIT will be able to sell one or more of the properties in the portfolio at the time that it may be in the best interests of the REIT to sell.

Difficulty of Locating Suitable Investments

Although BSR has been successful in locating suitable investments in the past, the REIT may be unable to find a sufficient number of attractive opportunities to meet its investment objectives.

Lease Renewals and Rental Increases

The expiry of leases for the REIT's properties will occur from time to time over the short and long-term. No assurance can be provided that the REIT will be able to renew any or all of the leases upon their expiration or that rental rate increases will occur or be achieved upon any such renewals. The failure to renew leases or achieve rental rate increases may adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

Captive Insurance

The REIT will maintain captive insurance structures with the coverage and deductibles it believes are adequate based on the nature and risks of its business, the historical experience of BSR (in which claims were rarely collected from independent renters' insurance companies) and industry standards. POM, the REIT's wholly owned captive insurance company, is currently appropriately capitalized but there is no assurance that it will remain appropriately capitalized in the future if claims against POM were to increase significantly on a basis inconsistent with past practice.

Tax-Exempt Bond Financing Risk

The purchase of eight of the Initial Properties by BSR was initially financed in part with tax-exempt bonds. If the REIT were to fall out of compliance with respect to one or more communities financed with such tax-exempt bonds, it is possible that a "Tax Event" could result, causing interest on such bonds to be included into the bond investors' gross income for purposes of federal income taxation, which could result in liability to the REIT. In addition, failure of the REIT to comply with the requirements of IRS Revenue Procedure 2004-39, could cause a loss of tax exemption of interest on such bonds. Any of these events, which have not occurred in the past, could trigger a breach of certain agreements relating to the bonds and result in litigation against the REIT.

Indemnification Agreements

To enable historical financing on certain of the Initial Properties, certain lenders required personal guarantees from certain Bailey/Hughes Holders, and BSR has historically indemnified such persons from liability associated with these guarantees. BSR executed an indemnity agreement dated June 2008 in favor of W. Daniel Hughes, Jr. and Summit America, L.L.C. In addition, on January 1, 2012, BSR executed a continuing indemnity agreement in favor of John S. Bailey and Patricia S. Bailey. Each of these parties are guarantors with respect to certain obligations to lenders of certain of the REIT's Subsidiaries. Under the terms of the indemnity agreements, BSR has agreed to indemnify the indemnitees with regard to any liability which the indemnitees might incur with respect to the guaranteed obligations. The indemnity agreements terminate at such time that the indemnitees no longer have any potential liability with respect to the guaranteed obligations.

Prior Ownership of Affordable Assets

BSR previously directly owned assets financed directly or indirectly through the use of, among other government subsidized mechanisms, certain tax credits known as "Low-Income Housing Tax Credits". BSR disposed of such affordable assets in connection with the formation of LEDIC but remains subject to the following associated risks.

- Recapture of Low-Income Housing Tax Credit. While BSR has divested of all assets containing Low-Income Housing Tax Credit, its prior ownership of the properties contributed to LEDIC creates a recapture risk. If a community or an interest in such community is sold or otherwise disposed of or if such community fails to meet the applicable "rent restriction test" or fails to set aside the proper number of apartments for qualified residents prior to the expiration of 15 years from the date it first claimed the Low-Income Housing Tax Credit, future Low-Income Housing Tax Credits would be disallowed and a portion of Low-Income Housing Tax Credits previously claimed could be subject to recapture. The occurrence of any of these events, which have not occurred with respect to these communities in the past, could result in litigation against BSR from current tax credit investors in each individual community or from other third parties.
- Lack of Eligible Residents for Affordable Properties Owned by LEDIC. Government regulations with regard to the eligibility of residents for the communities and/or other restrictions associated with government assistance applicable to certain communities may make it more difficult to rent the apartment units in those communities. Moreover, in order to receive the Low-Income Housing Tax Credit, a community is required to certify annually that it meets the "minimum set-aside test", which requires that at least a certain percentage (either 20% or 40%) of its residents have incomes below a certain percentage (50% or 60%, respectively) of median area income and the "rent restriction test", which requires that the gross rents charged to low- and moderate-income residents not exceed 30% of the applicable percentage (either 50% or 60%) of area median income. Failure to find and retain eligible residents for apartment units designated as affordable (which has never been problematic for these communities in the past) would result in a loss of current and future Low-Income Housing Tax Credits and possible recapture of up to one-third of previously claimed Low-Income Housing Tax Credits.
- Risk of Losing Government Assistance. Government regulations and agreements may impose various obligations on BSR Operating LLC and some or all of the communities, including non-discrimination covenants with respect to residents of each community and equal employment obligations under applicable law. Failure to comply with any of these obligations might result in the loss of government assistance and foreclosure of a community and loss and recapture of the Low-Income Housing Tax Credits.
- Limitations on the Sale, Refinancing or other Disposition of the Communities. The sale, refinancing or other disposition of communities or any interest in the communities may be restricted by agreements, lenders or

other third-parties. Because of the foregoing restrictions, there can be no assurance that BSR Operating LLC will be able to sell or refinance any community when it is in the best interests of members to do so.

Further, the sale of a community claiming Low-Income Housing Tax Credits before it has been in service for 15 years would result in the recapture of up to one-third of any Low-Income Housing Tax Credit previously claimed, unless the community is reasonably expected to continue to be operated as low-income housing. If sold within ten years, the sale would also result in the loss of any future Low-Income Housing Tax Credit.

LEDIC-owned properties which receive Low-Income Housing Tax Credit allocations must comply with resident qualification and income limitations for not less than 30 years generally, although, under certain circumstances, the period may be reduced to 15 years if the owner elects at any time after the fourteenth year to offer the community for sale to a qualified buyer found by the credit agency at a formula price which is generally equal to the amount of outstanding mortgage indebtedness plus the amount of investor equity (increased by an annual adjustment based on the consumer price index or 5%, whichever is less), less any cash distributions. This formula price may be less than fair market value at the community's highest and best use. If the credit agency is unable to find a qualified buyer within one year, the 30-year compliance period may, with some restrictions, terminate at that time.

In connection with its contribution of affordable properties to LEDIC, certain lenders required that BSR guarantee limited loan obligations associated with those properties. The guaranteed loan obligations are generally limited to a lender's loss resulting from borrower's personal liability related to fraud, written material misrepresentation, material omission, gross negligence or reckless material misrepresentation in financial reporting, voluntary bankruptcy and similar limited circumstances as set out in each guaranty. The REIT has identified loans in respect of 18 LEDIC properties with an aggregate principal balance of approximately $95.2 million that are the subject of these guarantees. All of these guarantees are non-recourse to BSR, other than two loans with a balance of approximately $12.9 million, which are recourse.

All LEDIC-related tax credit and loan guarantees are isolated within individual properties or projects and are not subject to cross-default risks. All guarantees decrease in value over time as the tax credits no longer become subject to recapture or the applicable LEDIC properties are refinanced. Given the nature of the LEDIC-related guarantees, management considers the risks associated with these arrangements to be remote and as a result has not referenced these as commitments or contingencies in BSR's financial statements.

While BSR has taken steps to secure indemnity from LEDIC, BSR II, John S. Bailey and W. Daniel Hughes, Jr., for these LEDIC-related risks, such indemnity may not mitigate BSR Operating LLC's risk. In addition, although LEDIC is in the process of requesting that BSR and its former principals be released from all of these loan guarantees, there can be no assurance that BSR or any of its principals will be released in whole or in part from such obligations. See "Relationship with LEDIC Realty Company, LLC".

International Financial Reporting Standards

The Accounting Standards Board of Canada requires all publicly accountable enterprises to report under IFRS for interim and annual financial statements. The REIT is required to report under IFRS. There are ongoing projects conducted by the International Accounting Standards Board, and joint projects with the Financial Accounting Standards Board in the United States that are expected to result in new pronouncements that continue to evolve, which could adversely impact the manner in which the REIT reports its financial position and operating results.

Laws Benefitting Disabled Persons

Laws benefiting disabled persons may result in unanticipated expenses being incurred by the REIT. Under the *Americans with Disabilities Act* of 1990 (the "**ADA**"), all places intended to be used by the public are required to meet certain federal requirements related to access and use by disabled persons. The *Fair Housing Amendments Act* of 1988 (the "**FHAA**") requires apartment properties first occupied after March 31, 1991 to comply with design and construction requirements for disabled access. For those projects receiving federal funds, the *Rehabilitation Act* of 1973 (the "**RA**") also has requirements regarding disabled access. These and other federal, state and local laws may require modifications to the REIT's properties, or affect renovations of the properties. Non-compliance with these laws could result in the imposition of fines or an award of damages to private litigants and also could result in an order to correct any non-complying feature, which could result in substantial capital expenditures. Although the REIT believes that the Initial Properties are substantially in compliance with the present requirements, the REIT may incur unanticipated expenses to comply with the ADA, the FHAA and the RA in connection with the ongoing operation or redevelopment of the REIT's Properties.

Restrictions on Activities

Several of the REIT's constating documents and material contracts (including, without limitation, the Declaration of Trust, the Operating Agreement of BSR Operating LLC and the By-Laws of US Holdco) will contain restrictions that limit the activities of the REIT and its Subsidiaries to ensure the REIT complies with certain provisions of the Tax Act and Code. See "Declaration of Trust", "BSR Operating LLC", "Certain Canadian Federal Income Tax Considerations", "Certain U.S. Federal Income Tax Considerations" and "Risk Factors – Tax Related Risks". Compliance with these restrictions may limit the flexibility of the REIT in terms of the nature and scope of its investments and activities and thereby may adversely affect the REIT's economic performance, including its ability to grow.

Reliance on Key Personnel

The management and governance of the REIT depends on the services of certain key personnel, including certain executive officers and the Trustees. The loss of the services of any key personnel and the inability of the REIT to attract and retain qualified and experienced personnel could have an adverse effect on the REIT and adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

Breach of Privacy or Information Security Systems

The protection of resident, employee, and company data is critically important to the REIT. The REIT's business requires it, including some of its vendors, to use and store personally identifiable and other sensitive information of its residents and employees. The collection and use of personally identifiable information is governed by U.S. federal and state laws and regulations. Privacy and information security laws continue to evolve and may be inconsistent from one jurisdiction to another. Compliance with all such laws and regulations may increase the REIT's operating costs and adversely impact the REIT's ability to market the REIT's properties and services.

The security measures put in place by the REIT, and such vendors, cannot provide absolute security, and the REIT and its vendors' information technology infrastructure may be vulnerable to criminal cyber-attacks or data security incidents, including, ransom of data, such as, without limitation, resident and/or employee information, due to employee error, malfeasance, or other vulnerabilities. Any such incident could compromise the REIT's or such vendors' networks, and the information stored by the REIT or such vendors could be accessed, misused, publicly disclosed, corrupted, lost, or stolen, resulting in fraud, including wire fraud related to REIT assets, or other harm. Moreover, if a data security incident or breach affects the REIT's systems or such vendors' systems or results in the unauthorized release of personally identifiable information, the REIT's reputation and brand could be materially damaged and the REIT may be exposed to a risk of loss or litigation and possible liability, including, without limitation, loss related to the fact that agreements with such vendors, or such vendors' financial condition, may not allow the REIT to recover all costs related to a cyber breach for which they alone or they and the REIT should be jointly responsible for, which could result in a material adverse effect on the REIT's business, results of operations and financial condition.

Privacy and information security risks have generally increased in recent years because of the proliferation of new technologies, such as ransomware, and the increased sophistication and activities of perpetrators of cyber-attacks. In the future, the REIT may expend additional resources to continue to enhance the REIT's information security measures and/or to investigate and remediate any information security vulnerabilities. Despite these steps, there can be no assurance that the REIT will not suffer a data security incident in the future, that unauthorized parties will not gain access to sensitive data stored on the REIT's systems, or that any such incident will be discovered in a timely manner. Further, the techniques used by criminals to obtain unauthorized access to sensitive data, such as phishing and other forms of human engineering, are increasing in sophistication and are often novel or change frequently; accordingly, the REIT may be unable to anticipate these techniques or implement adequate preventative measures.

If the REIT does not allocate and effectively manage the resources necessary to build and sustain reliable information technology infrastructure, fails to timely identify or appropriately respond to cybersecurity incidents, or the REIT's or its third-party vendors' information systems are damaged, destroyed, shut down, interrupted or cease to function properly, the REIT's business could be disrupted and the REIT could, among other things, be subject to: the loss of or failure to attract new residents; the loss of revenue; the loss or unauthorized access to confidential information or other assets; the loss of or damage to trade secrets; damage to its reputation; litigation; regulatory enforcement actions; violation of privacy, security or other laws and regulations; and remediation costs.

Expanding Social Media Vehicles

The use of social media could cause the REIT to suffer brand damage or information leakage. Negative posts or comments about the REIT or its properties on any social networking website could damage the REIT's reputation. In addition, employees or others might disclose non-public sensitive information relating to the REIT's business through external media channels. The continuing evolution of social media will present the REIT with new challenges and risks.

Employee Theft or Fraud

Certain of the REIT's employees have access to, or signature authority with respect to, bank accounts or other REIT assets, which exposes the REIT to the risk of fraud or theft. In addition, certain employees have access to key information technology (IT) infrastructure and to resident and other information that is commercially valuable. Should any employee compromise any of the REIT's IT systems, or misappropriate resident or other information, the REIT could incur losses, including significant financial or reputational harm, from which full recovery cannot be assured. The REIT may also not have insurance that covers any losses in full or that covers losses from particular criminal acts. Potential liabilities for theft or fraud are not quantifiable and an estimate of possible loss cannot be made.

Past Performance is not a Predictor of Future Results

The past performance of BSR and its affiliates and the performance of the REIT are dependent on future events and are, therefore, inherently uncertain. The track records of BSR and its affiliates cannot be relied upon to predict future events due to a variety of factors, including, without limitation, varying business strategies, different local and national economic circumstances, different supply and demand characteristics, varying degrees of competition and varying circumstances pertaining to the real estate markets.

The historical financial information relating to the Initial Properties included in this prospectus has been derived from historical accounting records. The REIT believes that the assumptions underlying the financial statements are reasonable. However, the financial statements may not reflect what the REIT's financial position, results of operations or cash flows would have been had the REIT been a standalone entity during the historical periods presented or what the REIT's financial position, results of operations or cash flows will be in the future. The REIT has not made adjustments to its historical financial information to reflect changes that may occur in its cost structure, financing and operations as a result of its acquisition of the Initial Properties. In preparing the *pro forma* financial information in this prospectus, the REIT has given effect to, among other items, the Offering. The estimates used in the *pro forma* financial information may not be similar to the REIT's actual experience as a stand-alone public entity.

Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the properties or revenues to be derived therefrom. There can be no assurance that, upon the expiry or termination of existing leases, the average occupancy rates and revenues will be higher than historical occupancy rates and revenues, and it may take a significant amount of time for market rents to be recognized by the REIT due to internal and external limitations on its ability to charge these new market based rents in the short-term.

Risks Related to the Offering

Absence of a Prior Public Market

The REIT has applied to have its Units listed on the TSX. Listing is subject to the approval of the TSX in accordance with its original listing requirements. The TSX has not conditionally approved the REIT's listing application and there is no assurance that the TSX will approve the listing application.

There is currently no public market for the Units and, after the Offering, there can be no guarantee that an active trading market will develop. The Offering Price of the Units offered hereunder was determined by negotiation between the REIT, BSR and the Underwriters. The REIT cannot predict at what price the Units will trade and there can be no assurance that an active trading market will develop after the Offering or, if developed, that such a market will be sustained at the price level of the Offering.

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the Appraisal. The REIT cannot assure investors that the market price of Units will not materially decline below the price level of the Offering. Accordingly, an investment in Units is suitable solely for investors able to make and bear the economic risks of long-term investment.

Management has Limited Experience Managing a Publicly Traded Entity

The individuals who constitute the executive officers of the REIT have relatively limited experience managing a publicly traded entity and limited experience complying with the increasingly complex laws pertaining to public companies compared to senior management of other publicly traded entities. The REIT's executive officers may not successfully or efficiently manage the REIT, which is subject to significant regulatory oversight and reporting obligations under Canadian securities laws. In particular, these new obligations will require substantial attention from management and could divert their attention away from the day-to-day management of the REIT and its business.

Potential Volatility of Unit Price

One of the factors that may influence the market price of the Units is the Annual Cash Distribution Yield on the Units. An increase in market interest rates may lead purchasers of Units to demand a higher Annual Cash Distribution Yield, which accordingly could adversely affect the market price of the Units. In addition, the market price of the Units may be affected by numerous factors such as: (i) changes in general market conditions; (ii) fluctuations in the markets for equity securities; (iii) actual or anticipated fluctuations in the REIT's quarterly results of operations; (iv) recommendations by securities research analysts; (v) changes in the economic performance or market valuations of other issuers that investors deem comparable to the REIT; (vi) addition or departure of the REIT's executive officers and other key personnel; (vii) release or expiration of lock-up or other transfer restrictions on outstanding Units; (viii) sales or perceived sales of additional Units; (ix) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the REIT or its competitors; and (x) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the REIT's industry or target markets.

Restrictions on Redemptions

It is anticipated that the redemption right attached to the Units will not be the primary mechanism by which holders of Units liquidate their investment. The entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the following limitations: (i) the total amount payable by the REIT in respect of such Units and all other Units tendered for redemption in the same calendar month must not exceed $50,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) at the time such Units are tendered for redemption, the outstanding Units must be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides fair market value prices for the Units; (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the Redemption Date for more than five trading days during the ten day trading period commencing immediately after the Redemption Date; and (iv) the redemption of the Units must not result in the delisting of the Units on the principal stock exchange on which the Units are listed.

Redemption Notes which may be distributed to holders of Units in connection with a redemption will not be listed on any exchange, no market is expected to develop in Redemption Notes and such securities may be subject to an indefinite "hold period" or other resale restrictions under applicable securities laws. Redemption Notes so distributed may not be qualified investments for Exempt Plans, depending on the circumstances at the time.

Appraisal

BSR retained the Appraiser to provide an independent estimate of the fair market value of the Initial Properties on a portfolio basis (see "Assessment and Valuation of the Initial Properties – Independent Appraisal"). Caution should be exercised in the evaluation and use of appraisal results, which are estimates of market value at a specific point in time. In general, appraisals such as the Appraisal represent only the analysis and opinion of qualified experts as of the effective date of such appraisals and are not guarantees of present or future value. There is no assurance that the assumptions employed in determining the appraised values of the Initial Properties are correct as of the date of the prospectus or that such valuations actually reflect an amount that would be realized upon a current or future sale of any of the Initial Properties or that any projections included in the Appraisal will be attainable. In addition, the Appraisal has an effective date as at January 1, 2018. As prices in the real estate market fluctuate over time in response to numerous factors, the fair market value of the Initial Properties shown on the Appraisal may be an unreliable indication of their current market value.

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the Appraisal.

Financial Forecast

The forecast results contained in this prospectus were prepared using assumptions that reflect management's intended course for the periods covered, given the judgment of management as to the most probable set of economic conditions. There can be no assurance that the assumptions reflected in the forecast will prove to be accurate. Actual results for the forecast period will vary from the forecast results and those variations may be material. There is no representation by the REIT that actual results achieved in the forecast period will be the same, in whole or in part, as those forecast herein. See "Forward-Looking Statements".

Non-IFRS Measures

The financial forecast and pro forma financial information set out in this prospectus includes certain measures which do not have standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For such measures, there are no directly comparable measures calculated in accordance with IFRS. The measures used are meaningful to the investors as they are based on the average investor's individual investment in the entities mentioned.

Cash Distributions are Not Guaranteed

There can be no assurance regarding the amount of income to be generated by the REIT's properties. The ability of the REIT to make cash distributions, and the actual amount distributed, will be entirely dependent on the operations and assets of the REIT, and will be subject to various factors including financial performance, obligations under applicable credit facilities, fluctuations in working capital, the sustainability of income derived from the residents of the REIT's properties and any capital expenditure requirements. Unlike fixed-income securities, there is no obligation of the REIT to distribute to Unitholders any fixed amount, and reductions in, or suspensions of, cash distributions may occur that would reduce the Annual Cash Distribution Yield based on the Offering Price. The market value of the Units will deteriorate if the REIT is unable to meet its distribution targets in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors. See "Certain Canadian Federal Income Tax Considerations".

AFFO may exceed actual cash available to the REIT from time to time because of items such as principal repayments and capital expenditures in excess of maintenance capital expenditures by the REIT in its calculation of AFFO and redemptions of Units, if any. The REIT may be required to use part of its debt capacity or to reduce distributions to accommodate such items. Credit Facility terms may prohibit payments or distributions from the REIT in default circumstances.

Limited Control of Unitholders

Unitholders will have limited control over changes in the REIT's policies and operations, which increases the uncertainty and risks of an investment in the REIT. The Board will determine major policies, including policies regarding financing, growth, debt capitalization, REIT qualification and distributions. The Board may amend or revise these and other policies without a vote of Unitholders. Under the REIT's organizational documents, Unitholders have a right to vote only on limited matters. The Trustees' broad discretion in setting policies and Unitholders' inability to exert control over those policies increases the uncertainty and risks of an investment in the REIT. In addition, the Declaration of Trust will require that the Chief Executive Officer of the REIT be nominated to serve as a Trustee, and so long as the Bailey/Hughes Holders maintain a certain threshold of effective ownership in the REIT, the Bailey/Hughes Holders shall have the right to nominate up to three Trustees for election (which initially will include the Chief Executive Officer).

Dilution

The number of Units the REIT is authorized to issue is unlimited. Subject to the rules of any applicable stock exchange on which the Units are listed and applicable securities laws, the REIT may, in its sole discretion, issue additional Units from time to time (including pursuant to any employee incentive compensation plan that may be introduced in the future), and the interests of the holders of Units may be diluted thereby.

Structural Subordination of Units

In the event of bankruptcy, liquidation or reorganization of the REIT's Subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those Subsidiaries before any assets are made available for distribution to the REIT or Unitholders. The Units are effectively subordinated to the debt and other obligations of the REIT's Subsidiaries. The REIT's Subsidiaries generate all of the REIT's cash available for distribution and hold substantially all of the REIT's assets.

Future Offerings of Debt or Equity Securities Ranking Senior to Units

If the REIT decides to issue debt or equity securities in the future ranking senior to the Units or otherwise incur additional indebtedness, it is possible that these securities or indebtedness will be governed by an indenture or other instrument containing covenants restricting the REIT's operating flexibility and limiting the REIT's ability to make distributions to Unitholders. Additionally, any convertible or exchangeable securities that the REIT issues in the future may have rights, preferences and privileges, including with respect to distributions, more favorable than those of Units and may result in dilution to Unitholders. Because the REIT's decision to issue debt or equity securities in any future offering or otherwise incur indebtedness will depend on market conditions and other factors beyond the REIT's control, the REIT cannot predict or estimate the amount, timing or nature of the REIT's future offerings or financings, any of which could reduce the market price of the Units and dilute the value of the Units.

Unitholder Liability

The Declaration of Trust provides that no Unitholder will be subject to any liability whatsoever to any person in connection with the holding of a Unit. In addition, legislation has been enacted in the Province of Ontario and certain other provinces and territories that is intended to provide Unitholders in those provinces and territories with limited liability. However, there remains a risk, which is considered by the REIT to be remote in the circumstances, that a holder of Units could be held personally liable for the obligations of the REIT to the extent that claims are not satisfied out of the assets of the REIT. It is intended that the affairs of the REIT will be conducted to seek to minimize such risk wherever possible.

Nature of Investment

The Units represent a fractional interest in the REIT and do not represent a direct investment in the REIT's assets and should not be viewed by investors as direct securities of the REIT's assets. A holder of a Unit of the REIT does not hold a share of a body corporate. As holders of Units of the REIT, the Unitholders will not have statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The rights of Unitholders are based primarily on the Declaration of Trust. There is no statute governing the affairs of the REIT equivalent to the OBCA or the CBCA which sets out the rights and entitlements of shareholders of corporations in various circumstances. As well, the REIT may not be a recognized entity under certain existing insolvency legislation such as the *Bankruptcy and Insolvency Act* (Canada) and the *Companies Creditors' Arrangement Act* (Canada), and thus the treatment of Unitholders upon an insolvency is uncertain.

Enforceability of Judgments

BSR is an entity organized under the laws of a foreign jurisdiction and resides outside Canada. All of the managers and officers of BSR and certain of the experts named elsewhere in this prospectus are residents of countries other than Canada. Additionally, all of BSR's assets and the assets of these persons are located outside of Canada. As a result, although BSR will appoint GODA Incorporators, Inc. as its agent for service of process in Ontario, it may be difficult for Unitholders to initiate a lawsuit within Canada against these non-Canadian residents. In addition, it may not be possible for Unitholders to collect from BSR or other non-Canadian residents judgments obtained in courts in Canada predicated on the civil liability provisions of securities legislation of certain of the provinces and territories of Canada. It may also be difficult for Unitholders to succeed in a lawsuit in the United States, based solely on violations of Canadian securities laws.

Third-Party Approvals

While all consents of a material nature are expected to be obtained on or prior to Closing, certain consents or approvals deemed expedient in connection with Offering transactions may not yet have been obtained at the time of Closing and the consents obtained may be subject to conditions that are required to be fulfilled following Closing. Additionally, third-parties may request certain consents or approvals that were not considered to be necessary in connection with the Offering. To the extent that such approvals are not obtained or conditions relating thereto are not fulfilled, third-parties may claim for breach of contract or other damages. While management believes the risks related to third-party approvals are minimal, should any such claim be successful, an adverse impact could result to the REIT's financial condition and operating results, decreasing the amount of cash available for distribution.

Enforceability of Judgments Against Foreign Subsidiaries

US Holdco and BSR Operating LLC are organized under the laws of Delaware. All of the assets of US Holdco and BSR Operating LLC are located outside of Canada and the directors and officers, as well as certain of the experts retained by the REIT or its affiliates, are residents of countries other than Canada. As a result, it may be difficult or impossible for investors to effect service within Canada upon such persons, or to realize against them in Canada upon judgments of courts of Canada predicated upon the civil liability provisions of applicable Canadian provincial securities laws. There is some doubt as to the enforceability in the United States by a court in original actions, or in actions to enforce judgments of Canadian courts, of civil liabilities predicated upon such applicable Canadian provincial securities laws.

Financial Reporting and Other Public Company Requirements

As a result of the Offering, the REIT will become subject to reporting and other obligations under applicable Canadian securities laws and rules of any stock exchange on which the Units are listed, including National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*. These reporting and other obligations will place significant demands on the REIT's management, administrative, operational and accounting resources and on the Audit Committee. In order to meet such requirements, the REIT will need to establish systems, implement financial and management controls, reporting systems and procedures and hire accounting and finance staff. If the REIT is unable to accomplish any such necessary objectives in a timely and effective fashion, its ability to comply with its financial reporting requirements and other rules that apply to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls could cause the REIT to fail to meet its reporting obligations or result in material misstatements in its financial statements. If the REIT cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially harmed which could also cause investors to lose confidence in the REIT's reported financial information, which could result in a lower trading price of Units.

Management does not expect that the REIT's disclosure controls and procedures and internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within a company are detected. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

Tax-Related Risks

Canadian Tax Risks

(i) Residency of the REIT for Canadian and U.S. Tax Purposes – The REIT is resident in Canada for purposes of the Tax Act and is treated as a domestic corporation in the United States under the Code. As a result, the REIT is generally taxable on its worldwide income in both Canada and the United States. However, in both jurisdictions, the REIT generally will not be subject to tax on the portion of its income that it distributes to Unitholders (subject to certain limitations and exceptions). Management of the REIT is of the view that the status of the REIT as taxable in both Canada and the United States is not likely to give rise to any material adverse consequences in the future as it is not anticipated that the REIT will be subject to material federal income tax in either Canada or the United States. Nevertheless, the REIT's status as taxable on its worldwide income in both Canada and the United States could, in certain circumstances, have a material adverse effect on the REIT and the Unitholders. As a result of the REIT being resident in both Canada and the United States, withholding taxes of both Canada and the United States will be relevant to distributions by the REIT and could result in double taxation to certain investors and other consequences. Accordingly, potential investors should carefully review both the "Certain Canadian Federal Income Tax Considerations" and the "Certain U.S. Federal Income Tax Consequences" sections.

(ii) Mutual Fund Trust Status – The REIT intends to qualify at all relevant times as a "unit trust" and a "mutual fund trust" for purposes of the Tax Act. There can be no assurance that Canadian federal income tax laws and the administrative policies and practices of the CRA respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the Unitholders. Should the REIT cease to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading "Certain Canadian Federal Income Tax Considerations" could be materially and adversely different in certain respects.

(iii) Application of the SIFT Rules – The SIFT rules will apply to a trust that is a SIFT trust. 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. Management has advised counsel that the REIT has not and does not currently intend to own any non-portfolio property nor carry on a business in Canada.

(iv) If the SIFT Rules were to apply to the REIT, the impact to a Unitholder would depend on the status of the holder and, in part, on the amount of income distributed which would not be deductible by the REIT in computing its income in a particular year and what portions of the REIT's distributions constitute "non-portfolio earnings", other income and returns of capital. The likely effect of the SIFT Rules on the market for Units, and on the REIT's ability to finance future acquisitions through the issue of Units or other securities is uncertain. If the SIFT Rules were to apply to the REIT, they could adversely affect the marketability of the Units, the amount of cash available for distribution and the after-tax return to investors.

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

(vi) If (i) a Unitholder holds, or has held, actually or constructively, more than 10% of the outstanding Units, as determined for U.S federal income tax purposes, or (ii) the TSX Publicly Traded Exception or the U.S. Publicly Traded Exception are not satisfied, a Unitholder may be subject to additional U.S. tax on a disposition of the Units and on certain distributions by the REIT. The proceeds receivable on a disposition of a Unit may not qualify as U.S. source income for purposes of the Tax Act (including for Canadian foreign tax credit purposes), and beneficiaries of certain Unitholders that are trusts may not be considered to have paid such tax for purposes of the Tax Act and, accordingly, may not be entitled to a foreign tax credit in respect of such U.S. tax for Canadian tax purposes.

(vii) A Unitholder that is an Exempt Plan will generally not benefit from a foreign tax credit or deduction under the Tax Act in respect of any U.S. tax paid by the Exempt Plan (including any U.S. withholding tax imposed on distributions paid to the Exempt Plan). As a result, the after-tax return from an investment in Units to a Unitholder that is an Exempt Plan may be adversely affected to the extent that U.S. taxes are imposed in respect of such Unitholder's investment. Such Unitholders should carefully review the "Certain U.S. Federal Income Tax Considerations" section, and consult with their own tax advisors in regards to U.S. tax payable in respect of an investment in Units.

(viii) FAPI – FAPI earned directly or indirectly by US Holdco and any other controlled foreign affiliate of the REIT must be included in computing the income of the REIT for the fiscal year of the REIT in which the taxation year of US Holdco (or such other controlled foreign affiliate) ends, subject to a deduction for grossed-up FAT as computed in accordance with the Tax Act. It is not anticipated that the deduction for grossed-up FAT will materially offset FAPI realized by the REIT, and accordingly any FAPI realized generally will increase the allocation of income by the REIT to Unitholders. In addition, as FAPI generally must be computed in accordance with Part I of the Tax Act as though the controlled foreign affiliate were a resident of Canada (subject to the detailed rules contained in the Tax Act), income or transactions may be taxed differently under foreign tax rules as compared to the FAPI rules and, accordingly, may result in additional income being allocated to Unitholders. For example, certain transactions that do not give rise to taxable income under the Code may still give rise to FAPI for purposes of the Tax Act.

(ix) Non-Residents of Canada – The Tax Act may impose withholding or other taxes on distributions made by the REIT to Unitholders who are Non-Residents of Canada for the purposes of the Tax Act. These taxes and any reduction thereof under a tax treaty between Canada and another country may change from time to time. This Prospectus does not describe the tax consequences under the Tax Act to non-residents of Canada, which may be more adverse than the consequences to other Unitholders. Further, because the REIT is both resident in Canada for purposes of the Tax Act and treated as a domestic corporation in the United States under the Code, withholding taxes of both Canada and the United States will be relevant to Unitholders who are both non-residents of Canada and Non-U.S. Holders and could, in certain circumstances, result in both Canadian and U.S. withholding tax applying to certain distributions to certain investors and other consequences. Prospective purchasers who are non-residents of Canada should consult their own tax advisors.

(x) Foreign Currency – For purposes of the Tax Act, the REIT generally is required to compute its Canadian tax results, including any FAPI earned, using Canadian currency. Where an amount that is relevant in computing a taxpayer's Canadian tax results is expressed in a currency other than Canadian currency, such amount must be converted to Canadian currency using the appropriate exchange rate determined in accordance with the detailed rules in the Tax Act in that regard. As a result, the REIT may realize gains and losses for tax purposes and FAPI by virtue of the fluctuation of the value of foreign currencies relative to Canadian dollars.

(xi) Changes in Law – There can be no assurance that Canadian federal income tax laws, the judicial interpretation thereof, the terms of the Treaty, or the administrative practices and policies of the CRA and the Department of Finance (Canada) will not be changed in a manner that adversely affects the REIT or Unitholders. Any such change could increase the amount of tax payable by the REIT or its affiliates or could otherwise adversely affect Unitholders by reducing the amount available to pay distributions or changing the tax treatment applicable to Unitholders in respect of such distributions.

U.S. Tax Risks

(i) Qualification as a Real Estate Investment Trust – The REIT intends to operate in a manner that will allow it to qualify as a real estate investment trust for U.S. federal income tax purposes. Although the REIT does not intend to request a ruling from the IRS, as to its real estate investment trust qualification, it expects to receive an opinion of Mitchell, Williams, Selig, Gates & Woodyard, PLLC with respect to its qualification as a real estate investment trust in connection with the offering of its Units. Investors should be aware, however, that opinions of counsel are not binding on the IRS or any court. The opinion of Mitchell, Williams, Selig, Gates & Woodyard, PLLC will be based on Mitchell, Williams, Selig, Gates & Woodyard, PLLC's review and analysis of existing law and on certain representations as to factual matters made by the REIT, including representations relating to its assets and the sources of its income and its proposed method of operation. The opinion will be expressed as of the date issued and will not cover subsequent periods. Mitchell, Williams, Selig, Gates & Woodyard, PLLC will have no obligation to advise the REIT or the holders of its Units of any subsequent change in the matters stated, represented or assumed, or of any subsequent change in applicable law. Furthermore, both the validity of the opinion of Mitchell, Williams, Selig, Gates & Woodyard, PLLC, and the REIT's qualification as a real estate investment trust, will depend on the REIT's satisfaction of certain asset, income, organizational, distribution, Unitholder ownership and other requirements on a continuing basis, the results of which will not be monitored by Mitchell, Williams, Selig, Gates & Woodyard, PLLC. Accordingly, given the complex nature of the rules governing real estate investment trusts, the ongoing importance of factual determinations, including the potential tax treatment of investments the REIT makes, and the possibility of future changes in the REIT's circumstances, no assurance can be given that the REIT's actual results of operations for any particular taxable year will satisfy such requirements. Moreover, no assurance can be given that legislation, new regulations, administrative interpretations or court decisions will not change the tax laws with respect to qualification as a real estate investment trust or the U.S. federal income tax consequences of that qualification.

(ii) If the REIT fails to qualify as a real estate investment trust in any calendar year, it would be required to pay U.S. federal income tax (and any applicable state and local tax), including any applicable alternative minimum tax, on its taxable income at regular corporate rates, and dividends paid to the Unitholders would not be deductible by the REIT in computing its taxable income and would be taxable to the Unitholders under the rules generally applicable to corporate distributions. If the REIT were deemed to be a non-U.S. corporation for U.S. federal income tax purposes, the REIT would fail to qualify as a real estate investment trust, and the REIT would be subject to (i) U.S. federal income tax (and any applicable state and local tax), including any applicable alternative minimum tax, on its taxable income at regular corporate rates, (ii) dividends paid to the Unitholders would not be deductible by the REIT in computing its taxable income, and (iii) the REIT would be subject to the branch profits tax. A loss of real estate investment trust status would reduce the net earnings available for investment or distribution to Unitholders because of the additional tax liability which in turn could have an adverse impact on the value of the REIT's Units. Unless its failure to qualify as a real estate investment trust was subject to relief under U.S. federal tax laws, the REIT could not re-elect to qualify as a real estate investment trust until the fifth calendar year following the year in which it failed to qualify.

(iii) Annual Distribution Requirement – To qualify as a real estate investment trust for U.S. federal income tax purposes, the REIT generally must distribute annually to its Unitholders a minimum of 90% of its net taxable income, determined without regard to the dividends-paid deduction and excluding net capital gains. The REIT will be subject to regular corporate income taxes on any undistributed real estate investment trust taxable income each year. Additionally, it will be subject to a 4% non-deductible excise tax on any amount by which distributions paid by the REIT in any calendar year are less than the sum of 85% of its ordinary income, 95% of its capital gain net income and 100% of its undistributed income from previous years. Payments the REIT makes to its Unitholders under Unitholders' rights of redemption will not be taken into account for purposes of these distribution requirements. Compliance with the real estate investment trust distribution requirements may hinder the REIT's ability to grow, which could adversely affect the value of its Units. Furthermore, the REIT may find it difficult or impossible to meet distribution requirements in certain circumstances. The requirement to distribute most of its taxable income could cause the REIT to: (i) sell assets in adverse market conditions, (ii) borrow on unfavorable terms, (iii) distribute amounts that would otherwise be used to make future acquisitions or capital expenditures or (iv) make a taxable distribution of its Units as part of a distribution in which Unitholders may elect to receive Units or cash, in order to comply with real estate investment trust requirements. These alternatives could adversely affect the REIT's economic performance.

(iv) Impact of Real Estate Investment Trust Compliance on Performance – To qualify as a real estate investment trust for U.S. federal income tax purposes, the REIT must continually satisfy tests concerning, among other things, the sources of its income, the nature and diversification of its assets, the amounts that it distributes to the Unitholders and the ownership of the Units. The REIT may be required to make distributions to Unitholders at disadvantageous times or when it does not have funds readily available for distribution, and may be unable to pursue investments that would be otherwise advantageous to it in order to satisfy the source-of-income or asset-diversification requirements for qualifying as a real estate investment trust. Thus, compliance with the real estate investment trust requirements may hinder the REIT's ability to operate solely on the basis of maximizing profits.

(v) Additionally, the REIT must ensure that at the end of each calendar quarter, at least 75% of the value of its assets consists of cash, cash items, government securities and real estate assets (as defined in the Code), including certain mortgage loans and certain kinds of mortgage-backed securities. In addition to those items (i) 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" and (ii) debt instruments issued by publicly offered REITs. The remainder of the REIT's investment in securities (other than government securities and qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities or total value of any one issuer. In addition, in general, no more than 5% of the value of the REIT's assets (other than government securities and qualified real estate assets) can consist of the securities of any one issuer (other than a taxable REIT subsidiary), and no more than 20% of the value of its total assets can be represented by securities of one or more taxable REIT subsidiaries. Finally, not more than 25% of the value of a REIT's total assets may be represented by debt instruments issued by publicly offered REITs to the extent not secured by real property or interests in real property. If the REIT fails to comply with these requirements at the end of any calendar quarter, it must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing its real estate investment trust qualification and suffering adverse tax consequences.

(vi) Ownership Limitations – In order for the REIT to qualify as a real estate investment trust for each taxable year under the Code, no more than 50% in value of its outstanding Units may be owned, directly or indirectly, by five or fewer individuals during the last half of any calendar year. "Individuals" for this purpose include natural persons, private foundations, some employee benefit plans and trusts, and some charitable trusts. In order to assist the REIT in qualifying as a real estate investment trust, ownership of its Units by any person is generally limited to 9.8% in value or number of Units, whichever is more restrictive, of any class or series of Units. These ownership limitations could have the effect of discouraging a takeover or other transaction in which holders of the Units might receive a premium for their Units over the then-prevailing market price or which holders might believe to be otherwise in their best interests.

(vii) Other Taxes – Even if the REIT qualifies and maintains its status as a real estate investment trust, it may be subject to U.S. federal and state income taxes. The REIT may not be able to make sufficient distributions to avoid excise taxes applicable to real estate investment trusts. The REIT may also decide to retain income it earns from the sale or other disposition of its real estate assets and pay income tax directly on such income. In that event, the Unitholders would be treated as if they earned that income and paid the tax on it directly. The REIT may also be subject to state and local taxes on its income or property, either directly or at the level of the entities through which it indirectly owns its assets. Any U.S. federal or state taxes the REIT pays will reduce its cash available for distribution to the Unitholders.

(viii) In addition, to meet the real estate investment trust qualification requirements or to avert the imposition of the prohibited transactions tax discussed below, the REIT may hold some of its assets or conduct activities through subsidiary corporations (taxable REIT subsidiaries) that will be subject to corporate-level income tax at regular rates. If the REIT lends money to a taxable REIT subsidiary, the taxable REIT subsidiary may be unable to deduct all or a portion of the interest paid to the REIT, which could result in an even higher corporate level tax liability. Furthermore, the Code imposes a 100% tax on certain transactions between a taxable REIT subsidiary and its parent real estate investment trust that are not conducted on an arm's-length basis. The REIT will structure transactions with any taxable REIT subsidiary on terms that it believes are arm's length to avoid incurring the 100% excise tax described above, but there can be no assurances that it will be able to avoid application of the 100% tax.

(ix) Prohibited Transactions Tax – The REIT's ability to dispose of property during its first few years of operations is restricted to a substantial extent as a result of its real estate investment trust status. Under applicable provisions of the Code regarding prohibited transactions by real estate investment trusts, the REIT will be subject to a 100% tax on any gain realized on the sale or other disposition of any property (other than foreclosure property) that it owns, directly or through any subsidiary entity, including BSR Operating LLC, but excluding any taxable REIT subsidiary, that is deemed to be inventory or property held primarily for sale to customers in the ordinary course of trade or business. The REIT intends to avoid the 100% prohibited transaction tax by (i) conducting activities that may otherwise be considered prohibited transactions through a taxable REIT subsidiary, (ii) conducting operations in such a manner so that no sale or other disposition of an asset will be treated as a prohibited transaction or (iii) structuring certain dispositions of its properties to comply with certain safe harbors available under the Code for properties held at least two years. However, no assurance can be given that any particular property will not be treated as inventory or property held primarily for sale to customers in the ordinary course of a trade or business.

(x) Changes in Law – 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, which could affect the U.S. federal income tax treatment of an investment in the REIT. The U.S. federal income tax rules relating to real estate investment trusts constantly are under review by persons involved in the legislative process, the IRS and the U.S. Treasury Department, which results in frequent statutory changes and revisions to regulations and interpretations. Revisions in U.S. federal tax laws and interpretations thereof could adversely affect the REIT or cause it to change its investments and commitments and affect the tax considerations of an investment in it.

(xi) FIRPTA – A non-U.S. person disposing of a U.S. real property interest, including shares of a U.S. corporation whose assets consist principally of U.S. real property interests, is generally subject to a tax under FIRPTA on the gain recognized on the disposition and required to file a U.S. federal income tax return reporting this disposition. FIRPTA does not apply, however, to the disposition of stock in a real estate investment trust if the shares are considered "regularly traded on an established securities market" and the non-U.S. person does not hold, actually or constructively, more than 10% of the outstanding shares of the REIT at any time during the five-year period ending on the date of disposition or such shorter period that the shares were held. For purposes of this exception, the TSX is considered an "established securities market" and, as 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 if the TSX Publicly Traded Exception is met. However, there can be no assurance that these requirements will be satisfied.

(xii) In addition, the Units would be considered "regularly traded" on an established securities market for a calendar quarter if the established securities market is located in the United States and the Units are regularly quoted by more than one broker or dealer making a market in the Units through an interdealer quotation system in the United States. The REIT intends for its Units to be traded through an interdealer quotation system in the United States in a manner that would be considered "regularly traded on an established securities market" for purposes of this exception. 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 Link ATS 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.

However, if neither of these exceptions is satisfied, the sale of Units by a non-U.S. person would generally be subject to U.S. federal income tax at normal graduated rates with respect to gain recognized and the REIT would be required to withhold at a rate of 15% on distributions in excess of the REIT's current and accumulated earnings and profits. 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 to remit such tax to the IRS. Furthermore, under FIRPTA, the REIT would be required to withhold 21% (or less to the extent providing in applicable Treasury regulations) of any distribution to a non-U.S. person that is designated as a capital gain dividend, or, if greater, 21% of a distribution that could be designated by the REIT as a capital gain dividend. Even if the Units were deemed to be regularly traded on an established securities market, under FIRPTA, if any non-U.S. person holds, actually or constructively, more than 10% of the outstanding Units at any time during the one-year period ending on the date of a distribution, the REIT would generally be required to withhold 21% (or less to the extent provided in applicable Treasury regulations) of such distribution to such Unitholder that is designated as a capital gain dividend, or, if grater, 21% of such distribution that could be designated by the REIT as a capital gain dividend. Any such withheld amount is creditable against such Unitholder's FIRPTA tax liability.

(xiii) 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. persons holding Units are required to provide the REIT with such information as the REIT may request. Furthermore, any non-U.S. person that would be treated as having acquired sufficient Units to be treated as owning more than 10% 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 10% of the Units. For the purpose of determining whether a non-U.S. person has acquired more than 10% 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. If any non-U.S. person that otherwise would be treated as having acquired sufficient Units to be treated as owning more than 10% of the Units fails to comply with the notice provisions described above, the excess Units (i.e., the excess of the number of Units they are treated as owning over an amount equal to 10% of the outstanding Units) will be sold, with such non-U.S. persons 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. person 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. person and are not repaid, the REIT is permitted to withhold from subsequent payments to the non-U.S. person up to the amount of such forfeited distributions. Non-U.S. persons holding Units are strongly advised to monitor their actual and constructive ownership of Units. See "Declaration of Trust – Restrictions on Ownership and Transfer – FIRPTA" for a more detailed discussion of these rules. Notwithstanding that a non-U.S. person 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.

(xiv) On December 22, 2017, President Trump signed into law P.L. 115-97, informally titled the *Tax Cuts and Jobs Act*. The *Tax Cuts and Jobs Act* makes major changes to the Code, including a number of provisions of the Code that affect the taxation of REITs and their stockholders. The individual and collective impact of these provisions and other provisions of the *Tax Cuts and Jobs Act* on REITs and their stockholders is uncertain, and may not become evident for some period of time. Prospective investors should consult their tax advisors regarding the implications of the *Tax Cuts and Jobs Act* on their prospective investment in the Units.

MATERIAL CONTRACTS

This prospectus includes a summary description of the REIT's material agreements. The summary descriptions disclose all attributes material to an investor but are not complete and are qualified by reference to the terms of the material agreements. The following are the only material agreements of the REIT or its Subsidiaries that will be in effect on Closing, other than contracts entered into in the ordinary course of business:

(i) Declaration of Trust;

(ii) Investor Rights Agreement;

(iii) Credit Facility;

(iv) Underwriting Agreement;

(v) Operating Agreement; and

(vi) Bailey/Hughes Unitholders Agreement.

Copies of the foregoing documents and the Appraisal will be available on the SEDAR website at www.sedar.com. Investors are encouraged to read the full text of such material agreements.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed in this prospectus and in the notes to the unaudited pro forma consolidated financial statements of the REIT and audited financial statements of the REIT, there are no material interests, direct or indirect, of the Trustees or officers of the REIT, any Unitholder that beneficially owns more than 10% of the Units of the REIT or any associate or affiliate of any of the foregoing persons in any transaction within the last three years or any proposed transaction that has materially affected or would materially affect the REIT or any of its Subsidiaries.

PROMOTER

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

PRINCIPAL UNITHOLDERS

Following Closing, the Bailey/Hughes Holders will own, in the aggregate, as of record and/or beneficially, [●] Class B Units and [●] Units, together representing an aggregate approximate [●]% ownership interest in the REIT, and an aggregate approximate [●]% ownership interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units). See "Retained Interest".

The following table sets out the Unitholders who, immediately following the Closing, will, to the REIT's knowledge, beneficially own, control or direct, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to any class of the REIT's voting securities.

	Immediately Following the Closing		
Name of Unitholder	**Number of Units Owned[1]**	**Number of Class B Units Owned**	**Percentage of Outstanding Units (determined as if all Class B Units are redeemed for Units)[2]**
John S. Bailey[3][4]	[●]	[●]	[●]%
Patti Bailey[5]	[●]	[●]	[●]%
W. Daniel Hughes, Jr.[4][6]	—	[●]	[●]%

Notes:

(1) The number of Units beneficially owned includes any Units over which the person has sole or shared voting power or investment power. No person has any right to acquire additional Units through the exercise of any stock option or other right. Unless otherwise indicated, each person has sole investment and voting power (or shares such power with his or her spouse) over the Units set forth in the table.

(2) The percentages shown are based on [●] Units outstanding as of [●] (determined as if all Class B Units are redeemed for Units).

(3) Includes (a) [●] Units owned by Bailey Properties LLC Performance Plan Trust for which John S. Bailey is trustee; (b) [●] Class B Units and [●] Units owned by J&P Unit Holding, LLC, an entity indirectly owned by The Bailey Family Revocable Living Trust for which John S. Bailey serves as co-trustee; (c) [●] Class B Units owned by The 2003 Bailey Family Annual Gift Trust for which John S. Bailey serves as co-trustee; (d) [●] Class B Units owned by Bailey GST Exempt Children's Trust for which John S. Bailey serves as trustee; (e) [●] Class B Units for the H.A. Ted Bailey, M.D. Irrevocable Trust (2003) for which John S. Bailey serves as co-trustee; (f) [●] Class B Units owned by the Ted Bailey Family Annual Gift Trust for which John S. Bailey serves as co-trustee; (g) [●] Class B Units owned by The Virginia and Dr. Ted Bailey Grandchildren's Trust for which John S. Bailey serves as trustee; (h) [●] Class B Units of Unity Timberlands, LLC for which John S. Bailey serves as manager; and (i) [●] Class B Units of Boomerang Holding, LLC for which John S. Bailey serves as a co-manager.

(4) Because John S. Bailey and W. Daniel Hughes, Jr. may be removed as a "designee" at any time by the Bailey/Hughes Holders under the Bailey/Hughes Unitholders Agreement and therefore would not have the right to assert any rights under the Investor Rights Agreement, no units are beneficially owned by either John S. Bailey or W. Daniel Hughes, Jr. as a consequence of those agreements. See "Retained Interest – Bailey/Hughes Unitholders Agreement".

(5) Includes (a) [●] Class B Units and [●] Units owned by J&P Unit Holding, LLC, an entity indirectly owned by The Bailey Family Revocable Living Trust for which Patti Bailey serves as co-trustee; and (b) [●] Class B Units owned by The 2003 Bailey Family Annual Gift Trust for which Patti Bailey serves as co-trustee.

(6) Includes (a) [●] Class B Units owned by Summit America, LLC, for which W. Daniel Hughes, Jr. serves as the manager; (b) [●] Class B Units owned by SA-BSR, LLC, for which W. Daniel Hughes, Jr. serves as the manager; (c) [●] Class B Units owned by The Alabama and Texas Land Company, LLC, for which W. Daniel Hughes, Jr. serves as the manager; and (d) [●] Class B Units owned by WDH Holdings, L.L.C. for which W. Daniel Hughes, Jr. serves as the manager.

The Bailey/Hughes Holders will be party to the Investor Rights Agreement which, among other things, will give the Bailey/Hughes Holders certain nomination rights, Piggy-Back Registration Rights, Demand Registration Rights, Consent Rights and tag-along rights. See "Retained Interest – Investor Rights Agreement". The Bailey/Hughes Holders will also be party to the Bailey/Hughes Unitholders Agreement which, among other things, will set out how the Bailey/Hughes Holders may collectively assert their rights under the Investor Rights Agreement. See "Retained Interest – Bailey/Hughes Unitholders Agreement". To the knowledge of the REIT, [●] Class B Units and [●] Units will be held by the Bailey/Hughes Holders and will be subject to the Investor Rights Agreement and the Bailey/Hughes Unitholders Agreement as of Closing.

PRIOR SALES

On January 9, 2018 the REIT was formed and one Unit was issued for $10.00 in cash. This Unit will be repurchased by the REIT on Closing.

Concurrently with the Offering, the REIT will issue [●] Units at the Offering Price upon the conversion of approximately $30 million of existing debt owing by BSR to an affiliate of John S. Bailey. See "The Merger – Principal Transaction Steps – Debt Conversion, Merger and Indirect Acquisition of the Initial Properties".

LEGAL PROCEEDINGS

None of the REIT or its Subsidiaries are involved in any outstanding, threatened or pending litigation that would have a material adverse effect on the REIT.

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 Units, 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, PLLC and on behalf of the Underwriters by Greenberg Traurig LLP.

Certain information relating to the Appraisal has been based upon a report by Newmark Knight Frank – Valuation & Advisory.

As of the date of this prospectus, the partners and associates of Goodmans LLP, Blake, Cassels & Graydon LLP, Greenberg Traurig LLP, Mitchell, Williams, Selig, Gates & Woodyard, PLLC and the designated professionals of the Appraiser, beneficially owned, directly or indirectly, less than 1% of the outstanding securities of the REIT.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The REIT's auditor is KPMG LLP, Chartered Accountants, located 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. The transfer agent and registrar for the Units is TMX Trust Company at its principal office located in Toronto, Ontario.

EXEMPTIONS FROM CERTAIN PROVISIONS OF NATIONAL INSTRUMENT 41-101

Pursuant to a pre-filing application made under Part 8 of National Policy 11-202 – *Process of Prospectus Reviews in Multiple Jurisdictions,* BSR filed for, and has obtained, an exemption as contemplated by Part 19 of National

Instrument 41-101 – *General Prospectus Requirements*, from the requirements in Item 32.2(1) of Form 41-101F1 in respect of six Initial Properties (the "**Exempt Properties**"), so that the REIT does not need to include financial statements for the Exempt Properties for certain periods prior to their date of acquisition by BSR, as more specifically set out in the table below. Five of the Exempt Properties were acquired by BSR within the last three years and Brandon Place is expected to be acquired by the REIT in June 2018.

Exempt Property	Period For Which Financial Statements Are Not Included in This Prospectus
The Pointe, Beaumont, TX	January 1, 2015 – July 8, 2015
Willow Lake, Longview, TX	January 1, 2015 – November 9, 2015
Westend Lodge, Beaumont, TX	January 1, 2015 – May 3, 2016
Mountain Ranch, Fayetteville, ARK	January 1, 2015 – February 27, 2017
Windhaven Park, Dallas, TX	September 30, 2017 – October 10, 2017
Brandon Place, Oklahoma City, OK	January 1, 2015 – December 31, 2017

The exemption requested will be evidenced by the issuance of a receipt for this prospectus.

In its pre-filing application, BSR made the following submissions:

- Prior to acquisition by BSR, the Exempt Properties were owned and managed by six different arm's length vendors. BSR does not possess, does not have access to and is not entitled to obtain access to, sufficient financial information for the Exempt Properties for any period prior to acquisition by BSR.
- Audited historical financial statements of the Exempt Properties were not relevant to BSR's decision to acquire the Exempt Properties. Given that such audited financial statements were not considered relevant to the investment decision made to acquire the Exempt Properties, BSR does not believe that such financial statements are material to the investment decision to be made by a potential investor in the Offering, particularly when considered in light of the other financial information the REIT is providing in this prospectus.
- Based on the foregoing, BSR does not believe that the financial statements for the Exempt Properties for the time periods prior to ownership by BSR are necessary or required for this prospectus to contain full, true and plain disclosure of all material facts with respect to the securities being offered.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the 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 of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province 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 adviser.

GLOSSARY OF TERMS

"**Acquired Issuer**" means any proposed investment or acquisition which would result in the beneficial ownership of more than 10% of the outstanding securities of an issuer, as more particularly described under "Investment Guidelines and Operating Policies".

"**ADA**" means the *Americans with Disabilities Act of 1990*, as amended from time to time.

"**Advance Notice Provision**" means the advance notice provisions contained in the Declaration of Trust, as more particularly described under "Declaration of Trust – Advance Notice Provision".

"**affiliate**" has the meaning ascribed to it in Section 1.3 of National Instrument 45-106 – *Prospectus and Registration Exemptions*.

"**AFFO**" means adjusted funds from operations, as more particularly described under "Non-IFRS Measures".

"**AFFO Payout Ratio**" has the meaning ascribed to it under "Non-IFRS Measures".

"**allowable capital loss**" means one-half of any capital loss realized on the disposition of a Unit, as more particularly described under "Certain Canadian Federal Income Tax Considerations – Taxation of Holders – Capital Gains and Losses".

"**Annual Cash Distribution Yield**" has the meaning ascribed to it under "Non-IFRS Measures".

"**Appraisal**" means the independent opinion as to the aggregate market value of the Initial Properties on a portfolio basis, as of January 1, 2018, prepared by the Appraiser.

"**Appraiser**" means Newmark Knight Frank – Valuation & Advisory.

"**Audit Committee**" means the audit committee of the Board, as more particularly described under "Trustees and Executive Officers of the REIT".

"**Bailey Holders**" means certain of the Legacy BSR Holders who are members or affiliates of the Bailey family.

"**Bailey/Hughes Holders**" means collectively, the Bailey Holders and the Hughes Holders.

"**Bailey/Hughes Unitholders Agreement**" means the unitholders agreement among the Bailey/Hughes Holders, as more particularly described under "Retained Interest – Bailey/Hughes Unitholders Agreement".

"**Board**" means the board of Trustees of the REIT.

"**Brandon Place**" means the Initial Property subject to a binding purchase and sale agreement expected to be acquired by the REIT from a third party vendor in June 2018.

"**Brandon Place AFFO**" means the approximate $37,948 per month of AFFO that Brandon Place is estimated to contribute to the REIT for the Forecasted Period, as more particularly described under "Retained Interest – Brandon Place AFFO Support".

"**BSR**" means BSR Trust, LLC.

"**BSR II**" means the limited liability company formed by BSR to acquire the Excluded Assets and the shares of POM from BSR, as more particularly described under "The Merger – Principal Transaction Steps – Pre-Closing Events".

"**BSR Initial Properties**" means the 47 Initial Properties indirectly owned by BSR as of December 31, 2017, as more particularly described under "Management's Discussion and Analysis of Financial Condition and Results of Operations – Presentation".

"**BSR Operating LLC**" means the surviving entity of the Merger, as more particularly described under "The Merger" and "BSR Operating LLC".

"**capital gains refund**" means the REIT's entitlement to reduce (or receive a refund in respect of) its liability for tax on its net realized taxable capital gains for a taxation year by an amount determined under the Tax Act based on the redemption of Units of the REIT during the year, as more particularly described under "Certain Canadian Federal Income Tax Considerations – Taxation of the REIT".

"**CBCA**" means the *Canada Business Corporations Act*, as amended from time to time.

"**CDS**" means CDS Clearing and Depository Services Inc.

"**Chair**" means the chair of the Board, as more particularly described under "Trustees and Executive Officers of the REIT – Governance and Board of Trustees".

"**Class A type properties**" means properties that exhibit above average design, construction and finish, have minimal or no deferred maintenance, superior locations, and achieve the highest rents in their respective submarkets. Class A properties generally tend to have been constructed within the last ten years or have had substantial renovation within the last ten years.

"**Class B type properties**" means properties that exhibit good to above average condition, are located in above average markets, are generally well maintained, and command average rents in their respective submarkets. Class B properties generally tend to have been constructed within the last 20 years.

"**Class C type properties**" means properties that exhibit average condition, some deferred maintenance, have less desirable locations, and command below average rents in their respective submarkets. Class C properties generally tend to have been built within the last 30 years.

"**Class A Units"** means the Class A units of BSR Operating LLC, as more particularly described under "BSR Operating LLC – BSR Operating LLC Units".

"**Class B Units**" means the Class B units of BSR Operating LLC, as more particularly described under "BSR Operating LLC – BSR Operating LLC Units".

"**Closing**" means the closing of the Offering and the completion of the transactions described under "The Merger".

"**Closing Date**" means the closing date of the Offering, which is expected to occur on or about [●], 2018 or such other date as the REIT and the Underwriters may agree, but in any event no later than [●], 2018.

"**Code**" means the *United States Internal Revenue Code of 1986*, as amended.

"**Code of Conduct**" means the written code of conduct adopted by the REIT, as more particularly described under "Trustees and Executive Officers of the REIT – Ethical Business Conduct".

"**Compensation, Governance and Nominating Committee**" means the corporate governance and nominating committee of the Board, as more particularly described under "Trustees and Executive Officers of the REIT".

"**Consent Rights**" means the consent rights granted to the Bailey/Hughes Holders under the Investor Rights Agreement with respect to certain transactions involving the REIT and BSR Operating LLC, as more particularly described under "Retained Interest – Investor Rights Agreement – Consent Rights".

"**CRA**" means the Canada Revenue Agency.

"**CRECs**" means controlled recognized environmental conditions.

"**Credit Facility**" means the credit facility of BSR provided by a U.S. chartered bank affiliated with BMO Nesbitt Burns Inc. in the maximum principal amount of $71.5 million, as more particularly described under "Debt Strategy and Indebtedness – Revolving Credit Facility".

"**DPSP**" means a deferred profit sharing plan, as defined in the Tax Act.

"**Debt**" means the total principal amounts outstanding by the REIT under mortgages payable and credit facilities.

"**Debt to Gross Book Value Ratio**" has the meaning ascribed to it under "Non-IFRS Measures".

"**Declaration of Trust**" means the amended and restated declaration of trust of the REIT dated as of the Closing Date, as it may be further amended or amended and restated from time to time, as more particularly described under "Declaration of Trust".

"**Deferred Units**" means the deferred units granted under the Equity Incentive Plan, as more particularly described under "Executive Compensation – Equity Incentive Plan".

"**Demand Distribution**" means the distribution of Units held by the Bailey/Hughes Holders pursuant to the Demand Registration Right, as more particularly described under "Retained Interest – Investor Rights Agreement".

"**Demand Registration Right**" means the right granted to the Bailey/Hughes Holders pursuant to the Investor Rights Agreement to require the REIT to use reasonable commercial efforts to file a prospectus qualifying the Units held (or issuable upon the redemption of Class B Units) by the Bailey/Hughes Holders for distribution, as more particularly described under "Retained Interest – Investor Rights Agreement".

"**Distribution Date**" means the date on which the Trustees have determined that a distribution will be made by the REIT to Unitholders.

"**Diversity Policy**" means the diversity policy of the REIT, as more particularly described under "Trustees and Executive Officers of the REIT – Diversity".

"**Economic Occupancy**" means total possible revenue less vacancy loss and bad debt expense net of recoveries as a percentage of total possible revenue.

"**Equity Incentive Plan**" means the omnibus equity incentive plan of the REIT, as more particularly described under "Executive Compensation – Equity Incentive Plan".

"**Excluded Assets**" means BSR's approximate 46% interest in LEDIC to be excluded from the Offering, as more particularly described under "The Merger – Principal Transaction Steps".

"**Exempt Plans**" means collectively, an RRSP, an RESP, an RRIF, an RDSP, a DPSP and a TFSA, as more particularly described under "Eligibility for Investment".

"**Exempt Properties**" means the four recently acquired Initial Properties, as more particularly described under "Exemptions from Certain Provisions of National Instrument 41-101".

"**FAPI**" means "foreign accrual property income", as defined in the Tax Act.

"**FAT**" means foreign accrual tax.

"**FFO**" means funds from operations, as more particularly described under "Non-IFRS Measures".

"**FHAA**" means the *Fair Housing Amendments Act* of 1988, as amended from time to time.

"**FIRPTA**" means the *Foreign Investment in Real Property Tax Act* of 1980, as amended from time to time.

"**Forecasted Period**" means the 12 month period from April 1, 2018 to March 31, 2019.

"**GDP**" means gross domestic product.

"**Gross Book Value**" means, at any time, the greater of (i) the book value of the assets of the REIT and its consolidated Subsidiaries, as shown on its then most recent consolidated balance sheet prepared in accordance with IFRS, less the amount of any receivable reflecting interest rate subsidies on any debt assumed by the REIT; and (ii) the historical cost of the investment properties, plus (a) the carrying value of cash and cash equivalents, (b) the carrying value of mortgages receivable; and (c) the historical cost of other assets and investments used in operations.

"**Holder**" means a purchaser who acquires, as beneficial owner, Units pursuant to this prospectus and 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 and is not affiliated with the REIT and holds the Units as capital property, as more particularly described under "Certain Canadian Federal Income Tax Considerations".

"**HRECs**" means historical recognized environmental conditions.

"**HUD**" means the U.S. Department of Housing and Urban Development.

"**Hughes Holders**" means certain of the Legacy BSR Holders who are members or affiliates of the Hughes family.

"**Hunt**" means Hunt Realty Investments, Inc.

"**IASB**" means the International Accounting Standards Board.

"**IFRS**" means International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the Canadian Institute of Chartered Accountants in Part I of The Canadian Institute of Chartered Accountants Handbook – Accounting, as amended from time to time.

"**indebtedness**" means on a consolidated basis: (a) any obligation of the REIT for borrowed money other than the impact of any net discount or premium on indebtedness at the time assumed from vendors of properties at rates of interest less or greater than, respectively; (b) any obligation of the REIT incurred in connection with the acquisition of property, assets or business other than the amount of future income tax liability arising out of indirect acquisitions; (c) any obligation of the REIT issued or assumed as the deferred purchase price of property; (d) any obligation of the type referred to in clauses (a) through (c) of another person, the payment of which the REIT has guaranteed or for which the REIT is responsible for or liable, provided that (i) an obligation will constitute indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of the REIT in accordance with IFRS; (ii) obligations referred to in clauses (a) through (c) exclude trade accounts payable, distributions payable to Unitholders and accrued liabilities arising in the ordinary course of business; (iii) exchangeable or redeemable units issued by Subsidiaries of the REIT (including for greater certainty, Class B Units) will not constitute indebtedness notwithstanding the classification of such securities as debt under IFRS; and (iv) convertible debentures will constitute indebtedness to the extent of the principal amount thereof outstanding.

"**Independent Trustee**" means a Trustee who is "independent" pursuant to NI 58-101.

"**Initial Properties**" means, collectively, the portfolio of 48 multifamily garden-style residential properties to be indirectly acquired by the REIT in connection with the Offering, as more particularly described under "The Initial Properties", and "**Initial Property**" means any one of them.

"**Investment Committee**" means the investment committee of the Board, as more particularly described under "Trustees and Executive Officers of the REIT".

"**Investor Rights Agreement"** means the investor rights agreement between the REIT, BSR Operating LLC and the Bailey/Hughes Holders, as more particularly described under "Retained Interest – Investor Rights Agreement".

"**IPO**" means the initial public offering of the REIT pursuant to this prospectus.

"**IRS**" means the United States Internal Revenue Service.

"**Ledbetter**" means, collectively, Scott P. Ledbetter and S. Pierce Ledbetter, Jr.

"**LEDIC**" means LEDIC Realty Company, LLC.

"**Legacy BSR Holders**" means the approximate 400 members who currently hold the ownership and profit interests in BSR.

"**LIBOR**" means the London Interbank Offered Rate.

"**Low-Income Housing Tax Credit**" means certain U.S. low-income housing tax credits, which financed assets previously directly owned by BSR, as more particularly described under "Risk Factors – Prior Ownership of Affordable Assets".

"**management**" means the persons acting in the capacities of the REIT's Chief Executive Officer, Chief Financial Officer, President and Chief Operating Officer, Chief Investment Officer and Chief Administrative Officer.

"**MD&A**" means the Management's Discussion and Analysis of Financial Condition and Results of Operations in this prospectus.

"**Merger**" means the merger of MergerSub with and into BSR, with the BSR Operating LLC surviving, as more particularly described under "The Merger".

"**MergerSub**" means BSR Merger Sub, LLC, the limited liability company formed by US Holdco under the laws of Delaware, as more particularly described under "The Merger – Principal Transaction Steps – Merger and Indirect Acquisition of the Initial Properties".

"**MSA**" means a metropolitan statistical area.

"**named executive officers**" means the REIT's named executive officers for the purposes of National Instrument 51-102 – *Continuous Disclosure Obligations*, as more particularly described under "Executive Compensation".

"**NCI**" means the non-certificated inventory system of CDS.

"**NI 52-109**" means National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*.

"**NI 52-110**" means National Instrument 52-110 – *Audit Committees*.

"**NI 58-101**" means National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

"**NOI**" means net operating income, as more particularly described under "Non-IFRS Measures".

"**NOI Margin**" has the meaning ascribed to it under "Non-IFRS Measures".

"**Nominating Unitholder**" any Unitholder who nominates a Trustee for election in accordance with the Advance Notice Provisions, as more particularly described under "Declaration of Trust – Advance Notice Provision".

"**Non-Resident**" means either a "non-resident" of Canada within the meaning of the Tax Act or a partnership that is not a "Canadian partnership" within the meaning of the Tax Act.

"**Non-U.S. Holder**" means a beneficial owner of a Unit 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), as more particularly described under "Certain U.S. Federal Income Tax Considerations – Taxation of Non-US Holders".

"**OBCA**" means the *Business Corporations Act* (Ontario), as amended from time to time.

"**Offering**" means the distribution of Units qualified under this prospectus.

"**Offering Price**" means the price per Unit sold pursuant to this Offering.

"**Operating Agreement**" means the amended and restated operating agreement of BSR Operating LLC dated as of the Closing.

"**Options**" means any options granted under the Equity Incentive Plan, as more particularly described under "Executive Compensation – Equity Incentive Plan".

"**Over-Allotment Option**" means the option granted by the REIT to the Underwriters pursuant to the Underwriting Agreement exercisable for a period of 30 days from the Closing Date to purchase up to an aggregate of [●] additional Units at the Offering Price solely to cover any over-allotments, if any, and for market stabilization purposes.

"**PCA Reports**" means, collectively, building condition assessment reports in respect of the Initial Properties, as more particularly described under "Assessment and Valuation of the Initial Properties – Property Condition Assessments".

"**Performance Units**" means the performance units granted under the Equity Incentive Plan, as more particularly described under "Executive Compensation – Equity Incentive Plan".

"**Phase I ESA Report**" means a Phase I environmental site assessment report or a phase I environmental site assessment update report, as more particularly described under "Assessment and Valuation of the Initial Properties – Environmental Site Assessments".

"**Physical Occupancy**" means the number of occupied apartment units divided by the total number of apartment units as at the indicated period.

"**Piggy-Back Distribution**" means any future offering undertaken by the REIT by way of prospectus whereby Bailey/Hughes Holders have exercised their Piggy-Back Registration Right, as more particularly described under "Retained Interest – Investor Rights Agreement".

"**Piggy-Back Registration Right**" means the right granted to the Bailey/Hughes Holders pursuant to the Investor Rights Agreement to require the REIT to include Units held by Bailey/Hughes Holders in any future offering undertaken by the REIT, as more particularly described under "Retained Interest – Investor Rights Agreement".

"**Pink Sheets**" means an over-the-counter market having an interdealer quotation system, as more particularly described under "Certain U.S. Federal Income Tax Considerations – Taxation of Non-U.S. Holders – Dispositions of Units".

"**POM**" means Peace of Mind Insurance Company, Inc., the REIT's wholly owned captive insurance company.

"**Proposed Amendments**" means all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) before the date of this prospectus.

"**QRS**" means a qualified real estate investment trust subsidiary.

"**RA**" means the *Rehabilitation Act of 1973*, as amended from time to time.

"**RDSP**" means a registered disability savings plan, as defined in the Tax Act.

"**REALPAC**" means the Real Estate Property Association of Canada.

"**RECs**" means recognized environmental conditions.

"**Redemption Date**" means the date on which any Unit is surrendered for redemption.

"**Redemption Notes**" means unsecured subordinated promissory notes of the REIT or a Subsidiary of the REIT having a maturity date and interest rate to be determined at the time of issuance by the Trustees, such promissory notes to provide that the REIT or such Subsidiary, as the case may be, shall at any time be allowed to prepay all or any part of the outstanding principal without notice or bonus.

"**Redemption Price**" means the price per Unit entitled to be received by a Unitholder upon the redemption of Units held by such Unitholder, as more particularly described under "Declaration of Trust – Redemption Right"

"**REIT**" means BSR Real Estate Investment Trust, an unincorporated, open-ended real estate investment trust established pursuant to the Declaration of Trust under the laws of the Province of Ontario.

"**REIT Securities**" means the Units or financial instruments or securities convertible into or exercisable, exchangeable or redeemable for Units.

"**RESP**" means a registered education savings plan, as defined in the Tax Act.

"**Restricted Units**" means the restricted units granted under the Equity Incentive Plan, as more particularly described under "Executive Compensation – Equity Incentive Plan".

"**Retained Interest**" means the ownership interest in the REIT held by the Legacy BSR Holders, as more particularly described under "Retained Interest".

"**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**" means Rule 144A under the U.S. Securities Act.

"**Same Community**" has the meaning ascribed to it under "Non-IFRS Measures".

"**Securities Act**" means the *Securities Act* (Ontario), as amended from time to time.

"**SEDAR**" means the System for Electronic Data Analysis and Retrieval.

"**SIFT Rules**" means the rules applicable to SIFT trusts and SIFT partnerships in the Tax Act.

"**Subsidiary**" has the meaning ascribed to it in the Securities Act and includes a partnership or other entity.

"**Sunbelt region**" means the region that stretches across the South Atlantic and Southwest portions of the United States, including Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and Washington, D.C., as more particularly described under "Market Opportunity – Sunbelt Region Focus".

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations thereunder, in each case as amended from time to time.

"**TFSA**" means a tax-free savings account, as defined in the Tax Act.

"**TIC**" means tenant in common.

"**Treaty**" means the Convention between the United States of America and Canada with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended.

"**TRS**" means a taxable real estate investment trust subsidiary.

"**Trustees**" means, collectively, the trustees of the REIT, and "**Trustee**" means any one of them.

"**TSX**" means the Toronto Stock Exchange.

"**TSX Publicly Traded Exception**" means the exception for treatment of the Units as "regularly traded" on the TSX, as more particularly described under "Certain U.S. Federal Income Tax Considerations – Disposition of Units".

"**TUR**" means total unitholder return.

"**UMIR**" means the Universal Market Integrity Rules for Canadian Marketplaces.

"**Underwriters**" means, collectively, BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc., National Bank Financial Inc., Raymond James Ltd., Canaccord Genuity Corp., Desjardins Securities Inc., Industrial Alliance Securities Inc. and Echelon Wealth Partners Inc.

"**Underwriting Agreement**" means the underwriting agreement dated as of [●], 2018 between the REIT, BSR and the Underwriters, as more particularly described under "Plan of Distribution".

"**Unitholders**" means the holders of Units from time to time.

"**Units**" means units of the REIT.

"**UPREIT**" means an umbrella partnership real estate investment trust.

"**US Holdco**" means BSR REIT Holdings, Inc., a corporation incorporated under the laws of the State of Delaware, as more particularly described under "US Holdco".

"**U.S. Holder**" means a beneficial owner of a Unit that, for the purposes of U.S. federal income tax, meets the definition set out under "Certain U.S. Federal Income Tax Considerations – Taxation of Non-U.S. Holders".

"**U.S. Securities Act**" means the *United States Securities Act* of 1933, as amended.

"**U.S. Publicly Traded Exception**" means the exception for treatment of the Units as "regularly traded" on an established securities market in the United States, as more particularly described under "Certain U.S. Federal Income Tax Considerations – Disposition of Units".

"**USRPHC**" means a U.S. Real Property Holding Corporation.

"**USRPIs**" means U.S. real property interests.

"**Windhaven Park**" means the Initial Property acquired by BSR on October 17, 2017 and excluded from the BSR Initial Properties for the period prior to such date, as more particularly described under "Management's Discussion and Analysis of Financial Condition and Results of Operations – Presentation".

INDEX TO FINANCIAL STATEMENTS

Pro Forma Condensed Consolidated Financial Statements
(In U.S. dollars)

BSR REAL ESTATE INVESTMENT TRUST

As at and for the year ended December 31, 2017

(Unaudited)

BSR REAL ESTATE INVESTMENT TRUST

Pro Forma Condensed Consolidated Statement of Financial Position (In thousands of U.S. dollars unless otherwise noted)

December 31, 2017
(Unaudited)

	BSR REIT	BSR Initial Properties	Note 3	Pro forma adjustments	Total
Assets					
Current:					
Cash and cash equivalents	$—	$ 8,808	(a)	$ 1,117	$
			(a)	3,105	
			(a)	(980)	
			(a)	(344)	
			(a)	(3,000)	
			(b)	122,250	
			(c)	(3,764)	
			(f)	(37,250)	
			(g)	(85,000)	4,942
Restricted cash	—	12,928	(a)	(1,098)	11,830
Tenant and other receivables	—	1,636		—	1,636
Prepaid expenses and other assets	—	1,192	(a)	3,000	
			(b)	(3,000)	1,192
	—	24,564		(4,964)	19,600
Non-current:					
Investment Property	—	818,007	(a)	6,071	
			(c)	23,412	
			(c)	(6,733)	840,757
Prepayment embedded derivatives	—	6,850	(c)	926	
			(c)	(1,227)	6,549
Restricted cash	—	113		—	113
Total assets	$—	$849,534		$ 17,485	$867,019
Liabilities and Unitholders' Equity					
Current:					
Accounts payable and other liabilities	$—	$ 15,300		$ —	$ 15,300
Interest rate swaps	—	263		—	263
Loans and borrowings	—	4,629	(a)	(980)	3,649
	—	20,192		(980)	19,212
Non-current:					
Loans and borrowings	—	488,358	(a)	5,911	
			(a)	3,266	
			(a)	4,400	
			(c)	20,574	
			(c)	(8,293)	
			(f)	(37,250)	
			(g)	(85,000)	391,966
Due to related party	—	28,329	(a)	1,671	
			(g)	(30,000)	—
Class B redeemable units (Class B Units")	—	—	(c)	269,465	269,465
Interest rate swaps	—	801		—	801
Tenant in common interests	—	15,327	(a)	(13,155)	2,172
	—	532,815		131,589	664,404
Total liabilities	—	553,007		130,609	683,616
Unitholders' equity:					
Net parent investment	—	296,527	(a)	(6,053)	
			(a)	12,811	
			(c)	(296,527)	
			(c)	(6,758)	—
Unitholders' equity	—	—	(c)	500	
			(c)	33,653	
			(g)	30,000	
			(b)	119,250	183,403
Total unitholders' equity	—	296,527		(113,124)	183,403
Total liabilities and unitholders' equity	$—	$849,534		$ 17,485	$867,019

See accompanying notes to pro forma condensed consolidated financial statements.

BSR REAL ESTATE
INVESTMENT TRUST

Pro Forma Condensed Consolidated Statement of Income and Comprehensive Income
(In thousands of U.S. dollars unless otherwise noted)

Year ended December 31, 2017
(Unaudited)

	BSR REIT	BSR Initial Properties	Note 3	Pro forma adjustments	Total
Revenue:					
Rental	$—	$ 75,234	(i)	$ 2,039	$
			(i)	489	77,762
Other	—	11,559	(i)	288	11,847
	—	86,793		2,816	89,609
Expenses:					
Direct property	—	34,650	(j)	729	35,379
Real estate taxes	—	7,044	(j)	309	7,353
Change in tenant in common interests	—	784	(k)	(784)	—
Fair value adjustment of investment properties	—	(46,382)	(p)	46,382	
			(p)	(242)	(242)
IFRIC 21 fair value adjustment of investment property	—	431	(p)	—	431
Interest and other financing charges:					
Interest	—	20,201	(k)	(6,352)	13,849
Distributions on Class B Units	—	—	(l)	12,122	12,122
General and administrative	—	4,732	(m)	1,159	5,891
Other expense (income)	—	1,286	(a)	6,053	
			(k)	(1,485)	
			(k)	455	6,309
Bargain purchase gain	—	—	(c)	(33,653)	(33,653)
	—	22,746		24,693	47,439
Net income and comprehensive income	$—	$ 64,047		$(21,877)	$ 42,170

See accompanying notes to pro forma condensed consolidated financial statements.

BSR REAL ESTATE INVESTMENT TRUST

Notes to Pro Forma Condensed Consolidated Financial Statements
(In thousands of U.S. dollars unless otherwise noted)

As at and for the year ended December 31, 2017
(Unaudited)

1. Basis of presentation:

BSR Real Estate Investment Trust (the “REIT”) is an unincorporated, open-ended real estate investment trust established pursuant to a Declaration of Trust dated January 9, 2018, and governed by the laws of the Province of Ontario. On this date, one trust unit was issued for $10 cash.

The REIT will issue trust units for cash pursuant to an initial public offering (the “Offering”). On closing of the transactions contemplated in the prospectus (the “Closing”), the REIT will acquire an interest in BSR Trust, LLC, which owns the BSR Initial Properties, and one additional multi-suite residential property located in Oklahoma City, Oklahoma. The acquisitions will result in the REIT indirectly owning an interest in 48 multi-suite residential properties located in the United States (the “Initial Properties”).

These pro forma condensed consolidated financial statements have been prepared from the audited balance sheet of the BSR Initial Properties as at December 31, 2017 and the audited statement of income and comprehensive income for year ended December 31, 2017. These financial statements are included elsewhere in the prospectus.

The pro forma condensed consolidated statement of financial position gives effect to the transactions in note 3 as if they had occurred on December 31, 2017. The pro forma condensed consolidated statements of income and comprehensive income for the year ended December 31, 2017 gives effect to the transactions in note 3 as if they had occurred on January 1, 2017.

The pro forma condensed consolidated financial statements are not necessarily indicative of the results that would have actually occurred had the transactions been consummated at the dates indicated, nor are they necessarily indicative of future operating results or the financial position of the REIT.

2. Summary of significant accounting policies:

The pro forma condensed consolidated financial statements have been prepared using the following policies in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board and incorporate the principal accounting policies expected to be used to prepare the REIT’s financial statements.

(a) Basis of consolidation:

The consolidated financial statements comprise the financial statements of the REIT and its subsidiaries, including BSR REIT Holdings, Inc. and BSR Trust, LLC. Subsidiaries are entities controlled by the REIT. The financial statements of the subsidiaries are prepared for the same reporting periods as the REIT using consistent accounting policies. All intercompany balances, transactions and unrealized gains and losses arising from intercompany transactions are eliminated on consolidation.

The REIT’s subsidiaries include entities, each of which owns an interest in a single property located in the United States. The REIT does not have an ownership interest in the entities, but has determined that it controls the entities and as a result the revenues and expenses of these entities are included in the pro forma condensed consolidated financial statements. The interest of the respective owners of these entities is accounted for as a tenant in common interests liability and the net income attributable to the owners of the entities is recorded as a finance cost.

(b) Business combinations:

At the time of acquisition of property, whether through a controlling share investment or directly, the REIT considers whether the acquisition represents the acquisition of a business. The REIT accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired. If no significant processes, or only insignificant processes, are acquired, the acquisition is treated as an asset acquisition rather than a business combination.

The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition. The REIT recognizes assets or liabilities, if any, resulting from a contingent consideration arrangement at their acquisition date fair value and such amounts form part of the cost of the business combination. Subsequent changes in the fair value of contingent consideration arrangements are recognized in net income. The difference between the purchase price and the REIT’s net fair value of the acquired identifiable net assets and liabilities is goodwill. On the date of acquisition, positive goodwill is recorded as an asset. Negative goodwill is immediately recognized in the consolidated statements of income. The REIT expenses transaction costs associated with business combinations in the period incurred. When an acquisition does not meet the criteria for business combination accounting treatment, it is accounted for as an acquisition of a group of assets and liabilities, the cost of which includes transaction costs that are allocated to the assets and liabilities acquired based upon their relative fair values. No goodwill is recognized for asset acquisitions.

2. Summary of significant accounting policies (continued):

(c) Foreign currency transactions:

The functional and presentation currency of the REIT and its subsidiaries is the U.S. dollar.

(d) Investment properties:

A property is determined to be investment property when it is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment properties include land and building structures situated on the properties. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Unrealized gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. Fair values are primarily determined using the direct capitalization income method.

Subsequent capital expenditures are added to the carrying value of the investment properties only when it is probable that future economic benefits will flow to the property and cost can be measured reliably.

Investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Prior to its disposal, the carrying value of the investment property is adjusted to reflect its fair value. This adjustment is recorded as a fair value gain (loss). Any remaining gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

(e) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, unrestricted cash and short-term investments. Short-term investments, comprising money market instruments, have an initial maturity of 90 days or less at their date of purchase and are stated at cost, which approximates net realizable value.

(f) Restricted cash:

Restricted cash can only be used for specified purposes. Amounts are usually restricted by the financial institution which holds the debt on the property.

(g) Revenue recognition:

Terms of resident leases are generally one year or less, and all resident leases are considered operating leases. Rental revenue is recognized on a straight-line basis over the lease term. Revenue recognition under a lease commences when the resident has a right to use the property and revenue is recognized pursuant to the terms of the lease agreement.

Payments made in advance of scheduled due dates are deferred as prepaid rents and are included in accounts payable and other liabilities in the accompanying combined and carve-out statements of financial position.

Other revenue is recognized when earned (when the services are provided or when the resident incurs the charge) and consists primarily of income from operation of laundry facilities, utility recovery, administrative fees, garage rentals and miscellaneous charges to residents.

An allowance for doubtful accounts is maintained for estimated losses, resulting from the inability of residents to meet the contractual obligations under their lease agreements. Such allowances are reviewed periodically based on the recovery experience of the properties and creditworthiness of the residents.

(h) Financial instruments:

The REIT classifies financial assets and liabilities according to their characteristics and management's intention for use on an ongoing basis. The following summarizes the REIT's classification and measurement of financial assets and liabilities:

Financial assets and liabilities	Classification
Cash and cash equivalents	Amortized cost
Restricted cash	Amortized cost
Tenant and other receivables	Amortized cost
Accounts payable and other liabilities	Amortized cost
Mortgage notes payable	Amortized cost
Credit facility	Amortized cost
Tenant in common interests	Amortized cost
Derivatives and embedded derivatives	Fair value through profit or loss
Class B Units	Fair value through profit or loss

2. Summary of significant accounting policies (continued):

(i) Non-Derivative Financial Assets

The REIT initially recognizes financial assets (including assets designated as at fair value through profit or loss), on the trade date, which is the date that the REIT becomes a party to the contractual provisions of the instrument. The REIT derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and positioned when, and only when, the REIT has the legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(ii) Non-Derivative Financial Liabilities

The REIT initially recognizes financial liabilities on the trade date, which is the date that the REIT becomes a party to the contractual provisions of the instrument.

The REIT derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Mortgage notes payable, credit facility and tenant in common interests liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financing fees and other costs incurred in connection with debt financing are recorded net of the related debt obligation and amortized using the effective interest method.

The Class B Units of BSR Trust, LLC (“Class B Units”) are redeemable at the option of the holder and, therefore, are considered puttable instruments in accordance with International Accounting Standards 32, Financial Instruments – Presentation (“IAS 32”). The Class B Units are redeemable for cash or trust units of the REIT (“REIT Units”) on a one-for-one basis subject to customary anti-dilution adjustments at the option of BSR Trust, LLC and, therefore, the Class B Units meet the definition of a financial liability under IAS 32. Further, the Class B Units are designated as fair value through profit and loss financial liabilities and are measured at fair value at each reporting period with any changes in fair value recorded in profit or loss. The Class B Units are, in all material aspects, economically equivalent to the REIT Units on a per unit basis. The distributions paid on Class B Units are accounted for as finance costs.

The REIT Units are redeemable at the option of the holder and, therefore, are considered puttable instruments in accordance with IAS 32. Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32; in which case, the puttable instruments may be presented as equity. The REIT Units meet the exemption conditions of IAS 32 and are, therefore, presented as equity.

(iii) Derivative financial instruments:

The REIT uses derivative financial instruments to manage risks from fluctuations in interest rates. All derivative instruments, including embedded derivatives that must be separately accounted for, are valued at their respective fair values in the consolidated financial statements.

(i) Finance costs:

Finance costs comprise interest expense on borrowings, payments on swap contracts, gain (loss) on change in fair value of swap contracts, distributions on Class B Units classified as liabilities, gain (loss) on change in fair value of Class B Units and income allocations to non-controlling interest liability holders.

Finance costs associated with financial liabilities presented at amortized cost are recognized in net income using the effective interest method.

(j) Employee benefits:

(i) Short-term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized as the amount expected to be paid under the short-term cash bonus or profit-sharing plans if the REIT has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

2. Summary of significant accounting policies (continued):

(ii) Defined contribution plan:

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the statements of forecasted net income and comprehensive income in the periods during which related services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Unit-based payment plans:

The REIT maintains an Executive Incentive Plan for its employees, directors and trustees. Awards under the Executive Incentive Plan, such as Deferred Trust Units ("DTU"), Restricted Trust Units ("RTU") and Performance Units ("(PU") may be settled by REIT Units issued from treasury or, if so elected by the participant and subject to the approval of the Board of Trustees, cash payable upon vesting. All such awards are accounted for as cash-settled awards, as the REIT Units are puttable. The fair value of the amount payable is recognized as an expense with a corresponding increase in liabilities, over the employees' or trustees' service period. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized in profit or loss.

(k) Income taxes:

(i) Canadian mutual fund status:

The REIT is a mutual fund trust pursuant to the Income Tax Act (Canada). Under current tax legislation, a mutual fund trust that is not a Specified Investment Flow-Through Trust ("SIFT") pursuant to the Income Tax Act (Canada) is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided that its taxable income is fully distributed to unitholders. The REIT intends to continue to qualify as a mutual fund trust that is not a SIFT trust and to make distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes.

(ii) U.S. REIT status:

The REIT is classified as a U.S. corporation for U.S. federal income tax purposes under current Treasury Regulations. Further, pursuant to section 7874 of the United States Internal Revenue Code of 1986, as amended (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 it is organized as a Canadian entity. In general, a company that elects real estate investment trust status, distributes at least 90% of its real estate investment trust taxable income to its shareholders in any taxable year, and complies with certain other requirements is not subject to U.S. federal income taxation to the extent of the income it distributes. If it fails to qualify as a real estate investment trust in any taxable year, it will be subject to U.S. federal income tax at regular corporate income tax rates on its taxable income. Even if it qualifies for taxation as a real estate investment trust, it may be subject to certain state and local taxes on its income and property and to federal income and excise taxes on its undistributed income. The REIT has reviewed the real estate investment trust requirements and has determined that it qualifies as a real estate investment trust under the Code. Accordingly, no provision for U.S. federal income or excise taxes has been made with respect to the income of the REIT.

Certain of the REIT's operations or a portion thereof are conducted through taxable real estate investment trust subsidiaries ("TRS"), or TRS. A TRS is a corporation that has not elected REIT status and has made a joint election with a real estate investment trust to be treated as a TRS. As such, it is subject to U.S. federal and state corporate income tax. No provision was required to be recorded by the REIT in its consolidated financial forecast in respect of its TRS.

(iii) Current taxes:

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(iv) Deferred taxes:

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: (a) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and (b) differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

2. Summary of significant accounting policies (continued):

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(l) Levies:

In accordance with IFRS Interpretations Committee ("IFRIC") 21, Levies ("IFRIC 21"), the REIT recognizes the full amount of annual property tax liabilities at the point in time when the realty tax obligation is imposed.

(m) Sources of estimation uncertainties:

In making estimates, the REIT relies on external information and observable conditions where possible, supplemented by internal analysis as required. There are no known trends, commitments, events or even uncertainties that management believes will materially affect the methodology or assumptions utilized in making estimates in these consolidated financial statements. The estimates used in determining the recorded amount for assets and liabilities in these consolidated financial statements include the following:

(i) Investment properties:

The estimates used when determining the fair value of investment properties are capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. In addition, there is a normalized management fee allowance and capital expenditure reserve taken into consideration when determining future property cash flows. Management determines fair value internally using internal financial information, external market data and capitalization rates provided by independent industry experts.

(ii) Other:

Estimates are also made in the determination of the fair value of financial instruments and include assumptions and estimates regarding future interest rates, the relative creditworthiness of the REIT to its counterparties, the credit risk of the REIT's counterparties relative to the REIT, estimated future cash flows and discount rates.

(n) Critical judgements:

Management must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment impacts the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The REIT's acquisitions are generally determined to be asset purchases as the REIT does not acquire an integrated set of processes as part of the acquisition transaction.

3. Pro forma adjustments:

The pro forma adjustments to the pro forma condensed consolidated financial statements have been prepared to account for the impact of the acquisition transactions contemplated by the prospectus as described below:

(a) Initial transactions:

The pro-forma condensed consolidated financial statements reflect that prior to the Closing, BSR Trust, LLC:

(i) obtained proceeds of $59,900 from a new credit facility to repay $53,989 of mortgages payable related to the Initial Properties and $5,892 of financing costs, including prepayment penalties and related costs. The transaction resulted in the receipt of $19 of excess cash proceeds and the return of $1,098 of previously held escrow deposits;

(ii) refinanced $54,750 of variable rate mortgages payable related to the Initial Properties with $58,016 of fixed rate mortgages and incurred prepayment penalties of $161;

(iii) drew an additional $2,400 on the Centennial Bank credit facilities, $1,671 of related party loans payable and $2,000 on the Credit Facility (defined in note 3(f)) to finance $6,071 of additions to investment property;

(iv) drew $4,800 on the Credit Facility to repay amounts owing on the Centennial Bank credit facilities;

(v) paid $980 in regular principal repayments on mortgages payable;

(vi) issued $9,844 of units and paid $344 in cash to settle its $13,155 obligation in respect of tenant in common interests (note 2(a)) related to two income producing properties; and

(vii) paid $3,000 of costs relating to the Offering.

(In thousands of U.S. dollars unless otherwise noted)

3. Pro forma adjustments (continued):

(b) Initial public offering:

The pro-forma condensed consolidated financial statements assume that on Closing, the REIT will raise gross proceeds of $135,000 (excluding any over-allotment option) pursuant to the Offering through the issuance of 13,500,000 REIT Units at $10 per REIT Unit (the "Offering Price"). Costs relating to the Offering, including underwriters' fees, are estimated to be $15,750 and are charged directly to unitholders' equity.

(c) Acquisitions:

Concurrent with or immediately following Closing, it is assumed that the REIT will indirectly acquire the BSR Trust, LLC's existing portfolio of 47 income producing properties, referred to as the BSR Initial Properties. As a result of the transactions, the REIT will acquire all issued and outstanding Class A units, Class C units and Common units of BSR Trust, LLC in exchange for the issuance of $500 of REIT Units and $269,465 of Class B Units.

It is assumed that on June 1, 2018 the REIT will acquire one additional multi-suite residential property, Brandon Place, located in Oklahoma City, Oklahoma for $23,412 to be settled for cash of $3,764, and the assumption of a mortgage with a fair value of $20,574, including a mark-to-market premium of $662 and a prepayment premium derivative valued at $926.

The impact of the acquisition of the BSR Initial Properties, which is accounted for as a business combination using the purchase method of accounting, and the acquisition of Brandon Place, which is accounted for as an asset acquisition, is as follows:

	Book value of BSR Initial Properties	Initial Transactions	Brandon Place	Fair Value Adjustment	Fair values of Acquired Net Assets
Investment property	818,007	6,071	23,412	(6,733)	$ 840,757
Tenant and other receivables	1,636	—	—	—	1,636
Prepaid expenses and other assets	1,192	3,000	—	—	4,192
Prepayment embedded derivatives	6,850	—	926	(1,227)	6,549
Restricted cash	13,041	(1,098)	—	—	11,943
Cash and cash equivalents	8,808	(102)	—	—	8,706
Loans and borrowings	(492,987)	(12,597)	(20,574)	8,293	(517,865)
Interest rate swaps	(1,064)	—	—	—	(1,064)
Accounts payable and other liabilities	(15,300)	—	—	—	(15,300)
Due to related party	(28,329)	(1,671)	—	—	(30,000)
Tenant in common interests	(15,327)	13,155	—	—	(2,172)
Net assets acquired for cash	296,527	6,758	3,764	333	$ 307,382
Excess of fair value of net assets acquired over consideration paid					(33,653)
					$ 273,729
Consideration given by the REIT consists of the following:					
REIT Units					$ 500
Class B Units					269,465
Cash					3,764
Consideration given by the REIT					$ 273,729

The actual calculation and allocation of the purchase price for the transaction outlined above will be based on the assets purchased and liabilities assumed at the effective date of the acquisition and other information available at that date. Accordingly, the actual amounts for each of these assets and liabilities will vary from the pro forma amounts and the variation may be material.

(d) Mortgages payable:

The net assets acquired include mortgages on 39 of the Initial Properties with an outstanding principal balance of $366,164 (including a mark-to-market discount of $5,902 and premium for embedded derivatives relating to early prepayment of $6,549), resulting in a weighted average interest rate on such debt of 3.78%. The mortgages are generally secured by first charges on the income properties.

(In thousands of U.S. dollars unless otherwise noted)

3. Pro forma adjustments (continued):

(e) Interest rate swaps:

To manage interest rate risk on variable rate mortgages, the Initial Properties have entered into interest rate swap agreements (the "Swap Agreements") which will be assumed by the REIT on Closing. In the Swap Agreements, the REIT has agreed to exchange the difference between fixed and variable rate interest on a principal amount of $28,236. The Swap Agreements effectively fix the interest at a rate of the variable rate mortgages to rates ranging between 3.71% and 5.07% and mature between February 2019 and September 2025. The Swap Agreements will not be designated as a hedge and will be marked to fair value each reporting period through finance cost in the consolidated statement of net income and comprehensive income.

(f) Revolving credit facility:

A wholly owned subsidiary of the REIT has a $71,500 revolving credit facility (the "Credit Facility"). The Credit Facility is secured by seven of the REIT's investment properties and is due on January 30, 2022, with an option to extend for one additional year, subject to meeting certain conditions. The Credit Facility bears interest at the Adjusted LIBOR rate, as defined in the Credit Facility, plus 1.65% to 2.15% based on meeting certain leverage ratios as defined in the Credit Facility. Alternatively the REIT has the ability to borrow using base rate loans at a rate equal to 0.65% to 1.15% plus the greatest of the bank's prime rate, the Federal Funds Rate plus 0.5%, or the one-month LIBOR rate, plus 1.0%.

The REIT assumes that on Closing, $37,250 of the proceeds of the Offering will be used to repay a portion of the $66,700 outstanding under the Credit Facility prior to Closing.

(g) Repayment of debt:

The REIT assumes that on Closing, proceeds of the Offering will be used to fully repay obligations of BSR Trust, LLC in respect of the Centennial Bank credit facilities in an amount of $85,000. The REIT further assumes that the $30,000 obligation in respect of a related party loan payable is repaid on Closing through the issuance of 3,000,000 REIT Units valued at $30,000.

(h) Sources and uses of cash:

The REIT's sources and uses of cash after the completion of the transactions contemplated in the Offering are as follows:

Sources:	
Proceeds from the Offering	$135,000
Uses:	
Offering costs and expenses	(12,750)
Partial repayment of Credit Facility	(37,250)
Repayment of Centennial Bank credit facilities	(85,000)
Acquisition of Brandon Place	(3,764)
Cash reduction to working capital of the REIT	$ (3,764)

(i) Rental revenue

The pro forma consolidated statement of net income and comprehensive income has been adjusted by $2,039 and $489 for the year ended December 31, 2017 to reflect the increase in contractual revenue for Brandon Place and an increase in straight-line rental revenue, respectively. Other rental revenue has been increased by $288 to reflect the results for Brandon Place.

(j) Direct property and realty tax expenses:

Direct property expenses and realty tax expenses have been increased by $729 and $309, respectively for the year ended December 31, 2017 to reflect the direct property and realty tax expenses for Brandon Place.

(k) Finance costs:

The pro forma consolidated statement of net income and comprehensive income has been decreased by $6,352 for the year ended December 31, 2017 to reflect:

(i) An $847 increase in interest expense to reflect the finance costs for Brandon Place;

(ii) A $1,270 increase in interest expense related to the new Credit Facility;

(iii) A $2,679 decrease in interest expense related to the refinancing of $53,989 of mortgages payable with proceeds from the Credit Facility and the additional refinancing of $54,750 of variable rate mortgages payable related to the Initial Properties with $58,016 of fixed rate mortgages;

As at and for the year ended December 31, 2017
(Unaudited)

3. Pro forma adjustments (continued):

(iv) A $4,919 decrease in interest expense related to the repayment of the Centennial Bank credit facilities and related party loan payable on Closing;

(v) A $509 decrease in interest expense related to the distributions of tenant in common interests settled prior to Closing;

(vi) An increase of $902 for amortization of mark-to market and prepayment embedded derivative fair value premiums; and

(vii) A $1,264 decrease for the impact of reduced deferred financing cost amortization.

For purposes of the pro forma condensed consolidated statements of income and comprehensive income of the year ended December 31, 2017, the acquisition of the Initial Properties was assumed to occur on January 1, 2017. Accordingly, the $1,485 change in fair value of prepayment embedded derivatives, the $455 change in fair value of interest rate swaps and the $784 change in value of the tenant in common interests that were previously recognized have been reversed.

(l) Class B Redeemable Units:

On the Closing, it is assumed BSR Trust, LLC will issue Class B Units with a fair value of $269,465. The Class B Units are economically equivalent to REIT Units and are entitled only to receive distributions on the same per unit basis as holders of REIT Units. Distributions of $12,122 for the year ended December 31, 2017 has been recorded as financing costs. However, no assurance can be given that actual distributions will be at this level.

As the Class B Units are financial liabilities designated as fair value through profit and loss, they will be adjusted to their fair value on an ongoing basis with any fair value adjustments being included in the pro forma condensed consolidated statement of income and comprehensive income. As a pro forma assumption of such fair value changes is a prediction rather than an objectively determinable pro forma adjustment, these pro forma condensed consolidated financial statements assume no change in the fair value of the Class B Units during the year ended December 31, 2017. However, the actual REIT financial statements will include fair value changes and such changes could be material. For illustrative purposes, a 10% change in the market value of a REIT Unit, into which Class B Units may be exchanged, would result in a fair value change of approximately $26,946.

(m) General and administrative expenses:

General and administrative expenses include legal fees, audit fees, salaries and benefits for the REIT’s employees, trustee fees, annual report costs, transfer agent fees, insurance and other miscellaneous costs. General and administrative expenses have been increased by $1,159 for the year ended December 31, 2017 to reflect management’s best estimate of additional expenses of the REIT.

(n) Equity Incentive Plan

The REIT plans to adopt an Equity Incentive Plan (the “Plan”). Under the terms of the Plan, the Board of Trustees may from time to time, at its discretion, grant trustee, officers, employees and consultants restricted units, performance units, deferred units, options or other awards. The restricted units, performance units and deferred units are notional units with a fair value based on the REIT Units’ closing trading price.

On Closing the REIT assumes it will grant 51,000 restricted units which vest three years from the date of grant. On Closing the REIT also assumes it will grant 38,250 performance units which also vest three years from the date of grant subject to certain performance objectives being met. The grant date fair value of the restricted units and the performance units has been calculated as the number of restricted units and performance units granted times the Offering Price. The number of performance units that vest will range between 0% and 200% of the number granted.

The pro forma consolidated financial statements assume that trustees elect to receive their annual retainers in the form of deferred units.

The compensation expense of $287 for the restricted units and performance units and the $403 of expense related to the granting of deferred units to trustees was determined based on the fair value of the award at the grant date using the issuance price of the REIT Units on Closing and in in the case of the performance units, a Monte Carlo pricing model. The expenses are included within general and administrative expenses.

(o) Income taxes:

It is assumed that the REIT will meet the real estate investment trust requirements under the Code, to not be a SIFT trust pursuant to the Income Tax Act (Canada), and to make the necessary distributions to not be subject to Canadian or U.S. federal income tax.

(p) Fair value adjustment of investment properties:

For purposes of the pro forma condensed consolidated statements of income and comprehensive income of the year ended December 31, 2017, the acquisition of the Initial Properties was assumed to occur on January 1, 2017. Accordingly, the $46,382 change in fair value of

3. Pro forma adjustments (continued):

investment properties that was previously recognized has been reversed. The pro forma condensed consolidated statement of net income and comprehensive income also reflects an increase of $242 for the year ended December 31, 2017 to reflect the impact of the amortization of straight-line rent.

4. Unitholders' equity:

The REIT is authorized to issue an unlimited number of REIT Units. REIT Units are ordinary units of the REIT, each of which represents a unitholders' proportionate undivided beneficial interest and voting rights in the REIT.

On the Closing, the REIT anticipates issuing 13,500,000 REIT Units for $119,250, net of issue costs of $15,750.

5. Related party transactions:

The pro forma condensed consolidated financial statements include the following transactions with related parties:

(a) Class B Units:

Distributions on the Class B Units of $7,397 are paid to key management personnel for the year ended December 31, 2017.

(b) Employee benefits:

Operating expenses include $2,737 paid to key management personnel for the year ended December 31, 2017.

(c) Office Lease:

Lease payments of $129 are paid to an irrevocable trust controlled by the family of the REIT's Chief Executive Officer in respect of the corporate office of BSR Trust, LLC for the year ended December 31, 2017.

(d) The issuance of 3,000,000 REIT Units with a value of $30,000 to an affiliate of the chief executive officer in settlement of a related party loan.

6. Additional commitments and contingencies:

In connection with the Offering, the REIT has agreed to indemnify the underwriters against certain liabilities, including liabilities under applicable securities legislation, or to contribute to payments the underwriters may be required to make in respect of those liabilities. The REIT has agreed to indemnify, in certain circumstances, the Trustees and the officers of the REIT.

Financial Statements
(Expressed in U.S. dollars)

BSR REAL ESTATE INVESTMENT TRUST

As at and for the one-day period ended January 9, 2018 (date of formation)

INDEPENDENT AUDITORS' REPORT

To the Trustees of BSR Real Estate Investment Trust

We have audited the accompanying financial statements of BSR Real Estate Investment Trust, which comprise the balance sheet and statements of changes in unitholders' equity and cash flows as at and for the one-day period ended January 9, 2018 (date of formation), and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position and financial performance and cash flows of BSR Real Estate Investment Trust as at January 9, 2018 (date of formation) in accordance with International Financial Reporting Standards.

Chartered Professional Accountants, Licensed Public Accountants

, 2018
Toronto, Canada

BSR REAL ESTATE INVESTMENT TRUST

Balance Sheet
(Expressed in U.S. dollars)

January 9, 2018 (date of formation)

Assets	
Cash	$10
Unitholders' Equity	
Unitholders' capital	$10

See accompanying notes to financial statements.

BSR REAL ESTATE INVESTMENT TRUST

Statement of Changes in Unitholders' Equity
(Expressed in U.S. dollars)

	One-day period ended January 9, 2018 (date of formation)
Issuance of unit on formation	$10
Unitholders' equity, end of period	$10

See accompanying notes to financial statements.

BSR REAL ESTATE INVESTMENT TRUST

Statement of Cash Flows
(Expressed in U.S. dollars)

One-day period ended January 9, 2018 (date of formation)

Financing activities:	
Issuance of unit	$10
Increase in cash, being cash, end of period	$10

See accompanying notes to financial statements.

BSR Real Estate Investment Trust (the "REIT") is an unincorporated, open-ended real estate investment trust established pursuant to the Declaration of Trust dated January 9, 2018, and is governed by the laws of the Province of Ontario. To date, there have been no operations and going forward, the REIT's financial reporting year end will be December 31. The registered office of the REIT is at 333 Bay Street, Suite 3400, Toronto, Ontario. The principal business of the REIT is to acquire multi-suite residential rental properties across the United States.

1. Statement of compliance:

The financial statements of the REIT have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The financial statements were authorized for issue by the Board of Trustees of the REIT on April , 2018.

2. Significant accounting policies:

(a) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, unrestricted cash and short-term investments. Short-term investments, comprising money market instruments, have an initial maturity of 90 days or less at their date of purchase and are stated at cost, which approximates net realizable value. As at January 9, 2018, there were no cash equivalents.

(b) Unitholders' equity:

The REIT Unit is redeemable at the option of the holder and, therefore, is considered a puttable instrument in accordance with International Accounting Standard ("IAS") 32, Financial Instruments – Presentation ("IAS 32"). Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case, the puttable instruments may be presented as equity. The REIT Unit meets the exemption conditions of IAS 32 and is, therefore, presented as equity.

The REIT is authorized to issue an unlimited number of REIT Units.

On January 9, 2018, the REIT issued one REIT Unit for cash proceeds of $10.

(c) IFRS standards and amendments issued but not yet effective:

(i) On January 13, 2016, the IASB issued IFRS 16. IFRS 16 will replace IAS 17, Leases ("IAS 17"). The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset, representing its right to use the underlying asset and a lease liability, representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, Revenue from Contracts with Customers, at or before the date of initial adoption of IFRS 16. The REIT intends to adopt these amendments in its consolidated financial statements for the annual year beginning on January 1, 2019. The extent of the impact of adoption of the new standard has not yet been determined.

(ii) On June 7, 2017, the IASB issued IFRIC Interpretation 23, Uncertainty over Income Tax Treatments ("IFRIC 23"), which provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. IFRIC 23 is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

IFRIC 23 requires (i) an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; (ii) an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and (iii) if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

The REIT intends to adopt the Interpretation in its consolidated financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the Interpretation has not yet been determined.

(iii) On December 12, 2017, the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. The amendments are effective for annual periods beginning on or after January 1, 2019, with early application permitted. Each of the amendments has its own specific transition requirements. Amendments were made to the following standards:

- IFRS 3, Business Combinations and IFRS 11, Joint Arrangements – to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business;

2. Significant accounting policies (continued):

- IAS 12, Income Taxes – to clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI, or equity; and
- IAS 23, Borrowing Costs – to clarify that specific borrowings – i.e. funds borrowed specifically to finance the construction of a qualifying asset – should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed.

The REIT intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the amendments has not yet been determined.

3. Subsequent events:

On , the REIT entered into an underwriting agreement, whereby the REIT will raise gross proceeds of $135,000,000 pursuant to an initial public offering (the "Offering") through the issuance of 13,500,000 REIT Units at a price of $10 per REIT unit, excluding the over-allotment option. Costs relating to the Offering, including underwriters' fees, are estimated to be $15,750,000 and will be charged directly to unitholders' capital.

The closing (the "Closing") of the transactions contemplated by this prospectus is scheduled to occur no later than May 15, 2018.

Concurrent with or immediately following Closing, the REIT has agreed to indirectly acquire BSR Trust, LLC's existing portfolio of 47 income producing properties, referred to as the BSR Initial Properties. As a result of the transactions, the REIT will acquire all issued and outstanding Class A units, Class C units and Common units of BSR Trust, LLC in exchange for the issuance of $500,000 of REIT Units and $269,464,656 of Class B Units of BSR Trust, LLC.

The REIT has also agreed to indirectly acquire one additional multi-suite residential property, Brandon Place, located in Oklahoma City, Oklahoma for $23,411,816 to be settled for cash of $3,763,825, and the assumption of a mortgage with a fair value of $20,573,700, including a mark-to-market premium of $661,816 and a premium derivative valued at $925,709. The transaction is anticipated to close on June 1, 2018.

As a result of these transactions, the REIT will indirectly acquire 48 multi-suite residential properties and their related property management platform.

(a) The impact of the acquisition of the BSR Initial Properties, which is accounted for as a business combination using the purchase method of accounting, and the acquisition of Brandon Place, which is accounted for as an asset acquisition, is as follows:

	($000's)
Investment property	$ 840,757
Tenant and other receivables	1,636
Prepaid expenses and other assets	4,192
Prepayment embedded derivatives	6,549
Restricted cash	11,943
Cash and cash equivalents	8,706
Mortgages, including mark-to-market	(517,865)
Interest rate swaps	(1,064)
Accounts payable and other liabilities	(15,300)
Due to related party	(30,000)
Tenant in common interests	(2,172)
Net assets acquired for cash	$ 307,382
Excess of fair value of net assets acquired over consideration paid	(33,653)
	$ 273,729
Consideration given by the REIT consists of the following:	
REIT Units	$ 500
Class B Units	269,465
Cash	3,764
	$ 273,729

3. Subsequent events (continued):

(b) Debt repayments:

The REIT has agreed that on Closing, $37,250,000 of the proceeds of the offering will be used to repay a portion of the amounts outstanding under the BSR Trust, LLC credit facility. The REIT has also agreed that on Closing, proceeds of the offering will be used to fully repay obligations of BSR Trust, LLC in respect of the Centennial bank credit facilities in an amount of $85,000,000 and that the $30,000,000 obligation in respect of a related party loan payable is repaid on closing through the issuance of 3,000,000 REIT Units valued at $30,000,000.

BSR INITIAL PROPERTIES

Combined and Carve-Out Financial Statements

December 31, 2017, December 31, 2016, December 31, 2015, and January 1, 2015

(With Independent Auditors' Report Thereon)

INDEPENDENT AUDITORS' REPORT

The Board of Directors
BSR Trust, LLC:

We have audited the accompanying combined and carve-out financial statements of the BSR Initial Properties (the Company), which comprise the combined and carve-out statements of financial position as of December 31, 2017, 2016, and 2015 and January 1, 2015, and the related combined and carve-out statements of comprehensive income, net parent investment, and cash flows for the years ended December 31, 2017, 2016 and 2015, and the related notes to the combined and carve-out financial statements.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the combined and carve-out financial statements in the United States of America, together with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with these requirements, respectively.

Responsibilities of Management and Those Charged with Governance of the Combined and Carve-out Financial Statements

Management is responsible for the preparation and fair presentation of these combined and carve-out financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the combined and carve-out financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined and carve-out financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's combined and carve-out financial statements financial reporting process.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined and carve-out financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and International Standards on Auditing. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined and carve-out financial statements are free from material misstatement, whether due to fraud or error. Reasonable assurance is a high level of assurance but is not a guarantee that an audit will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined and carve-out financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined and carve-out financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined and carve-out financial statements, whether due to fraud or error. We design audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined and carve-out financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation, structure, and content of the combined and carve-out financial statements including disclosures, and whether the combined and carve-out financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

As part of an audit, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the combined and carve-out financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the combined and carve-out financial statements. We are responsible for the direction, supervision, and performance of the audits. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies or material weaknesses in internal control that we identify during our audits.

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

Opinion

In our opinion, the combined and carve-out financial statements referred to above present fairly, in all material respects, the combined and carve-out financial position of the BSR Initial Properties as of December 31, 2017, 2016, and 2015 and January 1, 2015, and their combined and carve-out financial performance and their combined and carve-out cash flows for the years ended December 31, 2017, 2016 and 2015 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(signed) KPMG LLP

Dallas, Texas
Date

BSR INITIAL PROPERTIES

Combined and Carve-Out Statements of Financial Position
Amounts in thousands of U.S. dollars

	Notes	December 31, 2017	December 31, 2016	December 31, 2015	January 1, 2015
Current assets:					
Cash and cash equivalents		$ 8,808	10,899	15,977	5,542
Restricted cash	7	12,928	11,429	10,751	11,080
Resident and other receivables, net	8	1,636	1,706	995	1,026
Prepaid expenses and other assets	9	1,192	1,062	1,527	815
Total current assets		24,564	25,096	29,250	18,463
Noncurrent assets:					
Investment property	10	818,007	635,484	541,159	506,099
Prepayment embedded derivatives	17(e)	6,850	8,335	10,078	9,071
Restricted cash – bond sinking fund	7	113	182	225	225
Total nonncurrent assets		824,970	644,001	551,462	515,395
Total assets		$849,534	669,097	580,712	533,858
Current liabilities:					
Accounts payable and other liabilities	11	$ 15,300	15,267	10,641	8,625
Interest rate swaps	17(d)	263	485	629	882
Loans and borrowings	12	4,629	13,227	4,535	19,665
Total current liabilities		20,192	28,979	15,805	29,172
Noncurrent liabilities:					
Loans and borrowings	12	488,358	406,581	393,967	370,597
Due to related party	21	28,329	—	—	—
Interest rate swaps	17(d)	801	1,034	1,339	1,336
Tenant in common interests	22	15,327	15,363	12,370	3,335
Total noncurrent liabilities		532,815	422,978	407,676	375,268
Total liabilities		553,007	451,957	423,481	404,440
Net parent investment		296,527	217,140	157,231	129,418
Total liabilities and net parent investment		$849,534	669,097	580,712	533,858

The accompanying notes are an integral part of these combined and carve-out financial statements.

BSR INITIAL PROPERTIES

Combined and Carve-out Statements of Comprehensive Income
Amounts in thousands of U.S. dollars

	Notes	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Rental revenue		$ 75,234	66,484	62,879
Other property income		11,559	9,429	8,921
Total revenue		86,793	75,913	71,800
Property operating expenses	23	(34,650)	(32,402)	(29,388)
Real estate taxes	3(i)	(7,044)	(5,966)	(5,921)
General and administrative expenses		(4,732)	(3,984)	(3,759)
Interest expense, net	13	(20,201)	(17,593)	(17,561)
Change in fair value of investment property	10	46,382	32,751	7,897
Change in fair value of investment property (IFRIC 21)	3(i)	(431)	(440)	(121)
Net change in fair value of interest rate swaps	17(d)	455	449	250
Net change in fair value of prepayment embedded derivatives	17(e)	(1,485)	(1,583)	942
Loss on extinguishment of debt	12	(256)	(1,664)	(3,290)
Change in tenant in common interests	22	(784)	(2,446)	(1,594)
Net income and comprehensive income		$ 64,047	43,035	19,255

The accompanying notes are an integral part of these combined and carve-out financial statements.

BSR INITIAL PROPERTIES

Combined and Carve-out Statements of Net Parent Investment
Amounts in thousands of U.S. dollars

Net parent investment at January 1, 2015	$129,418
Net income and comprehensive income	19,255
Net transfers (note 2(c))	8,558
Net parent investment at December 31, 2015	157,231
Net income and comprehensive income	43,035
Net transfers (note 2(c))	16,874
Net parent investment at December 31, 2016	217,140
Net income and comprehensive income	64,047
Net transfers (note 2(c))	15,340
Net parent investment at December 31, 2017	$296,527

The accompanying notes are an integral part of these combined and carve-out financial statements.

BSR INITIAL PROPERTIES

Combined and Carve-out Statements of Cash Flows
Amounts in thousands of U.S. dollars

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Cash flows from operating activities:			
Net income	$ 64,047	43,035	19,255
Adjustments for:			
Interest expense, net (note 13)	20,201	17,593	17,561
Loss on extinguishment of debt	256	1,664	3,290
Change in fair value of investment property (note 10)	(46,382)	(32,751)	(7,897)
Change in tenant in common interests (note 22)	784	2,446	1,594
Net change in fair value of prepayment embedded derivatives (note 17(e))	1,485	1,583	(942)
Net change in fair value of interest rate swaps (note 17(d))	(455)	(449)	(250)
Restricted unit compensation (note 24)	272	267	19
Net effect of changes in operating accounts:			
Resident and other receivables, net (note 8)	70	(711)	31
Prepaid expenses and other assets (note 9)	(130)	465	(712)
Accounts payable and accrued expenses (note 11)	984	844	1,722
Security deposits and prepaid rent	(173)	632	552
Net cash from operating activities	40,959	34,618	34,223
Cash flows from investing activities:			
Acquisition of investment property (note 6, note 10)	(82,200)	(36,526)	(19,709)
Additions to investment property (note 10)	(35,022)	(21,776)	(7,452)
Deposits of restricted cash, net of withdrawals	(1,623)	(805)	171
Net cash used in investing activities	(118,845)	(59,107)	(26,990)
Cash flows from financing activities:			
Capital contributions from BSR (note 20)	20,901	27,196	20,007
Proceeds from issuance of loans and borrowings (note 12)	87,929	52,335	107,277
Principal payments of loans and borrowings (note 12)	(33,670)	(30,451)	(100,866)
Payment of mortgage financing costs (note 12)	(1,636)	(723)	(784)
Prepayment penalties	(148)	(1,425)	(1,068)
Proceeds from due to related party (note 21)	40,990	—	—
Payments on due to related party (note 21)	(12,661)	—	—
Contributions from members of BSR	4,422	1,323	769
Contributions from tenant in common interests (note 22)	—	547	7,441
Distributions to members of BSR	(11,077)	(11,909)	(12,237)
Distributions to tenant in common interests (note 13)	(581)	(496)	(206)
Interest paid	(18,674)	(16,986)	(17,131)
Net cash provided by financing activities	75,795	19,411	3,202
Net (decrease) increase in cash and cash equivalents	(2,091)	(5,078)	10,435
Cash and cash equivalents at beginning of year	10,899	15,977	5,542
Cash and cash equivalents at end of year	$ 8,808	10,899	15,977
Supplemental disclosure of cash flow information:			
Accounts payable capitalized to investment property	$ 2,377	3,424	152
Prepayment embedded derivative established (note 17(e))	—	2,858	439
Debt assumed upon property acquisition (note 6)	19,966	—	—
Settlement of tenant in common interest through equity (note 22)	820	—	—

The accompanying notes are an integral part of these combined and carve-out financial statements.

Notes to the Combined and Carve-Out Financial Statements
December 31, 2017, December 31, 2016, December 31, 2015 and January 1, 2015
Amounts in thousands of U.S. dollars (except unit amounts)

(1) General Information

BSR Trust, LLC (BSR) is a Delaware Limited Liability Company that owns, acquires and manages multifamily housing communities in the South Central United States.

The BSR Initial Properties, as presented in these combined and carve-out financial statements, are not a legal entity. It represents the carve-out and combination of 47 multifamily properties and related property management activities (the Portfolio), located in various regions throughout the United States, from the consolidated financial statements of BSR. For all periods presented in these combined and carve-out financial statements, the Portfolio was under the common ownership and control of BSR.

These combined and carve-out financial statements of the Portfolio have been prepared for the specific purpose of reporting on the assets, liabilities, revenues, expenses, and net parent investment in the net assets of the Portfolio included in, and for the inclusion in, a prospectus to be filed by BSR Real Estate Investment Trust (the REIT), a newly created, unincorporated, open-ended real estate investment trust established under the laws of the Province of Ontario, Canada. These combined and carve-out financial statements present the financial position, results of operations and cash flows of the Portfolio for the periods presented as if the Portfolio had been accounted for on a stand-alone combined basis.

These combined and carve-out financial statements are not necessarily indicative of the results that would have been attained had the Portfolio been operated as a separate legal entity for the years presented and, therefore, are not necessarily indicative of future operating results.

(2) Basis of Preparation

(a) Statement of Compliance

These combined and carve-out financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These are the Portfolio's first combined and carve-out financial statements prepared in accordance with IFRS and the Portfolio adopted IFRS in accordance with IFRS 1, First-Time Adoption of International Reporting Standards. An explanation or reconciliation of how the transition to IFRS has affected the Portfolio's combined and carve-out financial position, performance and cash flows has not been presented as the Portfolio has not presented combined and carve-out financial statements in previous years. The date of transition to IFRS was January 1, 2015.

(b) Basis of Measurement

These combined and carve-out financial statements have been prepared on a historical cost basis except for investment properties, prepayment embedded derivatives and interest rate swaps which have been measured at fair value.

(c) Basis of Presentation

Assets, liabilities and costs that were related to the larger business of BSR were assessed in order to allocate these items between the Portfolio and the remainder of the business of BSR. Assets and liabilities directly aligned to investment properties or business functions which are excluded from the Portfolio have been fully removed from the combined and carve-out financial statements.

There are certain corporate overhead functions performed and corporate assets used for the Portfolio as well as for the larger business of BSR. These functions include, but are not limited to, executive oversight, legal, finance, human resources, financial reporting and tax planning as well as shared corporate assets. The costs of such services and assets have been fully allocated to the Portfolio based on the corporate overhead required to manage the items excluded from the Portfolio. Management of BSR believes this allocation is reasonable; however, it may not be indicative of the actual expense that would have been incurred had the Portfolio been operating as a stand-alone combined entity apart from BSR. The cost allocated for these functions is included in general and administrative expenses in the combined and carve-out statements of comprehensive income for the periods presented.

The Portfolio holds its interests in the investment properties and property management activities in specific limited liability entities, which are commonly controlled by BSR. All intercompany transactions and balances between properties within the Portfolio have been eliminated upon combination.

The combined and carve-out financial statements are presented in United States dollars, which is the functional currency of the Portfolio, and all amounts have been rounded to the nearest thousands, except when otherwise indicated.

As these financial statements have been prepared on a combined and carve-out basis, it is not meaningful to show share capital or provide an analysis of reserves. Therefore, amounts which reflect the carrying value of investments of BSR's members in the Portfolio are disclosed as net parent investment. Net transfers on the combined and carve-out statements of net parent investment represent contributions from and distributions to the members of BSR. In addition, the combined entities have no historical capital structure since the Portfolio was not an existing legal entity during the periods presented.

The combined and carve-out financial statements were authorized for issue by the Board of Directors of BSR on [●].

(3) Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of these combined and carve-out financial statements are described below and have been applied consistently to all periods presented:

(a) Investment Property

A property is determined to be an investment property when it is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment property includes land and land improvements, building and building improvements, as well as furniture and equipment and certain intangibles, such as in-place leases, if any. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Unrealized gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. Fair values are primarily determined internally using the direct capitalization income method or externally by external appraisers using the income approach.

Subsequent capital expenditures are added to the carrying value of the investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably. All repairs and maintenance costs are expensed as incurred.

Investment property is classified as held for sale when the property is available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of investment properties, its sale is highly probable and expected to be completed with one year. Investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Prior to its disposal, the carrying value of the investment property is adjusted to reflect its fair value. This adjustment is recorded as a fair value gain (loss). Any remaining gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

(b) Cash and Cash Equivalents

All cash and unrestricted, highly liquid investments with an initial maturity of three months or less, at issuance, are considered to be cash and cash equivalents and are recorded at their amortized cost. The Portfolio maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits of $250. The Portfolio has not experienced any losses in such accounts. Management of the Portfolio believes the Portfolio is not exposed to any significant credit risk on its cash and cash equivalents.

(c) Restricted Cash

Restricted cash consists of resident security deposits and escrow deposits held by lenders for property taxes, insurance, debt service and replacement reserves.

(d) Tenant in Common Interests

Tenant in common (TIC) interests represent the ownership interests in certain legal entities not wholly owned by BSR that are included in the Portfolio. Under International Accounting Standard (IAS) 32, Financial Instruments: Presentation, the TIC interests meet the definition of a financial liability and are measured at amortized cost. TIC interest holders receive a fixed distribution payable on their interest which is accounted for as interest expense in the combined and carve-out statements of comprehensive income. Further, TIC interest holders are indemnified from the impact from the performance of the respective entity; however, upon the sale of an investment property under a TIC agreement the TIC interest holder would receive their interest in the proceeds from the investment property sale based on the respective TIC agreement. As such, changes in the overall fair value of the respective investment property are allocated to the TIC interests based on the respective ownership of the TIC interest holders, which approximates the remeasurement of the liability based on the estimated change in expected cash flows at each combined and carve-out statement of financial position date. The changes in the TIC interests for each respective period presented in the accompanying combined and carve-out financial statements are outlined in note 22.

(e) Revenue Recognition

Terms of resident leases are generally one year or less, and all resident leases are considered operating leases. Rental income is recognized on a straight-line basis over the lease term. Revenue recognition under a lease commences when the resident has a right to use the property and revenue is recognized pursuant to the terms of the lease agreement.

Payments made in advance of scheduled due dates are deferred as prepaid rents and are included in accounts payable and other liabilities in the accompanying combined and carve-out statements of financial position.

Other property income is recognized when earned (when the services are provided or when the resident incurs the charge) and consists primarily of income from operation of laundry facilities, utility recovery, administrative fees, garage rentals and miscellaneous charges to residents.

An allowance for doubtful accounts is maintained for estimated losses, resulting from the inability of residents to meet the contractual obligations under their lease agreements. Such allowances are reviewed periodically based on the recovery experience of the Portfolio and creditworthiness of the residents.

Amounts in thousands of U.S. dollars (except unit amounts)

(f) Income Taxes

No provision for income taxes has been recorded in the accompanying combined and carve-out financial statements, as those entitled to the net parent investment of the Portfolio and the members of BSR are required to report their share of the Portfolio's earnings in their respective income tax returns. The Portfolio's tax returns and the amounts of allocable income or loss are subject to examination by federal and state taxing authorities. If such examinations result in changes to income tax or loss, the tax liability of those entitled to the net parent investment of the Portfolio could be changed accordingly.

The Portfolio evaluates the uncertainties of tax positions taken or expected to be taken on a return based on the probability of whether the position taken will be sustained upon examination by tax authorities. As of December 31, 2017, the Portfolio had no amounts related to unrecognized income tax benefits and no amounts related to the accrued interest and penalties. The Portfolio recognizes tax positions taken or to be taken in a tax return when they become probable. The Portfolio concluded that it has no material uncertain tax liabilities to be recognized as of December 31, 2017, December 31, 2016, December 31, 2015, or January 1, 2015. The Portfolio is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2011.

In certain instances, the Portfolio may be subject to certain state and local taxes.

On December 22, 2017, the Tax Cuts and Jobs Act (the "2017 Tax Act") was signed into law in the United States. The most significant change is the reduction of the statutory corporate tax rate from 35 percent to 21 percent, effective January 1, 2018. Many of the provisions in the 2017 Tax Act expire in seven years (at the end of 2025). Management does not expect the 2017 Tax Act to have a significant impact to the Portfolio; however, the provisions in the new legislation may have an impact to certain of our unitholders.

(g) Financial Instruments

The following summarizes the Portfolio's classification and measurement of financial assets and financial liabilities:

Financial assets	Classification	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Resident and other receivables, net	Loans and receivables	Amortized cost
Prepayment embedded derivatives	Fair value through P&L	Fair value
Restricted cash – bond sinking fund	Loans and receivables	Amortized cost

Financial liabilities	Classification	Measurement
Loans and borrowings	Other financial liabilities	Amortized cost
Interest rate swaps	Fair value through P&L	Fair value
Accounts payable and other liabilities	Other financial liabilities	Amortized cost
Tenant in common interests	Other financial liabilities	Amortized cost
Due to related party	Other financial liabilities	Amortized cost

Financial Assets

The Portfolio classifies its non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market as loans and receivables. All financial assets are initially measured at fair value, plus any related transaction costs, and subsequently are measured at amortized cost using the effective interest method, less any impairment losses.

Resident receivables are initially measured at fair value and are subsequently measured at amortized cost less provision for impairment. A provision for impairment is established when there is objective evidence that collection will not be possible under the original terms of the resident agreement. The carrying amount of the financial asset is reduced by creating an allowance account and the corresponding loss is recognized as a property operating expense. The Portfolio records allowances for all outstanding receivables from residents that have vacated a property or amounts due from residents that are greater than 90 days past-due.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Portfolio has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Financial Liabilities

The Portfolio classifies non-derivative financial liabilities on initial recognition as other financial liabilities, measured at amortized cost. The Portfolio initially recognizes loans and borrowings on the date they are originated. All other financial liabilities are recognized initially on the trade date at which the Portfolio becomes a party to the contractual provisions of the instrument. Loans, borrowings, and other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities and related financing fees are recognized at amortized cost using the effective interest rate method.

The Portfolio derecognizes a financial liability when its contractual obligations are discharged, canceled or expired.

Derivative and Embedded Derivative Financial Instruments

The Portfolio uses derivative financial instruments to manage risks from fluctuations in interest rates. All derivative instruments are designated and valued at fair value through profit and loss in the combined and carve-out financial statements.

The Portfolio considers whether a contract contains an embedded derivative when it becomes a party to the contract. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through the statement of comprehensive income. Under IAS 39, Financial Instruments: Recognition and Measurement (IAS 39), early redemption options contained in certain loans and borrowings of the Portfolio meet the definition of an embedded derivative, are bifurcated from the financial liability and measured at fair value at each combined and carve-out statement of financial position date. The net change in fair value of prepayment embedded derivatives for each period presented in the accompanying combined and carve-out financial statements are outlined in note 17(e).

(h) Interest Expense, Net

Net interest expense consists of interest expense on loans and borrowings, amortization associated with loan fees incurred in connection with obtaining long-term financings, amortization of premiums and discounts and distributions paid to tenant in common interests, net of interest income.

(i) Levies

In accordance with IFRS Interpretations Committee (IFRIC) 21, Levies (IFRIC 21), the Portfolio recognizes the full amount of annual property tax liabilities at the point in time when the realty tax obligation is imposed. This is the obligating event that gives rise to a liability to pay the property taxes.

Additionally, as a pro rata property tax basis adjustment is most often included in the property price in the United States, this is included in the Portfolio's assessment of the fair value of investment property.

(j) Equity Based Compensation

During the years ended December 31, 2016 and 2015, BSR issued preferred units, classified as equity, to independent members of the Board of Directors of BSR. During the year ended December 31, 2016, management of BSR issued restricted common units (RCU) to employees under BSR's 2016 Long-Term Incentive Plan ("2016 LTIP"). Through the 2016 LTIP, BSR issued 367,500 RCU to employees, of which 24% were time based awards and 76% were performance based awards. For the performance based awards, the probability of achieving the performance condition is assessed quarterly. The Portfolio recognizes the fair value of all equity based compensation awards granted to employees by tranche, ratably over each tranche's service period.

(4) Critical Accounting Judgments, Estimates and Assumptions

Preparing the combined and carve-out financial statements requires management to make judgments, estimates and assumptions in the application of the policies outlined in note 3. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Critical Accounting Judgments

The following are the critical judgments used in applying the Portfolio's accounting policies that have the most significant effect on the amounts in the combined and carve-out financial statements:

Investment Property Acquisitions

The Portfolio assesses whether an acquisition transaction should be accounted for as an asset acquisition or a business combination under IFRS 3, Business Combinations (IFRS 3). This assessment requires management to make judgments on whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as a business, and the Portfolio obtains control of the business.

Use of Estimates and Assumptions

Management makes estimates and assumptions that affect carrying amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amount of income for the year. Actual results could differ from those estimates. The estimates and assumptions that are critical in determining the amounts reported in the combined and carve-out financial statements relate to the following:

Valuation of Investment Properties

Critical assumptions relating to the estimates of fair values of investment properties include the availability of comparable data and the uncertainty of predictions concerning future events. Should the underlying assumptions change, actual results could differ from the estimated amounts. The critical estimates and assumptions underlying the valuation of investment properties are outlined in note 10.

Amounts in thousands of U.S. dollars (except unit amounts)

(5) Change in Accounting Policy

On January 7, 2016, the IASB issued amendments to IAS 7, Statement of Cash Flows (IAS 7). The amendments apply prospectively for annual periods beginning on or after January 1, 2017 and require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments to IAS 7 have been applied to the combined and carve-out financial statements for the year beginning on January 1, 2017.

Accounting Standards Issued but Not Yet Effective

The following standards are not yet effective for the year ended December 31, 2017 and have not been applied in preparing these combined and carve-out financial statements:

(a) IFRS 9, Financial Instruments (IFRS 9)

IFRS 9, issued in July 2014, sets out requirements for measuring financial assets, financial liabilities and some contracts to buy or sell nonfinancial items. This standard replaces IAS 39. IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for annual reporting periods beginning on or after January 1, 2018. Based on its preliminary assessment of the standard, management of the Portfolio does not expect the standard to have a material impact on the combined and carve-out financial statements.

(b) IFRS 15, Revenue from Contracts with Customers (IFRS 15)

IFRS 15 specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 was issued in May 2014. In September 2015, the IASB deferred the effective date of IFRS 15 to annual reporting periods beginning on or after January 1, 2018. Based on its preliminary assessment of the standard, management of the Portfolio does not expect the standard to have a material impact on the combined and carve-out financial statements.

(c) IFRS 16, Leases (IFRS 16)

IFRS 16, issued in January 2016, introduces a single on-balance sheet model of accounting for leases by lessees under a single model that eliminates the distinction between operating and finance leases. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17, Leases, and related interpretations, and is effective for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted if IFRS 15 has also been applied. The potential impact of this standard is currently under review by the Portfolio's management.

(6) Asset Acquisitions

Detailed below are the asset acquisitions completed for the years ended December 31, 2017, December 31, 2016 and December 31, 2015.

For the year ended December 31, 2017:

Property	Location	Acquisition date	Units	Gross purchase price(1)	Fair value of mortgage payable assumed
Mountain Ranch	Fayetteville, Arkansas	February 28, 2017	360	$ 32,324	19,966
Windhaven Park	Plano, Texas	October 11, 2017	474	69,842	—
				$102,166	19,966

(1) Includes transaction costs of $45 and $42, respectively

For the year ended December 31, 2016:

Property	Location	Acquisition date	Units	Gross purchase price(1)	Fair value of mortgage payable assumed
West End Lodge	Beaumont, Texas	May 4, 2016	360	$36,526	—

(1) Includes transaction costs of $76

Notes to the Combined and Carve-Out Financial Statements (continued)
December 31, 2017, December 31, 2016, December 31, 2015 and January 1, 2015
Amounts in thousands of U.S. dollars (except unit amounts)

For the year ended December 31, 2015:

Property	Location	Acquisition date	Units	Gross purchase price[1]	Fair value of mortgage payable assumed
The Pointe	Beaumont, Texas	July 10, 2015	152	$13,306	—
Willow Lake	Longview, Texas	November 10, 2015	134	6,403	—
				$19,709	—

(1) Includes transaction costs of $ 6 and 3, respectively

(7) Restricted Cash and Restricted Cash – Bond Sinking Fund

	December 31, 2017	December 31, 2016	December 31, 2015	January 1, 2015
Current:				
Tenant security deposits	$ 763	956	926	1,084
Replacement reserve	3,772	4,953	5,307	4,294
Other restricted cash	8,393	5,520	4,518	5,702
Total current restricted cash:	$12,928	11,429	10,751	11,080
Noncurrent:				
Restricted cash – bond sinking fund	113	182	225	225
Total noncurrent restricted cash	$ 113	182	225	225

(8) Resident and Other Receivables, Net

	December 31, 2017	December 31, 2016	December 31, 2015	January 1, 2015
Resident receivables, net	$ 768	681	434	493
Other receivables	868	1,025	561	533
Resident and other receivables, net	$1,636	1,706	995	1,026

(9) Prepaid Expenses and Other Assets

	December 31, 2017	December 31, 2016	December 31, 2015	January 1, 2015
Prepaid insurance	$ 677	601	587	566
Other prepaid assets	515	461	940	249
Prepaid expenses and other assets	$1,192	1,062	1,527	815

(10) Investment Property

Reconciliations of the carrying amount for investment properties at the beginning and end of the current and prior reporting periods are set out below:

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Balance, beginning of year	$635,484	541,159	506,099
Property acquisitions	102,166	36,526	19,709
Additions to investment property	33,975	25,048	7,454
Change in fair value of investment property	46,382	32,751	7,897
Balance, end of year	$818,007	635,484	541,159

Amounts in thousands of U.S. dollars (except unit amounts)

The Portfolio used a combination of third party appraisers and an internal valuation process to value the investment properties held as of December 31, 2017. As of December 31, 2016, December 31, 2015 and January 1, 2015 the Portfolio used an internal valuation process to value the investment properties. The fair value of each investment property was determined using the direct capitalization income method. The stabilized future estimated cash flows are divided by an overall capitalization rate. The capitalization rates were derived in part from a combination of third-party information and the observation of industry trends (Level 3 inputs). Assumptions used to derive capitalization rates include property age, amenities, renovations, geographic region and location.

A significant increase (decrease) in estimated rents or occupancy rates per annum in isolation would result in a significantly higher (lower) fair value. A significant increase (decrease) in capitalization rate estimates in isolation would result in significantly lower (higher) fair value. Generally, a change in estimated rents is accompanied by a directionally similar change in the rent growth per annum assumption and an opposite change in future vacancy rate estimates.

The high, low, and overall weighted average capitalization rates are set out below:

	December 31, 2017	December 31, 2016	December 31, 2015	January 1, 2015
Capitalization rate:				
High	10%	8.5%	8.5%	8.5%
Low	5.3%	5.5%	5.8%	5.8%
Weighted average	6.2%	6.4%	6.7%	6.6%

The fair values of investment properties are most sensitive to changes in capitalization rates. As of December 31, 2017, a 25-basis-point increase in the weighted average capitalization rate would decrease the value of the investment properties by $31,608 while a 25 basis-point decrease in the weighted average capitalization rate would increase the value of the investment properties by $34,255.

(11) Accounts Payable and Other Liabilities

	December 31, 2017	December 31, 2016	December 31, 2015	January 1, 2015
Trade payables	$ 700	978	626	74
Accrued capital expenditures	2,377	3,424	152	150
Accrued liabilities	8,283	6,872	6,025	5,060
Interest payable on loans and borrowings	1,623	1,161	1,113	1,215
Tenant security deposits	763	756	926	1,084
Rent received in advance	1,527	1,168	1,460	908
Other liabilities	27	908	339	134
Accounts payable and other liabilities	$15,300	15,267	10,641	8,625

(12) Loans and Borrowings

	December 31, 2017	December 31, 2016	December 31, 2015	January 1, 2015
Fixed rate mortgage notes payable	$318,515	232,379	231,638	239,229
Variable rate mortgage notes payable	79,720	98,628	77,750	70,361
Net unamortized premium on mortgage notes payable	9,948	10,993	11,373	11,426
Net unamortized deferred financing costs	(2,596)	(2,192)	(2,259)	(4,141)
Almanac term loan	—	—	—	15,487
Key Bank term loan and revolver	—	—	—	57,900
Centennial Bank credit facilities	87,400	80,000	80,000	—
Total	492,987	419,808	398,502	390,262
Less current portion	4,629	13,227	4,535	19,665
Noncurrent loans and borrowings	$488,358	406,581	393,967	370,597

Almanac Term Loan, Key Bank Term Loan and Key Bank Revolver

As of January 1, 2015, BSR held term loans with Five Arrows Fealty Securities V, L.P. (Almanac) for $15,487 and Key Bank for $57,000, as well as a revolving credit facility with Key Bank for $900. The Almanac term loan bears a fixed interest rate of 9.0%. The Key Bank term loan and Key Bank revolver bear a variable interest rate at the option of the Company at a base rate plus a margin of 3.0% or London Interbank Offered Rate (LIBOR) plus a margin of 4.0%.

Amounts in thousands of U.S. dollars (except unit amounts)

Centennial Bank Term Loan, Line of Credit and Revolver

On May 20, 2015, BSR entered into an $80,000 term loan (Centennial Bank Term Loan) and $5,000 line of credit (Centennial Bank Line of Credit) and used the proceeds to repay the outstanding balances of $57,000 and $900 on a term loan and revolving credit facility with Key Bank, respectively, as well as the outstanding balance of $15,487 on a term loan from Almanac Realty Investors during 2015. The Centennial Bank Term Loan and Centennial Bank Line of Credit bear a fixed rate of interest of 4.25% which both mature on May 15, 2019. As of December 31, 2017, there was $5,000 outstanding on the Centennial Bank Line of Credit. There was no amount outstanding on the Centennial Bank Line of Credit as of December 31, 2016 or December 31, 2015. Additionally, on October 31, 2017 BSR entered into a $35,000 revolving credit facility with Centennial Bank (Centennial Bank Revolver). The Centennial Bank Revolver bears a fixed interest rate of 6.5% and matures on May 15, 2019. As of December 31, 2017, there was $2,400 outstanding on the Centennial Bank Revolver.

The Centennial Bank Term Loan, Centennial Bank Line of Credit and the Centennial Bank Revolver contain customary affirmative and negative covenants and contain financial covenants that, among other things, require the Portfolio to maintain a minimum debt service coverage ratio and leverage ratio tests. The Portfolio was in compliance with debt covenants for all periods presented.

The Portfolio has a $1,600 line of credit with Bank of America which had no amount outstanding as of December 31, 2017. The line of credit with Bank of America was $4,260 with no amount outstanding as of December 31, 2016, December 31, 2015 or January 1, 2015.

Mortgage Notes Payable

The Portfolio's weighted average effective interest rates on mortgage notes payable at December 31, 2017, December 31, 2016, December 31, 2015 and January 1, 2015 is approximately 3.93%, 3.64%, 3.76% and 3.71%, respectively. Mortgage notes payable as of December 31, 2017 mature at various dates from 2018 through 2056.

Scheduled maturities of principal and interest on all outstanding borrowings as of December 31, 2017, are as follows:

	Principal	Balloon payment	Interest	Total payments
2018	$ 4,629	—	19,328	23,957
2019	4,566	150,996	14,826	170,388
2020	4,124	17,997	11,902	34,023
2021	3,885	47,010	10,935	61,830
2022	3,901	—	9,487	13,388
Thereafter	96,678	151,849	79,194	327,721
Total	$117,783	367,852	145,672	631,307

The Portfolio's debt agreements contain customary representations, warranties, and events of default, which require the Portfolio to comply with affirmative and negative covenants. As of December 31, 2017, December 31, 2016, December 31, 2015, and December 1, 2015, the Portfolio was in compliance with all covenants of its debt agreements.

Loss on Extinguishment of Debt

During the year ended December 31, 2016, the Portfolio incurred prepayment penalties associated with the refinancing of debt on two investment properties. Additionally, for the year ended December 31, 2015, the Portfolio incurred prepayment penalties through refinancing the Key Bank and Almanac Realty Investors term loans.

Reconciliation of Movements of Loans and Borrowings to Cash Flows Arising from Financing Activities

In accordance with the amendments to IAS 7 issued by the IASB, the following schedule presents the cash flows and non-cash changes within total loans and borrowings for the year ended December 31, 2017. These amendments apply prospectively for annual periods beginning on or after January 1, 2017. Additionally, reconciliations of liability movements within other financing activities can be found in note 17(d) for interest rate swaps and note 22 for tenant in common interests.

Amounts in thousands of U.S. dollars (except unit amounts)

	Year ended December 31, 2017
Loans and borrowings – Beginning balance as of January 1, 2017	$419,808
Cash flows	
Proceeds from issuance of loans and borrowings	87,929
Principal payments of loans and borrowings	(33,670)
Payment of mortgage financing costs	(1,636)
	52,623
Non-cash changes	
Debt assumed upon property acquisition	19,966
Amortization of net premium on mortgage notes payable	(642)
Amortization of deferred financing costs	1,126
Loss on extinguishment of debt	106
	20,556
Loans and borrowings – Ending balance as of December 31, 2017	$492,987

(13) Interest Expense, Net

Interest expense incurred and charged to income is recorded as follows:

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Interest expense at stated rate	$18,644	16,367	15,998
Amortization of deferred financing costs	1,126	772	1,065
Amortization of net premium on mortgage notes payable	(642)	(709)	(740)
Interest expense on interest rate swaps	492	667	1,032
Distributions to tenant in common interests	581	496	206
	$20,201	17,593	17,561

(14) Segment Reporting

BSR owns, manages and operates multifamily properties located throughout the United States. Management, when measuring the Portfolio's performance, does not distinguish or group its operations on a geographical or any other basis. Accordingly, the Portfolio has a single reportable segment for disclosure purposes in accordance with IFRS.

(15) Operating Leases

The Portfolio leases apartments of multifamily properties to residents under noncancelable operating leases. The leases generally have a term of one year, or less. At December 31, 2017, the total future contractual minimum rent lease payments expected to be received under noncancelable leases are as follows:

1 year	$41,102
2-5 years	—
Greater than 5 years	—
Total	$41,102

(16) Commitments and Contingencies

Commitments

The Portfolio's Little Rock, Arkansas headquarters is leased under an operating lease with a term that expires in 2018. This lease requires monthly payments of $11. Also, the Portfolio leases office equipment under noncancelable operating leases that expire at various times in the future.

Amounts in thousands of U.S. dollars (except unit amounts)

Lease expense amounted to $213, $172, and $147 for the years ended December 31, 2017, December 31, 2016 and December 31, 2015, respectively, and is included in general and administrative expenses in the accompanying combined and carve-out statements of comprehensive income. The following table summarizes the Portfolio's operating lease commitments at December 31, 2017:

1 year	$ 96
2-5 years	32
Greater than 5 years	—
Total	$128

(17) Financial Instruments

(a) Risk Management

The Portfolio's activities expose it to market risk, credit risk and liquidity risk. Risk management is carried out by management of the Portfolio.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other market price risk. In addition to the interest rate risk of variable rate mortgages, there is interest rate risk associated with the Portfolio's fixed rate mortgages payable due to the expected requirement to refinance such mortgages payable in the year of maturity. In order to manage exposure to interest rate risk, the Portfolio endeavors to manage maturities of fixed rate mortgages payable, and match the nature of the mortgage payable with the cash flow characteristics of the underlying asset. This risk is also minimized through the Portfolio's current strategy of having the majority of its mortgages payable in fixed term arrangements. As such, the Portfolio's cash flows are not significantly impacted by a change in market interest rates.

At December 31, 2017, the Portfolio's total mortgages payable were 80% fixed and 20% variable. Management manages a portion of its variable-rate mortgages payable using an interest rate swap that alters its exposure to the impact of changing interest rates. The interest rate swaps are not designated as hedging instruments and as a result, the changes in fair value are recognized in earnings as an adjustment to interest expense in the combined and carve-out statements of comprehensive income. For the year ended December 31, 2017, a 100 basis-point change in interest rates, assuming all other variables are constant, would have resulted in a $925 change in the Portfolio's interest expense.

The Portfolio has no exposure to currency or other market price risk.

The Portfolio's assets consist primarily of multifamily properties. Credit risk arises from the possibility that residents in investment properties may not fulfill their lease or contractual obligations. The Portfolio mitigates its credit risks by attracting residents of sound financial standing and by diversifying its mix of residents. It also monitors resident payment patterns and discusses potential resident issues with property managers on a regular basis. Cash carries minimal credit risk as all funds are maintained with highly reputable financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

Liquidity risk is the risk that the Portfolio will encounter difficulty in meeting obligations associated with the maturity of financial obligations. The Portfolio manages maturities of the fixed rate mortgages payable, and monitors the repayment dates to ensure sufficient capital will be available to cover obligations.

The following table provides information on the carrying balance and the non-discounted contractual maturities of financial liabilities with fixed repayment terms, including estimated interest payments:

	Carrying amount	Contractual cash flows	1 Year	2 Years	3 Years	4 Years	More than 4 Years
Loans and borrowings	$492,987	485,635	4,629	155,562	22,121	50,895	252,428
Interest payable on loans and borrowings	1,623	145,672	19,328	14,826	11,902	10,935	88,681
Interest rate swaps	1,064	1,158	270	194	189	162	343
Capital improvements liability	2,377	2,377	2,377	—	—	—	—
Accounts payable and other liabilities	11,300	11,300	11,300	—	—	—	—
	$509,351	646,142	37,904	170,582	34,212	61,992	341,452

The Portfolio is subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. While the resolution of these matters cannot be predicted with certainty, management believes that the final outcome of such matters will not have a material adverse effect on these combined and carve-out financial statements.

Amounts in thousands of U.S. dollars (except unit amounts)

(b) Fair Value of Financial Instruments

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value may be based on other observable current market transactions in the same instrument, without modification or on a valuation technique using market-based inputs.

Fair value measurements recognized in the combined and carve-out statements of financial position are categorized using the following fair value hierarchy that reflects the significance of inputs used in determining the fair values:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, directly or indirectly
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following information relates to estimated fair values of the Portfolio's financial instruments:

Cash and cash equivalents, restricted cash, resident and other receivables, restricted cash – bond sinking fund and accounts payable and other liabilities (excluding interest rate swaps) are carried at amortized cost, which, due to their short-term nature, approximates fair value.

Tenant in common interests and due to related party are carried at amortized cost, which approximates fair value.

Interest rate swaps and prepayment embedded derivatives are held at fair value. Refer to note 17(d) and note 17(e) for further information.

Loans and borrowings are carried at amortized cost. The Portfolio estimates the fair value of loans and borrowings based on the rates that could be obtained for similar debt instruments with similar terms and maturities. The fair value of loans and borrowings qualifies as Level 2 in the fair value hierarchy above. There were no transfers of assets between fair value levels during the periods presented herein.

(c) Loans and Borrowings

	December 31, 2017	December 31, 2016	December 31, 2015	January 1, 2015
Carrying amount	$492,987	419,808	398,502	390,262
Fair value	495,782	424,993	406,371	402,812

(d) Interest Rate Swaps

The Portfolio has entered into receive-variable based on 1 Month USD – LIBOR/ pay fixed interest rate swap agreements related to three mortgage loans. The interest rate swaps are not designed as a hedge for accounting purposes. These swaps are utilized to manage interest rate exposure over the period of the interest rate swaps. The differential to be paid or received on all swap agreements is accrued as interest rates change and is recognized in interest expense over the life of the respective agreements. The interest rate swaps contain no credit risk-related contingent features.

The following table is a summary of the aggregate current and non-current carrying value and fair value of interest rate swaps held for the periods presented herein:

	December 31, 2017	December 31, 2016	December 31, 2015	January 1, 2015
Interest rate swaps				
Current portion	$ (263)	(485)	(629)	(882)
Non-current portion	(801)	(1,034)	(1,339)	(1,336)
	$(1,064)	(1,519)	(1,968)	(2,218)

Amounts in thousands of U.S. dollars (except unit amounts)

The following table is a summary of the Portfolio's interest rate swap agreements and the respective carrying values as of December 31, 2017:

	Maturity date	Fixed rate	Original notional amount	Notional amount at December 31, 2017	Carrying value and fair value at December 31, 2017
Interest rate swap agreement:					
Bank of America	6/1/2019	1.71%	$15,000	13,333	21
Morgan Keegan & Company, Inc.	9/1/2025	5.07%	12,265	6,680	(1,084)
Bank of America	2/10/2019	1.85%	9,153	8,451	(1)
			$36,418	28,464	(1,064)

The valuation of these instruments was determined using discounted cash flow analyses based on the contractual terms of the derivatives, including the period to maturity of each instrument, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair values determined are based on significant other observable inputs (Level 2). In addition, the Portfolio considered its own and the respective counterparties' risk of nonperformance in determining the fair value of its derivative financial instruments by estimating the current and potential future exposure under the derivative financial instruments that both BSR and the counterparties were at risk for as of the valuation date. This total expected exposure was then discounted using discount factors that contemplate the creditworthiness of BSR and the counterparties to arrive at a credit charge. This credit charge was then netted against the value of the derivative financial instruments determined using the discounted cash flow analysis described above to arrive at a total estimated fair value of the interest rate swap agreements.

Changes in fair value are recognized as net change in fair value of interest rate swaps in the accompanying combined and carve-out statements of comprehensive income. The following table summarizes the beginning and ending fair value and the unrealized gain (loss) for the interest rate swaps for each period presented:

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Interest rate swaps			
Balance, beginning of year	$(1,519)	(1,968)	(2,218)
Non-cash changes			
Unrealized gain (loss) for the year	455	449	250
	$(1,064)	(1,519)	(1,968)

(e) Prepayment Embedded Derivatives

Certain mortgages payable (note 12) contain prepayment options which represent embedded derivatives that require bifurcation from the host contract. The prepayment options are measured at fair value, with changes in the fair value being recognized as net change in fair value of prepayment embedded derivatives on the combined and carve-out statements of comprehensive income.

The fair value of the prepayment embedded derivatives has been determined using a LIBOR based interest rate swap options ("swaptions") as a proxy. The swaptions were structured to mirror the financial conventions of the respective loans, including payment periods, accrual basis, principal amortization, prepayment dates and prepayment premiums. The swaptions were structured as fixed receiver with a strike rate set on market as of the date of the loan agreement with exercise premiums to match the underlying loans plus a cost of refinancing upon exercise. The resulting swaption price would represent a proxy for the value of the prepayment rights embedded in the underlying loans. The fair values determined are based on significant other observable inputs (Level 2).

The following table summarizes the beginning and ending fair value and the unrealized gain (loss) for the prepayment embedded derivatives for each period presented:

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Prepayment embedded derivatives:			
Balance, beginning of year	$ 8,335	10,078	9,071
Loss on extinguishment of debt	—	(3,018)	(374)
New prepayment embedded derivatives	—	2,858	439
Unrealized gain (loss) for the year	(1,485)	(1,583)	942
	$ 6,850	8,335	10,078

Amounts in thousands of U.S. dollars (except unit amounts)

(18) Capital Management

The Portfolio's policy is to preserve a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. Capital consists of total net parent investment. The Portfolio monitors capital using tools designed to anticipate cash needs and to maintain adequate working capital, while also distributing appropriate amounts to those entitled to net parent investment on a regular basis.

BSR has the authority to issue a total of 100,000,000 units, which may be allocated between preferred and common units in such amounts as determined by the Board of Directors of BSR in its sole discretion.

Series A and Series C preferred unitholders earn a cumulative priority return equal to 7% per annum and 5% per annum, respectively, based on the face value per unit. After the cumulative preferred returns have been received by the preferred unitholders, cash is distributed to common unitholders until they reach a current 7% return. Thereafter, available cash is distributed pro-rata between preferred and common unitholders based on units outstanding, on an as-converted to common units basis. In addition, if BSR's Board of Directors determines in its sole discretion to sell units to the public in an initial public offering or to otherwise register BSR's units in accordance with federal securities laws, all Series A preferred units will be automatically converted into an identical number of common units and Series C units will convert to common units on a conversion ratio of 1 to 2,500.

Cash distributions to members of BSR amounted to $11,077, $11,909, and $12,237 for the years ended December 31, 2017, December 31, 2016, and December 31, 2015, respectively.

Preferred and common units are relevant to the Portfolio on a combined and carve-out basis as BSR used proceeds from the issuance of these units to repay loans and other borrowings and to acquire additional investment properties which are included in the Portfolio.

(19) Employee Benefit Plan

401(k) Plan

Management of the Portfolio has adopted a defined contribution plan under Internal Revenue Service (IRS) code section 401(k) for all eligible employees. Employees become eligible after 60 days of service with BSR. A participant may elect to defer up to the maximum percentage of compensation and dollar amounts permissible under Code Section 401(k). Management of the Portfolio elects to match employee deferrals at its discretion. Employer matching contributions to the Plan totaled $92, $97 and $83 during the years ended December 31, 2017, December 31, 2016 and year ended December 31, 2015, respectively.

(20) Capital Contributions from BSR

BSR may make additional capital contributions to the Portfolio to fund operating or capital expenditures. For the periods below BSR contributed the following amounts to fund capital expenditures of the Portfolio:

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Contributions	$20,901	27,196	20,007

(21) Related Party Transactions

Key Management Personnel Compensation

Key management personnel of the Portfolio are those persons having the authority and responsibility for planning, directing and controlling the activities of the Portfolio directly or indirectly.

Key management personnel compensation is comprised of the following:

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Short-term employee benefits	$1,137	1,048	1,155
Share-based payments	115	113	—
Post-employment benefits	20	18	8
	$1,272	1,179	1,163

Amounts in thousands of U.S. dollars (except unit amounts)

Other Related Party Transactions

The Portfolio leases its Little Rock, Arkansas corporate headquarters from an entity owned by BSR's Chief Executive Officer's family under an operating lease with a term expiring in 2018 (see note 16).

On January 5, 2017, BSR entered into a loan facility with BSR's Chief Executive Officer through which BSR could draw up to $30,000. The loan agreement is subject to a variable interest rate based on the Wall Street Journal Prime Rate plus 50 bps with a minimum rate of 4.75% and a maximum rate of 5.25% with a maturity date of December 31, 2019.

Through this arrangement, on February 28, 2017, BSR's Chief Executive Officer loaned BSR $12,661 to fund the acquisition of Mountain Ranch Apartments. While the loan was scheduled to mature on December 31, 2019, BSR repaid the loan in full on May 12, 2017.

Additionally, during September and October 2017, BSR's Chief Executive Officer loaned BSR a total of $28,329 to fund the acquisition of Windhaven. Consistent with the terms of the agreement, the loan is schedule to mature on December 31, 2019 and is included in due to related party on the combined and carve-out statements of financial position. In January 2018, subsequent to the year ended December 31, 2017, BSR's Chief Executive Officer loaned BSR an additional $1,671.

Interest expense paid on related party loans for the year ended December 31, 2017 amounted to $420, and is included in Interest expense, net in the combined and carve-out statements of comprehensive income.

(22) Tenant in Common Interests

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Beginning balance of tenant in common interests	$15,363	12,370	3,335
Cash flows			
Contributions from tenant in common interests	—	547	7,441
Non-cash changes			
Change in tenant in common interests	784	2,446	1,594
Settlement of tenant in common interest through equity	(820)	—	—
	$15,327	15,363	12,370

(23) Property Operating Expenses

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Employee wages and benefits	$14,629	12,380	10,514
Utility costs	7,929	7,447	6,838
Repairs and maintenance expense	5,309	5,519	5,181
Other property based costs	6,783	7,056	6,855
	$34,650	32,402	29,388

(24) Restricted Common Unit Awards

Expenses related to equity based compensation in the combined and carve-out statements of comprehensive income are summarized below for respective periods presented herein:

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Equity based compensation	$272	267	19

Notes to the Combined and Carve-Out Financial Statements (continued)
December 31, 2017, December 31, 2016, December 31, 2015 and January 1, 2015
Amounts in thousands of U.S. dollars (except unit amounts)

Pursuant to the 2016 LTIP, BSR issued 278,250 performance-based RCUs and 89,250 time vested RCUs to its employees:

	Restricted Common Unit Award
Date of Grant	January 1, 2016
Units granted(1)	367,500
Units unvested at December 31, 2016	367,500
Units unvested at December 31, 2017	367,500
Fair value per unit of awards on date of grant(2)	$ 7.73

(1) Of the units granted, 24% vest over a three-year service period. The vesting of the remaining 76% of units granted is dependent upon BSR's achievement of certain performance criteria approved by the compensation committee, over a three-year period.
(2) The fair value of the awards is based on management's best estimate of the grant-date fair value of BSR's equity per share. Management's best estimate is determined using recent sales of common units, reduced by an estimated forfeiture rate of 3% and the present value of estimated distributions which employees are not entitled to during the requisite service period, determined using a 2.47% discount rate.

As a result of the 2016 LTIP, the Portfolio recognized compensation expense of $272 and $267 during the years ended December 31, 2017 and December 31, 2016, respectively. These compensation expenses are allocated between property operating expenses and general and administrative expenses.

The probability of achieving the performance condition is assessed quarterly and compensation expense related to the performance based RCUs was recognized during the years ended December 31, 2017 and December 31, 2016. No compensation expense related to awards of RCUs was recognized during the year ended December 31, 2015. This award agreement was classified as equity and the Portfolio valued each award utilizing the modified-grant-date-model which included unobservable inputs described in Note 2 to the table above. Accordingly, valuation of this award is categorized as Level 3.

(25) Subsequent Events

Management of the Portfolio has evaluated subsequent events from the combined and carve-out statement of financial position date through [●], 2018, the date at which the combined and carve-out financial statements were issued.

The Portfolio is contemplating selling interests of the Portfolio in a to-be-formed REIT, through an initial public offering.

In January and February 2018, the Portfolio refinanced 8 property level mortgages payable with outstanding balances totaling $53,989 through a single credit facility with Bank of Montreal for $59,900. As a result of this refinance, the Portfolio incurred financing costs totaling $5,892, including prepayment penalties and related costs. The Portfolio incurred a loss on extinguishment of these mortgages for a total of $1,178 due to the write-off of unamortized deferred loan costs when the mortgages were refinanced.

During January 2018, the Portfolio settled TIC interest liabilities in 2 properties of $13,155 through the issuance of cash of $344 and the issuance of equity for an aggregate settlement amount of $9,844.

On February 8, 2018 the Board of Directors of BSR declared a quarterly dividend payable to Series A preferred unitholders, Series C preferred unitholders and Common unitholders of record as of December 31, 2017. The dividend was paid on February 15, 2018.

On March 27, 2018, the Portfolio refinanced 4 property level variable rate mortgages payable with combined outstanding balances of $54,750, of which $33,250 would mature in 2021 and $21,500 would mature in 2026. These mortgages payable were refinanced with 4 new fixed rate mortgages payable totaling $58,016 and an average fixed interest rate of 4.50%. Of the $58,016 new mortgages payable, $20,216 will mature in 2028 and $37,800 will mature in 2030.

Additionally, following the completion of the Offering and the acquisition of the BSR Initial Properties by the REIT, the REIT expects to acquire an additional property, Brandon Place. Brandon Place is currently the subject of a binding purchase and sale agreement and is expected to be acquired by the REIT from a third-party vendor in June 2018.

WINDHAVEN PARK PROPERTY

Carve-Out Financial Statements

September 30, 2017, December 31, 2016 and 2015, and January 1, 2015

(With Independent Auditors' Report Thereon)

INDEPENDENT AUDITORS' REPORT

The Board of Directors
BSR Trust, LLC:

We have audited the accompanying carve-out financial statements of the Windhaven Park Property (the Property), which comprise the carve-out statements of financial position as of September 30, 2017, December 31, 2016 and 2015 and January 1, 2015, and the related carve-out statements of comprehensive income, net parent investment, and cash flows for the nine month period ended September 30, 2017 and the years ended December 31, 2016 and 2015, and the related notes to the carve-out financial statements.

We are independent of the Property in accordance with the ethical requirements that are relevant to our audits of the carve-out financial statements in the United States of America, together with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with these requirements, respectively.

Responsibilities of Management and Those Charged with Governance of the Carve-out Financial Statements

Management is responsible for the preparation and fair presentation of these carve-out financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the carve-out financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the carve-out financial statements, management is responsible for assessing the Property's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Property or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Property's carve-out financial statements financial reporting process.

Auditors' Responsibility

Our responsibility is to express an opinion on these carve-out financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and International Standards on Auditing. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the carve-out financial statements are free from material misstatement, whether due to fraud or error. Reasonable assurance is a high level of assurance but is not a guarantee that an audit will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these carve-out financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve-out financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the carve-out financial statements, whether due to fraud or error. We design audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the carve-out financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation, structure, and content of the carve-out financial statements including disclosures, and whether the carve-out financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

As part of an audit, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Property's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the carve-out financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Property to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Property to express an opinion on the carve-out financial statements. We are responsible for the direction, supervision, and performance of the audits. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies or material weaknesses in internal control that we identify during our audits.

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

Opinion

In our opinion, the carve-out financial statements referred to above present fairly, in all material respects, the carve-out financial position of the Windhaven Park Property as of September 30, 2017, December 31, 2016 and 2015, and January 1, 2015, and its carve-out financial performance and its carve-out cash flows for the nine month period ended September 30, 2017 and the years ended December 31, 2016 and 2015 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(signed) KPMG LLP

Dallas, Texas
Date

WINDHAVEN PARK PROPERTY

Carve-Out Statements of Financial Position
Amounts in thousands of U.S. dollars

	Notes	September 30, 2017	September 30, 2016	December 31, 2016	December 31, 2015	January 1, 2015
			(Unaudited)			
Current assets:						
Cash and cash equivalents		$ 206	173	451	211	182
Restricted cash	6	585	536	745	684	634
Resident and other receivables		66	25	6	—	20
Prepaid expenses and other assets	7	64	67	50	53	53
Total current assets		921	801	1,252	948	889
Noncurrent assets:						
Investment property	8	69,800	64,500	65,700	61,300	50,500
Total assets		$70,721	65,301	66,952	62,248	51,389
Current liabilities:						
Accounts payable and other liabilities	9	$ 1,004	882	993	962	800
Mortgage payable	10	37,862	600	37,476	300	—
Total current liabilities		38,866	1,482	38,469	1,262	800
Noncurrent liabilities:						
Mortgage payable	10	—	36,477	—	36,383	33,813
Total liabilities		38,866	37,959	38,469	37,645	34,613
Net parent investment	2(c)	31,855	27,342	28,483	24,603	16,776
Total liabilities and net parent investment		$70,721	65,301	66,952	62,248	51,389

The accompanying notes are an integral part of these carve-out financial statements.

WINDHAVEN PARK PROPERTY

Carve-out Statements of Comprehensive Income
Amounts in thousands of U.S. dollars

	Notes	Nine months ended September 30, 2017	Nine months ended September 30, 2016	Year ended December 31, 2016	Year ended December 31, 2015
			(Unaudited)		
Rental revenue		$ 4,403	4,103	5,522	5,025
Other property income		593	598	786	738
Total revenue		4,996	4,701	6,308	5,763
Property operating expenses	16	(1,391)	(1,195)	(1,635)	(1,626)
Real estate taxes	3(h)	(981)	(733)	(733)	(722)
General and administrative expenses		(265)	(275)	(350)	(352)
Interest expense	11	(1,031)	(892)	(1,200)	(1,049)
Change in fair value of investment property	8	2,980	1,854	2,394	8,044
Change in fair value of investment property (IFRIC 21)	3(h), 8	245	183	—	—
Net income and comprehensive income		$ 4,553	3,643	4,784	10,058

The accompanying notes are an integral part of these carve-out financial statements.

WINDHAVEN PARK PROPERTY

Carve-out Statements of Net Parent Investment
Amounts in thousands of U.S. dollars

Net parent investment at January 1, 2015	$16,776
Net income and comprehensive income	10,058
Distributions to those entitled to net parent investment (note 2(c))	(2,231)
Net parent investment at December 31, 2015	24,603
Net income and comprehensive income	4,784
Distributions to those entitled to net parent investment (note 2(c))	(904)
Net parent investment at December 31, 2016	$28,483
Net parent investment at December 31, 2015	$24,603
Net income and comprehensive income (unaudited)	3,643
Distributions to those entitled to net parent investment (unaudited) (note 2(c))	(904)
Net parent investment at September 30, 2016 (unaudited)	$27,342
Net parent investment at December 31, 2016	$28,483
Net income and comprehensive income	4,553
Distributions to those entitled to net parent investment (note 2(c))	(1,181)
Net parent investment at September 30, 2017	$31,855

The accompanying notes are an integral part of these carve-out financial statements.

WINDHAVEN PARK PROPERTY

Carve-out Statements of Cash Flows
Amounts in thousands of U.S. dollars

	Nine months ended September 30, 2017	Nine months ended September 30, 2016	Year ended December 31, 2016	Year ended December 31, 2015
		(Unaudited)		
Cash flows from operating activities:				
Net income	$ 4,553	3,643	4,784	10,058
Adjustments for:				
Interest expense (note 11)	1,031	892	1,200	1,049
Change in fair value of investment property (note 8)	(2,980)	(1,854)	(2,394)	(8,044)
Net effect of changes in operating accounts:				
Resident and other receivables	(60)	(25)	(6)	20
Prepaid expenses and other assets (note 7)	(14)	(14)	3	—
Accounts payable and other liabilities (note 9)	21	(60)	19	130
Net cash from operating activities	2,551	2,582	3,606	3,213
Cash flows from investing activities:				
Additions to investment property (note 8)	(1,148)	(1,365)	(1,997)	(2,737)
Deposits of restricted cash, net of withdrawals (note 6)	163	142	(70)	(52)
Net cash used in investing activities	(985)	(1,223)	(2,067)	(2,789)
Cash flows from financing activities:				
Proceeds from issuance of mortgage payable (note 10)	738	396	896	2,673
Principal payments of mortgage payable (note 10)	(450)	(150)	(300)	—
Distributions to those entitled to net parent investment (note 2(c))	(1,181)	(904)	(904)	(2,231)
Interest paid	(918)	(738)	(991)	(837)
Net cash used in financing activities	(1,811)	(1,396)	(1,299)	(395)
Net (decrease) increase in cash and cash equivalents	(245)	(38)	240	29
Cash and cash equivalents at beginning of period	451	211	211	182
Cash and cash equivalents at end of period	$ 206	173	451	211
Supplemental disclosure of cash flow information:				
Accounts payable capitalized to investment property	—	—	28	19

The accompanying notes are an integral part of these carve-out financial statements.

Notes to the Carve-Out Financial Statements
September 30, 2017, September 30, 2016 (unaudited), December 31, 2016, December 31, 2015, and January 1, 2015
Amounts in thousands of U.S. dollars

(1) General Information

The Windhaven Park Property as presented in these carve-out financial statements is not a legal entity. It represents the carve-out of a multi-family property (the "Property" or "Windhaven Park"), located in Texas, from the financial statements of a larger portfolio under the common control of a single parent for all periods presented.

These carve-out financial statements of the Property have been prepared for the specific purpose of reporting on the assets, liabilities, revenues, expenses and net parent investment in the net assets of the Property included in, and for the inclusion in, a prospectus to be filed by BSR Real Estate Investment Trust (the ''REIT''), a newly-created, unincorporated, open-ended real estate investment trust established under the laws of the Province of Ontario, Canada. These carve-out financial statements present the financial position, results of operations and cash flows of the Property for the periods presented as if the Property had been accounted for on a stand-alone basis.

These carve-out financial statements are not necessarily indicative of the results that would have been attained had the Property been operated as a separate legal entity for the periods presented and, therefore, are not necessarily indicative of future operating results.

Effective October 11, 2017, BSR Trust, LLC ("BSR") entered into an asset acquisition to purchase the investment property included in these carve-out financial statements. On closing of the transactions contemplated in the REIT's prospectus, the REIT will indirectly acquire ownership of the property interests of BSR.

(2) Basis of Preparation

(a) Statement of Compliance

These carve-out financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These are the Property's first carve-out financial statements prepared in accordance with IFRS and the Property adopted IFRS in accordance with IFRS 1, First-Time Adoption of International Reporting Standards. An explanation or reconciliation of how the transition to IFRS has affected the Property's carve-out financial position, performance and cash flows has not been presented as the Property has not presented carve-out financial statements in previous years. The date of transition to IFRS was January 1, 2015.

(b) Basis of Measurement

These carve-out financial statements have been prepared on a historical cost basis except for the investment property which has been measured at fair value.

(c) Basis of Presentation

The carve-out financial statements are presented in United States dollars, which is the functional currency of the Property, and all amounts have been rounded to the nearest thousands, except when otherwise indicated.

As these carve-out financial statements have been prepared on a carve-out basis, it is not meaningful to show share capital or provide an analysis of reserves. Therefore, amounts which reflect the carrying value of Windhaven Park are disclosed as net parent investment. Distributions on the combined and carve-out statements of net parent investment represent distributions to the members of Windhaven Park. In addition, the carve-out entity has no historical capital structure since the Property was not an existing legal entity during the periods presented.

The carve-out financial statements were authorized for issue by the Board of Directors of BSR on [•].

(3) Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of these carve-out financial statements are described below and have been applied consistently to all periods presented:

(a) Investment Property

A property is determined to be an investment property when it is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment property includes land and land improvements, building and building improvements, as well as furniture and equipment. The investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment property is measured at fair value. Unrealized gains and losses arising from changes in the fair value of the investment property are included in profit or loss in the period in which they arise. Fair values are primarily determined by external appraisers using the income approach.

Subsequent capital expenditures are added to the carrying value of the investment property only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably. All repairs and maintenance costs are expensed as incurred.

Investment property is classified as held for sale when the property is available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of investment properties, its sale is highly probable and expected to be completed with one year. Investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Prior to its disposal, the carrying value of the investment property is adjusted to reflect its fair value. This adjustment is recorded as a fair value gain (loss). Any remaining gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

(b) Cash and Cash Equivalents

All cash and unrestricted, highly liquid investments with an initial maturity of three months or less, at issuance, are considered to be cash and cash equivalents and are recorded at their amortized cost. Windhaven Park maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits of $250. Windhaven Park has not experienced any losses in such accounts. Management of Windhaven Park believes the Property is not exposed to any significant credit risk on its cash and cash equivalents.

(c) Restricted Cash

Restricted cash consists of resident security deposits and escrow deposits held by lenders for property taxes, insurance, debt service and replacement reserves.

(d) Revenue Recognition

Terms of resident leases are generally one year or less, and all resident leases are considered operating leases. Rental income is recognized on a straight-line basis over the lease term. Revenue recognition under a lease commences when the resident has a right to use the property and revenue is recognized pursuant to the terms of the lease agreement.

Payments made in advance of scheduled due dates are deferred as prepaid rents and are included in accounts payable and other liabilities in the accompanying carve-out statements of financial position.

Other property income is recognized when earned (when the services are provided or when the resident incurs the charge) and consists primarily of income from operation of laundry facilities, utility recovery, administrative fees, garage rentals and miscellaneous charges to residents.

(e) Income Taxes

No provision for income taxes has been recorded in the accompanying carve-out financial statements, as those entitled to net parent investment are required to report their share of Windhaven Park's earnings in their respective income tax returns. Windhaven Park's tax returns and the amounts of allocable income or loss are subject to examination by federal and state taxing authorities. If such examinations result in changes to income tax or loss, the tax liability of those entitled to the net parent investment of the Property could be changed accordingly.

Windhaven Park evaluates the uncertainties of tax positions taken or expected to be taken on a return based on the probability of whether the position taken will be sustained upon examination by tax authorities. As of September 30, 2017, Windhaven Park had no amounts related to unrecognized income tax benefits and no amounts related to the accrued interest and penalties. Windhaven Park recognizes tax positions taken or to be taken in a tax return when they become probable. Windhaven Park concluded that it has no material uncertain tax liabilities to be recognized as of September 30, 2017, September 30, 2016 (unaudited), December 31, 2016, December 31, 2015, or January 1, 2015. The Portfolio is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2011.

In certain instances, the Property may be subject to certain state and local taxes.

On December 22, 2017, the Tax Cuts and Jobs Act (the "2017 Tax Act") was signed into law in the United States. The most significant change is the reduction of the statutory corporate tax rate from 35 percent to 21 percent, effective January 1, 2018. Many of the provisions in the 2017 Tax Act expire in seven years (at the end of 2025). Management does not expect the 2017 Tax Act to have a significant impact to the Property.

(f) Financial Instruments

The following summarizes the Property's classification and measurement of financial assets and financial liabilities:

Financial assets	Classification	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Resident and other receivables	Loans and receivables	Amortized cost

Financial liabilities	Classification	Measurement
Mortgage payable	Other financial liabilities	Amortized cost
Accounts payable and other liabilities	Other financial liabilities	Amortized cost

Financial Assets

The Property classifies its financial instruments with fixed or determinable payments that are not quoted in an active market as loans and receivables. All financial assets are initially measured at fair value, plus any related transaction costs, and subsequently are measured at amortized cost using the effective interest method, less any impairment losses.

Resident receivables are initially measured at fair value and are subsequently measured at amortized cost less provision for impairment. A provision for impairment is established when there is objective evidence that collection will not be possible under the original terms of the resident agreement. The carrying amount of the financial asset is reduced by creating an allowance account and the corresponding loss is recognized as a property operating expense. The Property records allowances for all outstanding receivables from residents that have vacated a property or amounts due from residents that are greater than 90 days past-due.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Property has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Financial Liabilities

The Property classifies financial liabilities on initial recognition as other financial liabilities, measured at amortized cost. The Property initially recognizes borrowings on the date they are originated. All other financial liabilities are recognized initially on the trade date at which the Property becomes a party to the contractual provisions of the instrument. Mortgages and other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities and related financing fees are recognized at amortized cost using the effective interest rate method.

Windhaven Park derecognizes a financially liability when it contractual obligations are discharged, canceled or expired.

(g) Interest Expense

Interest expense consists of interest expense on the mortgage payable recognized under the effective interest rate method, which includes amortization associated with loan fees incurred in connection with obtaining long-term financings.

(h) Levies

In accordance with IFRS Interpretations Committee (IFRIC) 21, Levies (IFRIC 21), the Property recognizes the full amount of annual property tax liabilities at the point in time when the realty tax obligation is imposed. This is the obligating event that gives rise to a liability to pay the property taxes.

Additionally, as a pro rata property tax basis adjustment is most often included in the property price in the United States, this is included in the Windhaven Park's assessment of the fair value of investment property.

(4) Critical Accounting Judgments, Estimates and Assumptions

Preparing the carve-out financial statements requires management to make judgments, estimates and assumptions in the application of the policies outlined in note 3. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Amounts in thousands of U.S. dollars

Use of Estimates and Assumptions

Management makes estimates and assumptions that affect carrying amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amount of income for the year. Actual results could differ from those estimates. The estimates and assumptions that are critical in determining the amounts reported in the combined and carve-out financial statements relate to the following:

Valuation of Investment Property

Critical assumptions relating to the estimates of fair value of the investment property include the availability of comparable data and the uncertainty of predictions concerning future events. Should the underlying assumptions change, actual results could differ from the estimated amounts. The critical estimates and assumptions underlying the valuation of the investment property are outlined in note 8.

(5) Accounting Standards Issued but Not Yet Effective

The following standards are not yet effective for the period ended September 30, 2017 and have not been applied in preparing these carve-out financial statements:

(a) IAS 7, Statement of Cash Flows ("IAS 7")

On January 7, 2016, the IASB issued amendments to IAS 7. The amendments apply prospectively for annual periods beginning on or after January 1, 2017 and require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Management of the Property will implement these amendments to IAS 7 in accordance with the effective date for carve-out financial statements with annual periods beginning on or after January 1, 2017.

(b) IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9, issued in July 2014, sets out requirements for measuring financial assets, financial liabilities and some contracts to buy or sell nonfinancial items. This standard replaces IAS 39, Financial instruments: Recognition and Measurement. IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for annual reporting periods beginning on or after January 1, 2018. Based on its preliminary assessment of the standard, management of the Property does not expect the standard to have a material impact on the carve-out financial statements.

(c) IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 was issued in May 2014. In September 2015, the IASB deferred the effective date of IFRS 15 to annual reporting periods beginning on or after January 1, 2018. Based on its preliminary assessment of the standard, management of the Property does not expect the standard to have a material impact on the carve-out financial statements.

(d) IFRS 16, Leases ("IFRS 16")

IFRS 16, issued in January 2016, introduces a single on-balance sheet model of accounting for leases by lessees under a single model that eliminates the distinction between operating and finance leases. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes International Accounting Standard ("IAS") 17, Leases, and related interpretations, and is effective for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted if IFRS 15 has also been applied. The potential impact of this standard is currently under review by the Property's management.

(6) Restricted Cash

	September 30, 2017	September 30, 2016	December 31, 2016	December 31, 2015	January 1, 2015
		(Unaudited)			
Tenant security deposits	$ 25	25	22	31	33
Other restricted cash	560	511	723	653	601
Total restricted cash	$585	536	745	684	634

Notes to the Carve-Out Financial Statements (continued)
September 30, 2017, September 30, 2016 (unaudited), December 31, 2016, December 31, 2015, and January 1, 2015
Amounts in thousands of U.S. dollars

(7) Prepaid Expenses and Other Assets

	September 30, 2017	September 30, 2016	December 31, 2016	December 31, 2015	January 1, 2015
		(Unaudited)			
Prepaid insurance	$31	34	17	20	20
Other prepaid assets	33	33	33	33	33
Prepaid expenses and other assets	$64	67	50	53	53

(8) Investment Property

Reconciliations of the carrying amount for the investment property at the beginning and end of the current and prior reporting periods are set out below:

	Nine months ended September 30, 2017	Nine months ended September 30, 2016	Year ended December 31, 2016	Year ended December 31, 2015
		(Unaudited)		
Balance, beginning of period	$65,700	61,300	61,300	50,500
Additions to investment property	1,120	1,346	2,006	2,756
Change in fair value of investment property	2,980	1,854	2,394	8,044
Balance, end of period	69,800	64,500	65,700	61,300
IFRIC 21 real estate tax liability adjustment	(245)	(183)	—	—
IFRIC 21 fair value adjustment	245	183	—	—
Balance, end of period, including IFRIC 21 considerations	$69,800	64,500	65,700	61,300

Windhaven Park used third party appraisers to value the investment property for each period presented. The fair value of the investment property was determined using the direct capitalization income method. The stabilized future estimated cash flows are divided by an overall capitalization rate. The capitalization rates were derived in part from a combination of third-party information and the observation of industry trends (Level 3 inputs). Assumptions used to derive capitalization rates include property age, amenities, renovations, geographic region and location. The capitalization rates used at the end of each period were 5.0%, 5.0%, 5.0% (unaudited), 5.0%, and 5.5% as of September 30, 2017, September 30, 2016 (unaudited), December 31, 2016, December 31, 2015, and January 1, 2015, respectively.

A significant increase (decrease) in estimated rents or occupancy rates per annum in isolation would result in a significantly higher (lower) fair value. A significant increase (decrease) in capitalization rate estimates in isolation would result in significantly lower (higher) fair value. Generally, a change in estimated rents is accompanied by a directionally similar change in the rent growth per annum assumption and an opposite change in future vacancy rate estimates.

The fair value of the investment property is most sensitive to changes in the capitalization rate. As of September 30, 2017, a 25 basis-point increase in the capitalization rate would decrease the value of the investment property by $3,324 while a 25 basis-point decrease in the capitalization rate would increase the value of the investment property by $3,674.

(9) Accounts Payable and Other Liabilities

	September 30, 2017	September 30, 2016	December 31, 2016	December 31, 2015	January 1, 2015
		(Unaudited)			
Trade and other payables	$ 105	197	103	100	82
Accrued capital expenditures	—	—	28	19	—
Accrued interest	110	88	95	83	69
Tenant security deposits	25	25	22	31	33
Rent received in advance	28	21	11	7	6
Accrued real estate taxes	736	551	734	722	610
Accounts payable and other liabilities	$1,004	882	993	962	800

Amounts in thousands of U.S. dollars

(10) Mortgage Payable

The Property's mortgage payable is summarized as follows:

	September 30, 2017	September 30, 2016 (Unaudited)	December 31, 2016	December 31, 2015	January 1, 2015
Variable rate mortgage payable	$37,862	37,225	37,574	36,978	34,305
Net unamortized deferred financing costs	—	(148)	(98)	(295)	(492)
Total	37,862	37,077	37,476	36,683	33,813
Less current portion	37,862	600	37,476	300	—
Noncurrent mortgage notes payable	—	36,477	—	36,383	33,813

At September 30, 2017, the mortgage payable balance is comprised of one note totaling $37,862. The note has a maximum borrowing amount of $38,700, bears interest at the London Interbank Offered Rate ("LIBOR") plus a margin of 2.15%, resulting in a rate of 3.38% as of September 30, 2017, and matures on October 11, 2017, and is, therefore, classified as a current liability on the carve-out financial statements as of September 30, 2017.

In line with the maximum borrowing amount of the mortgage payable, Windhaven Park received additional draws on the mortgage payable of $738, $396 (unaudited), $896 and $2,673 during the period ended September 30, 2017, period ended September 30, 2016 (unaudited), year ended December 31, 2016 and year ended December 31, 2015. The outstanding mortgage payable was within the maximum borrowing amount for all periods presented.

The Property's effective interest rates on the mortgage note payable at September 30, 2017, September 30, 2016 (unaudited), December 31, 2016, December 31, 2015 and January 1, 2015 is approximately 3.39%, 3.17% (unaudited), 3.39%, 3.10% and 2.88%, respectively.

Scheduled maturities of principal and interest on all outstanding borrowings as of September 30, 2017, are as follows:

	Principal	Balloon payment	Interest	Total payments
2017	$—	37,862	39	37,901
2018	—	—	—	—
Thereafter	—	—	—	—
Total	$—	37,862	39	37,901

Windhaven Park's debt agreement contains customary representations, warranties, and events of default, which require the Property to comply with affirmative and negative covenants. As of September 30, 2017, September 30, 2016 (unaudited), December 31, 2016, December 31, 2015, and January 1, 2015, the Property was in compliance with all covenants of its debt agreement.

(11) Interest Expense

Interest on the mortgage payable incurred and charged to income is recorded as follows:

	Nine months ended September 30, 2017	Nine months ended September 30, 2016 (Unaudited)	Year ended December 31, 2016	Year ended December 31, 2015
Interest expense on mortgage payable	$ 893	744	1,003	852
Other financing costs	40	—	—	—
Amortization of deferred financing costs	98	148	197	197
	$1,031	892	1,200	1,049

Amounts in thousands of U.S. dollars

(12) Segment Reporting

Windhaven Park is a single multifamily property located in the United States. Management, when measuring Windhaven Park's performance, does not distinguish or group its operations on a geographical or any other basis. Accordingly, Windhaven Park has a single reportable segment for disclosure purposes in accordance with IFRS.

(13) Operating Leases

The Property leases units of a single multifamily property to residents under noncancelable operating leases. The leases generally have a term of one year, or less. At September 30, 2017, the total future contractual minimum rent lease payments expected to be received under noncancelable leases are as follows:

1 year	$3,759
2-5 years	—
Greater than 5 years	—
Total	$3,759

(14) Financial Instruments

(a) Risk Management

The Property's activities expose it to market risk, credit risk and liquidity risk. Risk management is carried out by management of the Property.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other market price risk.

At September 30, 2017, the Property's mortgage payable was at a variable-rate. For the nine months ended September 30, 2017, a 100 basis-point change in interest rates, assuming all other variables are constant, would have resulted in a $283 change in the Property's interest expense.

The Property has no exposure to currency or other market price risk.

The Property's assets consist primarily of a single multifamily property. Credit risk arises from the possibility that residents in the investment property may not fulfill their lease or contractual obligations. The Property mitigates its credit risks by attracting residents of sound financial standing and by diversifying its mix of residents. It also monitors resident payment patterns and discusses potential resident issues with property managers on a regular basis. Cash carries minimal credit risk as all funds are maintained with highly reputable financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

Liquidity risk is the risk that the Property will encounter difficulty in meeting obligations associated with the maturity of financial obligations. The Property manages maturities of the fixed rate mortgages payable, and monitors the repayment dates to ensure sufficient capital will be available to cover obligations.

The following table provides information on the carrying balance and the non-discounted contractual maturities of financial liabilities with fixed repayment terms, including estimated interest payments:

	Carrying amount	Contractual cash flows	1 Year	More than 1 Year
Mortgage payable	$37,862	37,862	37,862	—
Interest payable on loans and borrowings	110	149	149	—
Accounts payable and other liabilities	894	894	894	—
	$38,866	38,905	38,905	—

Windhaven Park is subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. While the resolution of these matters cannot be predicted with certainty, management believes that the final outcome of such matters will not have a material adverse effect on these carve-out financial statements.

Amounts in thousands of U.S. dollars

(b) Fair Value of Financial Instruments

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value may be based on other observable current market transactions in the same instrument, without modification or on a valuation technique using market-based inputs.

Fair value measurements recognized in the carve-out statements of financial position are categorized using the following fair value hierarchy that reflects the significance of inputs used in determining the fair values:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, directly or indirectly
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following information relates to estimated fair values of the Property's financial instruments:

Cash and cash equivalents, restricted cash, resident and other receivables and accounts payable and other liabilities are carried at amortized cost, which, due to their short-term nature, approximates fair value.

There were no transfers of assets between fair value levels during the periods presented herein.

(c) Mortgage payable

The Property holds one mortgage payable which bears interest at a variable-rate. The mortgage's carrying value at each carve-out statement of financial position date approximates its fair value as the interest rate reacts to current market conditions.

The Property estimates the fair value of the mortgage payable based on the rates that could be obtained for similar debt instruments with similar terms and maturities. The fair value of the mortgage payable qualifies as Level 2 in the fair value hierarchy above. There were no transfers of assets between fair value levels during the periods presented herein.

(15) Capital Management

The Property's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. Capital consists of total equity. Management of the Property monitors capital using tools designed to anticipate cash needs and to maintain adequate working capital, while also distributing appropriate amounts to those entitled to net parent investment on a regular basis.

(16) Property Operating Expenses

	Nine months ended September 30, 2017	Nine months ended September 30, 2016	Year ended December 31, 2016	Year ended December 31, 2015
		(Unaudited)		
Employee wages and benefits	$ 487	467	633	614
Utility costs	462	449	608	592
Repairs and maintenance expense	256	166	239	226
Other property based costs	186	113	155	194
	$1,391	1,195	1,635	1,626

(17) Related Party Transactions

Key Management Personnel Compensation

The Property does not employ key management personnel. Management services, strategic oversight, accounting and administrative duties of managing the Property are managed through the property management agreement.

Other Related Party Transactions

For the period ended September 30, 2017, in accordance with Windhaven Park's property management agreement with a related party, property management fees were earned by the property management company. Property management fees totaled $138, $175, $130 (unaudited), and $158 for the period ended September 30, 2017, period ended September 30, 2016 (unaudited), year ended December 31, 2016 and year ended

December 31, 2015. Property management fees are presented within general and administrative expenses within the carve out statements of comprehensive income. Property management fees payable were $16, $15 (unaudited), $15 and $14 as of September 30, 2017, September 30, 2016 (unaudited), December 31, 2016 and December 31, 2015, respectively, and is included in accounts payable and other liabilities accrued liabilities in the carve-out financial statements.

(18) Subsequent Events

Management of Windhaven Park has evaluated subsequent events from the carve-out statement of financial position date through [●], 2018, the date at which the carve-out financial statements were issued.

On October 11, 2017, the Property was sold to BSR in exchange for cash proceeds of $69,800, and the related mortgage payable was paid off.

APPENDIX A
BSR REAL ESTATE INVESTMENT TRUST
CHARTER OF THE AUDIT COMMITTEE

(the "Charter")

1. General

A. Purpose

The Audit Committee (the "**Committee**") is a committee of the Board of Trustees (the "**Board**") of BSR Real Estate Investment Trust (the "**REIT**"). The members of the Committee and the chair of the Committee (the "**Chair**") are appointed by the Board on an annual basis (or until their successors are duly appointed) for the purpose of overseeing the REIT's financial controls and reporting and monitoring whether the REIT complies with financial covenants and legal and regulatory requirements governing financial disclosure matters and financial risk management.

2. Composition

The Committee should be comprised of a minimum of three trustees and a maximum of five trustees.

(1) The Committee must be constituted as required under National Instrument 52-110 – *Audit Committees*, as it may be amended or replaced from time to time ("**NI 52-110**").

(2) All members of the Committee must (except to the extent permitted by NI 52-110) be independent (as defined by NI 52-110), and free from any relationship that, in the view of the Board, could be reasonably expected to interfere with the exercise of his or her independent judgment as a member of the Committee.

(3) No members of the Committee shall receive, other than for service on the Board or the Committee or other committees of the Board, any consulting, advisory, or other compensatory fee from the REIT or any of its related parties or subsidiaries.

(4) All members of the Committee must (except to the extent permitted by NI 52-110) be financially literate (which is defined as the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the REIT's financial statements).

(5) Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee on ceasing to be a trustee. The Board may fill vacancies on the Committee by election from among the Board. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all powers of the Committee so long as a quorum remains.

3. Limitations on Committee's Duties

In contributing to the Committee's discharge of its duties under this Charter, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended or may be construed as imposing on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which any member of the Board may be otherwise subject.

Members of the Committee are entitled to rely, absent actual knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, (iii) representations made by management of the REIT ("**Management**") as to the non-audit services provided to the REIT by the external auditor, (iv) financial statements of the REIT represented to them by a member of Management or in a written report of the external auditors to present fairly the financial position of the REIT in accordance with applicable generally accepted accounting principles, and (v) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

4. Meetings

The Committee should meet not less than four times annually. The Committee should meet within 45 days following the end of the first three financial quarters of the REIT and shall meet within 90 days following the end of the fiscal year of the REIT. A quorum for the transaction of business at any meeting of the Committee shall be a majority of the members of the Committee or such greater number as the Committee shall by resolution determine. The Committee shall keep minutes of each meeting of the Committee. A copy of the minutes shall be provided to each member of the Committee.

Meetings of the Committee shall be held from time to time and at such place as any member of the Committee shall determine upon two days' prior notice to each of the other Committee members. The members of the Committee may waive the requirement for notice. In addition, each of the Chief Executive Officer, the Chief Financial Officer and the external auditor shall be entitled to request that the Chair call a meeting.

The Committee may ask members of Management and employees of the REIT (including, for greater certainty, its affiliates and subsidiaries) or others (including the external auditor) to attend meetings and provide such information as the Committee requests. Members of the Committee shall have full access to information of the REIT (including, for greater certainty, its affiliates, subsidiaries and their respective operations) and shall be permitted to discuss such information and any other matters relating to the results of operations and financial position of the REIT with Management, employees, the external auditor and others as they consider appropriate.

The Committee or its Chair should meet at least once per year with Management and the external auditor in separate sessions to discuss any matters that the Committee or either of these groups desires to discuss privately. In addition, the Committee or its Chair should meet with Management quarterly in connection with the REIT's interim financial statements.

The Committee shall determine any desired agenda items.

5. Committee Activities

As part of its function in assisting the Board in fulfilling its oversight responsibilities (and without limiting the generality of the Committee's role), the Committee will have the power and authority to:

A. Financial Disclosure

(1) Review, approve and recommend for Board approval the REIT's interim financial statements, including any certification, report, opinion or review rendered by the external auditor and the related management's discussion & analysis and press release.

(2) Review, approve and recommend for Board approval the REIT's annual financial statements, including any certification, report, opinion or review rendered by the external auditor, the annual information form, and the related management's discussion & analysis and press release.

(3) Review and approve any other press releases that contain financial information and such other financial information of the REIT provided to the public or any governmental body as the Committee requires.

(4) Satisfy itself that adequate procedures have been put in place by Management for the review of the REIT's public disclosure of financial information extracted or derived from the REIT's financial statements and the related management's discussion & analysis.

(5) Review any litigation, claim or other contingency and any regulatory or accounting initiatives that could have a material effect upon the financial position or operating results of the REIT and the appropriateness of the disclosure thereof in the documents reviewed by the Committee.

(6) Receive periodically Management reports assessing the adequacy and effectiveness of the REIT's disclosure controls and procedures.

B. Internal Control

(1) Review Management's process to identify and manage the significant risks associated with the activities of the REIT.

(2) Review the effectiveness of the internal control systems for monitoring compliance with laws and regulations.

(3) Have the authority to communicate directly with the internal auditor, if one is present.

(4) Receive periodical Management reports assessing the adequacy and effectiveness of the REIT's internal control systems.

(5) Assess the overall effectiveness of the internal control and risk management frameworks through discussions with Management and the external auditors and assess whether recommendations made by the external auditors have been implemented by Management.

C. Relationship with the External Auditor

(1) Recommend to the Board the selection of the external auditor and the fees and other compensation to be paid to the external auditor.

(2) Have the authority to communicate directly with the external auditor and arrange for the external auditor to be available to the Committee and the Board as needed.

(3) Advise the external auditor that it is required to report to the Committee, and not to Management.

(4) Monitor the relationship between Management and the external auditor, including reviewing any Management letters or other reports of the external auditor, discussing any material differences of opinion between Management and the external auditor and resolving disagreements between the external auditor and Management.

(5) If considered appropriate, establish separate systems of reporting to the Committee by each of management and the external auditor.

(6) Review and discuss on an annual basis with the external auditor all significant relationships they have with the REIT, Management or employees that might interfere with the independence of the external auditor.

(7) Pre-approve all non-audit services (or delegate such pre-approval, as the Committee may determine and as permitted by applicable securities laws) to be provided by the external auditor.

(8) Review the performance of the external auditor and recommend any discharge of the external auditor when the Committee determines that circumstances warrant.

(9) Periodically consult with the external auditor out of the presence of Management about (a) any significant risks or exposures facing the REIT, (b) internal controls and other steps that Management has taken to control such risks, and (c) the fullness and accuracy of the financial statements of the REIT, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.

(10) Review and approve any proposed hiring of current or former partners or employees of the current (and any former) external auditor of the REIT.

D. Audit Process

(1) Review the scope, plan and results of the external auditor's audit and reviews, including the auditor's engagement letter, the post-audit management letter, if any, and the form of the audit report. The Committee may authorize the external auditor to perform supplemental reviews, audits or other work as deemed desirable.

(2) Following completion of the annual audit and quarterly reviews, review separately with each of Management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to

required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews.

(3) Review any significant disagreements among Management and the external auditor in connection with the preparation of the financial statements.

(4) Where there are significant unsettled issues between Management and the external auditor that do not affect the audited financial statements, the Committee shall seek to ensure that there is an agreed course of action leading to the resolution of such matters.

(5) Review with the external auditor and Management significant findings and the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented.

(6) Review the system in place to seek to ensure that the financial statements, management's discussion & analysis and other financial information disseminated to regulatory authorities and the public satisfy applicable requirements.

E. Financial Reporting Processes

(1) Review the integrity of the REIT's financial reporting processes, both internal and external, in consultation with the external auditor.

(2) Periodically consider the need for an internal audit function, if not present.

(3) Review all material balance sheet issues, material contingent obligations and material related party transactions.

(4) Review with Management and the external auditor the REIT's accounting policies and any changes that are proposed to be made thereto, including all critical accounting policies and practices used, any alternative treatments of financial information that have been discussed with Management, the ramification of their use and the external auditor's preferred treatment and any other material communications with Management with respect thereto. Review the disclosure and impact of contingencies and the reasonableness of the provisions, reserves and estimates that may have a material impact on financial reporting.

F. General

(1) Inform the Board of matters that may significantly impact on the financial condition or affairs of the business.

(2) Respond to requests by the Board with respect to the functions and activities that the Board requests the Committee to perform.

(3) Periodically review this Charter and, if the Committee deems appropriate, recommend to the Board changes to this Charter.

(4) Review the public disclosure regarding the Committee required from time to time by NI 52-110.

(5) The Committee may at its discretion retain independent counsel, accountants and other professionals to assist it in the conduct of its activities and to set and pay (as an expense of the REIT) the compensation for any such advisors.

(6) Review in advance, and approve, the hiring and appointment of the REIT's Chief Financial Officer and any other senior officers responsible for financial reporting.

(7) Perform any other activities as the Committee or the Board deems necessary or appropriate.

6. Complaint Procedures

(1) Anyone may submit a complaint regarding conduct by the REIT or its employees or agents (including its external auditor) reasonably believed to involve questionable accounting, internal accounting controls, auditing or other matters. The Chair will have the power and authority to oversee treatment of such complaints.

(2) Complaints are to be directed to the attention of the Chair.

(3) The Committee should endeavour to keep the identity of the complainant confidential.

(4) The Chair will have the power and authority to lead the review and investigation of a complaint. The Committee should retain a record of all complaints received. Corrective action may be taken when and as warranted.

CERTIFICATE OF THE REIT AND THE PROMOTER

Dated: April 11, 2018

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus 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 J. Labatte Trustee	(Signed) Graham D. Senst Trustee

BSR Trust, LLC
(as Promoter)

(Signed) John S. Bailey
Chief Executive Officer

CERTIFICATE OF THE UNDERWRITERS

Dated: April 11, 2018

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada

BMO NESBITT BURNS INC.

By: (Signed) David Goldstein

CIBC WORLD MARKETS INC.

By: (Signed) Jeff Appleby

RBC DOMINION SECURITIES INC.

By: (Signed) David Holden

SCOTIA CAPITAL INC.

By: (Signed) Karim Kabbara

TD SECURITIES INC.

By: (Signed) Derek Dermott

NATIONAL BANK FINANCIAL INC.

By: (Signed) Andrew Wallace

RAYMOND JAMES LTD.

By: (Signed) Lucas Atkins

CANACCORD GENUITY CORP.

By: (Signed) Dan Sheremeto

DESJARDINS SECURITIES INC.

By: (Signed) Mark Edwards

INDUSTRIAL ALLIANCE SECURITIES INC.

By: (Signed) Dennis Kunde

ECHELON WEALTH PARTNERS INC.

By: (Signed) Rob Sutherland

BSR