

A copy of this preliminary prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada but has not yet become final for the purposes 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 (the “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 and, subject to certain exemptions, may not be offered or sold in the U.S.

PRELIMINARY PROSPECTUS

Initial Public Offering

February 19, 2024



LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT TRUST (NO. 1)

Minimum: US\$42,000,000 of Class A Units, Class E Units, Class F Units and/or Class U Units

Maximum: US\$52,000,000 of Class A Units, Class E Units, Class F Units and/or Class U Units

This Prospectus qualifies the distribution (the “Offering”) of up to an aggregate of US\$52,000,000 of class A trust units (“Class A Units”), class E trust units (“Class E Units”), class F trust units (“Class F Units”) and/or class U trust units (“Class U Units”) and, collectively with the Class A Units, Class E Units and Class F Units, and, if applicable, Class I Units (as defined herein), the “Units”) of Lantower Residential Real Estate Development Trust (No. 1) (the “REDT”), a newly created, unincorporated investment trust established under the laws of the Province of Ontario. The Units will be offered at a price of C\$10.00 per Class A Unit and Class F Unit, and US\$10.00 per Class U Unit and Class E Unit (as applicable, the “Offering Price”). The Class A Units and Class U Units are designed for commission-based accounts while the Class E Units and Class F Units are designed for fee-based accounts. The REDT’s investment objectives are to: (a) provide Unitholders (as defined herein) with an opportunity to indirectly own an interest in each of the Bayside and Sunrise development projects currently wholly-owned by a subsidiary of H&R Real Estate Investment Trust (“H&R REIT”) and located in the Tampa, Florida market, and Orlando, Florida market, respectively; (b) build, lease and operate the Projects; and (c) achieve a Liquidity Event by the end of the Term (as defined herein). See “Investment Strategy”.

The development projects consist of two projects in Florida containing an aggregate of 601 units comprising: (i) a project to develop multifamily residential rental buildings comprising 271 residential rental units sitting on 8.4 acres of land in Largo, Florida (Tampa) (the “Bayside Project”) and (ii) a project to develop multifamily residential rental buildings comprising an aggregate of 330 residential rental units on 17.2 acres of land in Kissimmee, Florida (Orlando) (the “Sunrise Project”, and together with the Bayside Project, the “Projects”).

**Price: C\$10.00 per Class A Unit
US\$10.00 per Class E Unit
C\$10.00 per Class F Unit
US\$10.00 per Class U Unit**

	Price to the Public ⁽¹⁾⁽²⁾	Agent’s Fee	Net Proceeds to the REDT ⁽³⁾
Per Class A/F Unit	C\$10.00	C\$0.60	C\$9.40
Per Class E/U Unit	US\$10.00	US\$0.60	US\$9.40
Minimum Offering ⁽⁴⁾	US\$42,000,000	US\$2,520,000	US\$39,480,000
Maximum Offering ⁽⁵⁾	US\$52,000,000	US\$3,120,000	US\$48,880,000

Notes:

- (1) The terms of the Offering, including the Offering Price, were determined by negotiation between the Agent (as defined herein) and the Manager (as defined herein), on behalf of the REDT.
- (2) The minimum subscription amount is: (a) C\$10,000 in respect of the Class A Units and Class F Units, and (b) US\$10,000 in respect of the Class E Units and Class U Units.

- (3) Before deduction of the applicable expenses of the Offering (estimated at US\$1.0 million), which will be paid by the JV LP (as defined herein) out of the Net Subscription Proceeds (as defined herein).
- (4) The Minimum Offering assumes that US\$42 million of Class A Units, Class E Units, Class F Units and Class U Units are issued and sold pursuant to this Prospectus, and that no trust units are issued and sold pursuant to a concurrent private placement, but will be calculated based on the actual Canadian dollar to U.S. dollar exchange rate and subscription proceeds received from the issuance of Class A Units, Class E Units, Class F Units, Class U Units and, if applicable, Class I Units.
- (5) The Maximum Offering assumes US\$52 million of Class A Units, Class E Units, Class F Units and Class U Units are issued and sold pursuant to this Prospectus, and that no trust units are issued and sold pursuant to a concurrent private placement, but will be calculated based on the actual Canadian dollar to U.S. dollar exchange rate and subscription proceeds received from the issuance of Class A Units, Class E Units, Class F Units, Class U Units and, if applicable, Class I Units.

The REDT may seek out commitments from certain institutional and other investors to subscribe for class I trust units (“**Class I Units**”), or any of the other classes of Units, on a lead order basis (“**Lead Investors**”). The REDT may issue additional trust units, including trust units of a new class, by way of private placement concurrent with the closing of the Offering at a price of C\$10.00 or US\$10.00, as applicable, provided that the proceeds of any such private placements, including to any Lead Investors, together with the proceeds of the Offering, do not exceed the Maximum Offering amount.

The REDT will be managed by H&R REIT Management Services Limited Partnership (the “**Canadian Manager**”) and the JV LP (as defined herein) will be managed by Lantower Management Services LP (the “**U.S. Manager**”, and together with the Canadian Manager, the “**Manager**”), each a subsidiary of H&R REIT. See “Corporate Structure – Intercorporate Relationships” and “H&R REIT and the Management Agreement”. Lantower Residential LP (“**Lantower Residential**”), a wholly-owned subsidiary of H&R REIT is the current owner of the Projects (the “**Current Owner**”). The Current Owner has committed to provide additional equity to the Projects, through an increased interest in the Projects, in an aggregate amount equal to the difference between (a) the gross proceeds raised from the Offering and any concurrent private placements by the REDT, and (b) the Maximum Offering (the “**Equity Commitment**”), which would result in a maximum Equity Commitment of US\$10 million in the aggregate if only the Minimum Offering is achieved, in order to provide the necessary equity to complete development of the Projects. In connection with the Offering, the Current Owner is not disposing of its interests in the Projects and will not receive any of the net proceeds of the Offering on closing of the Offering.

Following the completion of the Offering, the REDT will indirectly acquire an interest in the Projects through the indirect acquisition of Class B limited partnership units of the JV LP (as defined herein), which, immediately following closing of the Offering, will indirectly own 100% of the Projects. Assuming the Maximum Offering, the REDT will own an indirect 70.9% limited partner interest in the JV LP and equity interest in the Projects, and assuming the Minimum Offering is sold, the REDT will own an indirect 57.3% limited partner interest in the JV LP and equity interest in the Projects. See “Description of the Activities of the REDT – The Projects” and “Use of Proceeds”. The net proceeds from the Offering (after deduction of the Agent’s Fee, and the expenses of the Offering which will be paid by the JV LP) and any concurrent private placements by the REDT invested into the JV LP will be used, together with any proceeds from the Equity Commitment (if applicable) the existing working capital of the Projects and debt financing, to fund the development of the Projects. The REDT’s indirect interest in the Projects will be determined based on the Gross Subscription Proceeds (as defined herein), without deduction for the Agent’s Fee or any expenses of the Offering borne by the JV LP. The REDT will not acquire any additional real property with the net proceeds of the Offering or from any other financing sources and, accordingly, this Offering is not a “blind pool” offering. Further, following completion of the Offering and any concurrent private placements by the REDT, the REDT will not seek to raise any further equity from the public and, accordingly, is a closed-ended vehicle, provided that any cost overruns will be funded by the Current Owner through acquiring Cost Overrun Units (as defined herein). See also “Investment Strategy – The Current Owner”.

In order to provide Unitholders with liquidity, the Manager intends to achieve a Liquidity Event within three and a half years of the Closing Date (as defined herein), subject to two one-year extensions where the Manager determines in its discretion that the extensions are prudent given then prevailing market conditions and in the best interests of the REDT. The “**Liquidity Event**” may be, subject to Unitholder approval as the case may be, (i) the sale of all or substantially all of the assets of the REDT, (ii) the sale of all or substantially all of the Units of the REDT by Unitholders or all of the securities in the JV LP through which the REDT indirectly owns its interests in the Projects (or if only one Project remains, such Project), for cash or Listed Securities (as defined herein) or a combination of cash and Listed Securities, (iii) a transaction which provides Unitholders with comparable liquidity that such Unitholders would have if the Units were Listed Securities (as defined below), whether by means of a reverse take-over, merger, amalgamation, arrangement, take-over bid, insider bid, reorganization, joint venture or similar transaction or other combination with an issuer of Listed Securities, (iv) the exchange of Units for securities that are listed on a stock exchange or securities that are exchangeable or convertible into securities that are listed on a stock exchange (collectively, “**Listed Securities**”), or (v) an event similar to those described in items (i) to (iv) above and designated as a “Liquidity Event” by the independent Trustees. In the event a Liquidity Event is not achieved within three and a half years of the Closing Date, subject to any applicable, permitted extensions, the REDT and the Current Owner have certain liquidity rights opposite one another pursuant to the H&R Liquidity Option, the REDT Liquidity Option or the Sale Process (each as defined herein). See “Description of Securities – The REDT – Termination of the REDT” and “Forward-Looking Statements”.

There will be no closing unless the Minimum Offering is achieved, being a minimum of US\$42,000,000 of Class A Units, Class E Units, Class F Units, Class I Units (if any) and/or Class U Units being sold pursuant to the Offering and any concurrent private placement. The distribution under this Offering will not continue for a period of more than 90 days after the date of the receipt obtained from the principal securities regulatory authority for the final prospectus for this Offering (the “Final Prospectus”). If one or more amendments to the Final Prospectus are filed and the principal securities regulatory authority has issued a receipt for any such amendment, the distribution under this Offering will not continue for a period of more than 90 days after the latest date of a receipt for any such amendment. In any case, the total period of distribution under the Offering will not continue for a period of more than 180 days from the date of the receipt for the Final Prospectus. If the Minimum Offering is not achieved during the 90-day period, subscription funds received by the Agent (which will be held by the Agent in trust) will be returned to the applicable subscribers without any deductions, unless the applicable subscribers have otherwise instructed the Agent.

An investment in the securities offered by this Prospectus is subject to certain risk factors as set out under the heading “Risk Factors” or otherwise described in this Prospectus.

Commencing on the earlier of Stabilization and the date on which the Trustees determine that it is in the best interests of the Unitholders, and until a Liquidity Event has been achieved, the REDT intends to declare and pay to Unitholders quarterly cash distributions out of the available operating cash flow of the REDT (to the extent declared by the Trustees and otherwise available); however, such cash distributions may not occur or, if any such cash distributions do occur, may be reduced, including to zero, or suspended, as the ability of the REDT to make such cash distributions and the actual amount distributed will depend on the development and operation of the Projects, the expenses and requirements of the REDT and its Subsidiaries (as defined herein), and the timing of a Liquidity Event, and will be subject to various other factors, including those referenced in the “Risk Factors” section of this Prospectus.

The aggregate Minimum Return (as defined herein), after payment of all expenses of the Projects, the REDT and its Subsidiaries, (i) is based on an 8% per annum compounded return on the Gross Subscription Proceeds received by the REDT from the issuance of each Unit, (ii) is calculated in the currency of issuance of each such Unit, and (iii) is a preferred return, payable prior to payment of any amounts pursuant to the Carried Interest and Asset Management Fee (each as defined herein), but (iv) is not guaranteed, is not expected to be paid prior to the occurrence of a Liquidity Event, and may not be paid upon the occurrence of a Liquidity Event or at all. The aggregate Secondary Minimum Return (as defined herein), after payment of all expenses of the Projects, the REDT and its Subsidiaries (including the Asset Management Fee and a portion of the Carried Interest), (i) is based on a 15% per annum compounded return on the Gross Subscription Proceeds received by the REDT from the issuance of each Unit, (ii) is calculated in the currency of issuance of each such Unit, and (iii) is a preferred return, payable prior to payment of the increased percentage of distributions payable pursuant to the Carried Interest, but (iv) is not guaranteed, is not expected to be paid prior to the occurrence of a Liquidity Event, and may not be paid upon the occurrence of a Liquidity Event or at all. See “Forward-Looking Statements” and “Risk Factors”.

The return on an investment in the Units is not comparable to the return on an investment in a fixed income security. Cash distributions, including such amount of cash distributions sufficient to provide for the return of a Unitholder’s original investment, are not guaranteed and the anticipated return on investment is based upon many performance assumptions. It is important for purchasers of Units (“Purchasers”) to consider the particular risk factors that may affect the real estate development and investment markets generally and, therefore, the availability and stability of the distributions to Unitholders.

There is currently no market through which the Units may be sold, such a market may not develop, and Purchasers may not be able to resell Units purchased under this Prospectus. This may affect the pricing and liquidity of the securities in the secondary market, if one should develop, the transparency and availability of trading prices, and the extent of issuer regulation. See “Risk Factors”. As at the date of this Prospectus, the REDT does not have any of its securities listed or quoted, has not applied to list or quote any of its securities and does not intend to apply to list or quote any of its securities on the Toronto Stock Exchange, Cboe Canada Inc., any other Canadian marketplace, a U.S. marketplace, or any marketplace outside Canada and the U.S. See “Plan of Distribution”.

The REDT will aim to realize a projected targeted pre-tax investor gross compounded annualized return of approximately 18%-20% equating to a total pre-tax investor gross return over three and a half years from the Closing Date of approximately 80% before fees and satisfaction of the Carried Interest on the REDT’s indirect investment in the Projects upon the achievement of a Liquidity Event, although these figures will necessarily vary as between classes of Units based on the proportionate entitlements of each class of Units, and the Unitholder’s unhedged exposure to Canadian/U.S. dollar exchange rates. See “Risk Factors”, “Forward-Looking Statements” and “Description of Securities – The REDT – Distributions”. See “Use of Proceeds” and “Risk

Factors” for a more complete discussion of the factors and assumptions underlying these statements and of risks and their potential consequences.

On the Closing Date, which is targeted for late March 2024, the REDT will convert the net subscription amounts from the Class A Units and Class F Units (the “**Canadian Dollar Units**”) received into U.S. dollars. The relative entitlement of a holder of a Canadian Dollar Unit to receive distributions from the REDT and to receive proceeds upon the termination of the REDT (as compared to the entitlement of a holder of a Class E Unit, Class I Unit (if any) and/or Class U Unit) will depend, in part, on the Canadian/U.S. dollar exchange rate at which the REDT is able to convert such proceeds on the Closing Date. Furthermore, (i) the amount of distributions on the Canadian Dollar Units (including any returns of capital to holders of Canadian Dollar Units), and (ii) the distribution of proceeds to holders of Canadian Dollar Units on the termination of the REDT, will be determined and declared in Canadian dollars at the time of such distributions and accordingly, will depend, in part, on the Canadian/U.S. dollar exchange rate at each such time. See “Description of Securities – The REDT – Distributions”, “Description of Securities – The REDT – Distribution on Termination of the REDT” and “Risk Factors – Risks Related to the REDT – Currency Exchange Rate”.

Unitholders will generally be required to include, in computing their income for each taxation year, the income of the REDT paid or made payable to them by the REDT for the taxation year of the REDT ending in or coincidentally with such taxation year. If the REDT is unable to pay sufficient cash distributions in a particular taxation year to fully distribute its income for that year, Unitholders may receive distributions in the form of additional Units. If a Unitholder receives distributions from the REDT in a year which exceed the amount of income (including capital gains, if any, paid or made payable) to such Unitholder by the REDT for the year, any such excess distributions will generally not be included in the Unitholder’s income for the year, but will result in a net reduction of the adjusted cost base of the Unitholder’s Units. In the event that cash distributions paid to a Unitholder for a taxation year of the REDT are less than the income of the REDT paid or made payable to such Unitholder for the year, the full amount of such income will nonetheless be required to be included in the Unitholder’s income for the year and any such shortfall (satisfied by a distribution of Units) will generally result in a net increase in the adjusted cost base of the Unitholder’s Units. See “Certain Canadian Federal Income Tax Considerations”.

The after-tax return from an investment in Units to a Unitholder subject to Canadian income tax will depend in part on the Unitholder’s ability to recognize, for purposes of the Tax Act (as defined herein), U.S. or other foreign taxes considered to be paid by or on behalf of the REDT through the foreign tax credit or foreign tax deduction mechanisms in the Tax Act. See “Certain Canadian Federal Income Tax Considerations” and “Certain U.S. Federal Income Tax Considerations”.

While the Declaration of Trust (as defined herein) contains a redemption right, such redemption right is not intended to be the primary mechanism for Unitholders to liquidate their investment. The Units will be redeemable quarterly at the option of Unitholders by written notice to the REDT. The redemption price per Unit multiplied by the number of Units tendered by a Unitholder for redemption will be paid to such Unitholder by way of a cash payment no later than the last day of the calendar month following the calendar quarter in which such Units were tendered for redemption, provided that, unless the Trustees otherwise determine, the total amount payable by the REDT by cash payment in respect of the redemption of Units for the calendar quarter shall not exceed C\$50,000 in the aggregate and is also limited in any 12-month period to 1% of the aggregate Net Asset Value (as defined herein) at the start of such 12-month period. See “Risk Factors – Risks Related to the Offering – Limited Liquidity of Units”.

The payment in cash by the REDT of the redemption price per Unit will reduce the amount of cash available to the REDT for the payment of cash distributions to Unitholders (to the extent applicable), as the payment of the amount due in respect of redemptions will take priority over the payment of such cash distributions, and will reduce the REDT’s indirect interest in the Project. See “Risk Factors – Risks Related to Redemptions – Use of Available Cash”. If Units tendered for redemption are not redeemed for cash as a result of the foregoing limitations, the REDT shall satisfy the redemption of such Units tendered for redemption by way of an *in specie* distribution of property of the REDT (which may include the Investment LP Units (as defined herein)) and/or the issuance of unsecured subordinated promissory notes of the REDT, at its option, as determined by the Board in its sole discretion. Property distributed by the REDT upon a redemption is not expected to be liquid and may not be a qualified investment for trusts governed by Plans (as defined herein). In those circumstances, adverse tax consequences generally may apply to a Unitholder, or a Plan and/or the annuitant, holder, subscriber or beneficiary thereunder or thereof, as a result of the redemption of Units held in a trust governed by a Plan. See “Description of Securities – The REDT – Redemption”, “Risk Factors – Risk Factors – Risks Related to the Offering – Limited Liquidity of Units” and “Risk Factors – Risks Related to Redemptions”.

CIBC World Markets Inc. (the “**Agent**”) conditionally offers the Units on a best efforts basis, subject to prior sale, if, as and when issued by the REDT and accepted by the Agent in accordance with the conditions contained in the Agency Agreement (as defined herein), subject to the approval of certain Canadian legal matters on behalf of the REDT by Blake, Cassels & Graydon LLP, in respect of certain Canadian legal matters on behalf of the Agent by Stikeman Elliott LLP. See “Plan of Distribution”.

Registration and transfers of Units will be effected only through the book entry only system administered by CDS Clearing and Depository Services Inc. (“CDS”). Each Purchaser will receive only a customer confirmation from the registered dealer which is a CDS participant and from or through which Units are purchased. Beneficial owners of Units will not have the right to receive physical certificates evidencing their ownership of such securities. See “Plan of Distribution”.

The following persons are incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or reside outside of Canada. The persons named below have appointed the following agents for service of process:

<u>Name of Person or Company</u>	<u>Name and Address of Agent for Service</u>
Colliers International Valuation & Advisory Services	H&R Real Estate Investment Trust 3625 Dufferin Street, Suite 500, Toronto, Ontario, M3K 1N4
Michael Loeb, in his capacity as Chief Executive Officer and Trustee of the REDT	H&R Real Estate Investment Trust 3625 Dufferin Street, Suite 500, Toronto, Ontario, M3K 1N4

Purchasers are advised that it may not be possible for investors to enforce judgements 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.

The Canadian Manager is the asset manager of the REDT and the U.S. Manager is the asset manager of the JV LP, each giving the REDT and the JV LP access to an experienced management team and broad network of relationships in the U.S. and Canadian real estate sectors. The U.S. Manager will not receive payment of the Asset Management Fee during the development phase of the Projects but may be entitled to receive the Asset Management Fee from the JV LP pursuant to the Management Agreement (as defined herein) upon Unitholders achieving the Minimum Return and the achievement of a Liquidity Event, subject to certain conditions as described therein. In addition, certain Trustees and/or officers of the REDT will be affiliated with the Canadian Manager, the U.S. Manager or Lantower Residential and such Trustees and/or officers may become involved in transactions that conflict with the interests of the REDT. Except as otherwise provided in this Prospectus and other than pursuant to any duties owed to the REDT, such Trustees and/or officers of the REDT are not in any way limited by the REDT or affected in their ability to carry on other business ventures for their own account and for the account of others. Such Trustees and/or officers will not have any obligations to account to the REDT or the Unitholders for profits made in such other activities. See “H&R REIT and the Management Agreement – The Management Agreement”, “H&R REIT and the Management Agreement – Potential Conflicts of Interest (Manager, Trustees and Officers)”, “Risk Factors – Risks Related to the REDT – Potential Conflicts of Interest with Respect to the Manager and the JV GP”, “Risk Factors – Risks Related to the REDT – Potential Conflicts of Interest with Respect to the Trustees and Executive Officers of the REDT”, “Risk Factors – Risks Related to the REDT – Reliance on the Manager and Lantower”, “Promoters” and “Interests of Management and Others in Material Transactions”.

The REDT will adopt a written code of business conduct and ethics that applies to all trustees and officers of the REDT and the Manager and its employees. See “Audit Committee and Corporate Governance – Corporate Governance”.

The registered and head office of the REDT is located at 3625 Dufferin Street, Suite 500, Toronto, Ontario, M3K 1N4.

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ABOUT THIS PROSPECTUS

A Purchaser should rely only on the information contained in this Prospectus and is not entitled to rely on parts of the information contained in this Prospectus to the exclusion of others. The REDT has not, and the Agent and H&R REIT have not, authorized anyone to provide Purchasers with additional or different information. The REDT is not, and the Agent is not, offering to sell the Units in any jurisdictions where the offer or sale of such Units is not permitted. 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 of any sale of the Units.

For Purchasers outside Canada, none of the REDT, the Manager or the Agent has done anything that would permit the Offering or possession or distribution of this Prospectus in any jurisdiction where action for that purpose is required, other than in Canada. Purchasers are required to inform themselves about and to observe any restrictions relating to the Offering and the possession or distribution of this Prospectus.

In order to address certain securities regulatory or public interest policy objectives, the REDT will adopt a number of measures that will define its business and the scope of its operations. These measures include:

- (a) the requirement that any change to:
 - (i) the Asset Management Fee, the investment restrictions of the REDT and/or to the REDT's operating policy relating to the assumption of any indebtedness shall require the approval by Special Resolution of the Unitholders;
 - (ii) the remaining operating policies shall require the approval by an Ordinary Resolution of the Unitholders; and
 - (iii) the Declaration of Trust relating to the procedure to amend the REDT's investment restrictions and operating policies will require the approval by Special Resolution of the Unitholders,

(see "Investment Restrictions and Operating Policies – Amendments to Investment Restrictions and Operating Policies" and "Description of Securities – The REDT – Meetings of Unitholders and Resolutions");

- (b) the REDT will only use the Net Subscription Proceeds in accordance with its Investment Restrictions and its investment strategy, as set forth herein; and
- (c) the Board will, on filing of the Final Prospectus, consist of a majority of independent trustees in accordance with the recommendation of the Canadian securities regulatory authorities set forth in Section 3.1 of National Policy 58-201 – *Corporate Governance Guidelines* (see "Trustees and Executive Officers").

INTERPRETATION

In this Prospectus, all references to "C\$" are to Canadian dollars and all references to "\$" or "US\$" are to U.S. dollars, unless otherwise noted. See "Exchange Rate Information". Certain terms used in this Prospectus are defined under the heading "Glossary of Terms".

In this Prospectus, references to the REDT include its Subsidiaries where the context requires. In addition, any reference to the indirect acquisition of the Projects by the REDT means the indirect acquisition of the Projects by the REDT through its interest in Investment LP, through its interest in the Holding LP, through its interest in the JV LP.

Unless otherwise noted herein, the disclosure in this Prospectus assumes that there is not a concurrent private placement of trust units, that there are no subscriptions for Cost Overrun Units and the only classes of Units issued by the REDT are the Class A Units, Class E Units, Class F Units and Class U Units.

FORWARD-LOOKING STATEMENTS

This Prospectus includes statements with respect to the REDT, including its business operations and strategy, and financial performance and condition, which may constitute forward-looking information, future oriented financial information,

or financial outlooks (collectively, “**forward-looking information**”) within the meaning of Canadian securities laws. Forward-looking information may relate to the REDT’s future outlook and anticipated events, including future results, performance, achievements, prospects or opportunities for the REDT or the real estate industry and the Offering and may include statements regarding the financial position, budgets, litigation, projected costs, capital expenditures, financial results, taxes, plans and objectives of, or involving, the REDT. Such forward-looking information in some cases, can be identified by terminology such as “may”, “might”, “will”, “could”, “should”, “would”, “occur”, “expect”, “plan”, “anticipate”, “believe”, “intend”, “seek”, “aim”, “estimate”, “target”, “project”, “predict”, “forecast”, “potential”, “continue”, “likely”, “schedule”, or the negative thereof or other similar expressions concerning matters that are not historical facts.

Forward-looking information in this Prospectus includes, but is not limited in any manner to statements with respect to:

- (a) opportunities in the U.S. residential rental real estate market, and specifically in the residential rental real estate markets in Tampa and Orlando, respectively;
- (b) optimal market conditions in the U.S., and specifically in Tampa and Orlando, respectively;
- (c) expectations regarding recent economic developments in the U.S., the future of U.S. real estate markets generally and the U.S. to Canadian dollar exchange rates;
- (d) the availability of financing for the Projects;
- (e) the Equity Commitment;
- (f) subscriptions for Cost Overrun Units;
- (g) the REDT’s intention to make distributions as set out herein;
- (h) the Manager’s expectations regarding the expected timeline for the development plans in respect of the Projects;
- (i) the Manager’s expectations regarding the operation and development of the Projects, including, but not limited to, the planned development of open land space into residential rental buildings;
- (j) the Manager’s expectations and plans regarding the REDT’s ability to enter into a construction contract on terms contemplated in the development plans for the Projects;
- (k) the REDT’s target compounded annualized return for the Term across all Unit classes;
- (l) the Manager’s intention to achieve a Liquidity Event within three and a half years of the Closing Date, subject to two discretionary one-year extensions;
- (m) the possibility of completing any private placements concurrent with the closing of the Offering;
- (n) the expectation that the REDT will satisfy the requirements stipulated by the Tax Act to qualify as a “mutual fund trust”;
- (o) the REDT’s forecasted annual expenses for the first 12 month period following the Closing Date;
- (p) the anticipated Closing Date; and
- (q) the expected public filings of the REDT.

Material factors and assumptions used by management of the REDT to develop the forward-looking information include, but are not limited to, the REDT’s current expectations about: real property ownership and revenues; construction and development risk; obtaining necessary development permits for the Projects; the realization of property value appreciation and timing thereof; the inventory of residential rental properties; competition from developers of residential rental properties; the

Tampa and Orlando real estate markets; government legal and regulatory changes; property encumbrances relating to the Projects; significant fixed expenditures and fees in connection with the maintenance, operation and administration of the Projects; closing and other transaction costs in connection with the acquisition and disposition of the Projects; the availability of mortgage financing and current interest rates; revenue shortfalls; assumptions about rental growth rates in the U.S. residential rental real estate market, demographic trends and the markets in which the REDT intends to operate; fluctuations in interest rates; litigation risks; the relative illiquidity of real property investments; the U.S. economic environment; the geographic concentration of the REDT's business; natural disasters and severe weather; demand levels for residential rental properties in Tampa and Orlando, respectively, and local economic conditions; negative geopolitical events; public health crises; the capital structure of the REDT; distributions; capital depletion; foreign currency exchange rates and assumptions related thereto; potential conflicts of interest; reliance on the good faith and ability of the Manager to manage and operate the Projects; reliance on other third-party property management companies; the limited operating history of the REDT; the limited experience of management of the REDT with respect to managing a reporting issuer; the limited liquidity of the Units; and tax laws. With respect to factors and assumptions used to calculate a projected targeted pre-tax investor gross compounded annualized return of approximately 18%-20% equating to a total pre-tax investor gross return over three and a half years from the Closing Date of approximately 80%, before fees and satisfaction of the Carried Interest, please see "Description of Securities – The REDT – Distributions". While management of the REDT considers these assumptions to be reasonable based on currently available information, they may prove to be incorrect.

Although the Manager believes that the expectations reflected in such forward-looking statements are reasonable and represent the REDT's internal projections, expectations and beliefs at this time, such statements involve known and unknown risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of factors, many of which are beyond the REDT's control, may affect the operations, performance and results of the REDT, and could cause actual results in future periods to differ materially from current expectations of estimated or anticipated events or results expressed or implied by such forward-looking statements. Such factors include, among other things, the availability of mortgage financing for the Projects, and general economic and market factors, including interest rates, prospective purchasers of real estate, the attractiveness of the Projects and the ability of the REDT to achieve a Liquidity Event, business competition, public health crises and disease outbreaks, and changes in government regulations or income tax laws. See "Risk Factors".

Purchasers are cautioned against placing undue reliance on forward-looking statements. Except as required by law, the REDT undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

This Prospectus may contain future-oriented financial information within the meaning of applicable securities laws ("FOFI") about the REDT's prospective results of operations and components thereof, including but not limited to forecasted annual cash flow and expenses from operating activities for the first 12 month period following the Closing Date. All FOFI contained in this Prospectus is subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs. FOFI contained in this Prospectus was made as of the date hereof, based on information available to the REDT as of the date hereof, and was provided for the purpose of describing the anticipated effects of the Offering on the REDT's business operations. The actual results of operations of the REDT may vary from the amounts set forth herein and such variation may be material. The REDT disclaims any intention or obligation to update or revise any FOFI in this Prospectus, whether as a result of new information, future events or otherwise, unless required pursuant to applicable securities laws. See "Use of Proceeds" and "Risk Factors".

MARKET DATA

This Prospectus contains statistical data, market research and industry forecasts that were obtained from government and industry publications and reports or are based on estimates derived from such publications and reports and the Manager's knowledge of, and experience in, the markets in which the REDT operates. Government and industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. Actual outcomes may vary materially from those forecast in such publications or reports, and the prospect for material variation can be expected to increase as the length of the forecast period increases. While the Manager believes this data to be reliable, market and industry data is subject to variations and cannot be verified due to limits on the availability and reliability of data inputs and other limitations and uncertainties inherent in any statistical survey.

Accordingly, the accuracy, currency and completeness of this information cannot be guaranteed. None of the REDT, the Manager or the Agent has independently verified any of the data from third-party sources referred to in this Prospectus or ascertained the underlying assumptions relied upon by such sources. Such third-party sources have made no representation with respect to this Prospectus. Purchasers under this Prospectus will not have a direct statutory right of action for misrepresentation against such third-party sources. For the avoidance of doubt, nothing in this paragraph operates to relieve the REDT or the Agent from liability for any misrepresentation contained in this Prospectus under applicable Canadian securities laws. For more information on rights of Purchasers pursuant to this Prospectus, see “Purchasers’ Statutory Rights and Other Contractual Rights”.

ELIGIBILITY FOR INVESTMENT

In the opinion of Blake, Cassels & Graydon LLP, counsel to the REDT, and Stikeman Elliott LLP, counsel to the Agent, based on the current provisions of the Tax Act, provided that the REDT is a “mutual fund trust” within the meaning of the Tax Act on the Closing Date, the Units will be, on that date, “qualified investments” under the Tax Act for trusts governed by Plans.

Notwithstanding that Units may be qualified investments as discussed above, if Units are held in a trust governed by an RRSP, RRIF, TFSA, FHSA, RDSP or RESP for which Units are a “prohibited investment” (as defined in the Tax Act), the annuitant under the RRSP or RRIF, the holder of the TFSA, FHSA or RDSP, or the subscriber of the RESP, as the case may be, will be subject to a penalty tax as set out in the Tax Act. Units will not be a prohibited investment for a trust governed by an RRSP, RRIF, TFSA, FHSA, RDSP or RESP provided the annuitant, holder, or subscriber, as the case may be, deals at arm’s length with the REDT for purposes of the Tax Act and does not have a “significant interest” (as defined for purposes of prohibited investment rules in the Tax Act) in the REDT. In addition, a Unit will not be a “prohibited investment” if the Unit is “excluded property” (as defined for purposes of prohibited investment rules in the Tax Act). Annuitants, holders, and subscribers of such plans should consult their own tax advisors to ensure that Units would not be a prohibited investment in their particular circumstances.

Prospective purchasers who intend to hold Units in a trust governed by a Plan are advised to consult their personal tax advisors.

The promissory notes, the Investment LP Units or other property which may be received in connection with an *in specie* redemption of Units as described under the heading “Description of Securities – The REDT – Redemption” generally will not be qualified investments for trusts governed by Plans, which may give rise to adverse tax consequences for a trust governed by a Plan that receives such promissory notes, the Investment LP Units or other property, or to the annuitant, beneficiary, subscriber or holder of such Plan. Accordingly, each annuitant, beneficiary, subscriber or holder of a Plan should consult with their own tax advisors before deciding to exercise redemption rights in connection with Units held in a trust governed by a Plan.

EXCHANGE RATE INFORMATION

The following table sets forth, for the periods indicated, the high, low, average and period-end daily average exchange rates of one Canadian dollar in exchange for U.S. dollars, as reported by the Bank of Canada.

	<u>Year Ended</u> <u>December 31, 2023</u>	<u>Year Ended</u> <u>December 31, 2022</u>
High	0.7617	0.8014
Low	0.7207	0.7202
Average	0.7410	0.7687
Period End	0.7561	0.7378

On February 16, 2024, the last business day prior to the date of this Prospectus, the daily average exchange rate as reported by the Bank of Canada for conversion of Canadian dollar into U.S. dollars was C\$1.00 = US\$1.3484.

PROSPECTUS SUMMARY

The following is a summary of the principal features of this Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus. Potential investors should read the entire Prospectus and not rely solely on the contents of this summary, which does not contain full, true and plain disclosure of all material facts relating to the Units.

Issuer: Lantower Residential Real Estate Development Trust (No. 1) (the “**REDT**”) is a newly-created, unincorporated investment trust governed by the laws of the Province of Ontario. The REDT was formed pursuant to the initial declaration of trust dated as of February 12, 2024. The REDT will be managed by the Canadian Manager and the JV LP will be managed by the U.S. Manager, each a subsidiary of H&R REIT.

Offering: Class A Units, Class E Units, Class F Units and/or Class U Units up to a maximum of US\$52,000,000 of Units.

Issue Size: Minimum Offering: US\$42,000,000
Maximum Offering: US\$52,000,000

The size of the Offering will be calculated based on the U.S. dollar equivalent of the subscription proceeds received from the issuance of Class A Units and Class F Units and the subscription proceeds received from the issuance of Class U Units and Class E Units.

Price: C\$10.00 per Class A Unit
US\$10.00 per Class E Unit
C\$10.00 per Class F Unit
US\$10.00 per Class U Unit

Minimum Purchase: Class A Units - C\$10,000 (1,000 Class A Units)
Class E Units - US\$10,000 (1,000 Class E Units)
Class F Units - C\$10,000 (1,000 Class F Units)
Class U Units - US\$10,000 (1,000 Class U Units)

The Promoter: H&R Real Estate Investment Trust (“**H&R REIT**”) is considered to be the promoter of the REDT by reason of its initiative in organizing the business of the REDT and taking the steps necessary for the public distribution of the Units, and as the indirect owner of the Current Owner and the Manager.

The Manager: The REDT will be managed by H&R REIT Management Services Limited Partnership (the “**Canadian Manager**”) and the JV LP will be managed by Lantower Management Services LP (the “**U.S. Manager**”, and together with the Canadian Manager, the “**Manager**”), each a subsidiary of H&R REIT. The Canadian Manager will be primarily engaged in the management of the REDT and the U.S. Manager will be primarily engaged in the development and construction of the Projects.

H&R REIT (TSX: HR.UN) is one of Canada’s largest fully internalized real estate investment trusts with total assets of \$10.8 billion at December 31, 2023. H&R REIT has ownership interests in a North American portfolio of high quality residential, industrial, retail and office properties comprising over 26.9 million square feet. H&R REIT’s strategy is to create a simplified, growth-oriented business focused on residential and industrial properties in order to create sustainable long-term value for unitholders. H&R REIT’s target is to be a leading owner, operator and developer of residential and industrial properties, creating value through redevelopment and greenfield development in prime locations within, among other markets, high growth U.S. Sun Belt and gateway cities.

Lantower Residential, the Current Owner and a subsidiary of H&R REIT, is a vertically integrated multifamily real estate company based in Dallas, Texas, focused on acquiring, developing, financing, and managing multifamily communities in the U.S. Lantower Residential focuses on driving growth and maximizing value through its disciplined investment strategy and portfolio management. Lantower Residential consists of 24 residential properties in select markets in the United States comprising 8,166 residential rental units, at H&R REIT's ownership interest. In addition to hosting all capacities internally (property management, operations, accounting, human resources, marketing, asset management, etc.), Lantower Residential has an in-house development team that has over 5,000 residential rental units in the pipeline at various stages of zoning, pre-development, development and construction. Lantower Residential uses its vast network of landowners, brokers, architects, engineers, contractors and consultants to exploit accretive U.S. Sun Belt development opportunities, primarily across Texas and Florida. Lantower Residential's in-house team manages the entire real estate development life cycle from land sourcing and the entitlement process to development and design with architects and engineers and ultimately through construction and general contractor management. Lantower Residential is led by a team of executives supported by over 60 corporate employees with vast experience across all sectors of the multifamily residential business. The teams operate alongside each other to deliver results that lead to successful investment outcomes.

H&R REIT's recent ground-up developments such as the 528-unit River Landing development in Miami, Florida, and the 413-unit West Love and 350-unit Midtown developments in Dallas, Texas are examples of H&R REIT's intent to grow its portfolio with accretive residential development projects across the U.S. Sun Belt.

See "H&R REIT and the Management Agreement – H&R REIT".

Investment Strategy:

H&R REIT established the REDT primarily for the purpose of indirectly owning an interest in each of the Bayside Project and Sunrise Project located in Largo, Florida (Tampa) and Kissimmee, Florida (Orlando), respectively. The Bayside Project consists of a project to develop a multifamily residential rental building comprising an aggregate of 271 residential rental units sitting on 8.4 acres of land. The Sunrise Project consists of a project to develop multifamily residential rental buildings comprising an aggregate of 330 residential rental units on 17.2 acres of land. The Manager believes that the development of each of the Projects presents a compelling investment opportunity and provides competitive returns compared to other real estate assets. The Manager believes that the Projects feature strong location and demographic fundamentals, as Central Florida is able to capitalize on its robust net in-migration fundamentals, a pro-business environment, an affordable cost of living and strong rent-to-income ratios, contributing to future rent growth. The Manager believes that the demographics and economic growth in the Tampa MSA and Orlando MSA markets continue to drive rental demand in the cities, and that the cities are poised to see high absorption rates and rent growth.

See "Investment Strategy – Investment Strategy".

Investment Objectives:

The REDT's investment objectives are to:

- (a) provide Unitholders with an opportunity to indirectly own an interest in each of the Bayside Project and Sunrise Project currently wholly-owned by a subsidiary of H&R REIT and located in Largo, Florida (Tampa) and Kissimmee, Florida (Orlando), respectively;
- (b) build, lease and operate the Projects; and
- (c) achieve a Liquidity Event by the end of the Term.

See "Investment Strategy – Investment Objectives" and "Forward-Looking Statements".

Investment Highlights:

<p><i>Experienced and Aligned Management and Sponsorship Team with Strong Track Record</i></p>	<p>The REDT will be managed by a group of experienced senior executives with an established track record of providing strong returns in the residential real estate sector in the U.S. Sun Belt. Further, the parent of the Current Owner and the sponsor of the Projects, H&R REIT, has a history of acquiring, developing and operating real estate assets throughout Canada and the U.S. with an impressive record of value creation through its wholly-owned Lantower Residential platform.</p> <p>Lantower Residential’s in-house development team has over 5,000 residential rental units with an estimated value of over US\$1.7 billion dollars in the pipeline at various stages of zoning, pre-development, development and construction. Lantower Residential’s in-house team manages the entire real estate development life cycle from land sourcing and the entitlement process to development and design with architects and engineers and ultimately through construction and general contractor management.</p> <p>The REDT will also benefit from investing alongside H&R REIT in the Projects. H&R REIT is one of Canada’s largest real estate investment trusts, with an extensive network of financing sources and financial institution support, providing the Projects with enhanced access to financing. In addition, as a large public real estate investment trust, H&R REIT has access to more diverse sources of financing in the event of any cost overruns, and an ability to utilize its own financing sources to fund development of the Project. The Manager also expects to be able to leverage H&R REIT’s capabilities and relationships to identify potential Liquidity Events. The executive team provided by the Manager also has significant prior public company experience, through H&R REIT.</p> <p>Following the completion of the Offering, H&R REIT as the parent of the Current Owner, will retain US\$21.3 million of equity in the Projects representing approximately a 29.1% interest in the Projects assuming the Maximum Offering is achieved. If only the Minimum Offering is achieved, H&R REIT will retain US\$31.3 million of equity in the Projects representing approximately a 42.7% interest in the Projects given its Equity Commitment of US\$10 million in the aggregate.</p>
<p><i>Strong Governance and Alignment of Interests with the Current Owner</i></p>	<p>Purchasers are being given the opportunity to invest in the Projects, through the REDT, at the total cost basis of the Projects, as the Current Owner will not be receiving any of the net proceeds of the Offering. The current appraised value of the Projects is US\$25.0 million plus soft costs to date of US\$3.8 million for a total value of US\$28.8 million, while the REDT’s interest in the Projects will be based on their acquisition cost plus land and costs incurred to date of approximately US\$21.3 million, and thus, Purchasers are purchasing an interest in the Projects at an implied discount of approximately 25.8% to the appraised value (inclusive of costs to date). The total equity in</p>

	<p>the Projects, following closing of the Offering, will be US\$73.3 million.</p> <p>In addition, the structure of the Carried Interest, the conditions to and timing for the payment of the Asset Management Fee, absence of employee salaries charged to the REDT and the Minimum Return, result in a significant alignment of interests among the Current Owner and the investors in the REDT, by connecting the financial success of the Current Owner with the REDT’s overall performance and the returns delivered to Unitholders. This is intended to encourage responsible decision-making, long-term focus, and prudent risk management to maximize returns.</p>
<p><i>Zoning Compliant and Entitled Development Projects with Advanced GMP, Development Budgets and Market Leading Designs Allowing for a Reduced Risk Profile</i></p>	<p>The Projects were acquired in 2024 and 2019 and designed with market leading amenities and selections by the Current Owner following their acquisition. The Projects are compatible with the zoning requirements of the respective municipality or county in which each Project is located, which have approved the initial permits for the commencement of construction for each Project, significantly reducing the risk profile of the Projects from a zoning and building plan review perspective.</p> <p>The site on which the Bayside Project will be located, which was acquired in 2019, was zoned for a maximum density of 201 residential units at the time of the acquisition. The maximum allowable density for the site further increased under the City of Largo’s Comprehensive Development Code (the “CDC”) and subsequently, the City of Largo adopted the Largo Tri-City Special Area Plan which included the site and, along with the CDC, allowed the City of Largo to grant a green building density bonus of 2.5 additional units per acre for certain developments that meet Leadership in Energy Efficient Design (“LEED”) or National Green Building Standard (“NGBS”) Silver certification criteria. Lantower Residential has elected to construct the Bayside Project in accordance with NGBS Silver certification standards and the City of Largo has granted Lantower Residential a density bonus of 21 additional units (the “Bonus Density”) subject to the project meeting such certification standards and complying with program requirements and criteria. The Bonus Density allows Lantower Residential to increase the Bayside Project unit count to 271 residential units.</p> <p>Construction on the Projects is anticipated to commence in April 2024. See “Forward-Looking Statements”.</p> <p>In addition to advanced General Contractor Guaranteed Maximum Price (“GMP”) budgets for both Projects, fixed financing costs and minimal uncertainty in the remaining development budget cost items result in strong certainty of total development cost and reduces the risk of project costs exceeding the budget.</p> <p>In addition, the fixed rate debt nature of the Projects, as a result of the financing to be provided by H&R REIT, reduces the risks</p>

	<p>associated with interest rate increases. Furthermore, the Current Owner has committed to provide the equity for such cost overruns by acquiring specified limited partnership units of the JV LP (the “Cost Overrun Units”), the proceeds of which will then be contributed to the Bayside LPs or Sunrise LPs, as applicable.</p>
<p><i>Strong Site Location Fundamentals</i></p>	<p><u><i>The Bayside Project</i></u></p> <p>The Bayside Project, located adjacent to Highway 19, is connected to Tampa’s largest employment centers for professionals, corporate office and other white collar workers. The Westshore, Gateway, and Bayside employment markets are all located within a 20 minute drive (or less, as applicable) from the Bayside Project.</p> <p>The Westshore District, home to over 100,000 jobs and 15 million square feet of office space, is the largest employment area on the west coast of Florida and is within a 20 minute drive of the Bayside Project. With over 80,000 jobs and 8.5 million square feet of office space, the Gateway District is home to various corporate headquarters including the corporate headquarters for Tech Data Corporation (located two miles from the Bayside Project), Raymond James Financial and Home Shopping Network.</p> <p>Further, approximately US\$1.5 billion of approved infrastructure projects will, upon their completion, further improve the accessibility to these employment centers by residents of the neighborhoods in which the Projects are located. The Manager believes the Bayside Project location on the west side of Tampa is well positioned in terms of its proximity to major corporate employment centers and popular U.S. beaches, including Clearwater Beach, St. Pete Beach and two separate beach state parks.</p> <p><u><i>The Sunrise Project</i></u></p> <p>The Sunrise Project is located within Orlando’s high-growth I-4 Tourism Corridor. Anchored by Disney World, Universal Studios, Sea World, Lockheed Martin, Orange County Convention Center and other major employers, the I-4 Tourism Corridor attracts significant investment from both the public and private sectors. The I-4 Tourism Corridor supports 450,000 jobs and generates US\$87.6 billion dollars in annual economic activity and US\$26.1 billion in wages in the Orlando market. The Sunrise Project is located within a 10-minute drive of I-4 and Disney World.</p> <p>The employment and traffic growth along the I-4 has been accompanied by substantial government investment in local infrastructure. Over US\$5 billion dollars of roadway improvements is currently in process in order to expand the roadway network supporting the Orlando area.</p>

	<p>Additionally, Brightline, the high-speed passenger rail system, opened its Orlando station in 2023 after starting construction on the US\$6 billion dollar 170-mile extension from West Palm Beach to Orlando in 2019. The state-of-the-art rail system, which terminates at Orlando International Airport, offers 30 daily trips between Miami, Fort Lauderdale and West Palm Beach, among other stops.</p>
<p><i>Growing U.S. Sun Belt Markets Supported by Economic Stability</i></p>	<p>Tampa and Orlando have some of the most dynamic economies in the Southeast U.S., fueled by steady in-migration and a fast pace of population growth. Their economies benefit from a growing tech and fintech industry base, in addition to their established and expanding defense sector, as well as, in the case of Orlando, the presence of world-renowned theme parks. The Manager believes Tampa and Orlando’s proximity to the University of Central Florida, University of South Florida and Rollins College and the strong net migration of highly educated workers relocating to Central Florida will contribute to an increasing supply of professionals, corporate office and other white collar workers in both cities.</p> <p>Residential housing demand also continues to grow across the Tampa and Orlando areas, driven largely by strong net in-migration. Orlando is the country’s top leisure destination and one of the most frequented metropolitan areas in the U.S. by international visitors. The state of Florida also does not have any rent control laws in place, making it more favourable for residential real estate developers relative to other jurisdictions with rent control laws.</p> <p>According to a 2023 U.S. Census Population Trends Report, Florida was ranked 2nd in the U.S. for total population growth and for percent change in population from July 2022 to July 2023. Florida increased its population by 365,205 over the same time period. The Manager believes Florida’s favorable total tax burden for Florida residents is one of the key contributors to these in-migration trends.</p>
<p><i>Rental Markets in Tampa and Orlando Poised for Growth</i></p>	<p>Harvard University’s Joint Center for Housing Studies 2023 Report highlighted the significant migration trends to Tampa and Orlando. Tampa and Orlando gained 54,752 and 37,362 new residents, respectively, over the previous year. CoStar predicts Tampa and Orlando will both see annual net population growth from 2024-2029 of 25,000-50,000 more residents per year for each market. Comparatively, markets like Chicago are expected to lose between 10,000-25,000 residents (net) per year over the next five years.</p> <p>The multifamily real estate sector in Tampa and Orlando has benefited from these demographic trends. These markets have experienced healthy multifamily performance metrics for over a decade. While recent rent growth has been stunted following the normalization of rental rates after the historic 2021 and 2022 rental growth period and elevated deliveries, CoStar predicts rental growth in Tampa and Orlando to resume its average annual</p>

	<p>rent growth of over 3%. Furthermore, both markets are expected to continue their long-standing vacancy rates of nearly 5% from 2024-2028.</p> <p>Historic rental growth following the COVID-19 pandemic contributed to above average multifamily residential building starts in many of the Sun Belt markets, including Tampa and Orlando. This increase in construction starts is a likely cause of the normalizing or muted rental growth seen in the second half of 2023 across the U.S. Sun Belt. Economic volatility coupled with an erosion in available debt and equity from capital providers appears to yield a favorable environment in which to deliver new units given the anticipated depressed future supply. The Projects are accordingly anticipated to be developed in historically low new unit years, which the Manager believes underscores the strong market fundamentals for these Projects that the Manager believes will yield healthy rent growth and quick lease-up absorption.</p> <p>Historically high recent rent growth in Central Florida has been accompanied by increasing concerns of affordability. However, Lantower Residential surveyed its Tampa and Orlando Class A portfolio and found rent-to-income ratios of 20.0% and 21.0%, respectively, across its seven assets in these locations. The Manager believes that, despite historic rental growth, strong net migration and wage growth have likely buoyed rent-to-income ratios in Tampa and Orlando.</p>
<p><i>Desirable Forecast for Multifamily Owners Due to the Drivers Behind Renting vs Owning</i></p>	<p>One of the by-products of high growth employment and migration trends to Central Florida has been precipitous home price increases. From the first quarter of 2014 to the third quarter of 2023, the median home price increased 226% in the Tampa MSA and 160% in the Orlando MSA.</p> <p>In the third quarter of 2023, the National Association of Home Builders (NAHB)/Wells Fargo Housing Opportunity Index (HOI) indicated that households earning the national median income could afford to purchase only 37.4% of all new and existing homes sold during the quarter, assuming the national median home price and weighted interest rate over that period. The current U.S. national HOI of 37.4% is down from 40.5% posted in the second quarter of 2023 and is the lowest HOI reading since NAHB began tracking affordability on a consistent basis in 2012. As of the third quarter of 2023, only 29.1% and 23.0% of families living in Tampa and Orlando, respectively, can afford a home according to the NAHB/Wells Fargo HOI study.</p> <p>The NAHB/Wells Fargo Housing Market Index (HMI) is based on a monthly homebuilder survey of NAHB members designed to measure certain indicators relating to the single-family housing market. The HMI previously peaked at 76% as at the year end of 2019 but dropped to 30% in April 2020 during the period of COVID-19-related lockdowns and restrictions. The latest reading for December, 2023 is considerably below the long-term average of 52%. Rising home prices and interest rates</p>

	<p>are increasingly pricing prospective homeowners out of the market.</p> <p>Residents in Tampa and Orlando are finding it increasingly difficult to purchase a home. While many renters in Tampa and Orlando are renters by choice (particularly Class A renters), the changing financial considerations regarding renting versus owning may be influencing households who might otherwise consider purchasing a home into the pool of renters. As an example, the average home ownership cost in Pinellas County of US\$4,016/month is much higher than the average expected rent at the Bayside Project (US\$2,389/month), which the Manager believes is indicative of the financial benefits of renting in these markets. Additionally, the Manager believes that the prospect of living in a newly constructed building with access to premium amenities, and the flexibility offered to renters, will further sustain strong rental demand in Tampa and Orlando.</p>
<p><i>Development Sites Located in Institutional Submarkets</i></p>	<p>H&R REIT (through its subsidiary, the Current Owner) purchased the Project sites as potential long-term holds because it viewed the sites as well positioned for long-term growth as development projects. The Manager believes that the Projects' respective proximity to major employers, desirable lifestyle destinations and major transportation thoroughfares are each indicative of the accretive potential of the Projects. Tampa and Orlando have attracted the investment of major financial institutions such as Blackstone, Starwood Capital and Ares Management, and major REITs such as UDR Inc., Mid-America Apartment Communities, Inc. and Camden Property Trust. The sites are located in established submarkets that the Manager believes benefit from limited Class A development site availability, which further enhances the attractiveness of the Projects as an investment and for prospective residents seeking Class A residential products.</p>

See "Investment Strategy – Investment Highlights" and "Forward-Looking Statements".

The Projects:

Following closing of the Offering, the REDT will acquire an indirect interest in the Projects through the Acquisition. The Projects contain an aggregate of 601 units and are located in Largo, Florida (Tampa) and Kissimmee, Florida (Orlando) respectively.

Bayside Project: The Bayside Project is currently approved for construction and has a site area totaling approximately 8.4 acres. The Bayside Project will consist of one contiguous building of four stories with elevator-serviced, conditioned corridors comprising approximately 363,000 gross square feet and approximately 261,000 net rentable square feet, with 271 suites (average unit size of 962 square feet), 423 parking stalls (including garages), including up to 61 electric vehicle (EV) charging stalls, and 30 rentable detached garages. The development is expected to be completed in approximately 22 months with a lease-up period of approximately 10 months, at an estimated cost of approximately US\$91.7 million.

Sunrise Project: The Sunrise Project is currently approved for construction and has a site area totaling approximately 17.2 acres. The Sunrise Project will consist of two residential buildings of four stories with elevator-serviced, conditioned corridors and two amenity buildings comprising approximately 468,000 gross square feet and approximately 342,000 net rentable square feet, with

330 suites (average unit size of 1,037 square feet), 581 parking stalls (including garages), including up to 32 EV charging stalls, and 33 rentable detached garages. The development is expected to be completed in approximately 24 months with a lease-up period of approximately 11 months commencing three months prior to development completion, at an estimated cost of approximately US\$117.9 million.

See “Description of the Activities of the REDT – The Projects”.

Independent Appraisals

The Manager retained the Appraiser to provide an independent appraisal of the fair market value of the Projects (the “**Independent Appraisals**”). Based on the Independent Appraisals, the estimated market value of the Bayside Project is US\$11.40 million and the estimated market value of the Sunrise Project is US\$13.55 million. See “Description of the Activities of the REDT – The Projects – Independent Appraisals”.

Selected Financial Information:

The following selected financial information of the Projects has been derived from, and should be read in conjunction with, the Project’s audited combined financial statements for the financial years ended December 31, 2023 and December 31, 2022, and accompanying notes, prepared in accordance with IFRS and contained elsewhere in this Prospectus. Amounts are presented in thousands of U.S. dollars.

The selected financial information should also be read in conjunction with “Management’s Discussion and Analysis”, as well as the information under the headings “Prospectus Summary” and “Use of Proceeds”. The selected financial information set out below may not be indicative of the REDT’s future performance.

Year ended December 31, 2023 (in thousands of U.S. dollars)	The Projects	Pro Forma
Balance Sheet Data		
Assets:		
Non-current assets		
Property under development	\$ 19,812	28,733
Right-of-use asset	8,921	-
Current assets		
Cash	1,662	-
Total assets	\$ 30,395	28,733
Liabilities and Divisional Surplus:		
Current liabilities		
Accounts payable and accrued liabilities	\$ -	-
Lease Liability	8,921	-
	9,105	
Divisional surplus	21,474	28,733
Total liabilities and divisional surplus	\$ 30,395	28,733

Trustees and Officers:

The REDT has a Board consisting of five Trustees, being Samantha Adams, Andrew Elbaz, Thomas J. Hofstedter, Mark Johnson and Michael Loeb. A majority of the Board is independent (60%) and 20% of the Trustees are women. The officers of the REDT are Michael Loeb (Chief Executive Officer), Cheryl Fried (Chief Financial Officer) and Hunter Webb (Chief Development Officer). 33% of the officers of the REDT are women.

The Trustees and executive officers of the REDT have, collectively, prior experience in both the U.S. and Canadian real estate sectors.

Following completion of the Offering, the Trustees and executive officers of the REDT, as a group, are not expected to beneficially own, control or direct, directly or indirectly, any of the REDT's issued and outstanding Units, and, other than through their ownership of securities of H&R REIT, will not have a direct or indirect equity interest in the Projects.

See "Trustees and Executive Officers" and "H&R REIT and the Management Agreement."

Unit Attributes:

The beneficial interests in the REDT are divided into four classes of Units: Class A Units, Class E Units, Class F Units, and Class U Units. The REDT is authorized to issue an unlimited number of Units of each class although, following completion of the Offering and any concurrent private placements by the REDT, the REDT will not seek to raise any further equity from the public and, accordingly, the REDT is a closed-ended vehicle. Each Unit is transferable and entitles the holder thereof to: (i) the proportionate entitlement to distributions of the REDT equal to all other distributions on the Units of the same class; (ii) rights of redemption; and (iii) one vote at all meetings of Unitholders, with all classes of Units voting together as a single class, unless the Board determines that the nature of the business to be transacted at a meeting affects Unitholders of one class of Units in a manner materially different from its effect on Unitholders of another class of Units. See "Description of Securities – The REDT – Meetings of Unitholders and Resolutions".

The REDT is prohibited from offering Units to the public following the closing of the Offering, provided, for clarity, that the REDT may issue the Class I Units pursuant to a concurrent private placement in connection with the closing of the Offering. See "Description of Securities – The REDT – Class I Units".

Leverage:

The Projects will target a maximum overall loan-to-cost ratio of approximately 65% of the cost to develop the Projects. However, the maximum loan-to-cost ratio for each Project will be limited to 75% of the cost to develop each Project in accordance with the Declaration of Trust. In accordance with the Construction Loan Term Sheet, the Projects will obtain debt financing from H&R REIT. H&R REIT in turn will have the option, at its discretion, to seek third party financing to fund the debt financing to the Projects. The construction loan will be secured by a first priority mortgage on the Projects, with an initial maximum amount available of 65% of the loan-to-cost ratio for the Projects, which is currently estimated to be US\$136.2 million, to be drawn as construction progresses, and initially allocated (based on a maximum of US\$136.2 million) US\$59.6 million to the Bayside Project and US\$76.6 million to the Sunrise Project. The loan-to-cost ratio for the Projects will not exceed 70% pursuant to the terms of the debt financing. The construction loan will be provided at a fixed 9% per annum interest rate, payable monthly in arrears, regardless of whether H&R REIT seeks third party financing or the rate of such third party financing. The term of the construction loan will be four years, subject to two one-year extensions, at the lender's option, with interest only payments during the term. The construction loan will be subject to an origination fee of 50 basis points. If the lender elects to structure the construction loan as a mezzanine loan, then the JV LP and/or the applicable Property LP shall pay to the lender an amount equal to the mortgage tax, intangible tax, and other similar taxes which would have been payable if the construction loan were structured as a mortgage loan. The construction loan terms will also include certain customary covenants.

Equity Commitment:

The Current Owner has committed to provide additional equity to the Projects, through an increased interest in the Projects, in an aggregate amount equal to the difference between (a) the gross proceeds raised from the Offering and any concurrent private placements by the REDT, and (b) the Maximum Offering (the "**Equity Commitment**"), which would result in a maximum Equity Commitment of US\$10 million in the aggregate if only the Minimum Offering is achieved, in order to provide the necessary equity to complete development of the Projects.

See “Investment Strategy – The Current Owner”.

Cost Overrun Units:

The REDT does not expect to have cost overruns in respect of the Projects and the Manager has budgeted contingencies for the Projects. However, in the event of a future incremental equity requirement or cost overrun requiring additional equity in the Projects, the Current Owner has committed to provide the equity for such cost overruns by acquiring specified limited partnership units of the JV LP (the “**Cost Overrun Units**”), the proceeds of which will then be contributed to the Bayside LPs or Sunrise LPs, as applicable. The return on the Cost Overrun Units has an equal pre-tax investor gross compounded annualized return to the Class U Units, adjusted to assume no Agent’s Fees were paid. For greater certainty, the Cost Overrun Units will otherwise achieve the same annualized internal rate of return as the Class U Units, adjusted to assume no Agent’s Fees were paid and determined without reference to U.S. taxes payable by the REDT or any Subsidiary of the REDT that is a partnership, but not the same total return, as the Cost Overrun Units will be outstanding for a shorter time period and thus be entitled to a lesser total return.

Distributions:

Commencing on the earlier of Stabilization and the date on which the Trustees determine that it is in the best interests of the Unitholders, until a Liquidity Event has been achieved, the REDT intends to declare and pay to Unitholders quarterly cash distributions out of the available operating cash flow of the REDT (to the extent declared by the Trustees and otherwise available). However, such cash distributions may not occur or, if any such cash distributions do occur, may be reduced, including to zero, or suspended, as the ability of the REDT to make cash distributions and the actual amount distributed will depend on the development and operation of the Projects, the expenses and requirements of the REDT, the timing of a Liquidity Event, and will be subject to various factors, including those referenced in the “Risk Factors” section of this Prospectus.

The aggregate Minimum Return, after payment of all expenses of the Projects, the REDT and its Subsidiaries, (i) is based on an 8% per annum compounded return on the Gross Subscription Proceeds received by the REDT from the issuance of each Unit, (ii) is calculated in the currency of issuance of each such Unit, and (iii) is a preferred return, payable prior to payment of any amounts pursuant to the Carried Interest and Asset Management Fee, but (iv) is not guaranteed, is not expected to be paid prior to the occurrence of a Liquidity Event, and may not be paid upon the occurrence of a Liquidity Event or at all. The aggregate Secondary Minimum Return, after payment of all expenses of the Projects, the REDT and its Subsidiaries (including the Asset Management Fee and a portion of the Carried Interest), (i) is based on a 15% per annum compounded return on the Gross Subscription Proceeds received by the REDT from the issuance of each Unit, (ii) is calculated in the currency of issuance of each such Unit, and (iii) is a preferred return, payable prior to payment of the increased percentage of distributions payable pursuant to the Carried Interest, but (iv) is not guaranteed, is not expected to be paid prior to the occurrence of a Liquidity Event, and may not be paid upon the occurrence of a Liquidity Event or at all.

The return on an investment in the Units is not comparable to the return on an investment in a fixed income security. Cash distributions, including such amount of cash distributions sufficient to provide for the return of a Unitholder’s original investment, are not guaranteed and the anticipated return on investment is based upon many performance assumptions. See “Risk Factors” and “Forward-Looking Statements”.

See “Description of Securities – The REDT – Distributions”, “Description of Securities – The REDT – Distribution on Termination of the REDT” and “Risk Factors”.

Term:

In order to provide Unitholders with liquidity, the Manager intends to achieve a Liquidity Event within three and a half years of the Closing Date, subject to two discretionary one-year extensions where the Manager determines in its discretion that the extensions are prudent given then prevailing market conditions and in the best interests of the REDT. The Liquidity Event may be, subject to Unitholder approval as the case may be, (i) the sale of all or substantially all of the

assets of the REDT, (ii) the sale of all or substantially all of the Units of the REDT by Unitholders or all of the securities in the JV LP through which the REDT indirectly owns its interest in the Projects (or if only one Project remains, such Project), for cash or Listed Securities or a combination of cash and Listed Securities, (iii) a transaction which provides Unitholders with comparable liquidity that such Unitholders would have if the Units were Listed Securities, whether by means of a reverse take-over, merger, amalgamation, arrangement, take-over bid, insider bid, reorganization, joint venture or similar transaction or other combination with an issuer of Listed Securities, (iv) the exchange of Units for Listed Securities, or (v) an event similar to those described in items (i) to (iv) above and designated as a “Liquidity Event” by the independent Trustees.

The Term is targeted to be a period of three and a half years starting on the Closing Date, subject to earlier termination as described below. The Term may also be extended (including following the exercise of either or both of the discretionary one-year extensions exercisable at the discretion of the Manager) by Special Resolution of the Unitholders, subject to approval by the Board, and shall be automatically extended to allow for the completion of the process commenced pursuant to the H&R Liquidity Option, REDT Liquidity Option or the Sale Process, as applicable.

Notwithstanding the Term outlined above, the REDT may be wound up and dissolved as soon as practicable following the direct or indirect disposition of all of the assets of the REDT.

See “Description of Securities – The REDT – Termination of the REDT”.

Liquidity Provisions:

The Current Owner and the REDT have agreed to certain liquidity rights in order to facilitate the sale of one or both of the Projects, which can be initiated by the Current Owner (the “**H&R Liquidity Option**”) at any time during the period beginning on the first anniversary of the Closing Date and ending immediately prior to the 60th day before the end of the Term (including subject to any applicable, permitted extensions (including by Special Resolution of the Unitholders)), and by the REDT (the “**REDT Liquidity Option**”) at any time during the 30 days following the 60th day before the expiry of the Term (including subject to any applicable, permitted extensions (including by Special Resolution of the Unitholders)). The REDT and the Current Owner shall each appoint an independent, third party appraiser to obtain separate appraisals of each of the Projects. Following receipt of the appraisals, the Current Owner will have 30 days to agree to acquire the Projects or the JV LP Class B Units representing the REDT’s ownership interests of one or both of the Projects, at the purchase price (the “**Liquidity Option Price**”) established below:

H&R Liquidity Option

- (a) If the H&R Liquidity Option is exercised during the period beginning on the first anniversary of the Closing Date and ending prior to the date that is the earlier of (i) the commencement date of lease-up and (ii) the date that is 30 months following the Closing Date, the Liquidity Option Price shall be equal to pre-tax amount that would be distributed (or be available for distribution) if either or both of the Projects, as applicable, were sold for the greater of: (A) a price which would result in Unitholders achieving a pre-tax investor gross compounded annualized return equal to 25% (calculated based on the annualized return for the U.S. Dollar Units), before fees and Carried Interest; and (B) the mid-point of the two appraisals. In either case, the Liquidity Option Price shall be allocated among the Projects based on their relative proportions of the aggregate of the appraised values of the Projects as a whole, and the Current Owner shall be permitted to offer to purchase one or both of the Projects (or the JV LP Class B Units representing the ownership interests in one or both of the Projects), at its discretion.
- (b) If the H&R Liquidity Option is exercised during the period beginning on the date that is the earlier of (i) the commencement date of lease-up and (ii) the date that is 30 months following the Closing Date, and ending immediately prior to the 60th day before the end

of the Term (including subject to any applicable, permitted extensions (including by Special Resolution of the Unitholders)), the Liquidity Option Price shall be equal to the pre-tax amount that would be distributed (or be available for distribution) if either or both of the Projects, as applicable, were sold for the greater of: (A) the value of the Liquidity Event modelled in the pro forma of the Projects (being approximately US\$115.0 million for the Bayside Project and US\$149.3 million for the Sunrise Project); and (B) either (i) the mid-point of the two appraisals, or (ii) if the higher appraisal is more than 110% of the lower appraisal, a third appraisal shall be obtained and the price shall be the mid-point of the two closest appraisals among the three appraisals. In either case, the Liquidity Option Price shall be calculated based on the Project specific appraisal and modelled pro forma price. The Current Owner shall be permitted to offer to purchase one or both of the Projects (or the JV LP Class B Units representing the ownership interests in one or both of the Projects), at its discretion.

REDT Liquidity Option

- (c) If the REDT Liquidity Option is exercised during the 30 days following the 60th day before the expiry of the Term (including subject to any applicable, permitted extensions (including by Special Resolution of the Unitholders)), the Liquidity Option Price shall be equal to the pre-tax amount that would be distributed (or be available for distribution) if both of the Projects were sold for the greater of: (A) the value of the Liquidity Event modelled in the pro forma of both of the Projects (being approximately US\$264.3 million); and (B) either (i) the mid-point of the two appraisals, or (ii) if the higher appraisal is more than 110% of the lower appraisal, a third appraisal shall be obtained and the price shall be the mid-point of the two closest appraisals among the three appraisals. In either case, the Liquidity Option Price shall be allocated among the Projects based on their relative proportions of the aggregate of the appraised values of the Projects as a whole, and the Current Owner shall be permitted, but not obligated, to purchase both, but not one, of the Projects (or the JV LP Class B Units representing the ownership interests in both of the Projects).

If the Current Owner has not exercised the H&R Liquidity Option, and does not offer to purchase the Projects pursuant to the REDT Liquidity Option within the 30-day period following receipt of the appraisals (the “**Appraisal Receipt Period**”), the REDT will have the right, during the 60-day period following the expiry of the Appraisal Receipt Period, to initiate a sales process for the entirety of the Project(s) (the “**Sale Process**”), pursuant to which the Projects may be sold to one or more third parties at any price (the “**Sale Process Price**”), provided that the Current Owner shall be permitted to bid during the Sale Process. If the REDT is able to identify an acquiror that is not the Current Owner, the REDT shall have the right to require that the Current Owner sell its limited partner interests in the JV LP or its interest in the Projects, as applicable, at the applicable proportion that such interests represent of the Sale Process Price. In the event that the REDT is only able to identify a buyer for one but not both of the Projects, the REDT shall be permitted to sell such Project to such buyer at the applicable Sale Process Price, and the REDT shall have the right to require that the Current Owner sell its interest in such Project and/or cause the sale by the JV LP of such Project.

Any transaction involving both Projects or all of the JV LP Class B LP Units to be completed pursuant to the H&R Liquidity Option, the REDT Liquidity Option or the Sale Process will be subject to approval by the Unitholders by Special Resolution.

Following completion of the H&R Liquidity Option, REDT Liquidity Option or the Sale Process, as applicable, the REDT will distribute, or will direct the JV LP to distribute, the available net proceeds to the Unitholders, subject to the applicable portion (if any) of such proceeds payable to the Current Owner and/or the Carried Interest Holder in respect of the Current Owner’s proportionate interest in the Projects and the Carried Interest.

Notwithstanding anything to the contrary in the foregoing, the REDT and Current Owner shall work together to structure the occurrence of the Liquidity Event, or the transaction completed pursuant to the H&R Liquidity Option, REDT Liquidity Option or Sale Process (in each case, and together with the Liquidity Event, a “**Sale Transaction**”), in a manner that is mutually tax efficient for the parties, including that if the expected U.S. federal income tax required to be withheld on such disposition is higher than the expected U.S. federal income tax liability of the Investment LP on the gain realized from such disposition, then the REDT (on behalf of the Investment LP) and the Current Owner intend to take steps, if available, in order to mitigate the amount of U.S. federal income tax required to be withheld. Further, the Current Owner shall have the right in connection with a proposed or anticipated Sale Transaction to extract its proportionate interest in one or both of the Projects from the JV LP through a redemption of the JV LP Class A Units representing the ownership interests in one or both Projects, provided that any such extraction shall not affect the allocation of proceeds or income from such sale as between the Unitholders on the one hand and the Current Owner and its affiliates on the other hand. In the event that such Sale Transaction does not proceed, the REDT shall have the right to cause JV LP to repurchase the Current Owner’s interest in the Projects in consideration for the issuance of one or more series of JV LP Class A Units.

See “Description of Securities – The REDT – Termination of the REDT” and “Description of Securities – The JV LP – Liquidity Provisions”.

Change of Control of the Manager:

In the event that (i) there is a “change of control” of H&R REIT, or (ii) H&R REIT is no longer a publicly-traded issuer, H&R REIT or an affiliate thereof will be obligated to make an offer to the Unitholders to acquire all, but not less than all, of the Units, the Investment LP Units, the Holding LP Common Units, the JV LP Class B Units or the Projects at a price which would result in Unitholders achieving a pre-tax investor gross compounded annualized return equal to the upper range of the targeted pre-tax investor gross compounded annualized return, being 20% (calculated based on the annualized return for the U.S. Dollar Units), before fees and Carried Interest. For purposes of the foregoing, a “change of control” is defined as: (i) the acquisition by any person or persons, acting jointly and in concert, of (a) more than 50% of the outstanding trust units of H&R REIT; or (b) more than 33 ⅓% of the outstanding trust units of H&R REIT and the election or appointment by such person or persons of their nominees as a majority of the Trustees; or (c) all or substantially all of the assets of H&R REIT; (ii) a sale of substantially all of Lantower Residential’s assets or a divestiture of the Lantower Residential platform, (iii) an initial public offering of Lantower Residential, (iv) a merger of Lantower Residential with another entity resulting in Lantower Residential no longer being controlled directly or indirectly by H&R REIT; or (v) a spin-off of Lantower Residential or substantially all of its assets to a new entity that is not controlled directly or indirectly by H&R REIT. Any offer pursuant to the foregoing shall be subject to compliance with applicable laws, which may include a vote of the Unitholders. The parties shall endeavour to structure the acquisition of the applicable units in a manner that is tax efficient for the parties, provided that in the event H&R REIT or its successor, as applicable, and the REDT cannot agree, the offer shall be in respect of the JV LP Class B Units. In any such transaction, assuming the Minimum Return has been achieved, the offer to purchase shall also include the JV LP Special LP Units and/or Holding LP Special LP Units.

See “Description of Securities – The REDT – Change of Control of the Manager”

Redemption:

The Units will be redeemable quarterly at the option of Unitholders by written notice to the REDT. The Units will be redeemable at a value of 95% of the Net Asset Value less the Redemption Cost.

The entitlement of Unitholders to receive cash upon redemption is subject to the following limitations: (i) unless the Trustees otherwise determine, the total amount payable by the REDT by cash payment in respect of the redemption of Units for any calendar quarter shall not exceed C\$50,000 in the aggregate; and (ii) unless the Trustees otherwise determine, the total amount payable by the REDT by cash payment in respect of the redemption of Units in any 12-month

period ending at the end of each calendar quarter shall not exceed 1% of the aggregate Net Asset Value at the start of such 12-month period.

If redemptions in excess of this cash limit occur, the REDT may satisfy the redemption of Units in excess of this limit, by way of an *in specie* distribution of property of the REDT (which may include the Investment LP Units) and/or the issuance of unsecured subordinated promissory notes of the REDT, at its option, as determined by the Board in its sole discretion, which property may be illiquid and generally will not be a qualified investment for trusts governed by Plans. The redemption right is not intended to be the primary mechanism for Unitholders to liquidate their investment.

See “Description of Securities – The REDT – Redemption”.

Use of Proceeds:

Assuming that the Minimum Offering is sold, the gross proceeds to the REDT from the Offering will be US\$42,000,000.

Assuming that the Maximum Offering is sold, the gross proceeds to the REDT from the Offering will be US\$52,000,000.

The net proceeds from the Offering (after deduction of the Agent’s Fee, and the expenses of the Offering which will be paid by the JV LP) and any concurrent private placements by the REDT invested into the Investment LP will be used, together with any proceeds from the Equity Commitment (if applicable), the existing working capital of the Projects and debt financing, to fund the development of the Projects. The REDT’s indirect interest in the Projects will be determined based on the Gross Subscription Proceeds, without deduction for the Agent’s Fee or any expenses of the Offering borne by the JV LP. The REDT will not acquire any additional real property with the net proceeds of the Offering or from any other financing sources and, accordingly, this Offering is not a “blind pool” offering.

In connection with the Offering, the Current Owner is not disposing of its interest in the Projects and will not receive any of the net proceeds of the Offering on closing of the Offering.

See “Description of the Activities of the REDT” and “Use of Proceeds”.

Agent:

CIBC World Markets Inc., as Agent.

See “Plan of Distribution”.

Eligibility for Investment:

In the opinion of Blake, Cassels & Graydon LLP, counsel to the REDT, and Stikeman Elliott LLP, counsel to the Agent, based on the current provisions of the Tax Act, provided that the REDT is a “mutual fund trust” within the meaning of the Tax Act on the Closing Date, the Units will be, on that date, “qualified investments” under the Tax Act for trusts governed by Plans. Prospective Purchasers who intend to hold Units in a trust governed by such a Plan are advised to consult their personal tax advisors.

See “Eligibility for Investment”.

Liquidity:

There is currently no market through which the Units may be sold, such a market may not develop and Purchasers may not be able to resell Units purchased under this Prospectus. This may affect the pricing and liquidity of the securities in the secondary market, if one should develop, the transparency and availability of trading prices, and the extent of issuer regulation. See “Risk Factors”. As at the date of this Prospectus, the REDT does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, Cboe Canada Inc., any other Canadian marketplace, a U.S. marketplace, or any marketplace outside Canada and the U.S. See “Plan of Distribution”.

Lock-Up Arrangements:

For a period beginning on the Closing Date and ending on the earlier of (i) the completion of a Liquidity Event, or (ii) the completion of the Liquidity Option or Sale Process, as applicable, the

Locked-Up Parties have agreed, except with the prior written consent of the Agent and the REDT, to not, directly or indirectly, (i) offer, sell, contract to sell, secure, pledge, grant or sell any option, right or warrant to purchase, or otherwise lend, transfer, assign or dispose of any of their Units or securities convertible into or exercisable or exchangeable for Units (except for transfers to affiliates, provided they remain affiliates); (ii) make any short sale, engage in any hedging transaction, or 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; or (iii) agree or publicly announce any intention to do any of the foregoing. See “Investment Strategy – Investment Highlights – Strong Governance and Alignment of Interests with the Current Owner”.

Risk Factors:

Purchasers should consider the following risk factors before purchasing Units:

Risks Related to Real Estate Industry, the Projects and the REDT’s Business

Real Property Ownership and Revenue Risks – All real property investments are subject to a degree of risk and uncertainty. There can be no assurance that the Projects will be operated successfully, that the operations of the REDT will be profitable or that cash from refinancing of the Projects or 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 Projects. The likelihood of success of the REDT must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any real estate investment.

Construction and Development Risk – The Projects will be subject to a number of risks inherent in the development, marketing, sale and construction of residential development projects in Tampa, Florida and Orlando, Florida, respectively, which could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent the initiation of development activities or the completion of development activities once undertaken. In addition, development 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. Moreover, the viability and/or profitability of the Projects may be materially adversely affected if the Projects cannot proceed as currently proposed. If there should be a significant delay in the provision of services to meet the construction timeline or construction of the Projects, the Projects’ viability and/or profitability may be materially adversely affected. Any of these risks could have an adverse effect on the REDT’s cash flows, financial condition or results of operations and its ability to make distributions to Unitholders in the future.

Financing Risks – Although H&R REIT has committed to provide debt financing to the Projects, the Projects may not be able to complete the construction of the Projects or refinance such debt financing. If a default occurs under any debt financing, the lender (if it is a third party lender) could exercise its rights including, without limitation, foreclosure or sale of one or more of the Projects. In addition, as H&R REIT will be providing the lending to the Projects and will also be responsible for funding cost overruns through subscriptions for Cost Overrun Units, the Projects will be relying on substantial financing from H&R REIT in order to complete their development.

Rental Income Risks – The Projects are expected to generate income primarily through rent payments made by the tenants thereof pursuant to standard form leases which are in place for each rental unit. Upon expiry of any lease, there can be no assurance that it will be renewed or that the tenant will be replaced for a number of reasons. Furthermore, the terms of any subsequent lease may be less favourable than the existing lease.

Project Risk – Following closing of the Offering, the REDT will indirectly acquire an interest in the Projects. The Manager has estimated that the total cost necessary to carry out the proposed development of the Projects will be US\$221 million. If either or both the Projects are unable to be developed, there could be a material adverse effect on the REDT’s business, cash flows, financial condition and results of operations and ability to make distributions to Unitholder in the

future. The REDT does not expect to have cost overruns and the Manager has budgeted contingencies for the Projects. However, in the event of a future incremental equity requirement or cost overrun requiring additional equity in the Projects, pursuant to the Cost Overrun Funding and Guarantee Agreement, the Current Owner has agreed, among other things, to subscribe for Cost Overrun Units. However, there can be no guarantee that the Current Owner will comply with this obligation or that such funds will be available, or that if available, that the cost overrun will be satisfied in full. There is no assurance that the Projects will be operated successfully. The potential return to investors depends on the revenues generated by the Projects, expenses incurred, costs and time to construct the Projects, as well as the price achieved through a Liquidity Event and/or the ability of the REDT to consummate a Liquidity Event. However, there can be no assurance that such business activities will generate revenues sufficient to meet the return objectives of the REDT. The Projects will be subject to the risks inherent in the marketing, leasing and construction of residential units in Largo, Florida (Tampa) and Kissimmee, Florida (Orlando), respectively, including, but not limited to, the inability to obtain construction or mortgage financing on reasonable terms or at all, the inability, failure or unwillingness, when and if required, to provide or procure guarantees, security and other credit support to secure project financing, fluctuations in interest rates, fluctuations in or volatility of real estate markets (particularly the residential property markets in Tampa and Orlando) and general economic conditions, failure to repay or refinance mortgages resulting in foreclosure or power of sale, construction delays due to force majeure, strikes, shortages of materials or labour, competition from other properties, limits on insurance coverage, and increases in construction costs caused by general economic conditions.

Negative Cash Flow from Operating Activities – During the fiscal year ended December 31, 2023, the Projects did not have any cash flow from operating activities. To the extent a Project has negative cash flow from operating activities in future periods, such Project may be required to seek alternative forms of debt or equity financing, including the Current Owner acquiring Cost Overrun Units. There can be no assurance that debt or equity financing will be available to a Project or, if available, will be on terms acceptable to such Project. In addition, to the extent that a Project has negative cash flow from operating activities in future periods, it may be required to deploy a portion of its existing working capital to fund such negative cash flow from operating activities. The REDT does not anticipate that the Projects will generate positive cash flows from operations until their respective completions.

General Competition from Other Real Property Operators – The market for residential rental units in Tampa and Orlando is competitive, and the Projects face competition with numerous developers continuously undertaking and marketing projects in both markets. In the future, this level of competition may increase if and as existing operators become more successful and new operators enter the market.

Environmental Matters – Under various environmental laws, the Bayside LPs and/or the Sunrise LPs could become liable for the costs of abatement, removal or remediation of certain hazardous substances that may have been or may in the future be located on, in, under or released from the Projects, or may have liability for offsite migration of such substances. The failure to deal effectively with such substances may adversely affect the Manager's ability to sell the Projects or to borrow using the Projects as collateral, and could potentially also result in claims against the Bayside LPs and/or the Sunrise LPs by third parties. In addition, if hazardous substances are located on, in, under or released from, the Projects, the Bayside LPs and/or the Sunrise LPs could incur substantial liabilities through a private party personal injury claim, a claim by an adjacent property owner for property damage or a claim by a governmental entity, including fines and penalties. The costs of defending these claims, conducting environmental remediation, complying with orders by governmental authorities for the Bayside LPs and/or the Sunrise LPs to study, contain, stop and/or remedy any contamination, resolving liabilities caused by tenants or to third parties or responding to changed conditions, could have a material adverse effect on the REDT's

business, financial condition and results of operations which may impact the REDT's ability to meet its investment objectives.

The Tampa Real Estate Market – The Bayside Project is subject to the risks associated with fluctuations in or the volatility of the Tampa real estate market. The demand for newly constructed residential rental units in Tampa is affected by numerous factors, including, but not limited to, interest rates, mortgage rules, the supply of residential units, and general economic conditions. The Tampa real estate market is subject to change, and there can be no assurance that demand for newly constructed residential rental properties in Tampa will not decline. A decrease in demand for, or increase in the supply of, residential units in Tampa could materially adversely affect the Bayside Project's viability, and, as a result, the Bayside Project could be temporarily delayed or cancelled altogether.

The Orlando Real Estate Market – The Sunrise Project is subject to the risks associated with fluctuations in or the volatility of the Orlando real estate market. The demand for newly constructed residential rental units in Orlando is affected by numerous factors, including, but not limited to, interest rates, mortgage rules, the supply of residential units, and general economic conditions. The Orlando real estate market is subject to change, and there can be no assurance that demand for newly constructed residential rental properties in Orlando will not decline. A decrease in demand for, or increase in the supply of, residential units in Orlando could materially adversely affect the Sunrise Project's viability, and, as a result, the Sunrise Project could be temporarily delayed or cancelled altogether.

Geographic Concentration and Local Economic Conditions – The Projects are located in Tampa, Florida and Orlando, Florida, respectively. As such, the REDT is susceptible to local economic conditions which impact the supply of and demand for residential rental properties in this area.

Natural Disasters and Severe Weather – The Projects may be impacted by natural disasters and severe weather, including floods, hurricanes, fires, earthquakes, storms, rising temperatures and other climate-related events, beyond the REDT's control. Depending on their severity, these events could cause significant damage to the Projects, interruptions to the construction and development of the Projects, threats to the safety of the Projects' residents and increased insurance costs to insure the Projects. There may be adverse impacts to the REDT's business if there is disruption or destruction in connection with any of these events, regardless of cause, and the REDT may, as a result, require additional time to complete the construction, the lease-up and/or the sale of the Projects and may also be required to incur significant unanticipated costs to manage the impact of these events. There is also a possibility that the REDT's ability to generate revenues from the Projects could be significantly impaired by any disruption or destruction due to any such natural disasters and severe weather-related events.

Regulation and Changes in Applicable Laws – The Projects are 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 Laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting the Projects (including with retroactive effect) or significantly impact and reduce the value or potential value of the Projects.

Property Encumbrances – The Projects may be or may become subject to, as applicable, various easements and charges including, without limitation, gas, water, electricity and other utility easements and rights of access and conduits to and across the Projects. Where such encumbrances exist, the REDT may be required to grant or obtain additional easement area and could be responsible for the cost of moving infrastructure.

Capital Expenditures and Fixed Costs – 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 to pay such expenses. Once developed, in order to retain desirable rentable space and to generate adequate revenue over the long-term, the Projects must maintain or, in some cases, improve, its condition to meet market demand. Maintaining a rental property in accordance with market standards can entail significant costs, which the Projects may not be able to pass on to its tenants.

Access to Capital – The real estate industry is highly capital intensive. Although the Projects expect to have access to debt financing, there can be no assurances that the Projects will otherwise have access to sufficient capital or access to capital on terms favourable to the Projects to complete their development.

Revenue Shortfalls – Revenues from the Projects, once developed, may not increase sufficiently to meet increases in Operating Expenses or debt service payments under any debt financing or to fund changes in the variable rates of interest charged in respect of such loans.

Fluctuations in Interest Rates and Capitalization Rates – Debt financing may include indebtedness with interest rates based on variable lending rates that will result in fluctuations in the Projects' cost of borrowing.

Litigation at the Project Level – The acquisition, ownership and disposition of real property carries certain specific litigation risks. Litigation may be commenced with respect to the Projects in relation to activities that took place prior to the REDT's acquisition of an interest in the Projects.

Liquidity – Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments.

Economic Environment – The REDT is subject to risks involving the economy in general, including inflation, deflation or stagflation, unemployment, supply chain pressures and negative geopolitical issues. Poor economic conditions could adversely affect the development of the Projects or each of the Project's ability to generate revenues, thereby reducing its operating income and earnings.

Residential Tenancy Legislation – The State of Florida has not currently enacted residential tenancy legislation that imposes rent control guidelines that could limit the REDT's ability to raise rental rates at the Projects upon their completion and lease-up. There can be no assurances, however, that such legislation, regulations or guidelines will not be enacted or promulgated in the future.

Negative Geopolitical Events May Cause Increased Economic Volatility – Events such as war and occupation, terrorism and related geopolitical risks may lead to increased economic volatility and may have adverse short-term and long-term effects on world economies and securities markets generally, including Canadian, U.S., European and other economies and securities markets. The effects of disruptive geopolitical events could affect the economies and securities markets of countries in which H&R REIT and/or its affiliates operate in ways that cannot necessarily be foreseen at the present time. These events could also exacerbate other pre-existing political, social and economic risks.

Public Health Crises – Public health crises relating to any virus, flu or any other similar disease or illness, including COVID-19 or its variants (each a “**Health Crisis**”) could adversely impact the REDT. Contagion in the markets in which each of the Projects are located could negatively impact its occupancy, reputation or attractiveness of that market. Furthermore, increased government regulation relating to a Health Crisis could result in legislation or regulations that may restrict the ability of landlords to enforce material provisions under leases among other potential adverse impacts. All of these occurrences may have a material adverse effect on the business, cash flows, financial condition and results of operations of the Projects, including the valuation of the Projects in connection with a Liquidity Event.

Risks Related to the REDT

Holding Entity Structure – As a holding entity, the REDT's ability to meet its obligations, including payment of Operating Expenses and distributions, depends on the receipt by the REDT of distributions from its Subsidiaries as the principal source of Cash Flow. As a result, the Cash Flow and ability to pay distributions on the Units are dependent upon the earnings of the REDT's Subsidiaries and the distribution of those earnings and other funds to the REDT. Substantially all of the REDT's business will be conducted through its Subsidiaries.

Distributions may be Reduced or Suspended – Although the REDT intends to distribute its available cash to Unitholders following the earlier of Stabilization and the date on which the Trustees determine that it is in the best interests of the Unitholders, such cash distributions may be reduced or suspended.

Capital Depletion Risk – The REDT expects that distributions to Unitholders (to the extent declared by the Trustees and otherwise available) will commence on the earlier of Stabilization and the date on which the Trustees determine that it is in the best interests of the Unitholders. While the REDT expects that its cash flows will stabilize in three and a half years following the closing of the Offering, distributions to Unitholders may, in whole or in part, be composed of returns of capital. A return of capital means all, or a portion of, the distributions provided to Unitholders is derived from funds that were invested in the REDT originally, as opposed to the returns or income generated by the investment in the REDT. Returns of capital will reduce the Net Asset Value of the particular class of Units, as applicable, and may reduce the total assets of the REDT.

Reliance on Assumptions – The REDT's investment objectives and the Manager's strategy have been formulated based on the Manager's analysis and expectations regarding recent economic developments in the U.S., the future of U.S. real estate markets generally, and the Canadian dollar to U.S. dollar exchange rate. Such analysis may be incorrect and such expectations may not be realized.

Currency Exchange Rate – Although investors in the Class A Units and Class F Units will be investing in Canadian dollars and will receive distributions, if any, in Canadian dollars, the distributions will be calculated based on the Canadian dollar equivalent of a given distribution in U.S. dollar (which calculation shall use the U.S. dollar spot exchange rate available to the REDT in respect of such distribution). The Canadian dollar is not maintained at a fixed exchange rate compared to the U.S. dollar but rather the value of the Canadian dollar has a floating exchange rate in relation to the U.S. dollar. Additionally, the business of the REDT's Subsidiaries and its affiliates will be conducted in the U.S. Consequently, any income and gains will be earned and any expenses and losses will be incurred in U.S. dollars and, as a result of fluctuations in the Canadian dollar/U.S. dollar exchange rate, investors who purchase Units are subject to currency exchange rate risk.

Payment of Minimum Return and Carried Interest – The amounts calculated as being distributable to Unitholders for purposes of determining the Carried Interest are not the same as the amounts that will be distributed to Unitholders pursuant to the Declaration of Trust. It is possible that the persons entitled to the Carried Interest will receive amounts even if one or more classes of Units have not received the Minimum Return, primarily as a result of fluctuations in currency exchange rates.

General Litigation – In the normal course of the REDT'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 in relation to, among other things, personal injuries, property damage, property taxes, land rights, the environment and contract disputes.

Potential Conflicts of Interest with Respect to the Trustees and Executive Officers of the REDT – The Trustees will, from time to time, in their individual capacities, deal with parties with whom the REDT may be dealing or may be seeking investments similar to those desired by the REDT. The interests of these persons could conflict with those of the REDT. Pursuant to the Declaration

of Trust, all decisions to be made by the Board which involve the REDT are required to be made in accordance with the Trustee's duties and obligations to act honestly and in good faith with a view to the best interests of the REDT and its Unitholders. In addition, the Declaration of Trust contains provisions requiring the Trustees to disclose their interests in certain contracts and transactions and to refrain from voting on those matters. Conflicts may also exist as certain Trustees and executive officers will be affiliated with Current Owner. While the executive officers of the REDT also owe fiduciary and legal duties to the REDT and its Unitholders, there can be no assurance that the provisions of the Declaration of Trust, the provisions of the Management Agreement or any internal corporate policies of the REDT, as applicable, will adequately address actual or potential conflicts of interest with respect to the Trustees and the executive officers of the REDT or that such actual or potential conflicts of interest will be resolved in favour of the REDT.

Potential Conflicts of Interest with Respect to H&R REIT and the Manager – The services of the Manager as manager of the REDT and JV LP are not exclusive to the REDT and JV LP. The Manager or any of its affiliates and associates may, at any time, engage in the development of, investment in and management of other real estate properties. The Manager will not have any obligation to account to the REDT, JV LP or the Unitholders for profits made in such other activities. While the Manager owes fiduciary, legal and financial duties to the REDT and its Unitholders and JV LP, the Manager's continuing businesses, including its role in providing asset management services to other issuers other than the REDT, may lead to conflicts of interest between the Manager and the REDT, including in connection with a Liquidity Event, Liquidity Option or Sale Process, or any other potential exit event with respect to the Projects. In addition, H&R REIT will be providing debt financing to the Projects. As a result, the REDT and the Projects will be substantially dependent upon H&R REIT and its ability to provide such debt financing in order to develop the Projects. Any failure on the part of H&R REIT to advance the debt financing necessary, or any insolvency on the part of H&R REIT, could have a material adverse affect on the Projects and their development. The REDT may not be able to resolve any such conflicts, and, even if it does, the resolution may be less favourable to the REDT than if it were dealing with a party that was not a significant holder of an interest in the REDT and was not a provider of asset management services to issuers other than the REDT.

Insurance Coverage May be Inadequate – The REDT will attempt to obtain adequate insurance of the type and coverage customarily obtained for properties similar to that of the Projects to cover significant areas of risk to it as an entity and to the Projects. 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.

Reliance on the Manager – Prospective Purchasers assessing the risks and rewards of this investment will, in large part, be relying on the good faith and expertise of the Manager and its senior executives. Moreover, the historical performance of other projects managed by the Manager is not intended to be, nor should be construed as, an indication as to future value, success or returns in respect of the Units, the REDT or the Projects.

Reliance on Third-Party Property Management – The Manager may later on rely upon independent management companies to perform property management functions in respect of the Projects. To the extent the Manager relies upon such management companies, the employees of such management companies will devote as much of their time to the management of the Projects as in their judgement is reasonably required and may have conflicts of interest in allocating management time, services and functions among the Projects and their other development, investment and/or management activities.

Limited Operating History – The REDT is a newly organized entity with no operating history. There is no assurance that the REDT will be able to successfully implement its business plans or operate profitably over the short term or an extended period.

Risks Related to the Offering

Limited Liquidity of Units – There is currently no market through which the Units may be sold, such a market may not develop, and Purchasers may not be able to resell securities purchased under this Prospectus. Although the REDT intends to complete a Liquidity Event within three and a half years of the Closing Date (subject to any applicable, permitted extensions), there can be no assurance that the REDT will be wound up or that Unitholders will receive a return of their Gross Subscription Proceeds by that time.

Less than Full Offering – There can be no assurance that more than the Minimum Offering will be sold. If less than all of the US\$52,000,000 of Class A Units, Class E Units, Class F Units and/or Class U Units are sold pursuant to this Offering and any concurrent private placements by the REDT, the Current Owner will fund the rest of the required equity for development of the Projects through the Equity Commitment and acquiring a greater interest in the Projects. In such circumstances, an investor's proportionate interest in the Projects will be reduced accordingly.

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. However, there remains a risk, which is considered by the REDT to be remote in the circumstances, that a Unitholder could be held personally liable for the obligations of the REDT to the extent that claims are not satisfied out of the assets of the REDT.

Nature of Investment – The Units represent a fractional interest in the REDT and do not represent a direct investment in the REDT's assets and should not be viewed by investors as direct securities of the REDT's assets. The rights of Unitholders are based primarily on the Declaration of Trust.

Enforceability of Judgments Against Foreign Subsidiaries – All of the assets of the JV LP, including the Projects, are located outside of Canada. As a result, it may be difficult or impossible for investors to effect service within Canada upon such persons or entities, 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.

Risks Related to Redemptions

Use of Available Cash – The payment in cash by the REDT of the redemption price of Units will reduce the amount of cash available to the REDT for the payment of distributions to Unitholders, as the payment of the amount due in respect of redemptions will take priority over the payment of such cash distributions.

Limitation on Payment of Redemption Price in Cash – Unless the Trustees otherwise determine, the total cash amount payable on the redemption of Units by the REDT is limited to C\$50,000 in the aggregate in each calendar quarter and is also limited in any 12-month period to 1% of the aggregate Net Asset Value at the start of such 12-month period.

Payment of Redemption Price in Kind – The redemption price of Units in excess of the cash limit described above may be paid and satisfied by way of an *in specie* distribution of property of the REDT (which may include the Investment LP Units), and/or the issuance of unsecured subordinated promissory notes of the REDT, at its option, as determined by the Board in its sole discretion, to the redeeming Unitholder. Such property may be illiquid and generally will not be a qualified investment for trusts governed by Plans. Adverse tax consequences generally may apply to a trust governed by a Plan and/or the annuitant, holder, subscriber or beneficiary thereunder or thereof, as a result of the redemption of Units held in a trust governed by a Plan. Accordingly, investors that propose to invest in Units through Plans should consult their own tax advisors before doing so to understand the potential tax consequences of exercising their redemption rights attached to such Units.

Tax Matters

The REDT, the Investment LP, the Investment GP, the Holding GP LP, the Holding LP, the JV GP, the JV LP and the Property LPs will be subject to the tax laws of Canada and the U.S., as applicable. The tax treatment of such entities may have a material adverse effect on the REDT's

financial position and may adversely impact the Distributable Cash Flow available for distribution to Unitholders. In addition, future legislative, judicial or administrative changes to Canadian or U.S. tax laws, as applicable, could have adverse consequences to the REDT, the Investment LP, the Investment GP, the Holding GP LP, the Holding LP, the JV GP, the JV LP, the Property LPs and Unitholders. There are numerous Canadian and U.S. tax risks associated with an investment in the Units. Purchasers are advised to refer to “Certain Canadian Federal Income Tax Considerations”, “Certain U.S. Federal Income Tax Considerations”, “Risk Factors – Risks Related to Canadian Tax” and “Risk Factors – Risks Related to U.S. Tax”.

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For a more complete discussion of the risks associated with an investment in the Units, see “Risk Factors” and “H&R REIT and the Management Agreement – Potential Conflicts of Interest (Manager, Trustees and Officers)”.

SUMMARY OF FEES AND EXPENSES

The following table contains a summary of the fees and expenses payable by the REDT.

<u>Type of fee</u>	<u>Amount and Description</u>
Agent's Fees:	C\$0.60 per Class A Unit and Class F Unit (6%), US\$0.60 per Class U Unit and Class E Unit (6%), and up to US\$0.60 per Class I Unit (6%) sold by way of a concurrent private placement. The Agent's Fee for the Class A Units and Class U Units includes a selling concession of 3%. There is no selling concession in respect of the Class E Units and Class F Units. The Agent's Fee will be paid out of the proceeds of the Offering.
Expenses of the Offering:	The applicable expenses of the Offering, are estimated to be US\$1.0 million, which will be paid by the JV LP from the Net Subscription Proceeds.
Operating Expenses of the REDT:	<p>The Bayside LPs, the Sunrise LPs, the JV LP, the Holding LP, the Investment LP and the REDT will enter into a funding arrangement, pursuant to which the Bayside LPs and the Sunrise LPs (through the JV LP, the Holding LP and the Investment LP, as applicable) will provide the REDT and its subsidiaries with the funds necessary for the REDT to pay for all ordinary expenses incurred in connection with the operation and administration of the REDT, which costs will ultimately be charged to the Projects. It is expected that these expenses will include, without limitation: mailing and printing expenses for periodic reports to Unitholders and other Unitholder communications; any reasonable out-of-pocket expenses incurred by the Manager or its agents and paid to third parties in connection with their on-going obligations to the REDT; fees payable to the auditors and legal advisors of the REDT; marketing, leasing and investor relations expenses; regulatory filing fees, administrative expenses and costs incurred in connection with the public filing requirements of the REDT; investor relations; costs and expenses arising as a result of complying with all Applicable Laws, regulations and policies; amounts to fund Units redeemed for cash; extraordinary expenses the REDT may incur and any expenditures incurred upon the termination of the REDT.</p> <p>In addition, because the REDT will indirectly own a portion of the Projects, each Project will incur certain expenses relating to its development, including a development management fee and the costs of construction, which will be indirectly and proportionately borne by the REDT and the Current Owner in accordance with each of their respective interests in the Projects. The development fee is equal to 4% of the total hard and soft costs of the Projects, inclusive of previously spent costs which have been capitalized to the Projects, but excluding land, financing, leasing, administrative and equity raising costs (including legal expenses relating thereto), and is paid to an affiliate of the Current Owner. The development fee is a customary fee charged on market terms that is considered a project cost, and factors into the loan-to-cost ratio for debt financing.</p> <p>For greater certainty, there will be no employee salaries charged to the REDT. Michael Loeb will not be paid a salary as Chief Executive Officer, Cheryl Fried will not be paid a salary as Chief Financial Officer and Hunter Webb will not be paid a salary as Chief Development Officer.</p> <p>See "Description of the Activities of the REDT – Operating Expenses of the REDT".</p>
Project Returns/Cash Flows:	<p>The cash flows from the Projects (after payment of all expenses) will be paid out as follows and in the following sequence:</p> <ol style="list-style-type: none">(i) First: payment until the Minimum Return of 8% compounded per annum based on the Gross Subscription Proceeds by the REDT to Unitholders (the calculation of which, for greater clarity, includes the repayment of Gross Subscription Proceeds without reference to any U.S. federal, state and/or local income and/or withholding tax borne by the REDT or any Subsidiary

of the REDT that is a partnership, whether or not attributable directly or indirectly to any particular Unitholder) has been achieved and the payment of an equivalent return to the Current Owner as an indirect equity investor in the Projects;

- (ii) Second: in consideration for the Manager's services, the JV LP will pay the U.S. Manager an asset management fee (the "**Asset Management Fee**") equal to 1% per annum of the Gross Subscription Proceeds. The Asset Management Fee will accrue on a monthly basis until the earlier of a Liquidity Event and the date which is three and a half years following the Closing Date but will only be payable following a Liquidity Event and provided that the Minimum Return is achieved. The U.S. Manager will not receive payment of the Asset Management Fee during the development phase of the Projects. In the event that a Liquidity Event is proposed by the U.S. Manager that would result in the Minimum Return being achieved but is not approved by Unitholders, the Asset Management Fee will continue to accrue until such time as a Liquidity Event is achieved, See "H&R REIT and the Management Agreement – The Management Agreement";
- (iii) Third: for any cash flows in excess of those specified under (i) (including as a result of a Liquidity Event or other sale of the Projects), the Current Owner and Unitholders, as indirect equity investors in the Projects, will be entitled to receive their pro rata portions of 80% of all further distributions made by the Projects, with an affiliate of the Current Owner (through its holding of the Holding LP Special LP Units) being entitled to 20% of all further distributions (representing the Carried Interest) until the Secondary Minimum Return of 15% compounded per annum based on the Gross Subscription Proceeds by the REDT to Unitholders (the calculation of which, for greater clarity, includes the repayment of Gross Subscription Proceeds without reference to any U.S. federal, state and/or local income and/or withholding tax borne by the REDT or any Subsidiary of the REDT that is a partnership, whether or not attributable directly or indirectly to any particular Unitholder) has been achieved and the payment of an equivalent return to the Current Owner as an indirect equity investor in the Projects; and
- (iv) Fourth: once the Secondary Minimum Return of 15% compounded per annum has been achieved, the Current Owner and Unitholders, as indirect equity investors in the Projects, will be entitled to receive their pro rata portions of 70% of all further distributions made by the Projects (including as a result of a Liquidity Event or other sale of the Projects) with an affiliate of the Current Owner (through its holding of the Holding LP Special LP Units) being entitled to 30% of all further distributions (representing the Carried Interest).

The Carried Interest is an aggregate calculation, calculated at a Unit class level after having allocated the appropriate amounts to be received by the Unit class based on the proportionate class interest, with individual Unitholder entitlements being calculated based on their proportionate interests under the Declaration of Trust. The Carried Interest in respect of each Unit class is calculated in the same currency as the currency in which the Units of such class are denominated. It will be calculated based on the Gross Subscription Proceeds. In connection with the completion of a Liquidity Event, holders of the Carried Interest may, directly or indirectly, receive cash and/or securities in satisfaction of their interest.

GLOSSARY OF TERMS

Certain terms and abbreviations used in this Prospectus are defined below:

“**Acquisition**” means the series of transactions immediately following the closing of the Offering whereby (i) the REDT will invest in the Investment LP Units to acquire an interest in the Investment LP, (ii) the Investment LP will invest the proceeds from the issuance of the Investment LP Units to the REDT to acquire an interest in the Holding LP and the Holding GP LP, and (iii) the Holding LP will invest the proceeds from the issuance of the Holding LP Common Units to the Investment LP and the contribution from the Holding GP LP to acquire an interest in the JV LP, and (iv) the JV LP will acquire a 100% indirect interest in the Projects through an acquisition of the Bayside LPs and the Sunrise LPs, which, upon the completion of each of the foregoing steps, will result in the REDT acquiring an indirect interest in the Projects, all of which will occur on the Closing Date;

“**affiliate**” means an affiliate as defined under National Instrument 45-106 – *Prospectus Exemptions*, as replaced or amended from time to time (including any successor rule or policy thereto), subject to the terms “person” and “issuer” in each instrument being ascribed the same meaning as “Person” herein;

“**Agency Agreement**” means an agreement dated as of ●, 2024 among the REDT, the Manager, H&R REIT and the Agent, as described under the heading “Plan of Distribution – Agency Agreement”;

“**Agent**” means CIBC World Markets Inc.;

“**Agent’s Fee**” means a fee, equal to: (i) 6% of the aggregate purchase price of Class A Units, Class F Units, Class U Units and Class E Units sold under the Offering; and (ii) up to 6% of the aggregate purchase price of Class I Units sold by way of a concurrent private placement. The Agent’s Fee for the Class A Units and Class U Units includes a selling concession of 3%;

“**Allocation to Redeemers Rule**” has the meaning given to it under the heading “Certain Canadian Federal Income Tax Considerations – Taxation of the REDT”;

“**Applicable Laws**” means, in respect of any Person, all laws, statutes, regulations, statutory rules, principles of common law or equity, orders and terms and conditions of any grant of approval, permission, authority or license of any governmental authority applicable to such Person or its business, undertaking and property having jurisdiction over the Person or its business, undertaking or property, in each case as amended from time to time;

“**Appraisal Receipt Period**” has the meaning given to it under the heading “Description of Securities – The REDT – Termination of the REDT”;

“**Appraiser**” has the meaning given to it under the heading “Description of the Activities of the REDT – The Projects – Independent Appraisals”;

“**Asset Management Fee**” means the fee payable to the U.S. Manager in accordance with the terms of the Management Agreement, in consideration of the U.S. Manager providing asset management services to the JV LP, as described under the heading “H&R REIT and the Management Agreement – The Management Agreement”;

“**Bayside GP1**” means Lantower REDT Bayside GP 1 LLC, a Delaware limited liability company, and the general partner of the Bayside LP1;

“**Bayside GP2**” means Lantower REDT Bayside GP 2 LLC, a Delaware limited liability company and the general partner of the Bayside LP2;

“**Bayside GPs**” means, collectively, the Bayside GP1 and the Bayside GP2;

“**Bayside LP1**” means Lantower REDT Bayside LP 1, a Delaware limited partnership and the beneficial owner of a portion of the Bayside Project;

“**Bayside LP2**” means Lantower REDT Bayside LP 2, a Delaware limited partnership and the beneficial owner of a portion of the Bayside Project;

“**Bayside LPs**” means, collectively, the Bayside LP1 and the Bayside LP2;

“**Bayside LP1 Agreement**” means the limited partnership agreement governing the Bayside LP1;

“**Bayside LP2 Agreement**” means the limited partnership agreement governing the Bayside LP2;

“**Bayside LP Agreements**” means, collectively, the Bayside LP1 Agreement and the Bayside LP2 Agreement;

“**Bonus Density Agreement**” has the meaning given to it under the heading “Investment Strategy – Investment Highlights”;

“**Board**” means the board of Trustees of the REDT;

“**Canadian Dollar Units**” means the Class A Units and Class F Units, and any other class of units of beneficial interest in the REDT denominated in Canadian dollars;

“**Canadian Manager**” means H&R REIT Management Services Limited Partnership, a limited partnership formed under the laws of Manitoba and a subsidiary of H&R REIT.

“**capital gains refund**” has the meaning given to it under the heading “Certain Canadian Federal Income Tax Considerations – Taxation of the REDT”;

“**Carried Interest**” means after payment of the Minimum Return of 8% per annum on the Gross Subscription Proceeds by the REDT to Unitholders (the calculation of which, for greater clarity, includes the repayment of Gross Subscription Proceeds without reference to any U.S. federal, state and/or local income and/or withholding tax borne by the REDT or any Subsidiary of the REDT that is a partnership, whether or not attributable directly or indirectly to any particular Unitholder) and the payment of an equivalent minimum return to the Current Owner, a distribution of 20% of all further distributions made by the Projects to the Carried Interest Holder (through its holding of the Holding LP Special LP Units) (in addition to the Current Owner’s pro rata share of distributions from the Projects) until the Secondary Minimum Return of 15% compounded per annum by the REDT to Unitholders has been received and thereafter, means a distribution of 30% of all further distributions made by the Projects to an affiliate of the Current Owner (through its holding of the Holding LP Special LP Units) (in addition to the Current Owner’s pro rata share of distributions from the Projects). The Carried Interest calculation is calculated at a Unit class level after having allocated the appropriate amounts to the Unit class based on the proportionate class interest. The Carried Interest in respect of each Unit class is calculated in the same currency as the currency in which the Units of such class are denominated. It will be calculated based on the Gross Subscription Proceeds. In connection with the completion of a Liquidity Event, holders of the Carried Interest may, directly or indirectly, receive cash and/or securities in satisfaction of their interest;

“**Carried Interest Holder**” means the holder of the Holding LP Special LP Units, which will either be the Current Owner or one of its affiliates;

“**Cash Flow**” means, for any Distribution Period:

- (a) the sum of all cash amounts received by the JV LP for or in respect of such Distribution Period (other than proceeds received from issuances of equity of the JV LP which the JV GP then intends, in good faith and acting reasonably, to deploy in the furtherance of the Projects) including the net proceeds received by the JV LP on the re-financing of any then current debt facility of the JV LP, net of the out-of-pocket third party fees and expenses incurred by the JV LP in connection with such transaction, as well as all such amounts received by the JV LP in any prior Distribution Period to the extent not previously distributed; less
- (b) all costs and expenses of the JV LP that, in the opinion of the JV GP, may reasonably be considered to have accrued and become owing in respect of, or which relate to, such Distribution Period or a prior Distribution Period if not accrued and owing in such prior period, including, but not limited to, banking fees and audit

fees, and, in the Distribution Period during which such fee becomes payable, the Asset Management Fee or other fees then due and payable; less

- (c) without duplication, any interest expense incurred by the JV LP between distributions, provided that any funds borrowed by the JV LP will not be included in the calculations of Cash Flow in respect of any Distribution Period; less
- (d) any capital returned to a holder of the JV LP Class B Units other than pursuant to a distribution in accordance with the distribution waterfall set forth “Description of Securities – The JV LP – Cash Flow Distributions”;

“CBCA” means the *Canada Business Corporations Act*, as amended from time to time;

“CDC” has the meaning given to it under the heading “Investment Strategy – Investment Highlights”;

“CDS” means the CDS Clearing and Depository Services Inc. and its successors;

“Class A Units” means the units of beneficial interest in the REDT, designated as “Class A Units”;

“Class E Units” means the units of beneficial interest in the REDT, designated as “Class E Units”;

“Class F Units” means the units of beneficial interest in the REDT, designated as “Class F Units”;

“Class I Units” means units of beneficial interest in the REDT, to be designated as “Class I Units”, which the REDT may issue to certain institutional investors at a price of US\$10.00 per unit, with a minimum subscription amount of US\$5,000,000, or such other minimum subscription amount as determined by the Manager, pursuant to a concurrent private placement in connection with the closing of the Offering, not to exceed one-third of the Gross Subscription Proceeds received on the Closing Date;

“Class U Units” means the units of beneficial interest in the REDT, designated as “Class U Units”;

“Closing Date” means the closing date of the Offering, which is targeted for late March 2024, but in any event not later than 90 days after a receipt for the Final Prospectus is issued;

“Code” means the United States Internal Revenue Code of 1986, as amended from time to time;

“Code of Conduct” has the meaning given to it under the heading “Audit Committee and Corporate Governance – Corporate Governance”;

“Construction Loan Term Sheet” means the binding term sheet between the REDT and H&R REIT pursuant to which H&R REIT will provide debt financing to the Projects, as described under the heading “Capitalization – Long-Term Debt”.

“Cost Overrun Units” means the limited partnership units of the JV LP designated as “Cost Overrun LP Units” and issuable in series, which may be issued to the Current Owner in connection with the funding of cost overruns at one or both of the Projects;

“CRA” means the Canada Revenue Agency;

“CRS Rules” has the meaning given to it under the heading “International Information Reporting”;

“Current Owner” means Lantower Residential;

“Declaration of Trust” means the amended and restated declaration of trust governing the REDT dated as of ●, 2024, as it may be amended or amended and restated from time to time;

“**DFA Rules**” has the meaning given to it under the heading “Certain Canadian Federal Income Tax Considerations – Taxation of the REDT”;

“**Distributable Cash**” means Cash Flow available for distribution to the holders of units of the applicable REDT Entity following receipt from the JV LP;

“**Distributable Cash Flow**” means, for any Distribution Period, an amount equal to the Cash Flow for such Distribution Period, less any amount that the Board may reasonably consider to be necessary to provide for the payment of any costs or expenses, including any tax liability of the Investment LP, the Investment GP or the REDT, that have been or are reasonably expected to be incurred in the activities and operations of the Investment LP, the Investment GP or the REDT (to the extent that such costs or expenses have not otherwise been taken into account in the calculation of the Cash Flow) and less such reserves or amounts as are, in the opinion of the Board, necessary or desirable;

“**Distributable Cash Flow Balance**” has the meaning given to it under the heading “The REDT – Limitation on Non-Resident Ownership”;

“**Distribution Payment Date**” means a date selected by the Board for payment of a distribution;

“**Distribution Period**” means each quarter of each calendar year following the earlier of Stabilization and the date on which the Trustees determine that it is in the best interests of the Unitholders, or such other periods as are determined by the Board;

“**DPSPs**” means deferred profit sharing plans as defined in the Tax Act;

“**EIFEL Proposals**” has the meaning given to it under the heading “Certain Canadian Federal Income Tax Considerations – Taxation of the REDT”;

“**Environmental Assessments**” has the meaning given to it under the heading “The Projects – Environmental Site Assessments”;

“**Equity Commitment**” has the meaning given to it under the heading “Investment Strategy – The Current Owner”;

“**Excluded Person**” means (i) a Non-Resident or a “financial institution” within the meaning of the Tax Act; (ii) a Person, an interest in which is a “tax shelter investment” for the purposes of the Tax Act; (iii) a Person which would acquire an interest in the Investment LP as a “tax shelter investment” for the purposes of the Tax Act; (iv) a Person other than a Person described in subparagraphs (b)(i) through (b)(iv) or (b)(vi) of the definition of “excluded subsidiary entity” in subsection 122.1(1) of the Tax Act; or (v) a Person who acts as a nominee on behalf of or for the benefit of a Person described in subsections (i) to (iv) of this definition;

“**Final Prospectus**” means the final prospectus for this Offering;

“**FHSAs**” means first home savings accounts as defined in the Tax Act;

“**FIRPTA**” means the U.S. *Foreign Investment in Real Property Tax Act*;

“**FOFI**” has the meaning given to it under the heading “Forward-Looking Statements”;

“**foreign tax credit**” has the meaning given to it under the heading “Certain Canadian Federal Income Tax Considerations – Taxation of the REDT”;

“**foreign tax deduction**” has the meaning given to it under the heading “Certain Canadian Federal Income Tax Considerations – Taxation of Holders”;

“**forward-looking information**” has the meaning given to it under the heading “Forward-Looking Statements”;

“**Geotechnical Exploration Reports**” has the meaning given to it under the heading “The Projects – Geotechnical Exploration Reports”;

“**GMP**” means a guaranteed maximum price;

“**Gross Subscription Proceeds**” means, collectively, the gross proceeds (in U.S. dollars) received by the REDT from (i) the issuance of the Canadian Dollar Units pursuant to the Offering and any concurrent private placements (calculated in U.S. dollars based on the Canadian dollar/U.S. dollar spot exchange rate available to the REDT on the Closing Date), and (ii) the issuance of the U.S. Dollar Units pursuant to the Offering and any concurrent private placements. For greater certainty this is the equivalent of C\$10.00 per Canadian Dollar Unit and US\$10.00 per U.S. Dollar Unit;

“**H&R REIT**” means H&R Real Estate Investment Trust;

“**H&R Liquidity Option**” has the meaning given to it under the heading “Description of Securities – The REDT – Termination of the REDT”;

“**Health Crisis**” has the meaning given to it under the heading “Risk Factors – Risks Related to Real Estate Industry, the Projects and the REDT’s Business”;

“**Holder**” has the meaning given to it under the heading “Certain Canadian Federal Income Tax Considerations”;

“**Holding GP LP**” means Lantower Residential REDT (No. 1) Holding GP LP, a limited partnership that will be established under the laws of Ontario by the Investment LP and the Investment GP and pursuant to the Holding GP LP Agreement, that will elect to be treated as a corporation for U.S. tax purposes;

“**Holding GP LP Agreement**” means the limited partnership agreement establishing the Holding GP LP, as it may be amended and restated from time to time, to be entered into between the Investment LP and the Investment GP and all persons who become holders of limited partnership interests as provided therein;

“**Holding LP**” means Lantower Residential REDT (No. 1) Holding LP, a limited partnership that will be established under the laws of Delaware by the Investment LP, an affiliate of the Current Owner and the Holding GP LP and pursuant to the Holding LP Agreement;

“**Holding LP Agreement**” means the limited partnership agreement establishing the Holding LP, as it may be amended and restated from time to time, to be entered into between the Investment LP, the Carried Interest Holder and the Holding GP LP and all persons who become holders of the Holding LP Units as provided therein;

“**Holding LP Common Units**” means the limited partnership units of the Holding LP, designated as “Class A LP Units”, which will be owned by the Investment LP;

“**Holding LP Special LP Units**” means the limited partnership units of the Holding LP, designated as “Special LP Units”, which will be owned by the Carried Interest Holder, representing the holder’s entitlement to the Carried Interest;

“**Holding LP Units**” means, collectively, the Holding LP Common Units and the Holding LP Special LP Units;

“**I-4**” has the meaning given to it under the heading “Investment Strategy – Investment Highlights”;

“**IFRS**” means the International Financial Reporting Standards developed and maintained by the International Accounting Standards Board;

“**IGA**” has the meaning given to it under the heading “International Information Reporting”;

“**Independent Appraisals**” has the meaning given to it under the heading “Description of the Activities of the REDT – The Projects – Independent Appraisals”;

“**Initial Occupancy Date**” means the date upon which a Project receives its certificate of occupancy;

“**Insider Trading Policy**” has the meaning given to it under the heading “Audit Committee and Corporate Governance – Corporate Governance”;

“**Investment GP**” means Lantower Residential REDT (No. 1) Investment GP Inc., a corporation that will be incorporated by the REDT under the laws of Ontario, and the general partner of the Investment LP;

“**Investment LP**” means Lantower Residential REDT (No. 1) Investment LP, a limited partnership that will be established by the REDT and the Investment GP pursuant to the laws of Ontario and the Investment LP Agreement;

“**Investment LP Agreement**” means the limited partnership agreement establishing the Investment LP, as it may be amended and restated from time to time, to be entered into between the REDT and the Investment GP and all persons who become holders of the Investment LP Units as provided therein;

“**Investment LP Units**” means the class A limited partnership units of the Investment LP;

“**Investment Restrictions**” means the investment restrictions of the REDT, as more particularly described under “Investment Restrictions and Operating Policies – Investment Restrictions”;

“**IRS**” means the U.S. Internal Revenue Service;

“**JV GP**” means Lantower Residential REDT (No. 1) JV GP LLC, a limited liability company that will be established under the laws of Delaware by the Holding LP and the general partner of the JV LP;

“**JV LP**” means Lantower Residential REDT (No. 1) JV LP, a limited partnership that will be established under the laws of Delaware by the Current Owner, the Holding LP and the JV GP and pursuant to the JV LP Agreement;

“**JV LP Agreement**” means the limited partnership agreement establishing the JV LP, as it may be amended and restated from time to time, to be entered into between the JV GP, the Holding LP and the Current Owner, and all persons who become holders of the JV LP Units as provided therein;

“**JV LP Class A Units**” means the limited partnership units of the JV LP, designated as “Class A LP Units” and issuable in series, which will be owned by the Current Owner, indirectly representing H&R REIT’s interest in the Projects (other than the Carried Interest);

“**JV LP Class B Units**” means the limited partnership units of the JV LP, designated as “Class B LP Units” and issuable in series, which will be owned by the Holding LP, indirectly representing the REDT’s interest in the Projects;

“**JV LP Interest Purchase Agreement**” means the limited partnership unit subscription agreements to be entered into on or before the Closing Date pursuant to which (i) the REDT, through the Investment LP, through the Holding LP, will subscribe for the JV LP Class B Units, (ii) the Current Owner will contribute the Property LPs in return for the JV LP Class A Units, and (iii) pursuant to which the Current Owner will provide, among other things, certain representations, warranties and indemnities in respect of the Projects;

“**JV LP Units**” means, collectively, the JV LP Class A Units, the JV LP Class B Units, the Cost Overrun Units and the JV LP Special LP Units;

“**JV LP Special LP Units**” means the limited partnership units of the JV LP, designated as “Special LP Units”, which will be owned by the Holding LP, representing the Current Owner or an affiliate of the Current Owner’s entitlement to the Carried Interest;

“**Lantower Residential**” means Lantower Residential LP, a wholly-owned subsidiary of H&R REIT;

“**Lead Investors**” means institutional investors committed to subscribing for Units (including Class I Units), on a lead order basis, to close concurrently with the closing of the Offering;

“**LEED**” means the Leadership in Energy and Environmental Design certification;

“**Liquidity Event**” has the meaning given to it under the heading “Description of Securities – The REDT – Termination of the REDT”;

“**Liquidity Option Price**” has the meaning given to it under the heading “Description of Securities – The REDT – Termination of the REDT”;

“**Listed Securities**” has the meaning given to it under the heading “Description of Securities – The REDT – Termination of the REDT”;

“**Lock-Up Agreements**” means, collectively, the agreements to be entered into on or before the Closing Date between the Agent and each of the Locked-Up Parties pursuant to which each of the Locked-Up Parties will agree that their Units will be subject to a contractual lock-up period beginning on the Closing Date and ending on the earlier of (i) the completion of a Liquidity Event, or (ii) the completion of the Liquidity Option or the Sale Process, as applicable;

“**Locked-Up Parties**” means the non-independent trustees and executive officers of the REDT;

“**Management Agreement**” means an agreement to be entered into between the REDT, the JV LP, the Canadian Manager and the U.S. Manager pursuant to which the Canadian Manager and U.S. Manager will provide certain services to the REDT and the JV LP;

“**Manager**” means the Canadian Manager and/or the U.S. Manager, as applicable;

“**Maximum Offering**” means the offering of a maximum of US\$52,000,000 of Class A Units, Class E Units, Class F Units and/or Class U Units, which amount shall be reduced by the aggregate subscription amount for any Class I Units sold on a concurrent private placement basis at the discretion of the REDT to any Lead Investors;

“**MD&A**” means management’s discussion and analysis of financial condition and results of operations of the REDT;

“**MI 61-101**” means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* as replaced or amended from time to time;

“**Minimum Offering**” means the offering of at least US\$42,000,000 of Class A Units, Class E Units, Class F Units and/or Class U Units, which amount shall be reduced by the aggregate subscription amount for any Class I Units sold on a concurrent private placement basis at the discretion of the REDT to any Lead Investors;

“**Minimum Return**” means the distribution by the JV LP on those units through which the REDT holds, among others, indirectly, its interest in the JV LP, of that sum as will allow the REDT to make distributions (i) in respect of a Unit of a class of the Canadian Dollar Units, an amount equal to the sum of (A) the REDT Capital Return Base for a Unit of the subject class of Canadian Dollar Units (in Canadian dollars) and (B) a compounded return of 8% per annum (in Canadian dollars) on the REDT Capital Return Base for a Unit of the subject class of Canadian Dollar Units (in Canadian dollars) calculated on a compounded cumulative basis to the date of calculation of the Minimum Return and (ii) in respect of a Unit of a class of the U.S. Dollar Units, an amount equal to the sum of (A) the REDT Capital Return Base for a Unit of the subject class of U.S. Dollar Units (in U.S. dollars) and (B) a compounded return of 8% per annum (in U.S. dollars) on the REDT Capital Return Base for a Unit of the subject class of U.S. Dollar Units (in U.S. dollars) calculated on a compounded cumulative basis to the date of calculation of the Minimum Return, determined in each case without reference to any U.S. federal, state and/or local income and/or withholding tax borne by the REDT or any Subsidiary of the REDT that is a partnership, whether or not attributable directly or indirectly to any particular Unitholder;

“**MSA**” means Metropolitan Statistical Area;

“**NCI**” means the non-certificated inventory system of CDS;

“**Net Asset Value**” means the net asset value of the REDT, as determined by the audit committee of the Board;

“**Net Subscription Proceeds**” means the net proceeds (in U.S. dollars) received by the REDT from (a) the issuance of the Canadian Dollar Units pursuant to the Offering and any concurrent private placements (calculated in U.S. dollars based on the U.S. dollar/Canadian dollar spot exchange rate available to the REDT on the Closing Date) and (b) the issuance of the U.S. Dollar Units pursuant to the Offering and any concurrent private placements, minus (c) the Total Agent’s Fee;

“**NGBS**” means the National Green Building Standard;

“**NI 51-102**” means National Instrument 51-102 – *Continuous Disclosure Obligations*, as replaced or amended from time to time;

“**NI 52-109**” means National Instrument 52-109 – *Certification of Disclosure in Issuers’ Annual and Interim Filings*, as replaced or amended from time to time;

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees*, as replaced or amended from time to time;

“**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;

“**OBCA**” means the *Business Corporations Act* (Ontario), as amended from time to time;

“**Offering**” means the offering of up to an aggregate of US\$52,000,000 of Class A Units, Class E Units, Class F Units and/or Class U Units;

“**Offering Price**” means C\$10.00 per Class A Unit and Class F Unit, and US\$10.00 per Class E Unit and Class U Unit;

“**Operating Expenses**” means all amounts paid or payable on account of expenses in the operation of the REDT and its subsidiaries;

“**Operating Policies**” means the operating policies of the REDT, as more particularly described under “Investment Restrictions and Operating Policies – Operating Policies”;

“**Ordinary Resolution**” means a resolution of the unitholders, limited partners or shareholders of a REDT Entity, as the case may be, approved by not less than 50% of the votes cast by those persons who vote in person or by proxy at a duly convened meeting of the respective REDT Entity, or a written resolution signed by the unitholders, limited partners or shareholders of a REDT Entity, entitled, in the aggregate, to not less than 50% of the aggregate number of votes of those persons;

“**Orlando MSA**” means the Orlando–Kissimmee–Sanford, Florida Metropolitan Statistical Area;

“**Partnership Agreements**” means, collectively, the Investment LP Agreement, the Holding LP Agreement, the JV LP Agreement, the Bayside LP Agreements and the Sunrise LP Agreements;

“**Partnerships**” means, collectively, the Investment LP, the Holding GP LP, the Holding LP, the JV LP, the Bayside LPs and the Sunrise LPs;

“**Person**” includes any individual, firm, partnership, limited partnership, limited liability partnership, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, trust, unincorporated association or organization, governmental authority, syndicate or other entity, whether or not having legal status, however designated or constituted;

“**Plans**” means RRSPs, RDSPs, RESPs, TFSAs, FHSAs, RRIFs and DPSPs, and “**Plan**” means any of them;

“**Projects**” means, collectively, the Bayside Project and the Sunrise Project;

“**Property LPs**” means, collectively, the Bayside LPs and the Sunrise LPs;

“Proportionate Class A Interest” is equal to: (i)(A) the aggregate of the U.S. dollar equivalent (calculated based on the applicable exchange rate available to the REDT on the Closing Date) of the gross proceeds received by the REDT for the issuance of each Class A Unit less the Agent’s Fee payable in respect of such Class A Unit, less (B) the portion of the amount described in (A) attributable to Class A Units that have been redeemed, divided by (ii) the Net Subscription Proceeds, less the portion thereof attributable to Units that have been redeemed;

“Proportionate Class E Interest” is equal to: (i)(A) the aggregate of the gross proceeds received by the REDT for the issuance of each Class E Unit less the Agent’s Fee payable in respect of such Class E Unit, less (B) the portion of the amount described in (A) attributable to Class E Units that have been redeemed, divided by (ii) the Net Subscription Proceeds, less the portion thereof attributable to Units that have been redeemed;

“Proportionate Class F Interest” is equal to: (i)(A) the aggregate of the U.S. dollar equivalent (calculated based on the applicable exchange rate available to the REDT on the Closing Date) of the gross proceeds received by the REDT for the issuance of each Class F Unit less the Agent’s Fee payable in respect of such Class F Unit, less (B) the portion of the amount described in (A) attributable to Class F Units that have been redeemed, divided by (ii) the Net Subscription Proceeds, less the portion thereof attributable to Units that have been redeemed;

“Proportionate Class U Interest” is equal to: (i)(A) the aggregate of the gross proceeds received by the REDT for the issuance of each Class U Unit less the Agent’s Fee payable in respect of such Class U Unit, less (B) the portion of the amount described in (A) attributable to Class U Units that have been redeemed, divided by (ii) the Net Subscription Proceeds, less the portion thereof attributable to Units that have been redeemed;

“Prospectus” means this prospectus and any amendments hereto and documents incorporated by reference herein;

“Purchaser” means a purchaser of Units;

“RDSPs” means registered disability savings plans as defined in the Tax Act;

“Redemption Cost” means the lesser of (i) 2% of the Net Asset Value of the Units being redeemed, and (ii) C\$500;

“Redemption Date” means the date on which a Redemption Notice is given;

“Redemption Notice” has the meaning given to it under the heading “Description of Securities – The REDT – Redemption”;

“Redemption Value” means an amount equal to 95% of the aggregate Net Asset Value of all issued and outstanding Units;

“REDT” means Lantower Residential Real Estate Development Trust (No. 1), a newly-created, unincorporated investment trust established pursuant to the laws of the Province of Ontario, and, where the context requires, includes its Subsidiaries;

“REDT Capital Return Base” means (i) in respect of a Unit of a class of Canadian Dollar Units, (A) the sum of the aggregate gross amount of all cash subscription proceeds received by the REDT for the issuance of the subject class of Canadian Dollar Units pursuant to the Offering and any concurrent private placements (in Canadian dollars) less the portion thereof attributable to the subject class of Canadian Dollar Units that have been redeemed (in Canadian dollars), divided by (B) the number of subject class of Canadian Dollar Units issued pursuant to the Offering and any concurrent private placements less the aggregate number of the subject class of Canadian Dollar Units redeemed, and (ii) in respect of a Unit of a class of U.S. Dollar Units, (A) the sum of the aggregate gross amount of all cash subscription proceeds received by the REDT for the issuance of the subject class of U.S. Dollar Units pursuant to the Offering and any concurrent private placements (in U.S. dollars) less the portion thereof attributable to the subject class of U.S. Dollar Units that have been redeemed (in U.S. dollars), divided by (B) the number of subject class of U.S. Dollar Units issued pursuant to the Offering and any concurrent private placements less the aggregate number of the subject class of U.S. Dollar Units redeemed;

“REDT Entity” means any one of the REDT, the Investment LP, the Holding GP LP, the Holding LP, the JV LP, a Bayside LP or a Sunrise LP and **“REDT Entities”** means two or more of them;

“**REDT Liquidity Option**” has the meaning given to it under the heading “Description of Securities – The REDT – Termination of the REDT”;

“**REDT Property**” means all of the property and assets of the REDT held pursuant to the Declaration of Trust;

“**RESPs**” means registered education savings plans as defined in the Tax Act;

“**RRIFs**” means registered retirement income funds as defined in the Tax Act;

“**RRSPs**” means registered retirement savings plans as defined in the Tax Act;

“**Sale Process**” has the meaning given to it under the heading “Description of Securities – The REDT – Termination of the REDT”;

“**Sale Process Price**” has the meaning given to it under the heading “Description of Securities – The REDT – Termination of the REDT”;

“**Sale Transaction**” has the meaning given to it under the heading “Description of Securities – The REDT – Termination of the REDT”;

“**Sales Comparison Approach**” has the meaning given to it under the heading “The Projects – Independent Appraisals”;

“**Satisfied REDT Units**” has the meaning given to it under the heading “Description of Securities – The JV LP – Cash Flow Distributions”;

“**Secondary Minimum Return**” means the distribution by the JV LP on those units through which the REDT holds, indirectly, its interest in the JV LP, of that sum as will allow the REDT to make distributions (i) in respect of a Unit of a class of the Canadian Dollar Units, an amount equal to the sum of (A) the REDT Capital Return Base for a Unit of the subject class of Canadian Dollar Units (in Canadian dollars) and (B) a compounded return of 15% per annum (in Canadian dollars) on the REDT Capital Return Base for a Unit of the subject class of Canadian Dollar Units (in Canadian dollars) calculated on a compounded cumulative basis to the date of calculation of the Minimum Return and (ii) in respect of a Unit of a class of the U.S. Dollar Units, an amount equal to the sum of (A) the REDT Capital Return Base for a Unit of the subject class of U.S. Dollar Units (in U.S. dollars) and (B) a compounded return of 15% per annum (in U.S. dollars) on the REDT Capital Return Base for a Unit of the subject class of U.S. Dollar Units (in U.S. dollars) calculated on a compounded cumulative basis to the date of calculation of the Minimum Return, determined in each case without reference to any U.S. federal, state and/or local income and/or withholding tax borne by the REDT or any Subsidiary of the REDT that is a partnership, whether or not attributable directly or indirectly to any particular Unitholder;

“**SIFT Rules**” means the provisions of the Tax Act applicable to SIFT trusts, SIFT partnerships, each as defined therein, and their securityholders, as applicable;

“**SOFR Rate**” means the Secured Overnight Financing Rate;

“**Special Area Plan**” has the meaning given to it under the heading “Investment Strategy – Investment Highlights”;

“**Special Resolution**” means a resolution of the unitholders, limited partners or shareholders of a REDT Entity, as the case may be, approved by not less than 66²/₃% of the votes cast by those Persons who vote in person or by proxy at a duly convened meeting of the respective REDT Entity, or a written resolution signed by the unitholders, limited partners or shareholders of a REDT Entity, entitled, in the aggregate, to not less than 66²/₃% of the aggregate number of votes of those Persons;

“**Stabilization**” means the date upon which at least one of the Projects achieves 95% occupancy;

“**Subsidiary**” includes, with respect to any Person, an entity controlled, directly or indirectly, by such Person and, in respect of the REDT, shall include the Partnerships and any special purpose vehicle wholly-owned by the JV LP and “**Subsidiaries**” means any two or more of them;

“**Sunrise GP1**” means Lantower REDT Sunrise Orlando GP 1 LLC, a Delaware limited liability company, and the general partner of the Sunrise LP1;

“**Sunrise GP2**” means Lantower REDT Sunrise Orlando GP 2 LLC, a Delaware limited liability company, and the general partner of the Sunrise LP2;

“**Sunrise GPs**” means, collectively, the Sunrise GP1 and the Sunrise GP2;

“**Sunrise LP1**” means Lantower REDT Sunrise Orlando LP, a Delaware limited partnership and the beneficial owner of a portion of the Sunrise Project;

“**Sunrise LP2**” means Lantower REDT Sunrise Orlando LP 2, a Delaware limited partnership and the beneficial owner of a portion of the Sunrise Project;

“**Sunrise LPs**” means, collectively, the Sunrise LP1 and the Sunrise LP2;

“**Sunrise LP1 Agreement**” means the limited partnership agreement governing the Sunrise LP1;

“**Sunrise LP2 Agreement**” means the limited partnership agreement governing the Sunrise LP2;

“**Sunrise LP Agreements**” means, collectively, the Sunrise LP1 Agreement and the Sunrise LP2 Agreement;

“**Tampa MSA**” means the Tampa – St. Petersburg – Clearwater Metropolitan Statistical Area;

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

“**Tax Proposals**” has the meaning given to it under the heading “Certain Canadian Federal Income Tax Considerations”;

“**Term**” means the term of the REDT, which is targeted to be three and a half years, subject to two, discretionary one-year extensions at the discretion of the Manager or if extended further by Special Resolution of the Unitholders, and shall be automatically extended to allow for the completion of the process commenced pursuant to the H&R Liquidity Option, REDT Liquidity Option or the Sale Process, as applicable;

“**TFSAs**” means tax-free savings accounts as defined in the Tax Act;

“**Total Agent’s Fee**” means the aggregate agency fee in respect of an issuance of Units, which in respect of the Offering is the aggregate Agent’s Fee payable in respect of the Class E Units and Class U Units plus the U.S. dollar equivalent of the Agent’s Fee payable in respect of the Class A Units and the Class F Units (calculated based on the applicable exchange rate available to the REDT on the Closing Date);

“**Treaty**” means the *Canada-United States Convention with Respect to Taxes on Income and on Capital*;

“**Trustee**”, at any time, means an individual who is, in accordance with the provisions hereof, a trustee of the REDT at that time and “**Trustees**” means, at any time, all of the individuals each of whom is at that time a Trustee;

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

“**Unit Redemption Date**” has the meaning given to it under the heading “Description of Securities – The REDT – Redemption”;

“**Unit Redemption Notice**” has the meaning given to it under the heading “Description of Securities – The REDT – Redemption”;

“**Units**” means, collectively, the Class A Units, Class E Units, Class F Units, Class I Units (if applicable) and Class U Units;

“**U.S.**” or “**United States**” means the United States of America;

“**U.S. Dollar Units**” means the Class E Units, Class I Units (if any), Class U Units, and any other class of units of beneficial interest in the REDT denominated in U.S. dollars;

“**U.S. Manager**” means Lantower Management Services LP, a limited partnership formed under the laws of Delaware and a subsidiary of H&R REIT; and

“**U.S. Securities Act**” means the United States *Securities Act of 1933*, as it may be amended from time to time.

1. CORPORATE STRUCTURE

1.1 Name and Incorporation

The REDT

The REDT is a newly-created unincorporated investment trust governed by the laws of the Province of Ontario. The REDT was formed pursuant to the initial declaration of trust dated as of February 12, 2024. The REDT will be managed by the Canadian Manager. The Board currently comprises, and upon closing of the Offering, will continue to be composed of, Samantha Adams, Andrew Elbaz, Thomas J. Hofstedter, Mark Johnson and Michael Loeb. The registered and head office of the REDT is located at 3625 Dufferin Street, Suite 500, Toronto, Ontario, M3K 1N4.

The Investment LP

The Investment LP is a limited partnership that will be formed prior to closing of the Offering and the Acquisition pursuant to and governed by the laws of the Province of Ontario. The Investment LP will make an election pursuant to the Code to be classified as a corporation for U.S. federal income tax purposes effective on the date of its formation. The general partner of the Investment LP is the Investment GP, a corporation that will be incorporated pursuant to the laws of the Province of Ontario. All of the issued and outstanding shares of the Investment GP are owned by the REDT.

The Holding LP

The Holding LP is a limited partnership that will be formed prior to closing of the Offering and the Acquisition pursuant to and governed by the laws of Delaware. The general partner of the Holding LP is the Holding GP LP, a limited partnership that will be established under the laws of Ontario by the Investment LP and the Investment GP, that will elect to be treated as a corporation for U.S. tax purposes. Following the Acquisition, the REDT (through the Investment LP) will own the Holding LP Common Units and the Carried Interest Holder will hold the Holding LP Special LP Units, representing the Carried Interest.

The JV LP

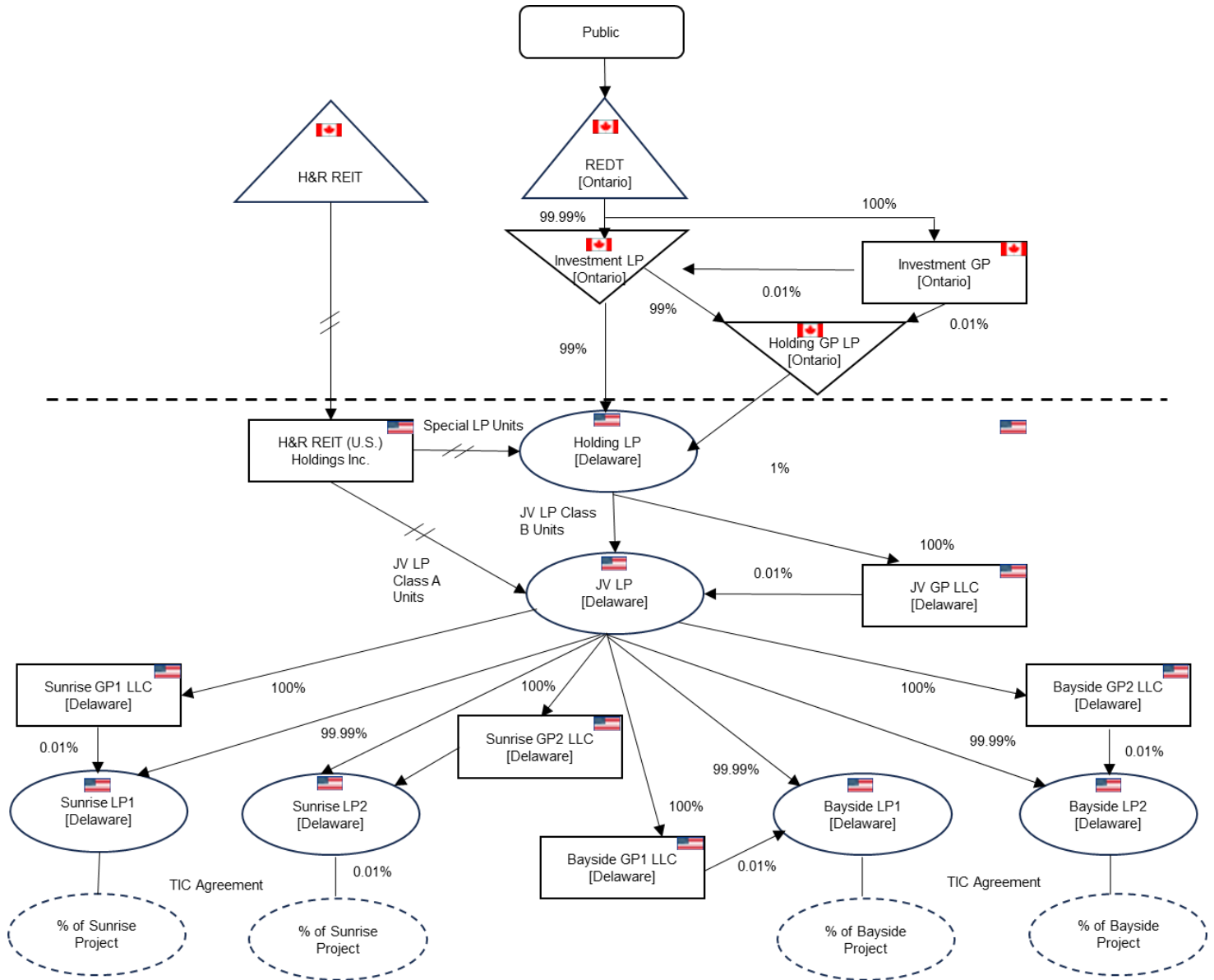
The JV LP is a limited partnership that will be formed prior to closing of the Offering and the Acquisition pursuant to and governed by the laws of Delaware, and will be managed by the U.S. Manager. The general partner of the JV LP is the JV GP, a limited liability company that will be formed pursuant to and governed by the laws of Delaware. The Holding LP is the sole member of the JV GP. Prior to the Acquisition, the JV LP will acquire the limited partnership interests of the Bayside LPs and the Sunrise LPs currently held directly by the Current Owner. Following the Acquisition, H&R REIT (through the Current Owner) will own the JV LP Class A Units and (through the Carried Interest Holder and the Holding LP) the JV LP Special LP Units, and the REDT (through the Investment LP and the Holding LP) will own the JV LP Class B Units and the JV LP Special LP Units.

The Bayside LPs and the Sunrise LPs

The Bayside LPs will prior to the Acquisition collectively, through a tenancy-in-common, own 100% of the Bayside Project. The Sunrise LPs will prior to the Acquisition collectively, through a tenancy-in-common, own 100% of the Sunrise Project. Following the Acquisition, the Bayside LPs and the Sunrise LPs will be owned by the JV LP, as limited partner, and the Bayside GPs and Sunrise GPs, respectively, as general partners, and the sole member of the Bayside GPs and the Sunrise GPs will be the JV LP.

1.2 Intercorporate Relationships

The following chart sets forth the relationships among the REDT, the Investment LP, the Holding LP, the JV LP, and the Property LPs, following closing of the Offering and assuming the acquisition by the REDT of its indirect interest in the Projects pursuant to the completion of a Maximum Offering. Lantower Residential is a subsidiary of H&R REIT (U.S.) Holdings Inc., which is a subsidiary of H&R REIT.



Notes:

- (1) Assuming the Maximum Offering is achieved, Sunrise LP1 will own 29.1% of the Sunrise Project, representing H&R REIT's indirect ownership of the Sunrise Project, and Sunrise LP2 will own 70.9% of the Sunrise Project, representing the REDT's indirect ownership of the Sunrise Project. If only the Minimum Offering is achieved, Sunrise LP1 will own 42.7% interest in the Sunrise Project, representing H&R REIT's indirect ownership of the Sunrise Project, and Sunrise LP2 will own 57.3% of the Sunrise Project, representing the REDT's indirect ownership of the Sunrise Project.
- (2) Assuming the Maximum Offering is achieved, Bayside LP1 will own 29.1% of the Bayside Project, representing H&R REIT's indirect ownership of the Bayside Project, and Bayside LP2 will own 70.9% of the Bayside Project, representing the REDT's indirect ownership of the Bayside Project. If only the Minimum Offering is achieved, Bayside LP1 will own 42.7% interest in the Bayside Project, representing H&R REIT's indirect ownership of the Bayside Project, and Bayside LP2 will own 57.3% of the Bayside Project, representing the REDT's indirect ownership of the Bayside Project.

2. INVESTMENT STRATEGY

H&R REIT established the REDT primarily for the purpose of indirectly owning an interest in each of the Bayside Project and Sunrise Project located in Largo, Florida (Tampa) and Kissimmee, Florida (Orlando), respectively. The Bayside Project consists of a project to develop a multifamily residential rental building comprising an aggregate of 271 residential rental units sitting on 8.4 acres of land. The Sunrise Project consists of a project develop multifamily residential rental buildings comprising an aggregate of 330 residential rental units on 17.2 acres of land. The Manager believes that the development of each of the Projects presents a compelling investment opportunity and provides competitive returns compared to other real estate assets. The Manager believes that the Projects feature strong location and demographic fundamentals, as Central Florida is able to capitalize on its robust net in-migration fundamentals, a pro-business environment, an affordable cost of living and strong rent-to-income ratios, contributing to future rent growth. The Manager believes that the demographics and economic growth in the Tampa MSA and Orlando MSA markets continue to drive rental demand in the cities, and that the cities are poised to see high absorption rates and rent growth.

2.1 Investment Objectives

The REDT's investment objectives are to:

- (a) provide Unitholders with an opportunity to indirectly own an interest in each of the Bayside Project and Sunrise Project currently wholly-owned by a subsidiary of H&R REIT and located in Largo, Florida (Tampa) and Kissimmee, Florida (Orlando), respectively;
- (b) build, lease and operate the Projects; and
- (c) achieve a Liquidity Event by the end of the Term.

2.2 Investment Strategy

For the Bayside Project, the Manager will seek to: (i) construct the intended rental building containing 271 rental units on the Bayside Project lands, (ii) occupy, lease-up and stabilize the intended rental building, (iii) refinance the intended rental building upon Stabilization, (iv) operate and actively manage the intended rental building following occupancy with the intention of maximizing net operating income of the building and (v) complete a Liquidity Event. The Manager will be utilizing its past experience constructing, occupying, leasing, stabilizing, refinancing and ultimately monetizing assets of similar quality and size.

For the Sunrise Project, the Manager will seek to: (i) construct the intended rental buildings containing 330 rental units on the Sunrise Project lands, (ii) occupy, lease-up and stabilize the intended rental building, (iii) refinance the intended rental building upon Stabilization, (iv) operate and actively manage the intended rental building following occupancy with the intention of maximizing net operating income of the building and (v) complete a Liquidity Event. The Manager will be utilizing its past experience constructing, occupying, leasing, stabilizing, refinancing and ultimately monetizing assets of similar quality and size.

2.3 Investment Highlights

Experienced and Aligned Management and Sponsorship Team with Strong Track Record

The REDT will be managed by a group of experienced senior executives with an established track record of providing strong returns in the residential real estate sector in the U.S. Sun Belt. Further, the parent of the Current Owner and the sponsor of the Projects, H&R REIT, has a history of acquiring, developing and operating real estate assets throughout Canada and the U.S. with an impressive record of value creation through its wholly-owned Lantower Residential platform.

H&R REIT (TSX: HR.UN) is one of Canada's largest fully internalized real estate investment trusts with total assets of \$10.8 billion at December 31, 2023. H&R REIT has ownership interests in a North American portfolio of high quality residential, industrial, retail and office properties comprising over 26.9 million square feet. H&R REIT's strategy is to create a simplified, growth-oriented business focused on residential and industrial properties in order to create sustainable long-term value for unitholders. H&R REIT's target is to be a leading owner, operator and developer of residential and industrial

properties, creating value through redevelopment and greenfield development in prime locations within, among other markets, high growth U.S. Sun Belt and gateway cities.

Lantower Residential, a subsidiary of H&R REIT, is a vertically integrated multifamily real estate company based in Dallas, Texas, focused on acquiring, developing, financing, and managing multifamily communities in the U.S. Lantower Residential focuses on driving growth and maximizing value through its disciplined investment strategy and portfolio management. Lantower Residential consists of 24 residential properties in select markets in the United States comprising 8,166 residential rental units, at H&R REIT's ownership interest. In addition to hosting all capacities internally (property management, operations, accounting, human resources, marketing, asset management, etc.), Lantower Residential's in-house development team has over 5,000 residential rental units with an estimated value of over US\$1.7 billion dollars in the pipeline at various stages of zoning, pre-development, development and construction. Lantower Residential uses its vast network of landowners, brokers, architects, engineers, contractors and consultants to exploit accretive development opportunities, primarily across Texas and Florida. Lantower Residential's in-house team manages the entire real estate development life cycle from land sourcing and the entitlement process to development and design with architects and engineers and ultimately through construction and general contractor management. At its core, Lantower Residential is led by a team of executives supported by over 50 corporate employees with vast experience across all sectors of the multifamily business. The teams operate alongside each other to deliver results that lead to successful investment outcomes.

Lantower Residential's in-house development team has over 5,000 residential rental units with an estimated value of over US\$1.7 billion dollars in the pipeline at various stages of zoning, pre-development, development and construction. The Lantower Residential development team manages the entire real estate development life cycle from land sourcing and the entitlement process to development and design with architects and engineers and ultimately through construction and general contractor management.

The REDT will also benefit from investing alongside H&R REIT in the Projects. H&R REIT is one of Canada's largest real estate investment trusts, with an extensive network of financing sources and financial institution support, providing the Projects with enhanced access to financing. In addition, as a large public real estate investment trust, H&R REIT has access to more diverse sources of financing in the event of any cost overruns, and an ability to utilize its own financing sources to fund development of the Project. The Manager also expects to be able to leverage H&R REIT's capabilities and relationships to identify potential Liquidity Events. The executive team provided by the Manager also has significant prior public company experience, through H&R REIT.

Following the completion of the Offering, H&R REIT as the parent of the Current Owner, will retain US\$21.3 million of equity in the Projects representing approximately a 29.1% interest in the Projects assuming the Maximum Offering is achieved. If only the Minimum Offering is achieved, H&R REIT will retain US\$31.3 million of equity in the Projects representing approximately a 42.7% interest in the Projects given its Equity Commitment of US\$10 million in the aggregate.

Strong Governance and Alignment of Interests with the Current Owner

Purchasers are being given the opportunity to invest in the Projects, through the REDT, at the total cost basis of the Projects, as the Current Owner will not be receiving any of the net proceeds of the Offering. The current appraised value of the Projects is US\$25.0 million plus soft costs to date of US\$3.8 million for a total value of US\$28.8 million, while the REDT's interest in the Projects will be based on their acquisition cost plus land and costs incurred to date of approximately US\$21.3 million, and thus, Purchasers are purchasing an interest in the Projects at an implied discount of approximately 25.8% to the appraised value (inclusive of costs to date). The total equity in the Projects, following closing of the Offering, will be US\$77.3 million.

Investors and the Current Owner are also aligned with respect to economic returns from the Projects, as the Carried Interest only becomes payable upon achievement of the Minimum Return, and does not include a catch-up component. Furthermore, the Asset Management Fee will not be payable until the Minimum Return is achieved.

In addition, the structure of the Carried Interest, the conditions to and timing for the payment of the Asset Management Fee, absence of employee salaries charged to the REDT and the Minimum Return, result in a significant alignment of interests among the Current Owner and the investors in the REDT, by connecting the financial success of the Current Owner with the REDT's overall performance and the returns delivered to Unitholders. This is intended to encourage responsible decision-making, long-term focus, and prudent risk management to maximize returns.

In a carried interest structure, sponsors receive a share of the profits generated from successful investments. With respect to the REDT, the structure of the Carried Interest means that the Current Owner only benefits when the REDT's investment is profitable over the Minimum Return of 8.0%. This is intended to encourage the Current Owner to make informed, strategic decisions with a view to long-term, positive returns. In addition, Unitholders receive their initial investments plus a preferred return of 8.0% (being the Minimum Return) prior to payment of any Carried Interest, which incentivizes the Current Owner to focus on generating higher returns to Unitholders in order to receive its share of the Carried Interest. Lastly, the Carried Interest is only payable after Unitholders have received the Minimum Return (inclusive, for greater certainty, of the REDT Capital Return Base), while the Minimum Return continues to compound until paid. As a result, the Current Owner is incentivized to maximize annualized returns and achieve a Liquidity Event within budgeted timelines.

In addition, the Asset Management Fee will accrue on a monthly basis until the earlier of a Liquidity Event and the three and a half year anniversary of the Closing Date but will only be payable following a Liquidity Event and provided that the Minimum Return is achieved. The Manager will not receive payment of the Asset Management Fee during the development phase of the Projects.

As noted above, the Current Owner has invested its own equity into the Projects (and, in the event of an Offering of less than the Maximum Offering, will continue to do so through the Equity Commitment). Furthermore, the Current Owner will be responsible for any cost overruns. Accordingly, they have a direct, equity stake in the Projects and an interest in the REDT's performance, as well as a share in any potential losses in addition to the potential gains. This shared risk further enhances the alignment of interests between the Current Owner, H&R REIT as the sponsor of the Projects, and the Unitholders.

Pursuant to the Agency Agreement and the Lock-Up Agreements, the Locked-Up Parties have agreed that, for a period beginning on the Closing Date and ending on the earlier of (i) the completion of a Liquidity Event, or (ii) the completion of the Liquidity Option or Sale Process, as applicable, the Locked-Up Parties will not, directly or indirectly, except with the prior written consent of the Agent and the REDT, (i) offer, sell, contract to sell, secure, pledge, grant or sell any option, right or warrant to purchase, or otherwise lend, transfer, assign or dispose of any of their Units or securities convertible into or exercisable or exchangeable for Units (except for transfers to affiliates, provided they remain affiliates); (ii) make any short sale, engage in any hedging transaction, or 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; or (iii) agree or publicly announce *any* intention to do any of the foregoing.

Zoning Compliant and Entitled Development Projects with Advanced GMP, Development Budgets and Market Leading Designs Allowing for Reduced Risk Profile

The site on which the Bayside Project will be located, which was acquired by the Current Owner in 2019, was originally zoned for a maximum density of 201 residential units. The maximum allowable density for the site further increased under the City of Largo's Comprehensive Development Code (the "CDC"). Concurrent with the Current Owner's acquisition and initial work on the Bayside Project, the City of Largo was in the process of creating the Largo Tri-City Special Area Plan (the "Special Area Plan") which provides overlay zoning for the part of the city in which the Bayside Project is located with a goal of increasing the city's tax base and facilitate new development in the area. The Special Area Plan would allow for increased uses and density along Highway 19 and the surrounding area. The Special Area Plan, along with the CDC, allowed the City of Largo to grant green building density bonuses for certain developments that meet LEED or NGBS Silver certification criteria. Originally, with respect to the Bayside Project, the City of Largo proposed density bonuses for affordable housing as a percentage of overall units and/or LEED certified buildings. After a number of meetings between the City of Largo and the Current Owner, the Current Owner proposed using the NGBS Silver green building certification option in order to achieve bonus density given the challenges in achieving LEED certification for the contemplated wood garden-style, surface parked multifamily project. The City of Largo agreed and, subject to the terms and conditions of that certain Green Building Density Bonus Agreement dated January 3, 2023, between Lantower Largo Hwy 19 Tampa LP and the City of Largo, Florida (the "Bonus Density Agreement"), the City of Largo granted the Bonus Density of 21 additional units subject to the project meeting the NGBS Silver certification standards and complying with program requirements and criteria. The Bonus Density allows the Bayside Project unit count to increase to 271 residential units.

On August 22, 2023, after rounds of plan comments from the City of Largo's staff and revisions in response thereto, the City of Largo approved the Bayside Project's final site and buildings plans and related Site Development Permit and Building Permit. Although approved, the Site Development Permit and the Building Permit for the Bayside Project will not be issued until certain administrative requirements have been satisfied and all applicable fees, including impact fees in the amount of US\$2.0 million have been paid. Based upon information provided by the Current Owner's architect and civil engineer, all

necessary permits have been approved and other governmental approvals secured to allow, upon satisfaction of remaining administrative conditions and the issuance of the applicable permits, the commencement in all material respects of the development of the Bayside Project.

The Bayside Project, utilizing well-recognized architects and design consultants in the region, was designed to attract the top of the submarket renter profiles and to minimize future obsolescence by providing outsized amenities and elevated design selections. With over 17,000 square feet of amenity space – over double the average amenity space – coupled with 10 foot plus ceilings in every unit with upgraded appliances and fixtures, the Manager expects the Bayside Project to achieve an accelerated lease-up in an environment with limited new supply.

The Sunrise Project was originally secured on October 10, 2018, with a purchase option to be exercised at a later date. The underlying Commercial Tourism zoning allows for multifamily density to be maximized through garden style surface-parked site design. After rounds of plan comments with Osceola County’s staff and revisions in response thereto, on March 12, 2023, Osceola County approved the Sunrise Project’s final site and buildings plans and issuance of the related Site Development Permit and its Building Permit. Although approved, the Site Development Permit and the Building Permit for the Sunrise Project will not be issued until certain administrative requirements have been satisfied and applicable fees, including impact fees in the amount of US\$7.5 million, have been paid. Based upon information provided by the Current Owner’s architect and civil engineer, all necessary permits have been approved and other governmental approvals secured to allow, upon satisfaction of remaining administrative conditions and the issuance of the applicable permits, the commencement in all material respects of the development of the Sunrise Project. The real property on which the Sunrise Project will be situated consists of one currently platted lot and a portion of an adjacent platted lot currently owned by an affiliate of the Current Owner. The Current Owner intends to pursue a lot reconfiguration process in accordance with the Osceola County, Florida, Land Development Code, to split the adjacent lot with the Current Owner in order to acquire title to the portion of the adjacent lot necessary for the Sunrise Project and the Current Owner’s affiliate to retain title to the remaining portion of the adjacent lot. Completion of the lot reconfiguration process is not required for the issuance of the Site Development Permit or Building Permit for the Sunrise Project or the commencement of construction.

The Sunrise Project, also utilizing well-recognized architects and design consultants in the region, was designed, like the Bayside Project, to attract the top of submarket renter profiles and to minimize future obsolescence by providing outsized amenities and elevated design selections. With over 16,000 square feet of amenity space – including a stand-alone clubhouse building and gym building – coupled with 10 foot plus ceilings in every unit with upgraded appliances and fixtures, the Manager expects the Sunrise Project to achieve a similar accelerated lease-up in an environment with limited new supply.

Construction on the Projects is anticipated to commence in April 2024. See “Forward-Looking Statements”. In addition to advanced General Contractor GMP budgets, fixed financing costs and minimal uncertainty in the remaining development budget cost items result in strong certainty of total development cost. See “Forward-Looking Statements”.

In addition, the fixed rate debt nature of the Projects, as a result of the financing to be provided by H&R REIT, reduces the risks associated with interest rate increases. Furthermore, the Current Owner has committed to provide the equity for cost overruns by acquiring the Cost Overrun Units, the proceeds of which will then be contributed to the Bayside LPs or Sunrise LPs, as applicable.

Strong Site Location Fundamentals

The Bayside Project

The Bayside Project, located adjacent to Highway 19, is connected to Tampa’s largest employment centers for professionals, corporate office and other white collar workers. The Westshore, Gateway and Bayside employment markets are all located within a 20 minute drive (or less, as applicable) from the Bayside Project.

The Westshore District, home to over 100,000 jobs and 15 million square feet of office space, is the largest employment area on the west coast of Florida and is within a 20 minute drive of the Bayside Project. Major employers in the Westshore District area include IBM, New York Life Insurance, PwC, Progressive Insurance and State Farm Insurance. Tampa International Airport is also located in the Westshore District.

The Gateway District is located 10 minutes away from the Bayside Project by car. With over 80,000 jobs and 8.5 million square feet of office space, the Gateway District is home to various corporate headquarters including the corporate headquarters for Tech Data Corporation (located one mile from the Bayside Project), Raymond James Financial and Home Shopping Network.

The Tampa Bay region is anticipated to continue as one of the state's strongest economies given the positive population and household formation alongside job growth in financial and professional services, technology and construction. These positive trends along with the metro's diverse economy have led to consistent economic growth.

Further, approximately US\$1.5 billion of approved infrastructure projects will, upon their completion, further improve the accessibility to these employment centers by residents of the neighborhoods in which the Projects are located. First, the 5.8-mile, US\$865 million Howard Frankland bridge expansion project will expand the current bridge road to four general purpose lanes and two tolled express lanes. The project also includes a bike and pedestrian path that will connect the Pinellas County in which the Bayside Project is located in with the Hillsborough County. The expansion will significantly reduce vehicle commute times between St. Petersburg and downtown Tampa, offering residents more convenient access to major employment centers and tourist destinations. The Florida Department of Transportation states that drivers can expect to see major milestones with respect to the Howard Frankland bridge expansion project attained by the end of 2025. In addition, two new four-lane elevated flyover tolled roadways will be constructed pursuant to the US\$595 million Gateway Expressway project, which will provide direct connections between the US-19 and I-275 highways and between the Bayside Bridge and the I-275 highway. The Gateway Expressway is scheduled to be completed and open in 2024.

Howard Franklin Bridge Expansion



Pinellas County is known for its world-renowned beaches with 16 distinct beaches located along 35 miles of barrier island and 15 million tourists visiting the county each year in recent years. The Manager believes the Bayside Project location on the west side of Tampa is well positioned in terms of its proximity to major corporate employment centers and popular U.S. beaches, including Clearwater Beach, St. Pete Beach and two separate beach state parks. A number of the beaches in Pinellas County are ranked among the top ten beaches in the United States.

Top U.S. Beaches Located in Bayside Submarket

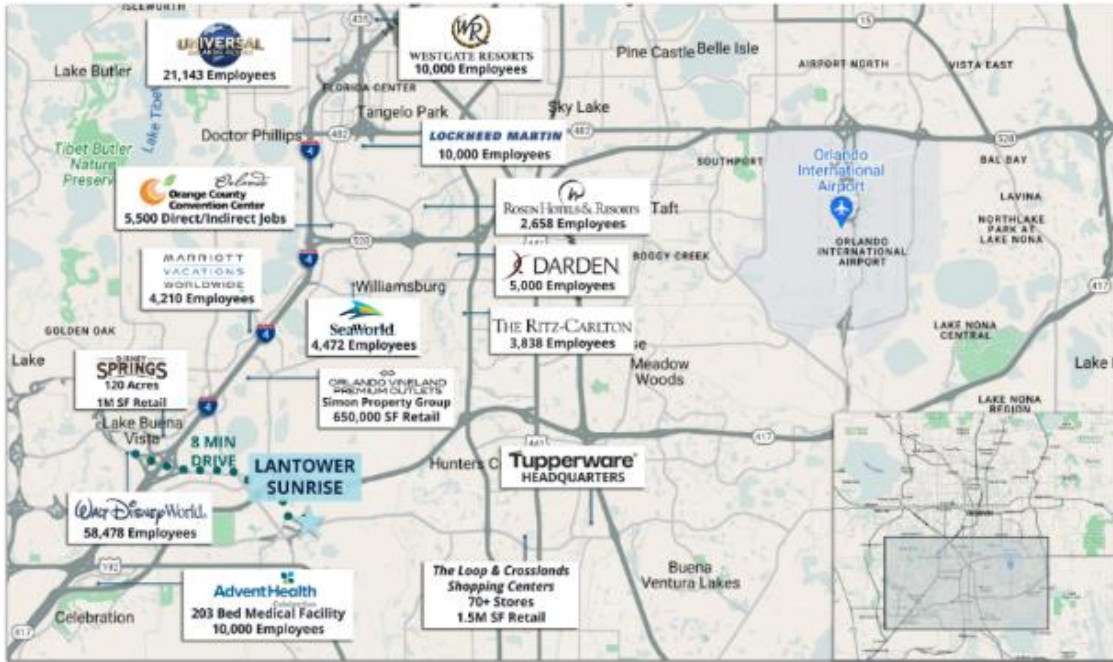


The Sunrise Project

The Sunrise Project is located within Orlando's high-growth I-4 Tourism Corridor. Anchored by Disney World, Universal Studios, Sea World, Lockheed Martin, Orange County Convention Center and other major employers, the I-4 Tourism Corridor attracts significant investment from both the public and private sectors. The section of the Interstate 4 highway (the "I-4") between Universal Studios Florida and Disney World includes offices of some of Orlando's largest employers and experiences among the highest interstate traffic counts in the state with up to 200,000 cars trafficking this section of the I-4 per day. The I-4 Tourism Corridor supports 450,000 jobs and generates US\$87.6 billion dollars in annual economic activity and US\$26.1 billion in wages in the Orlando market. Visit Orlando, the official tourism association for Orlando, reported 74 million annual visitors in 2022. With a 25% increase in visitors over 2021, Orlando leads the U.S. as the country's most-visited destination. The Sunrise Project is located within a 10-minute drive of the I-4 and Disney World.

The Sunrise Project location is well situated with convenient access to major employment centers of Downtown Orlando and Lake Nona. Downtown Orlando is home to 9 million square feet of office and 4,400 businesses. Orlando is one of two communities in the world currently building a "medical city" (cluster of life science companies) that is located in Lake Nona. The area is a 650-acre master planned community that has already seen nearly \$3 billion invested, and created over 5,000 permanent jobs, with 25,000 additional jobs expected by 2029.

I-4 Tourism Corridor

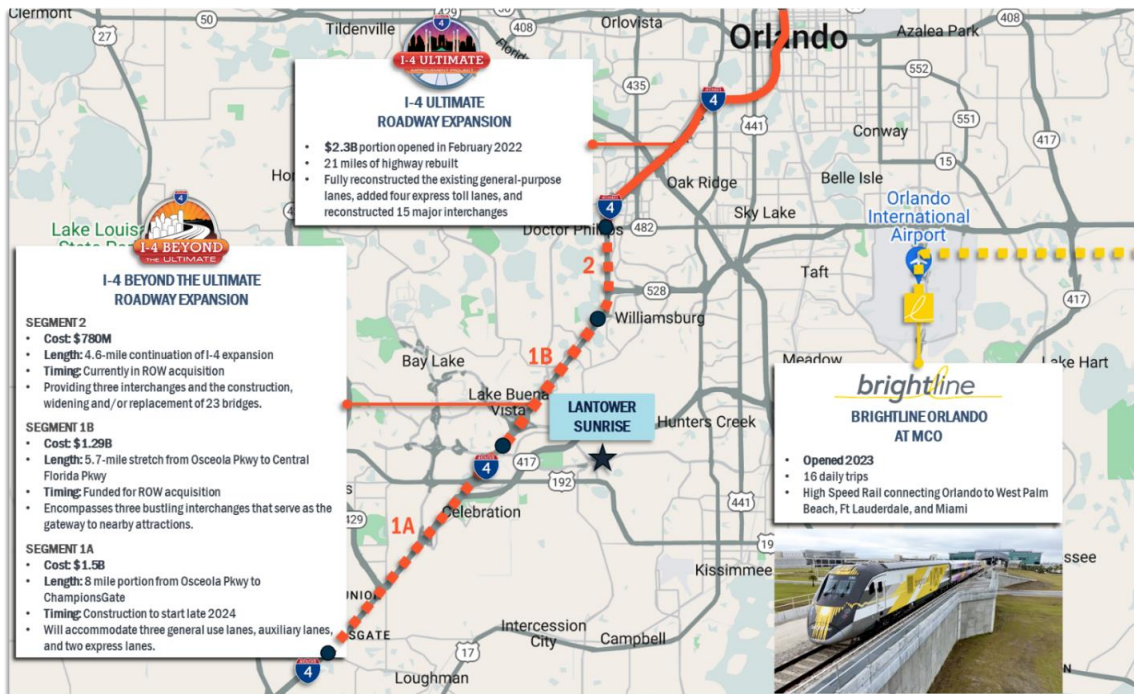


Source: <https://www.cfha.org/economic-impact-of-tourism/>

The employment and traffic growth along the I-4 has been accompanied by substantial government investment in local infrastructure. Over US\$5 billion dollars of roadway improvements is currently in process in order to expand the roadway network supporting the Orlando area. The US\$2.8 billion dollar “I-4 Ultimate” project, which opened in 2022, reconstructed 21 miles of the I-4 in Orlando, adding express lanes and upgraded interchanges. The “I-4 Beyond The Ultimate” project is slated to continue the capital investment on additional portions of the I-4, including south of Disney World. The first segment of this project, the 1A project, will benefit from US\$1.5 billion dollars of roadway improvement across 8 miles starting at the Bayside Project’s I-4 access on Osceola Parkway. The 1A project, scheduled to start in late 2024, is the first of three new section improvements to the I-4 planned over the next several years. An additional US\$2 billion dollars is planned for projects 1B and 2, which are currently in the right of way acquisition phase, and which, if and when completed, will improve over 10 miles of I-4 between the 1A project and the recently completed “I-4 Ultimate” project.

Additionally, Brightline, the high-speed passenger rail system, opened its Orlando station in 2023 after starting construction on the US\$30 billion dollar 170-mile extension from West Palm Beach to Orlando in 2019. The state-of-the-art rail system, which terminates at Orlando International Airport, offers 16 daily trips between Miami, Fort Lauderdale and West Palm Beach, among other stops. Brightline launched in South Florida in 2018, and currently provides transportation between Miami and Orlando in as little as 3 hours (subject to stops at the South Florida stations).

I-4 Capital Improvements



Source: [Project Info & Map: Find out what's happening in your area. | I-4 Beyond \(i4beyond.com\)](https://www.i4beyond.com)

Growing U.S. Sun Belt Markets Supported by Economic Stability

Tampa and Orlando have some of the most dynamic economies in the Southeast U.S., fueled by steady in-migration and a fast pace of population growth. Their economies benefit from a growing tech and fintech industry base, in addition to their established and expanding defense sector, as well as, in the case of Orlando, the presence of world-renowned theme parks. The Manager believes Tampa and Orlando's proximity to the University of Central Florida, University of South Florida and Rollins College and the strong net migration of highly educated workers relocating to Central Florida contribute to an increasing supply of professionals, corporate office and other white collar workers in both cities. Additionally, U.S. News & World Report recently listed the state of Florida as first in the U.S. for education, and seventh in the U.S. for its overall economy. WalletHub named Orlando among the top 10 cities in the U.S. in which to start a business in 2023.

Residential housing demand also continues to grow across the Tampa and Orlando areas, driven largely by strong net in-migration. Orlando is the country's top leisure destination and one of the most frequented metropolitan areas in the U.S. by international visitors. The state of Florida also does not have any rent control laws in place, making it more favourable for residential real estate developers relative to other jurisdictions with rent control laws.

Orlando's transportation network includes access to the world's second-busiest cruise port in multiday embarkations, a top ten busiest U.S. international airport, and a robust statewide distribution network that provides critical linkages to other key metropolitan areas throughout the Southeast U.S.'s growing Sun Belt markets.

Tampa's economy remains one of the strongest in Florida. Both job and population growth have been leading indicators of the growth and potential of the Tampa market. Florida has been the net beneficiary of in-migration in recent years. In contrast, New York recorded the largest percentage decrease during that time frame, dropping by 0.9% (Florida was the top state destination for New Yorkers move to since 2016). According to the Florida Department of Highway Safety and Motor Vehicles, 65,000 New Yorkers updated their state driver's licenses to Florida in 2022, a new record.

According to a 2023 U.S. Census Population Trends Report, Florida was ranked 2nd in the U.S. for total population growth and for percent change in population from July 2022 to July 2023. Florida increased its population by 365,205 over the same time period. The Manager believes Florida's favorable total tax burden for Florida residents is one of the key contributors

to these in-migration trends: Florida has the 5th least expensive total tax burden in the U.S. with a total burden of 6.7%, largely due to Florida’s 0% state income tax. Tampa and Orlando both have a diverse employment base, high job growth rates and a low unemployment rate of 2.6% and 2.7%, respectively, as of the fourth quarter of 2023.

State Population Growth

The State of Florida continues to be the one of the leading U.S. states for population growth. From July 2022 to July 2023, the U.S. Census estimated the state of Florida added over 365,000 new residents.

Top 5 States for Population Growth (Numeric Change)				
Rank	State	July 2022	July 2023	Numeric Growth
1	Texas	30,029,848	30,503,301	473,453
2	Florida	22,245,521	22,610,726	365,205
3	North Carolina	10,695,965	10,835,491	139,526
4	Georgia	10,913,150	11,029,227	116,077
5	South Carolina	5,282,955	5,373,555	90,600

Top 5 U.S States for Population Growth (Percent Change)				
Rank	State	July 2022	July 2023	% Growth
1	South Carolina	5,282,955	5,373,555	1.7
2	Florida	22,245,521	22,610,726	1.6
3	Texas	30,029,848	30,503,301	1.6
4	Idaho	1,938,996	1,964,726	1.3
5	North Carolina	10,695,965	10,835,491	1.3

Source: <https://www.census.gov/newsroom/press-releases/2023/population-trends-return-to-pre-pandemic-norms.html>

State Tax Burden

The Manager believes that one of the main factors influencing the relocation of U.S. residents many U.S. companies to the state of Florida is its favorable tax environment. As one of the few states with a 0% income tax, Florida ranks as one of the lowest tax burden states in the U.S.

U.S. States with Lowest Overall Tax Burden					
Rank	State	Total Tax Burden	Property Tax Burden	Individual Income Tax Burden	Total Sales & Excise Tax Burden
1	Alaska	5.1%	3.6%	0.0%	1.5%
2	Delaware	6.1%	1.9%	3.2%	1.1%
3	New Hampshire	6.1%	4.9%	0.1%	1.1%
4	Tennessee	6.2%	1.7%	0.0%	4.5%
5	Florida	6.3%	2.8%	0.0%	3.6%

Comparatively, Florida’s total tax burden is slightly more than half of the total tax burden of some of the highest tax states:

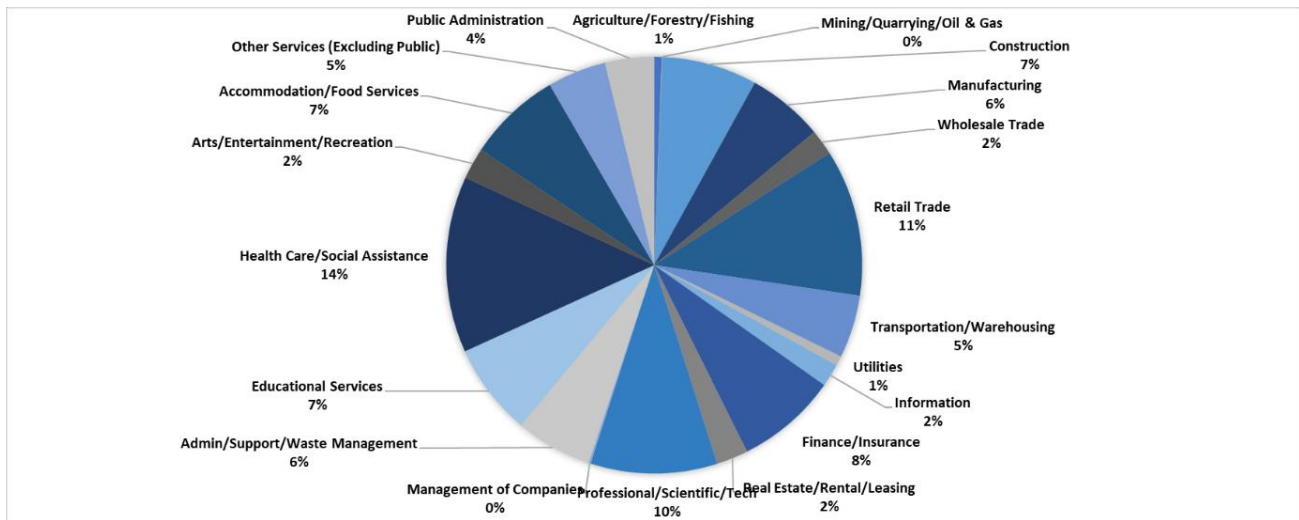
U.S. States With Highest Overall Tax Burden					
Rank	State	Total Tax Burden	Property Tax Burden	Individual Income Tax Burden	Total Sales & Excise Tax Burden
50	New York	12.5%	4.4%	4.7%	3.4%
49	Hawaii	12.3%	2.7%	2.9%	6.7%
48	Maine	11.1%	5.3%	2.5%	3.3%
47	Vermont	10.3%	5.0%	2.1%	3.2%
46	Connecticut	9.8%	4.2%	2.9%	2.7%

Source: <https://wallethub.com/edu/states-with-highest-lowest-tax-burden/20494>

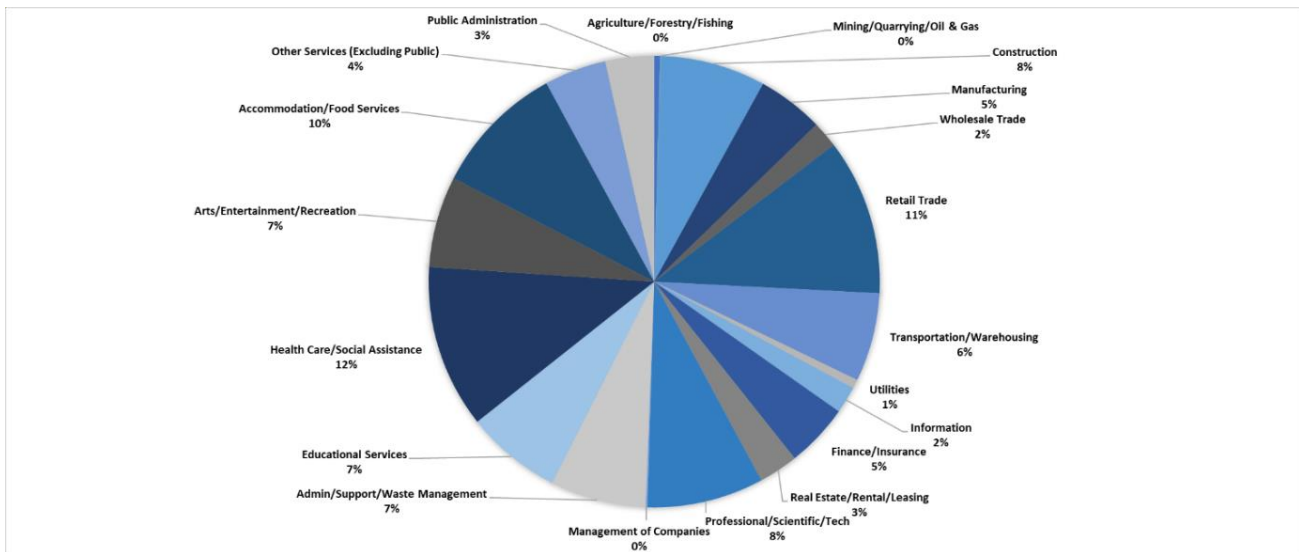
Employment Diversification

The Tampa MSA’s and Orlando MSA’s economies are buoyed by diverse workforces that have grown as more companies have relocated and expanded in these regions. Historically, Orlando’s employment base has been heavily concentrated in tourism and viewed as more susceptible to economic shocks. However, as Orlando has become one of the benefactors of recent job growth in the U.S. Sun Belt, its economic diversification has improved significantly, which the Manager believes has lessened its susceptibility to temporary downward trends in the overall U.S. economy.

Tampa MSA Employment by Sector



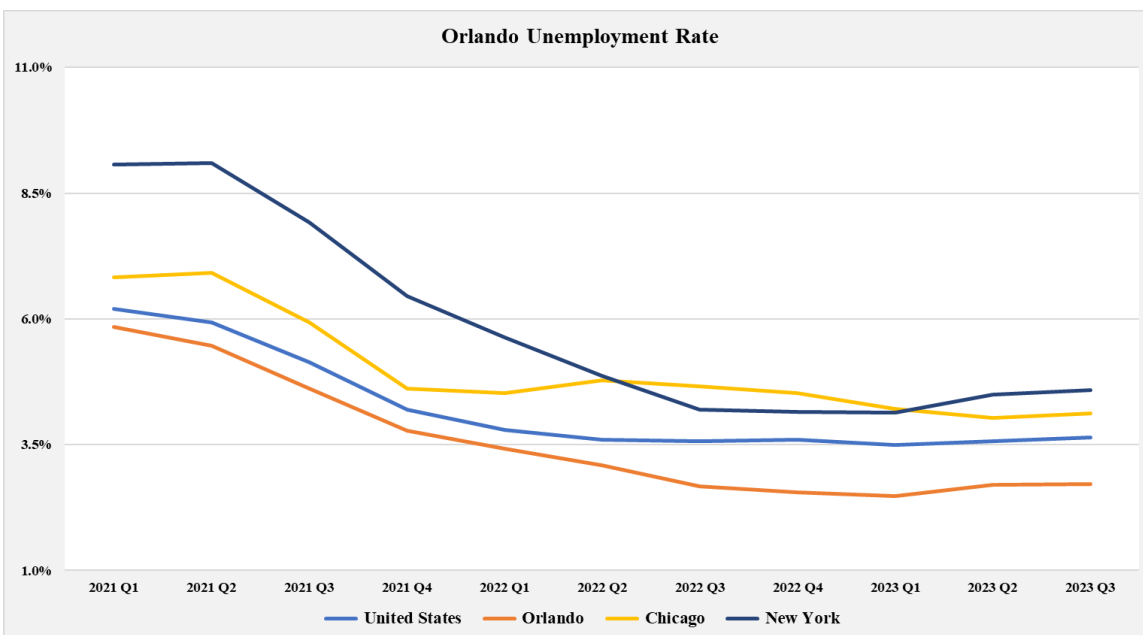
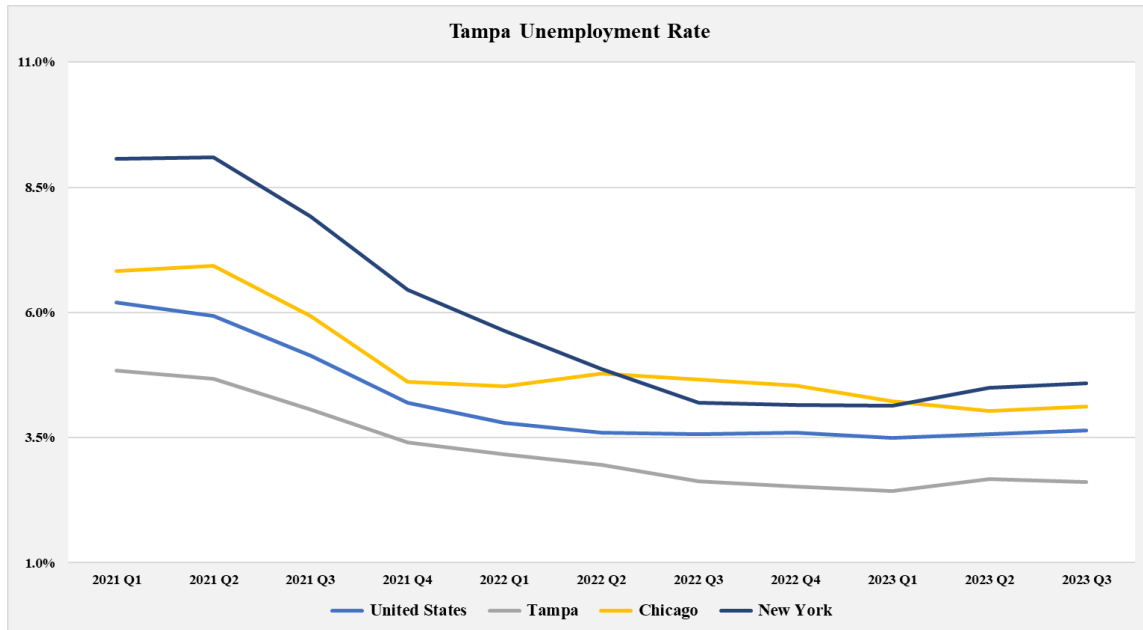
Orlando MSA Employment by Sector



Source: ESRI; U.S. Census

Unemployment Rate

The unemployment rates in Tampa and Orlando, strengthened by strong job growth, have been lower than the U.S. average as well as those of competing gateway cities. As of the second quarter of 2023, the unemployment rates in Tampa and Orlando were 2.6% and 2.7%, respectively, compared to a U.S. unemployment rate of 3.6%.



Source: CoStar

Major Employers

The Projects are located near major Tampa and Orlando employment markets. Major employers such as Raymond James, GEICO, Progressive, Bloomin’ Brands, Disney World, Universal Studios and Lockheed Martin are some of the companies located in proximity to the Projects.

Tampa MSA Major Employers

Tampa MSA - Top 20 Employers			
Rank	Name	Local Employee Count	Industry
1	MacDill Air Force Base	31,000	Military
2	BayCare Health System	29,402	Healthcare
3	Publix Super Markets Inc.	27,000	Retail
4	HCA West Florida Division	17,000	Healthcare
5	University of South Florida	14,980	Education
6	AdventHealth West Florida Division	12,000	Healthcare
7	Citigroup	10,000	Finance & Insurance
8	Sarasota Memorial Health Care System	9,000	Healthcare
9	H. Lee Moffitt Cancer Center & Research Institute	8,135	Healthcare
10	Tampa General Hospital	8,135	Healthcare
11	Lakeland Regional Health System	6,400	Healthcare
12	JPMorgan Chase Bank	5,700	Finance & Insurance
13	Progressive Insurance	5,350	Finance & Insurance
14	Raymond James Financial Inc.	5,200	Finance & Insurance
15	James A. Haley VA Medical Center	5,200	Healthcare
16	Bloomin' Brands Inc.	5,000	Restaurants
17	Seminole Hard Rock Hotel & Casino	4,500	Leisure & Hospitality
18	Bay Pines VA Healthcare System	4,500	Healthcare
19	United Services Automobile Association (USAA)	3,900	Finance & Insurance
20	GEICO	3,700	Finance & Insurance

Source: Tampa Bay Business Journal

Orlando MSA Major Employers

Orlando MSA - Top 20 Employers			
Rank	Name	Local Employee Count	Industry
1	Walt Disney World	58,478	Leisure & Hospitality
2	AdventHealth West Florida Division	37,000	Healthcare
3	Universal Orlando	21,143	Leisure & Hospitality
4	Orlando Health	19,657	Healthcare
5	Orlando International Airport	15,783	Air Transportation
6	Publix Super Markets	15,511	Retail
7	University of Central Florida	12,354	Education
8	Lockheed Martin	10,000	Aerospace/Defense
9	Siemens Energy	5,541	Adv. Manufacturing
10	Westgate Resorts	4,975	Leisure & Hospitality
11	SeaWorld Parks & Entertainment	4,472	Leisure & Hospitality
12	Valencia College	4,226	Education
13	Marriott Vacations Worldwide	4,210	Leisure & Hospitality
14	The Ritz-Carlton Orlando	3,838	Leisure & Hospitality
15	Southwest Airlines	3,000	Transportation
16	US Army, Navy, Air Force, Marines	2,942	Military
17	YMCA of Central Florida	2,717	Nonprofit Organization
18	JetBlue Airways	2,661	Transportation
19	Rosen Hotels & Resorts	2,658	Leisure & Hospitality
20	Truist Bank	2,610	Finance & Insurance

Source: Orlando Economic Partnership

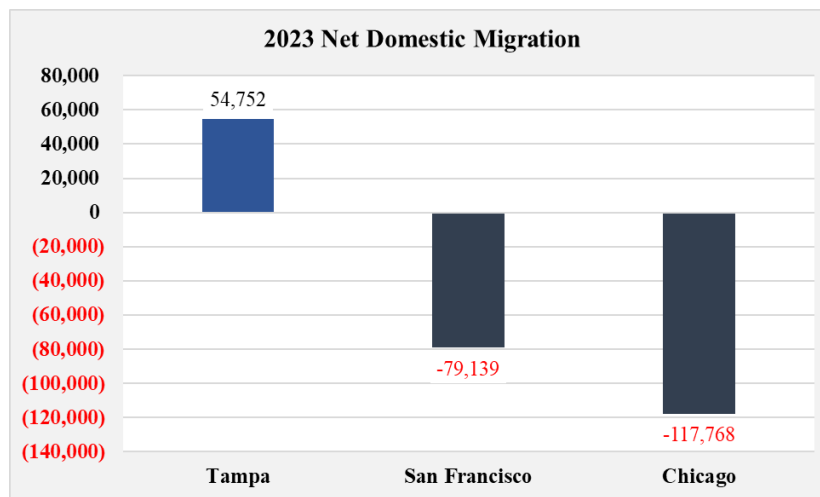
Rental Markets in Tampa and Orlando Poised for Growth

Tampa and Orlando Rental Markets

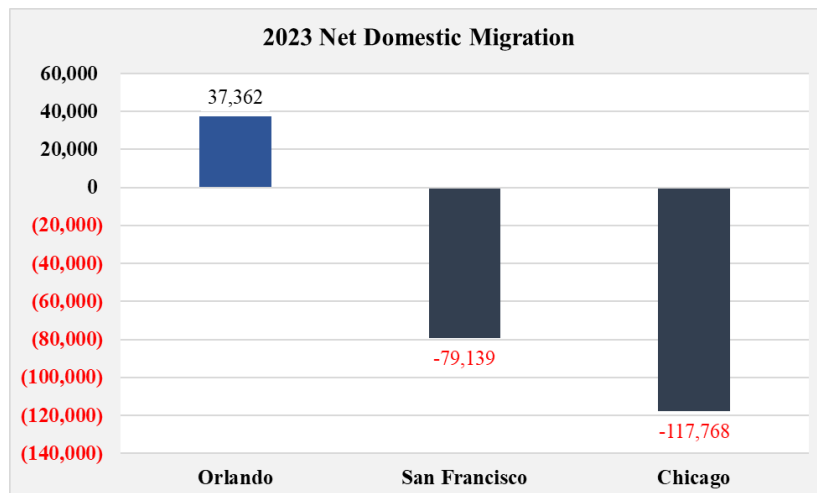
Net Domestic Migration

The U.S. continued in 2023 to see substantial migration of large numbers of U.S. residents to Tampa and Orlando, attracted by Tampa and Orlando's job growth, quality of life, and lower cost of living.¹ Harvard University's Joint Center for Housing Studies 2023 Report highlighted these significant migration trends to Tampa and Orlando. Tampa and Orlando gained 54,752 and 37,362 new residents, respectively, over the previous year. Large population migration from cities such as San Francisco and Chicago have supported this new resident growth to Florida. CoStar predicts Tampa and Orlando will both see annual net population growth from 2024-2029 of 25,000-50,000 more residents per year for each market. Comparatively, markets like Chicago are expected to lose between 10,000-25,000 residents (net) per year over the next five years.

Tampa Net Domestic Migration



Orlando Net Domestic Migration

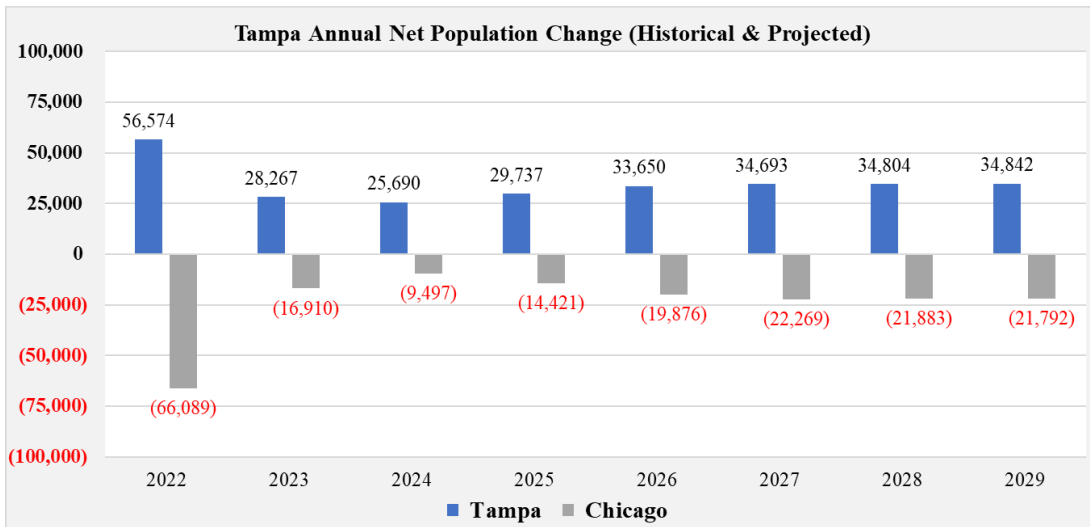


Source: <https://www.jchs.harvard.edu/son-2023-migration-map>

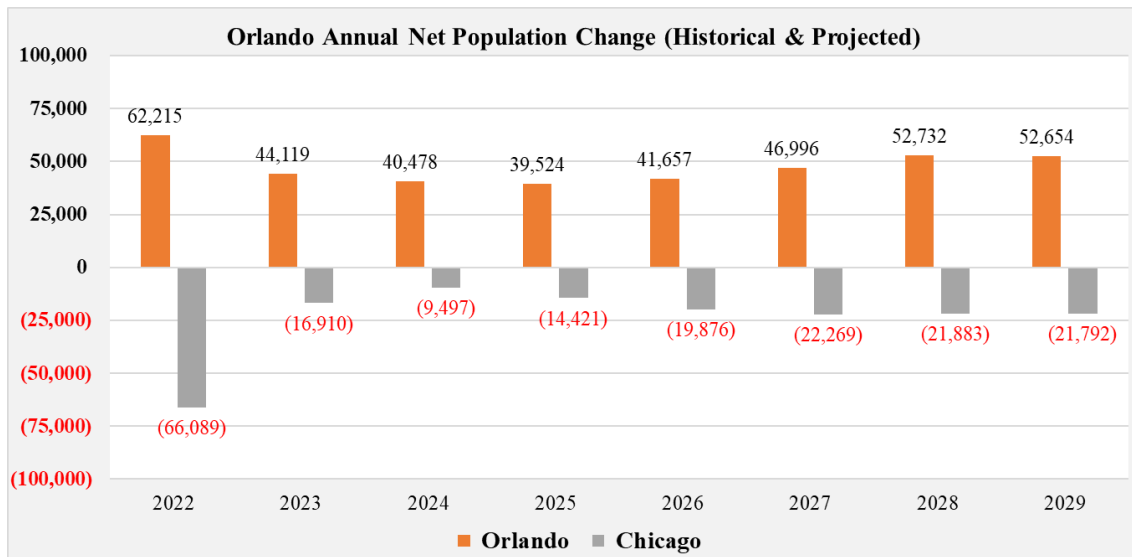
¹ <https://www.jchs.harvard.edu/son-2023-migration-map>

Historical Net Population Change

Tampa Population Change



Orlando Population Change

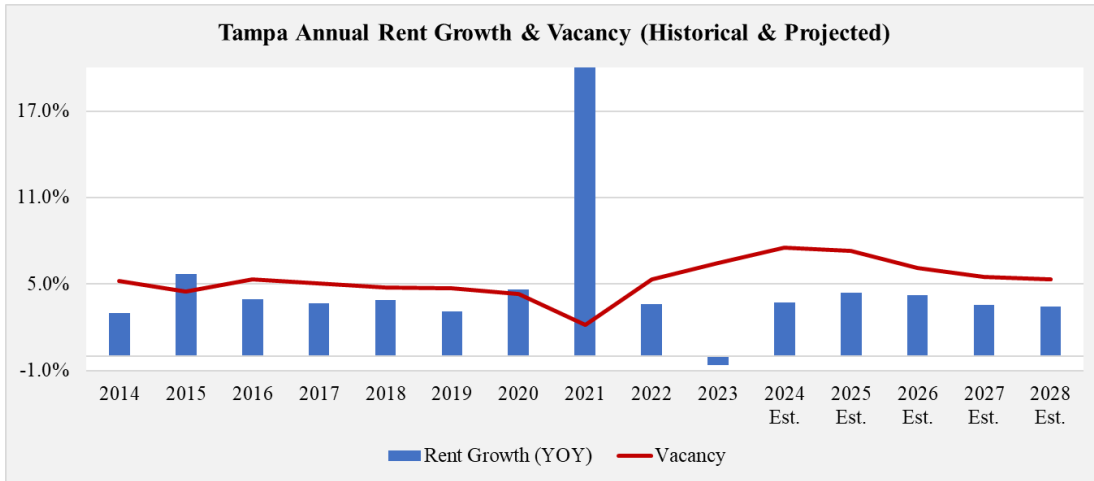


Source: CoStar

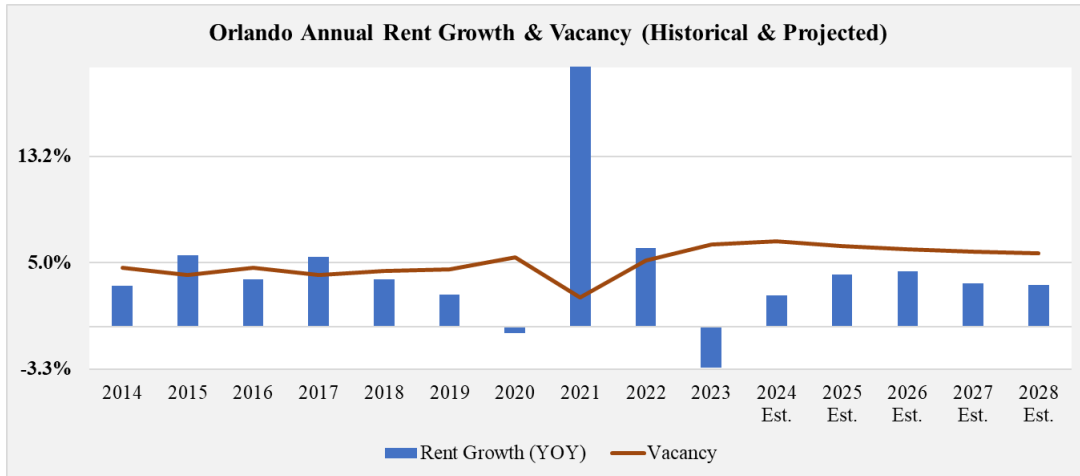
Multifamily Rent Growth and Occupancy

The multifamily real estate sectors in Tampa and Orlando have benefited from these demographic trends. These markets have experienced healthy multifamily performance metrics for over a decade. Rent growth in both markets have historically been in the 3%-5% range annually while vacancy typically ranges around approximately 5%. While recent rent growth has been stunted following the normalization of rental rates after the historic 2021 and 2022 rental growth period, CoStar predicts rental growth in Tampa and Orlando to resume its average annual rent growth of over 3%. Furthermore, both markets are expected to continue their long-standing vacancy rates of nearly 5% from 2024 to 2028.

Tampa Multifamily Fundamentals



Orlando Multifamily Fundamentals

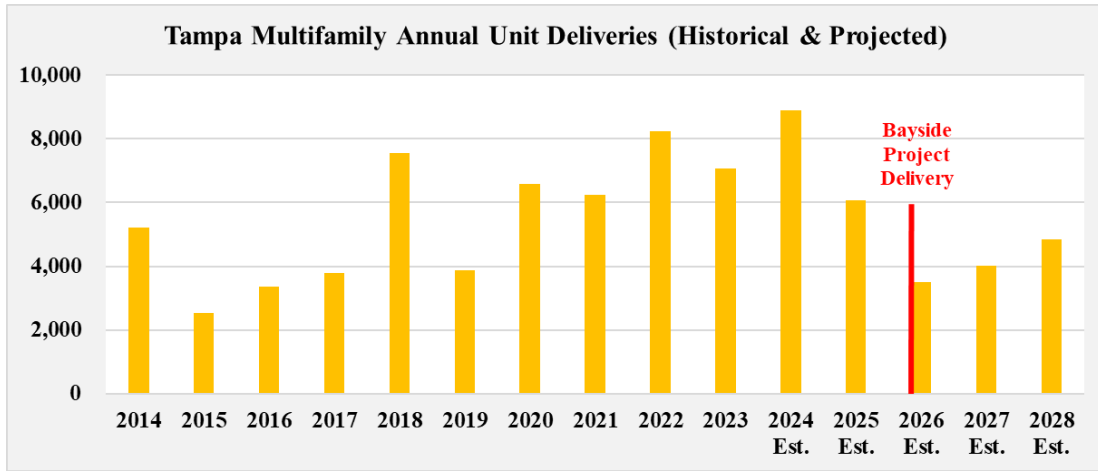


Source: CoStar; Realpage

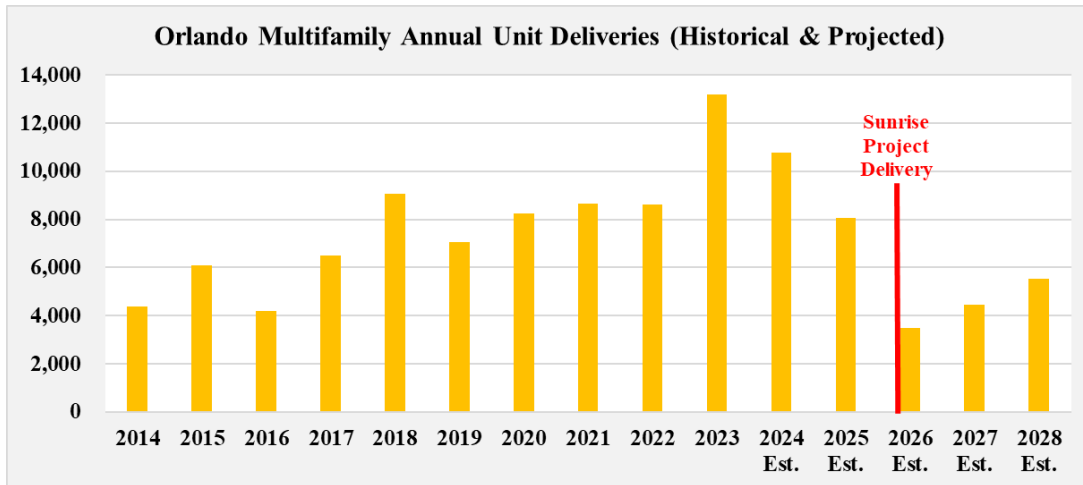
New Multifamily Deliveries

Historic rental growth following the COVID-19 pandemic contributed to above average multifamily residential building starts in many of the Sun Belt markets, including Tampa and Orlando. This increase in construction starts is a likely cause of the normalizing or muted rental growth seen in the second half of 2023 across the U.S. Sun Belt. While 2023 and 2024 are expected to experience above average deliveries compared to past years, the disruption in capital markets and volatility in interest rates have dramatically slowed the number of new multifamily residential building starts. Economic volatility coupled with an erosion in available debt and equity from capital providers appears to indicate a favorable environment in which to deliver new units given depressed future supply. The Projects are accordingly anticipated to be developed in historically low new unit years, which the Manager believes underscores the strong market fundamentals for these Projects that the Manager believes will yield healthy rent growth and quick lease-up absorption.

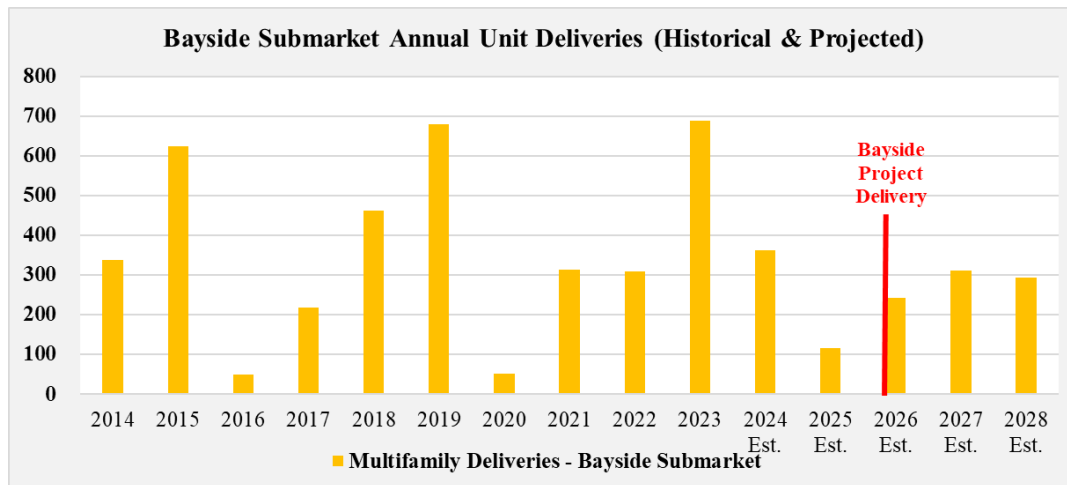
Tampa Multifamily Supply



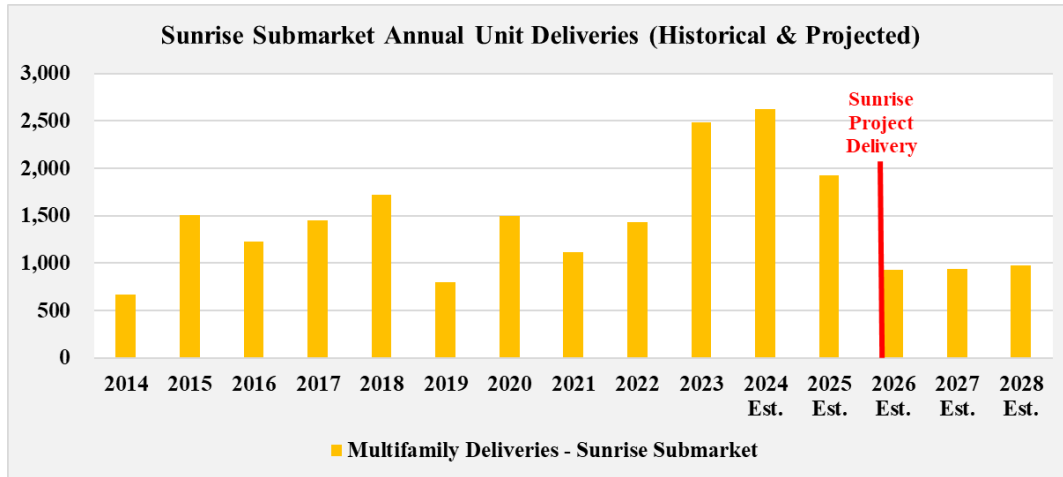
Orlando Multifamily Supply



Bayside Submarket Multifamily Supply



Sunrise Submarket Multifamily Supply

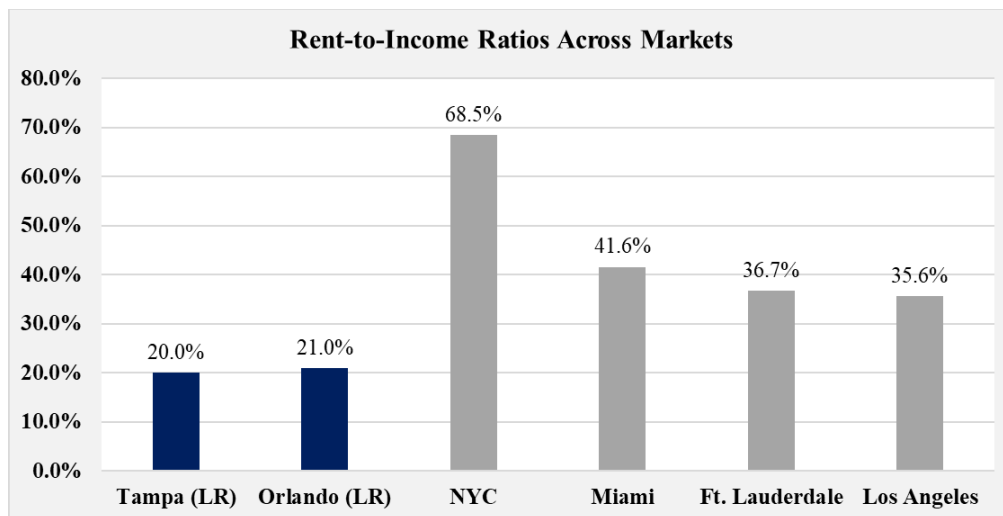


Source: CoStar; Realpage

Within the Tampa-St. Petersburg-Clearwater Metro area, there are a total of 18,259 conventional units currently under construction, and within the Bayside submarket, there are currently 937 units under construction. Within the Orlando-Kissimmee-Sanford Metro area, there are a total of 23,551 conventional units currently under construction, and within the Sunrise submarket, there are currently 4,338 units under construction.

Rent-to-Income Ratios

Historically high recent rent growth in Central Florida has been accompanied by increasing concerns of affordability. However, Lantower Residential surveyed its Tampa and Orlando Class A portfolio and found rent-to-income ratios of 20.0% and 21.0%, respectively, across its seven assets in these locations. The Manager believes that, despite historic rental growth, strong migration and wage growth have likely buoyed rent-to-income ratios in Tampa and Orlando. Further, the Manager believes that the Tampa and Orlando markets have room for future rental growth given the amount of relative income many renters migrating to Tampa and Orlando are accustomed to paying in rent in other areas of the U.S. Additionally, renters in neighboring Florida markets are experiencing higher relative rent-to-income ratios than Tampa and Orlando, underscoring the Manager’s view that the markets in which the Projects are located are not likely rent growth constrained.

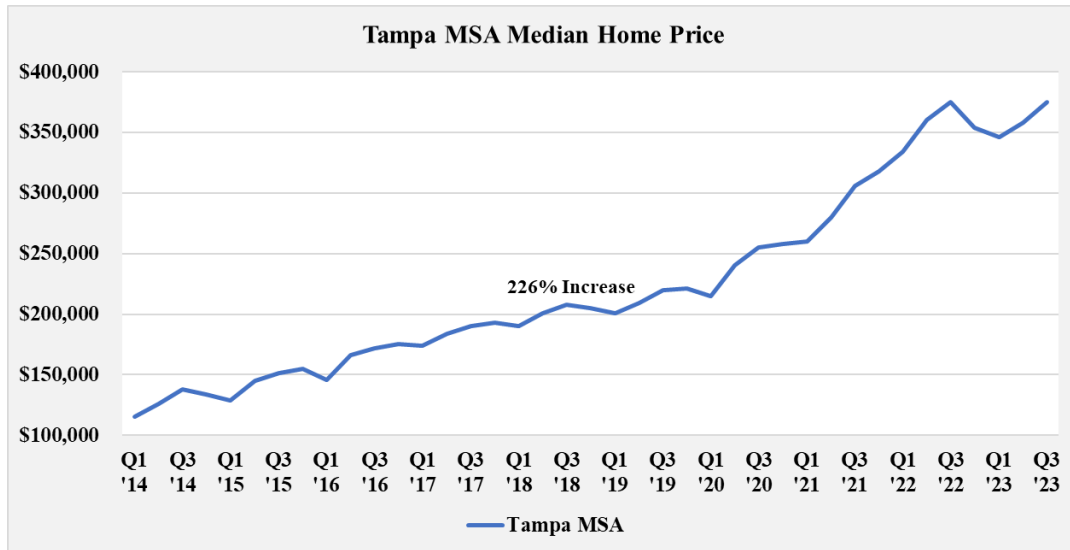


Source: Moody’s; Lantower Residential Third Quarter 2023 Portfolio Data

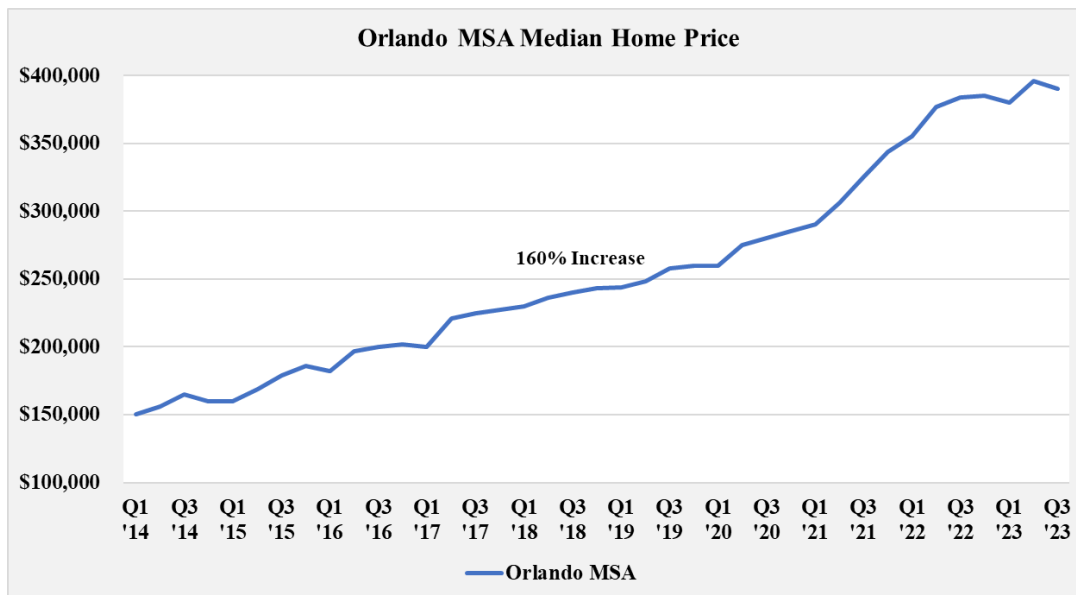
Desirable Forecast for Multifamily Owners Due to the Drivers Behind Renting vs Owning

One of the by-products of high growth employment and migration trends to Central Florida has been precipitous home price increases. From the first quarter of 2014 to the third quarter of 2023, the median home price increased 226% in the Tampa MSA and 160% in the Orlando MSA. Furthermore, when comparing home prices from the beginning of 2021, as the U.S. was coming out of COVID-19 restrictions and there was increasing in-migration to Florida, Tampa median home prices have increased 44% while Orlando median home prices have increased 34% as of the third quarter of 2023.

Tampa MSA Home Values



Orlando MSA Home Values



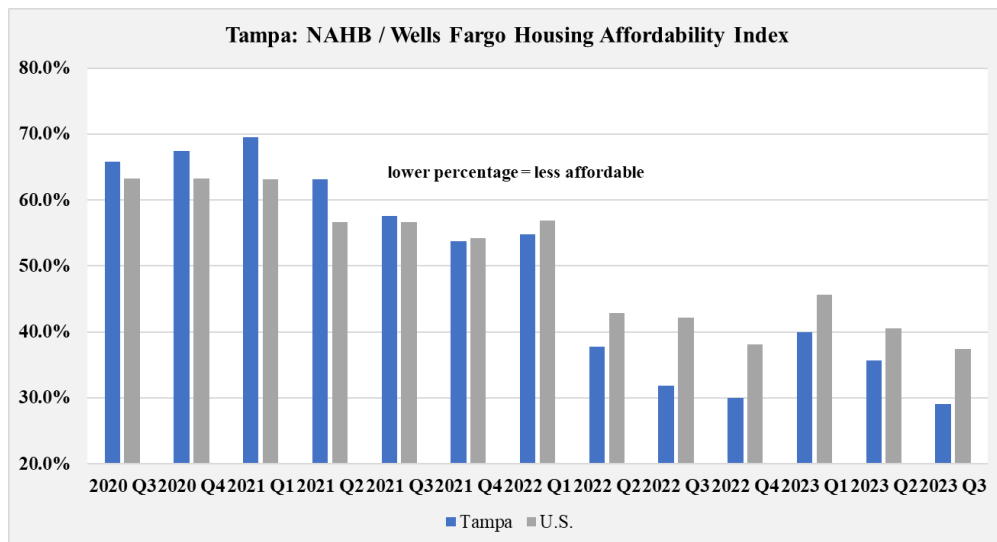
Wells Fargo Housing Opportunity Index (HOI)

The National Association of Home Builders (NAHB)/Wells Fargo Housing Opportunity Index (HOI) for a given area is defined as the share of homes sold in that area that would have been affordable to a family earning the local median income,

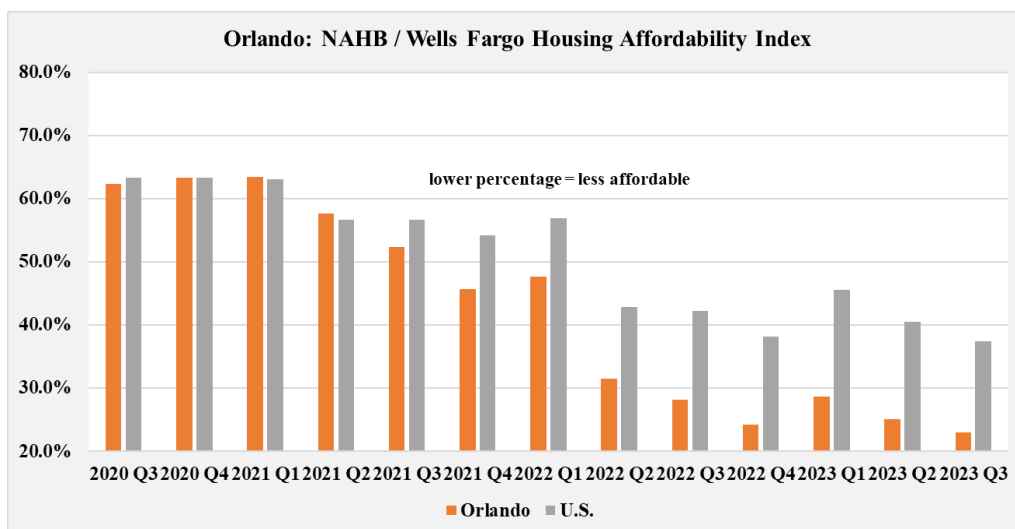
based on standard mortgage underwriting criteria. In the third quarter of 2023, the NAHB/Wells Fargo Housing Opportunity Index (HOI) indicated that households earning the national median income could afford to purchase only 37.4% of all new and existing homes sold during the quarter, assuming the national median home price and weighted interest rate over that period. The index peaked at 78.8% in 2012 and has a long-term average of 60.8% (1992-present).

The current U.S. national HOI of 37.4% is down from 40.5% posted in the second quarter of 2023 and is the lowest HOI reading since NAHB began tracking affordability on a consistent basis in 2012. This metric is more pronounced in tight housing markets such as Tampa and Orlando where affordability has been decreasing at a faster rate relative to the decreasing U.S. home affordability rate. As of the third quarter of 2023, only 29.1% and 23.0% of families living in Tampa and Orlando, respectively, can afford a home according to the NAHB/Wells Fargo HOI study.

Tampa Home Affordability



Orlando Home Affordability



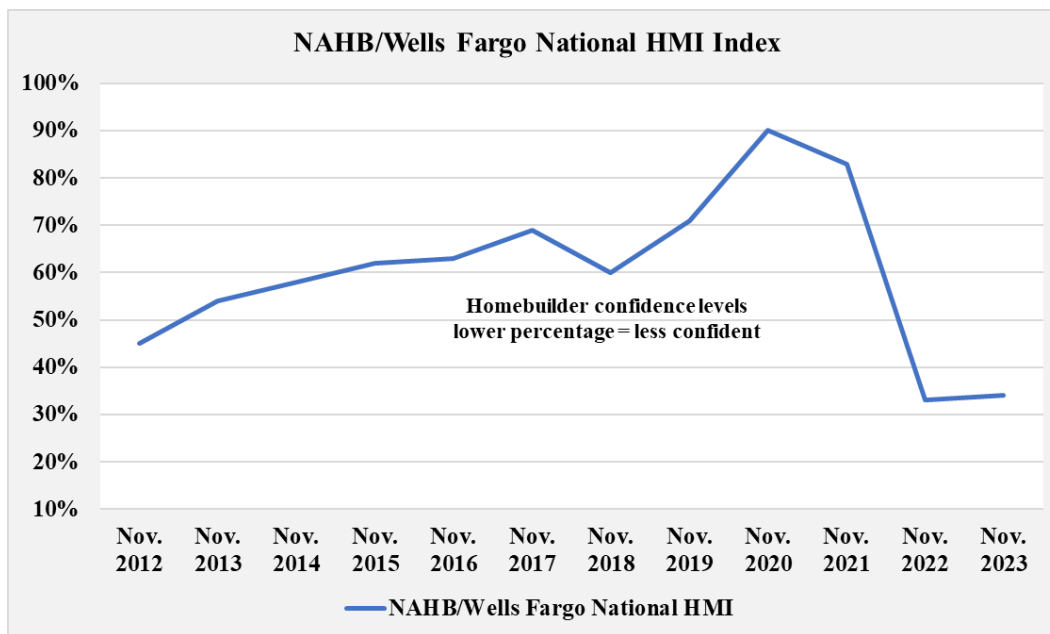
Source: [Housing Opportunity Index \(HOI\)-NAHB](#)

Wells Fargo Housing Market Index (HMI)

The NAHB/Wells Fargo Housing Market Index (HMI) is based on a monthly homebuilder survey of NAHB members designed to measure certain indicators relating to the single-family housing market. The survey asks respondents to rate market conditions for the sale of new homes at the present time and in the next six months as well as the traffic of prospective buyers of new homes. The HMI previously peaked at 76% as at the year end of 2019 but dropped to 30% in April 2020 during the period of COVID-19-related lockdowns and restrictions. Due to the accumulation of savings and the desire for more space during this period, the HMI rebounded to 90% in November 2020. It subsequently sharply declined to 31% by the end of 2022 and is currently at 34% in November 2023. The latest reading for December 2023 is considerably below the long-term average of 52%.

Rising home prices and interest rates are increasingly pricing prospective homeowners out of the market. Lower new single-family starts stemming from depressed homebuilder sentiment coupled with existing homeowners who are unlikely to give up their low fixed-rate mortgages, is exacerbating the housing shortage problem.

U.S. Homebuilders Sentiment Index (HMI)

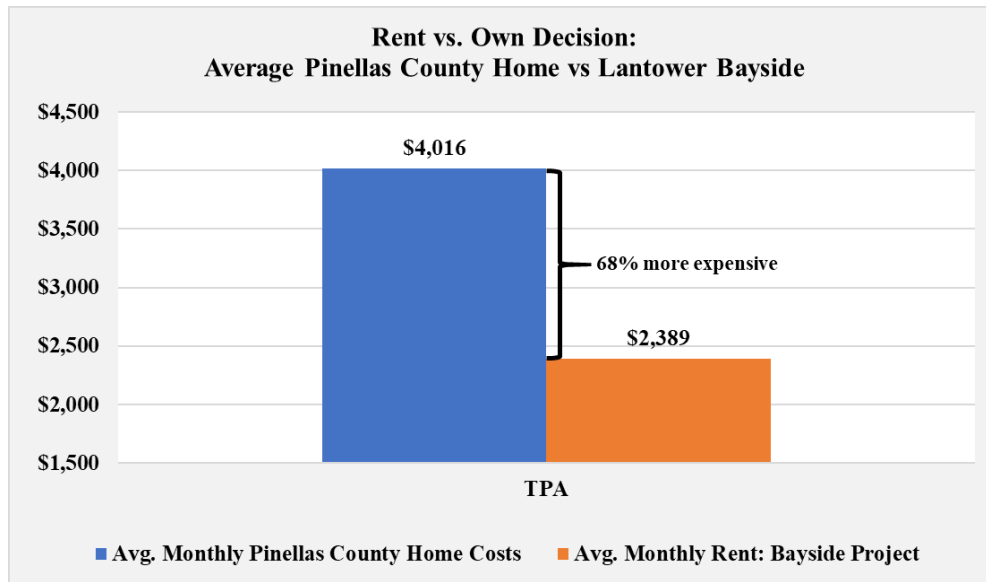


Source: <https://www.nahb.org/news-and-economics/housing-economics/indices/housing-market-index>

Rent vs. Own Decision

As outlined above, residents in Tampa and Orlando are finding it increasingly difficult to purchase a home. While many renters in Tampa and Orlando are renters by choice (particularly Class A renters), the changing financial considerations regarding renting versus owning may be influencing households who might otherwise consider purchasing a home into the pool of renters. As an example, the average home ownership cost (based on a calculation using current average asking prices in Pinellas County and applied average effective Pinellas County real estate tax rates, Florida insurance rates, PMI, maintenance costs, and a mortgage rate at the prevailing national average) in Pinellas County of US\$4,016/month is much higher than the average expected rent at the Bayside Project (US\$2,389/month), which the Manager believes is indicative of the financial benefits of renting in these markets. Additionally, the Manager believes that the prospect of living in a newly constructed building with access to premium amenities, and the flexibility offered to renters, will further sustain strong rental demand in Tampa and Orlando.

Rent vs Own in Pinellas County



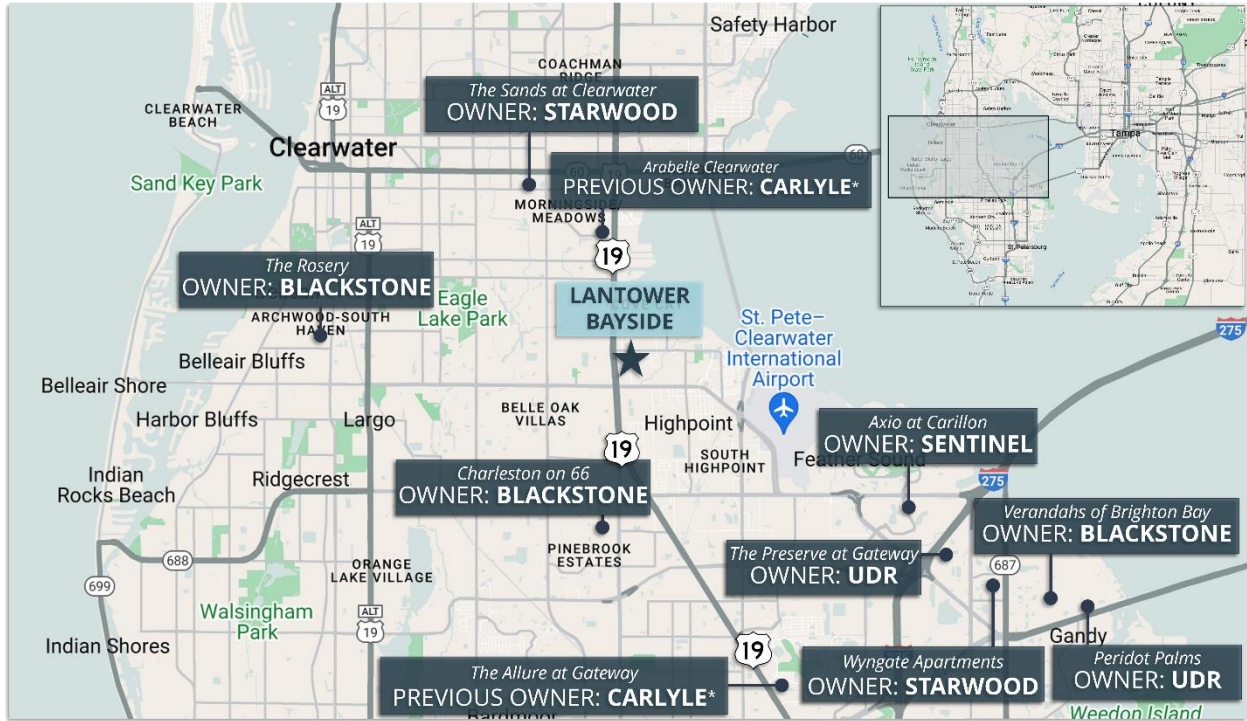
Sources: <https://trends.ownwell.com/average-tax-assessment/florida/pinellas-county/>;
<https://www.insure.com/home-insurance/how-much-is-homeowners-insurance-in-tampa-fl/>
 Average Down Payment On A House In 2024 – Forbes Advisor; ILM3NAVG Quote - Bankrate.com US Home Mortgage 30 Year Fixed National Avg Index (bloomberg.com)
<https://www.investopedia.com/ask/answers/081214/average-what-can-i-expect-my-private-mortgage-insurance-pmi-rate-be.asp>;
<https://www.statefarm.com/simple-insights/residence/how-to-budget-and-save-for-home-maintenance#:~:text=A%20rule%20of%20thumb%20is,out%20how%20much%20to%20save.>

Development Sites Located in Institutional Submarkets

H&R REIT (through its subsidiary, the Current Owner) purchased the Project sites as potential long-term holds because it viewed the sites as well positioned for long-term growth as development projects. The Manager believes that the Projects’ respective proximity to major employers, desirable lifestyle destinations and major transportation thoroughfares are each indicative of the accretive potential of the Projects. Major financial institutions such as Blackstone, Starwood Capital and Ares Management, and major REITs such as UDR Inc., Mid-America Apartment Communities, Inc. and Camden Property Trust are investors in Tampa and Orlando. The sites are located in established submarkets that the Manager believes benefit from limited Class A development site availability, which further enhances the attractiveness of the Projects as investments and for prospective residents seeking Class A residential products.

The Bayside Project is strategically positioned in the central Pinellas submarket of the Tampa MSA, which benefits from its relative proximity to employers, beaches and other local amenities. Additionally, Pinellas County is one of the most densely populated and developed counties in Florida. Strict future land use regulations in Pinellas County and few undeveloped land sites substantially limit the possibility of new supply. Multiple developments along Highway 19 have been capitalized by institutional equity providers with owners such as Blackstone, Starwood Capital Group and Ares Management listed as current owners. The map below represents a sample of the institutional owners currently invested in the Bayside submarket.

Institutional Owners in Bayside Submarket



*- Development Projects originally capitalized by Carlyle

The Sunrise Project is located in the high-growth I-4 Tourism Corridor of Orlando. Major capital improvements made to the Interstate 4 highway (the “I-4”) over the past few years have facilitated expansion south and cemented the I-4 Tourism Corridor as the top growth submarket in Orlando. In part due to its relative proximity to Disney World, Universal Studios Florida, and the headquarters of Lockheed Martin and Darden Restaurants, the Sunrise Project is located in a submarket that attracts substantial interest from institutional capital providers. Blackstone, Blackrock, Starwood Capital Group, UBS, Carlyle and major U.S. real estate investment trusts have a significant presence in the region.

Institutional Owners in Sunrise Submarket



2.4 The Current Owner

The Current Owner is Lantower Residential LP, a wholly-owned subsidiary of H&R REIT. The Current Owner beneficially acquired the Bayside Project on September 27, 2019 and the Sunrise Project on October 10, 2018. Significant pre-development work has been completed by the Current Owner to date, utilizing equity invested into the Projects. See “Description of the Activities of the REDT – The Projects” and “Investment Strategy – Investment Highlights”. In connection with the Offering, the Current Owner is not disposing of its interest in the Projects and the Current Owner will not receive any of the net proceeds of the Offering on closing of the Offering.

Assuming the Maximum Offering is achieved, the REDT will own an indirect 70.9% limited partner interest in the JV LP and equity interest in the Projects, while the Current Owner is expected to own an indirect 29.1% interest in the Projects, and assuming the Minimum Offering is sold, the REDT will own an indirect 57.3% limited partner interest in the JV LP and equity interest in the Projects, while the Current Owner is expected to own an indirect 42.7% interest in the Projects (determined in each case without reference to the Carried Interest).

The REDT’s interest in the Projects will be determined based on the Gross Subscription Proceeds. The REDT will invest the Net Subscription Proceeds in the Investment LP and will also be deemed for the purposes of allocating ownership of the Projects between the REDT and the Current Owner to have contributed an amount equal to the Total Agent’s Fee to the Investment LP, and the Investment LP and the Holding LP will be deemed to have made corresponding contributions to the Holding LP and the JV LP, respectively, for such purposes. The JV LP will receive the Net Subscription Proceeds, and will pay the expenses of the Offering (other than the Agent’s Fee).

The Current Owner has committed to provide additional equity to the Projects, through an increased interest in the Projects, in an aggregate amount equal to the difference between (a) the gross proceeds raised from the Offering and any concurrent private placements by the REDT, and (b) the Maximum Offering (the “**Equity Commitment**”), which would result in a maximum Equity Commitment of US\$10 million in the aggregate if only the Minimum Offering is achieved, in order to provide the necessary equity to complete development of the Projects.

The REDT does not expect to have cost overruns in respect of the Projects and the Manager has budgeted contingencies for the Projects. However, in the event of a future incremental equity requirement or cost overrun requiring additional equity in the Projects, the Current Owner has agreed with the JV LP, among other things, to provide the equity for such cost overruns by acquiring specified limited partnership units of JV LP (the “**Cost Overrun Units**”), the proceeds of which will then be contributed to the Bayside LPs or Sunrise LPs, as applicable. The return on the Cost Overrun Units has an equal pre-tax investor gross compounded annualized return to the Class U Units, adjusted to assume no Agent’s Fees were paid. For greater certainty, the Cost Overrun Units will otherwise achieve the same annualized internal rate of return as the Class U Units (determined without reference to any U.S. federal, state and/or local income and/or withholding tax borne by the REDT or any Subsidiary of the REDT that is a partnership, whether or not attributable directly or indirectly to any particular Unitholder), adjusted to assume no Agent’s Fees were paid and determined without reference to U.S. taxes payable by the REDT or any Subsidiary of the REDT that is a partnership, but not the same total return, as the Cost Overrun Units will be outstanding for a shorter time period and thus be entitled to a lesser total return.

3. INVESTMENT RESTRICTIONS AND OPERATING POLICIES

3.1 Investment Restrictions

The Declaration of Trust provides certain restrictions on investments that may be made directly or indirectly by the REDT. The assets of the REDT may be invested only with the approval of the Trustees and only in accordance with the following restrictions:

- (a) the REDT may invest, directly or indirectly, in the Projects and assets ancillary thereto necessary for the operation of the Projects, including following completion of development of the Projects, and such other activities as are consistent with the other investment restrictions;
- (b) other than investments in the Holding LP, the JV LP and their subsidiaries for purposes of investing in the Projects, as described herein, the REDT shall not, directly or indirectly, invest in a joint venture arrangement

for the purposes of owning interests or investments otherwise permitted to be held by the REDT, including for greater certainty, joint venture arrangements with affiliates of H&R REIT. For purposes hereof, a “joint venture arrangement” is an arrangement between the REDT and one or more other persons (including for greater certainty, affiliates of H&R REIT) pursuant to which the REDT, directly or indirectly, conducts an undertaking for one or more of the purposes set out in the investment guidelines of the REDT and in respect of which the REDT 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;

- (c) except for temporary investments held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province of Canada or a U.S. chartered bank, 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 restrictions and operating policies of the REDT, the REDT 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 Board);
- (d) the REDT 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;
- (e) notwithstanding any other provisions of the Declaration of Trust, the REDT shall not take any action, or acquire, retain or hold any investment in any entity or other property that would result in the REDT not qualifying as a “unit trust” and a “mutual fund trust”, that would result in the REDT, the Investment LP, the Holding LP, the JV LP or any other investee of the REDT being a “SIFT trust” or a “SIFT partnership”; or that would result in any Units not being “qualified investments” for trusts governed by Plans, in each case within the meaning of the Tax Act;
- (f) the REDT shall not invest the Net Subscription Proceeds in securities of a publicly traded entity;
- (g) notwithstanding anything else contained in the Declaration of Trust, the REDT shall not at any time hold any property that is “taxable Canadian property” within the meaning of the Tax Act; and
- (h) if the REDT invests, directly or indirectly, in securities of an issuer managed by H&R REIT Management Services Limited Partnership or any of its affiliates, there will be no duplication of fees chargeable in connection with such investment.

3.2 Operating Policies

The Declaration of Trust provides that operations and affairs of the REDT are to be conducted in accordance with the following policies:

- (a) the REDT 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 – *Investment Funds*, as replaced or amended from time to time;
- (b) (i) any written instrument creating an obligation which is or includes the granting by the REDT of a mortgage; and (ii) to the extent the Trustees determine to be practicable and consistent with their fiduciary duty to act in the best interest of the REDT, any written instrument which is, in the judgment of the Board, 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, beneficiaries, subscribers or holders under a Plan of which a Unitholder acts as a trustee or carrier, or officers, employees or agents of the REDT, but that only property of the REDT or a specific portion thereof is bound; the REDT, however, is not required, but must use all reasonable efforts, to comply with this requirement in respect of obligations assumed by the REDT upon the acquisition of real property;

- (c) the REDT may engage in construction or development of real property to build new real properties or maintain its real properties in good repair or to improve the income producing potential of properties in which the REDT has an interest;
- (d) title to the Projects shall be held by and registered in the name of the JV LP, a corporation, a limited liability company, a partnership or other entity wholly-owned, directly or indirectly by the JV LP, or jointly-owned, directly or indirectly, by the REDT or the JV LP with joint venturers or in such other manner which, in the opinion of the JV GP, is commercially reasonable;
- (e) the REDT shall not incur or assume any indebtedness if, after giving effect to the incurrence or assumption of such indebtedness, the total indebtedness of the Projects would be more than 75% of each Project's total Project costs; and
- (f) the REDT shall directly or indirectly obtain and maintain at all times property insurance coverage in respect of potential liabilities of the REDT and the accidental loss of value of the assets of the REDT from risks, in amounts, with such insurers, and on such terms as the Board considers appropriate, taking into account all relevant factors including the practice of owners of comparable properties.

For the purpose of the foregoing Investment Restrictions and Operating Policies, the assets, liabilities and transactions of a corporation or other entity wholly or partially-owned by the REDT, including the Investment LP, the Holding LP and the JV LP, will be deemed to be those of the REDT and they will be accounted for in accordance with the methods prescribed by IFRS, except in the case of the Investment Restriction described in (e) and (g) above to the extent that such treatment would be inconsistent with the relevant requirements or interpretation of the Tax Act or the Code. In addition, any references in the foregoing Investment Restrictions 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.

3.3 Amendments to Investment Restrictions and Operating Policies

Pursuant to the Declaration of Trust, all of the Investment Restrictions and the Operating Policy described in paragraph (e) set out under the heading “– Operating Policies” above may be amended only by Special Resolution. The remaining Operating Policies may be amended by Ordinary Resolution. Notwithstanding the foregoing, the Board may, without the approval of or notice to Unitholders, amend the Declaration of Trust for certain limited purposes specified therein. See “Description of Securities – The REDT – Meetings of Unitholders and Resolutions” and “Description of Securities – The REDT – Amendments to the Declaration of Trust”.

Notwithstanding the foregoing paragraph, if at any time a government or regulatory authority having jurisdiction over the REDT or any property of the REDT shall enact any law, regulation or requirement which is in conflict with any Investment Restriction or Operating Policy then in force (other than the Investment Restrictions described in 3.1(b)), such Investment Restriction or Operating Policy in conflict shall, if the Board on the advice of legal counsel to the REDT so resolves, 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 Board shall not require the prior approval of Unitholders.

4. DESCRIPTION OF THE ACTIVITIES OF THE REDT

The REDT will invest the Net Subscription Proceeds in the Investment LP Units. The Investment LP will invest the proceeds from the issuance of the Investment LP Units to the REDT to acquire an interest in the Holding LP. The Holding LP will use the proceeds from the issuance of the Holding LP Common Units to acquire an interest in the JV LP. The JV LP will use the proceeds from the issuance of such interest to pay the costs and expenses of the Offering and to fund the development of the Projects. The REDT will also be deemed for the purposes of allocating ownership of the Projects between the REDT and the Current Owner to have contributed an amount equal to the Total Agent's Fee to the Investment LP, and the Investment LP and the Holding LP will be deemed to have made corresponding contributions to the Holding LP and the JV LP, respectively, for such purposes. See “Description of the Activities of the REDT – The Projects” and “Investment Strategy”.

As a result, an investment in Units will be an indirect investment in the ownership, development and operation of the Projects and the REDT's share of returns on, and of capital payable to, the Investment LP will also ultimately form part of the Distributable Cash Flow and be available for distribution to Unitholders after payment of all REDT expenses.

4.1 Activities of the REDT

The REDT was established on February 12, 2024 for the purpose of indirectly acquiring an interest in the Projects in order to fund their development. The REDT's principal undertaking will be to issue Units and to own an indirect interest in, and indirectly develop, the Projects. The REDT does not have an operating history. See "Description of the Activities of the REDT – The Projects". Assuming the Maximum Offering is achieved, the REDT will own an indirect 70.9% limited partner interest in the JV LP and equity interest in the Projects, while the Current Owner is expected to own an indirect 29.1% interest in the Projects, and assuming the Minimum Offering is sold, the REDT will own an indirect 57.3% limited partner interest in the JV LP and equity interest in the Projects, while the Current Owner is expected to own an indirect 42.7% interest in the Projects (determined in each case without reference to the Carried Interest). The REDT's interest in the Projects will be determined based on the Gross Subscription Proceeds. The REDT will invest the Net Subscription Proceeds in the Investment LP and will also be deemed for the purposes of allocating ownership of the Projects between the REDT and the Current Owner to have contributed an amount equal to the Total Agent's Fee to the Investment LP, and the Investment LP and the Holding LP will be deemed to have made corresponding contributions to the Holding LP and the JV LP, respectively, for such purposes. The JV LP will receive the Net Subscription Proceeds, and will pay the expenses of the Offering (other than the Agent's Fee). The Term is targeted to be a period of three and a half years starting on the Closing Date, subject to earlier termination as described below. The Term may also be extended (including following the exercise of either or both of the discretionary one-year extensions exercisable at the discretion of the Manager) by Special Resolution of the Unitholders, subject to approval by the Board, and shall be automatically extended to allow for the completion of the process commenced pursuant to the H&R Liquidity Option, REDT Liquidity Option or the Sale Process, as applicable. Notwithstanding the Term outlined above, the REDT may be wound up and dissolved as soon as practicable following the direct or indirect disposition of all of the assets of the REDT.

4.2 Business of the Investment LP, the Holding LP, the JV LP, the Bayside LPs and the Sunrise LPs

The Investment LP was established for the purposes of issuing the Investment LP Units to the REDT and investing in the Holding LP. The Holding LP was established for the purposes of issuing the Holding LP Common Units to the REDT and the Holding LP Special LP Units to the Carried Interest Holder, and investing in the JV LP. The JV LP was established to own the Bayside LPs and the Sunrise LPs. The Bayside LPs and the Sunrise LPs were established to directly own, develop and operate the Projects, and to permit the Current Owner to indirectly invest in the Projects.

4.3 The REDT's Properties

The REDT will indirectly acquire an interest in the Projects through the Investment LP's acquisition of an interest in the JV LP (through the Holding LP). The Projects will be the only real property owned by the REDT and its development and subsequent operation will constitute the business of the REDT. See "Description of the Activities of the REDT – The Projects".

The REDT's investment objectives are to:

- (a) provide Unitholders with an opportunity to indirectly own an interest in each of the Bayside Project and Sunrise Project currently wholly-owned by a subsidiary of H&R REIT and located in Largo, Florida (Tampa) and Kissimmee, Florida (Orlando), respectively;
- (b) build, lease and operate the Projects; and
- (c) achieve a Liquidity Event by the end of the Term).

The REDT will provide disclosure for the Projects in the REDT's interim and annual MD&A. The REDT anticipates such information will include details on the development status of the Projects as well as the material capital expenditures intended to be made on the Projects and execution against the development schedule.

4.4 Operating Expenses of the REDT

The Bayside LPs, the Sunrise LPs, the JV LP, the Holding LP, the Investment LP and the REDT will enter into a funding arrangement, pursuant to which the Bayside LPs and the Sunrise LPs (through the JV LP, the Holding LP and the Investment LP, as applicable) will provide the REDT and its subsidiaries with the funds necessary for the REDT to pay for all ordinary expenses incurred in connection with the operation and administration of the REDT, which costs will ultimately be charged to the Projects. It is expected that these expenses will include, without limitation: mailing and printing expenses for periodic reports to Unitholders and other Unitholder communications; any reasonable out-of-pocket expenses incurred by the Manager or its agents and paid to third parties in connection with their on-going obligations to the REDT; fees payable to the auditors and legal advisors of the REDT; marketing, leasing and investor relations expenses; regulatory filing fees, administrative expenses and costs incurred in connection with the public filing requirements of the REDT; investor relations; costs and expenses arising as a result of complying with all Applicable Laws, regulations and policies; amounts to fund Units redeemed for cash; extraordinary expenses the REDT may incur and any expenditures incurred upon the termination of the REDT.

In addition, because the REDT will indirectly own a portion of the Projects, each Project will incur certain expenses relating to its development, including a development management fee and the costs of construction, which will be indirectly and proportionately borne by the REDT and the Current Owner in accordance with each of their respective interests in the Projects (excluding the Carried Interest). The development fee is equal to 4% of the total hard and soft costs of the Projects, inclusive of previously spent costs which have been capitalized to the Projects, but excluding land, financing, leasing, administrative and equity raising costs (including legal expenses relating thereto), and is paid to an affiliate of the Current Owner. The development fee is a customary fee charged on market terms that is considered a project cost, and factors into the loan-to-cost ratio for debt financing.

For greater certainty, there will be no employee salaries charged to the REDT. Michael Loeb will not be paid a salary as Chief Executive Officer, Cheryl Fried will not be paid a salary as Chief Financial Officer and Hunter Webb will not be paid a salary as Chief Development Officer.

4.5 The Projects

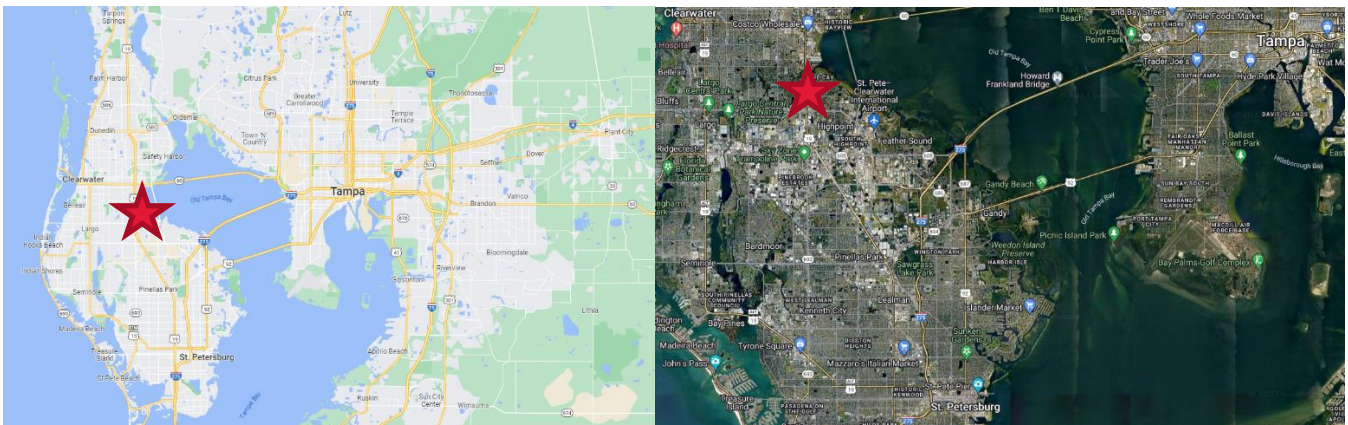
Overview

The Bayside Project consists of a project to develop a multifamily residential rental building comprising 271 residential rental units on 8.4 acres of land. The Sunrise Project consists of a project to develop multifamily residential rental buildings comprising an aggregate of 330 residential rental units on 17.2 acres of land. The Manager believes that the Projects are in desirable geographic locations.

Description of the Projects

Following closing of the Offering, the REDT will acquire an indirect interest in the Projects through the Acquisition.

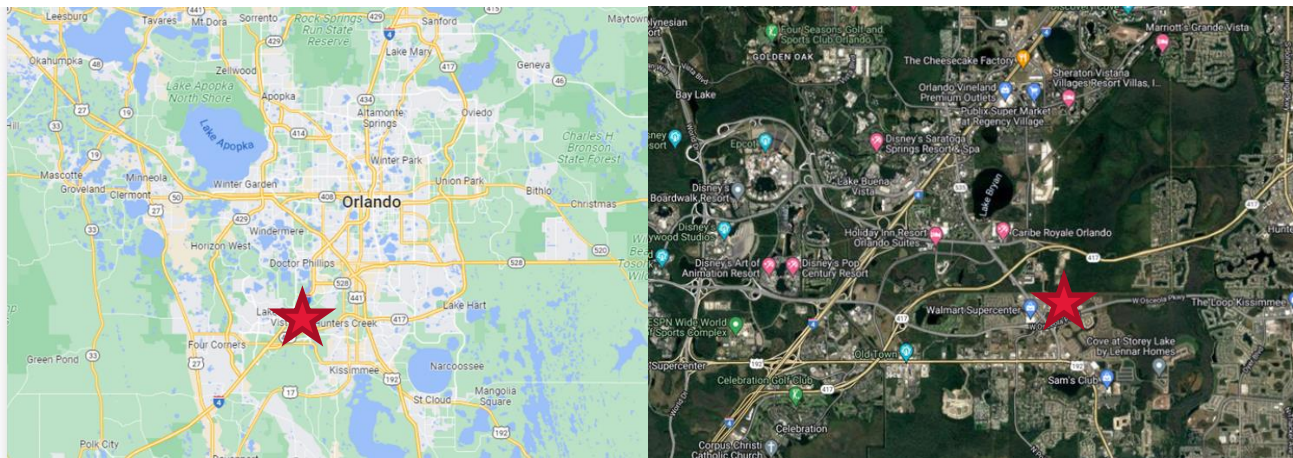
The Bayside Project Address: 16485 US Hwy 19 N, Largo, FL 33764





The Bayside Project is located in Largo, Florida (Tampa). The Bayside Project is currently approved for construction and has a site area totaling approximately 8.4 acres. The Bayside Project will consist of one contiguous building of four stories with elevator-serviced, conditioned corridors comprising approximately 363,000 gross square feet and approximately 261,000 net rentable square feet, with 271 suites (average unit size of 962 square feet), 423 parking stalls (including garages), including up to 61 electric vehicle (EV) charging stalls, and 30 rentable detached garages. The Bayside Project will feature state-of-the-art smart apartment homes, with 10 foot plus ceiling heights across all units and eight foot interior unit doors. Each unit will have wood flooring, ENERGY STAR appliances, quartz countertops, under-cabinet kitchen lighting, LED edge-lit vanity mirrors and spacious walk-in closets. The Bayside Project will also have approximately 17,500 square feet of amenities including property-wide Wi-Fi, a double volume ceiling amenity center, a resort-style pool and a co-working area with private offices and a coffee bar. The Bayside Project will also feature a 3,000 square feet gym and yoga studio and a pet park with a dog spa. The development is expected to be completed in approximately 22 months with a lease-up period of approximately 10 months, at an estimated cost of approximately US\$91.7 million.

The Sunrise Project Address: Sunrise City Dr., Kissimmee, FL 34746





The Sunrise Project is located in Kissimmee, Florida (Orlando). The Sunrise Project is currently approved for construction and has a site area totaling approximately 17.2 acres. The Sunrise Project will consist of two residential buildings of four stories with elevator-serviced, conditioned corridors and two amenity buildings comprising approximately 468,000 gross square feet and approximately 342,000 net rentable square feet, with 330 suites (average unit size of 1,037 square feet), 581 parking stalls (including garages), including up to 32 EV charging stalls, and 33 rentable detached garages. The Sunrise Project will feature state-of-the-art smart apartment homes, with 10 foot plus ceiling heights across all units and eight foot interior unit doors. Each unit will have wood flooring, ENERGY STAR appliances, quartz countertops, under-cabinet kitchen lighting, LED edge-lit vanity mirrors and spacious walk-in closets. The Sunrise Project will also have approximately 16,000 square feet of amenities including property-wide Wi-Fi, a double volume ceiling amenity center, a resort-style pool and a co-working area with private offices and a coffee bar. The Sunrise Project will also feature a stand-alone gym and yoga studio and a pet park with a dog spa. The development is expected to be completed in approximately 24 months with a lease-up period of approximately 11 months commencing three months prior to development completion, at an estimated cost of approximately US\$117.9 million.

The Projects have obtained site plan approval and building permit approval from the City of Largo, Florida, and Osceola County, Florida, as applicable. Accordingly, the REDT expects that construction of the Projects will be able to commence shortly following closing of the Acquisition, subject to the issuance of the approved Site Development Permit and Building Permit upon satisfaction of certain administrative requirements and the availability of supplies and contractors.

There is no guarantee that the proposed development of the Projects will be able to be completed in the proposed time frame or at all. See “Risk Factors – Risks Related to Real Estate Industry, the Projects and the REDT’s Business – The Projects” and “Forward-Looking Statements”.

Project History

The Bayside Project

The entire parcel was originally purchased on September 27, 2019 for a purchase price of approximately US\$6.0 million by the Bayside LPs. The Bayside LPs purchased this land parcel from an arm’s length entity that was not affiliated or related to any of the Current Owner, the Trustees and/or the executive officers of the REDT.

In addition to the US\$6.0 million purchase price, approximately US\$570,000 has been spent on costs allocated to the land, and additional soft costs of US\$1.1 million have been incurred since September 27, 2019 for a total cost basis of US\$7.7 million. The current appraised value of the Bayside Project is US\$11.4 million plus soft costs to date of US\$1.1 million, totaling US\$12.5 million, while the REDT’s interest in the Bayside Project will be based on its acquisition cost to date of approximately US\$7.7 million, including land and costs incurred to date. Therefore, the REDT is purchasing an interest in the Bayside Project at an implied discount of approximately 38.5% to the overall asset value.

Since the Bayside Project was acquired on September 27, 2019, significant planning and pre-development progress has been made, including assembling a team of local counsel, architects (Forum Architecture for building, CID for interiors, and Garrison Jones for landscape), engineers (Hanson Walter Engineering for civil), and a general contractor (Roger B. Kennedy Construction). On August 22, 2023, the City of Largo approved the application related to the permit of the Bayside Project. In late 2023, the Current Owner's general contractor, Roger B. Kennedy Construction, was contracted to perform bidding and pre-construction activities, which included value engineering the plans, coordinating to finalize the construction drawings and drafting a tentative cost breakdown and construction schedule.

The Sunrise Project

The entire parcel was originally acquired with a leasehold interest on October 10, 2018 with a purchase option of approximately US\$8.92 million from LAN Properties LLC. LAN Properties LLC purchased this land parcel from an arm's length entity that was not affiliated or related to any of the Current Owner, the Trustees and/or the executive officers of the REDT. The Current Owner exercised the purchase option and acquired the entire parcel from LAN Properties LLC in January 2024. In addition to this purchase price payments over the course of the lease had been made for approximately US\$1.95 million aggregating a total of approximately US\$10.9 million paid to LAN Properties LLC.

In addition to the US\$10.9 million purchase price allocated to the land, additional soft costs of US\$2.6 million have been incurred since October 10, 2018 for a total cost basis of US\$13.6 million. The current appraised value of the Sunrise Project is US\$13.5 million plus soft costs to date of US\$2.6 million, totaling US\$16.2 million, while the REDT's interest in the Sunrise Project will be based on its acquisition cost to date of approximately US\$13.6 million, including land and costs incurred to date. Therefore, the REDT is purchasing an interest in the Sunrise Project at an implied discount of approximately 15.9% to the overall asset value.

Since the Sunrise Project was acquired and ground leased on October 10, 2018, significant planning and pre-development progress has been made, including assembling a team of local counsel, architects (Charlan Brock Architecture for building, CID for interiors, and Garrison Jones for landscape), engineers (AVID Engineering for civil), and a general contractor (Roger B. Kennedy Construction). On March 12, 2023, Osceola County approved the application related to the permit of the Sunrise Project. In late 2023, the Current Owner's general contractor, Roger B. Kennedy Construction, was contracted to perform bidding and pre-construction activities, which included value engineering the plans, coordinating to finalize the construction drawings and drafting a tentative cost breakdown and construction schedule.

The State of Florida

Florida is bordered to the west by the Gulf of Mexico; Alabama to the northwest; Georgia to the north; the Bahamas and Atlantic Ocean to the east and the Straits of Florida and Cuba to the south. With a population exceeding 22.6 million, it is the third-most populous state in the United States and as of 2023, ranks eighth in population density. Florida is the 22nd largest U.S. state by land area, spanning 65,758 square miles (170,310 km²). Since the mid-20th century, Florida has undergone rapid demographic and economic growth. With a gross state product (GSP) of US\$1.4 trillion, Florida is the fourth largest state economy in the U.S. and the 16th largest economy in the world. Florida's economy is primarily driven by sectors related to tourism, real estate, agriculture, hospitality and transportation.

Florida also has gained recognition for its sunny climate, world-renowned beach resorts, maritime activities and amusement parks. Each year, key attractions including Miami Beach, the Kennedy Space Center and Walt Disney World attract tens of millions of visitors to the state. Florida is also a popular destination for retirees, seasonal vacationers and domestic and international migrants. The state hosts nine out of the ten of the fastest-growing communities in the U.S. Florida's coastal proximity significantly influences the state's culture, identity and daily life. Furthermore, given its history and successive waves of migration, Florida's culture incorporates various African, European, Indigenous, Latino and Asian influences. The state also continues to attract celebrities and athletes, particularly in golf, tennis, auto racing and water sports.

The Tampa Metropolitan Area

According to the U.S. Census Bureau, the Tampa MSA is the second largest MSA in Florida and the 18th-largest MSA in the United States, with an estimated population of 3,290,730 as of 2022. It is one of the top performing MSAs in the United States from an economic perspective. According to the U.S. Bureau of Labor Statistics, from September 2021 to September 2023, the Tampa MSA gained over 118,000 jobs, representing an increase of 8.4% in total employment. As of September 2023, the unemployment rate was 3.2%. The Tampa MSA is a premier location for business, tourism, and residence, and ranks as

one of the least-costly places to do business due to its competitive labour costs, moderately priced office and industrial spaces and favorable tax climate. The Tampa MSA is a top ten U.S. city for domestic migration and immigration driven by strong corporate relocations, affordability and quality of life. The Bayside Project is situated in the Tampa MSA area. Major employers in the Tampa MSA include Jabil Inc., Publix Super Markets, Inc. and Raymond James Financial, Inc.

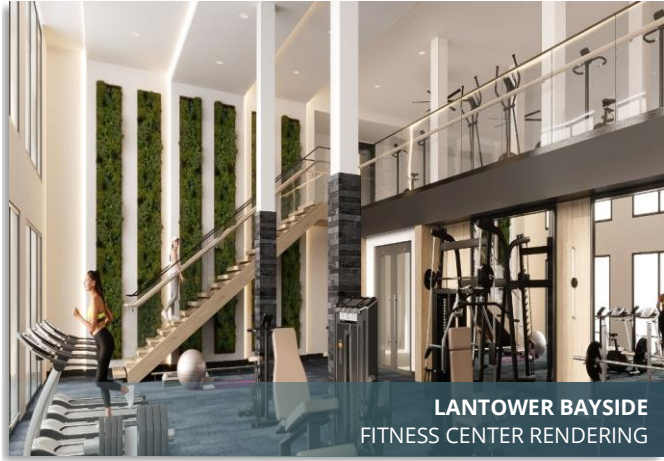
The Orlando Metropolitan Area

According to the U.S. Census Bureau, the Orlando MSA is the third largest MSA in Florida and the 23rd -largest MSA in the United States, with an estimated population of 2,764,182 as of 2022. It is one of the top economically performing MSAs in the United States. From September 2021 to September 2023, Orlando gained nearly 140,000 jobs, representing an increase of 10.8% in total employment. As of September 2023, the unemployment rate was 3.1%. Constant growth from the professional/business services industry, STEM industries and recovery of leisure/hospitality services has driven job creation. The Sunrise Project is situated in the eastern part of the Greater Orlando area which features one of the most diverse employment bases in the metropolitan area. Major employers in Orlando include The Walt Disney Company, Comcast Corporation, Darden Restaurants, Inc., Lockheed Martin Corporation, SunTrust Banks, Inc. and Aon Hewitt. Both of The Walt Disney Company and Universal Parks and Resorts, two of Orlando’s largest local employers, have expanded their local entertainment and resort facilities within the last two years. To accommodate significant growth in the MSA, a number of public and private billion-dollar infrastructure projects have been announced, including interstate highway construction, railway systems and airport expansions.

Development Plans

The Bayside Project





LANTOWER BAYSIDE
FITNESS CENTER RENDERING



LANTOWER BAYSIDE
CLUBROOM RENDERING



LANTOWER BAYSIDE
A2 UNIT RENDERING



LANTOWER BAYSIDE
CO WORKING RENDERING



LANTOWER BAYSIDE
LOBBY RENDERING



LANTOWER BAYSIDE
B3 UNIT RENDERING



The development plan for the Bayside Project is expected to span a total of up to approximately 36 months and includes the construction and lease-up of the rental building on the Bayside Project site. Construction of the rental building is estimated to be completed in approximately 22 months. The lease-up period of approximately 10 months is expected to commence three months prior to development completion on Stabilization. Upon Stabilization, the Manager intends to achieve a Liquidity Event. The construction of the Bayside Project will be undertaken pursuant to a Guaranteed Maximum Price (“GMP”) construction contract (see “– The Construction Contract”) expected to be entered into in March 2024. The below table sets forth the annual milestones to be achieved for the Bayside Project and their respective expenditures.

(US\$ millions)	Costs to Date	Offering expenses	2024	2025	2026	2027	Total
Milestones			Site work and foundation start	Foundation complete, Superstructure underway, installing building finishes	Construction complete, lease-up commences	Occupancy stabilized, Liquidity event	
Hard Costs (excluding Contingency)	–	–	14.3	43.6	5.5	–	63.5
Land Costs ⁽¹⁾	6.6	–	–	–	–	–	6.6
Soft Costs (excluding contingency)⁽²⁾	1.1	2.0	5.0	0.8	1.1	-	10.1
Financing⁽³⁾ Costs	–	–	0.6	2.0	3.7	-	6.4
Operating Costs⁽⁴⁾	–	–	1.0	1.5	0.4	–	2.9
Hard & Soft Contingency	–	–	1.0	1.5	0.4	–	2.2
Total	7.7 ⁽⁵⁾	2.0	21.8	49.1	11.0	-	91.7

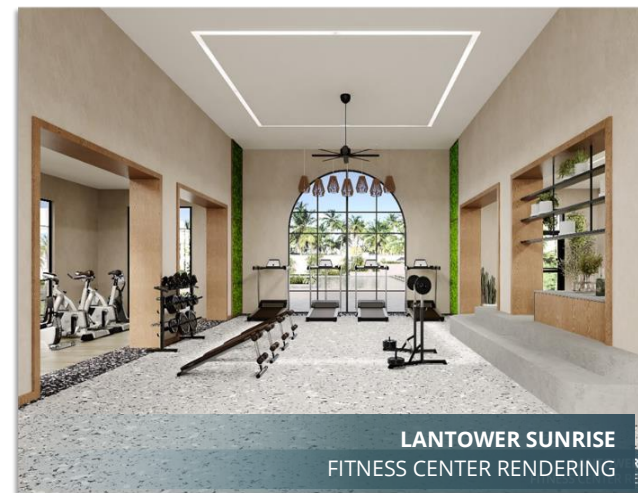
Notes:

- (1) Inclusive of purchase price of land, land lease payments (if applicable) and funds spent allocated to land.
- (2) Inclusive of all soft costs and include allocated Agent’s Fee and up front costs in the offering expenses column.
- (3) Inclusive of the all financing interest and financing fees.
- (4) Inclusive of the Development Management Fees.
- (5) This represents the price at which Purchasers are purchasing an interest in the Bayside Project. This is compared to the appraisal of US\$11.4 million plus soft costs to date of US\$1.1 million totaling US\$12.5 million, which is an implied discount of approximately 38.5% to the appraised value.

The next significant milestone of the Bayside Project will be completing the site work which will begin in May 2024, following which the foundation processes will begin. The foundation process is expected to be completed by 2025.

Following completion of the foundation, construction of the superstructure will begin and is expected to be completed in 2026. While construction of the superstructure is ongoing, between 2025 and 2026, the building finishes are expected to be installed. Following installation of the building finishes, construction of the Bayside Project will be complete. The lease-up of the rental building on the Bayside Project site is expected to commence in at the completion of construction, and continue for 10 months thereafter. The REDT does not anticipate facing any barriers to achieving the milestones set out above.

The Sunrise Project





LANTOWER SUNRISE
COWORKING RENDERING



LANTOWER SUNRISE
CLUBROOM RENDERING



LANTOWER SUNRISE
A2 UNIT KITCHEN RENDERING



LANTOWER SUNRISE
A2 UNIT LIVING ROOM RENDERING



LANTOWER SUNRISE
POOL RENDERING



LANTOWER SUNRISE
A2 UNIT RENDERING



The development plan for the Sunrise Project is expected to span a total of up to approximately 36 months and includes the construction and lease-up of the rental building on the Sunrise Project site. Construction of the rental building is estimated to be completed in approximately 24 months. The lease-up period of approximately 11 months is expected to commence three months prior to development completion on Stabilization. Upon Stabilization, the Manager intends to achieve a Liquidity Event. The construction of the Sunrise Project will be undertaken pursuant to a GMP construction contract (see “– The Construction Contract”). The below table sets forth the annual milestones to be achieved for the Sunrise Project and their respective expenditures.

(US\$ millions)	Costs to Date	Offering expenses	2024	2025	2026	2027	Total
Milestones			Site work and foundation start	Foundation complete, superstructure underway, installing building finishes	Construction complete, lease-up commences	Occupancy stabilized, Liquidity event	
Hard Costs (excluding contingency)	–	–	14.3	54.7	6.6	–	75.5
Land Costs	11.0	–	–	–	–	–	11.0
Soft Costs (excluding contingency)⁽²⁾	2.6	2.1	10.0	0.9	0.9	-	16.7
Financing⁽³⁾ Costs	–	–	0.8	2.7	4.8	-	8.3
Operating Costs Costs⁽⁴⁾	–	–	1.2	1.8	0.6	–	3.7
Hard & Soft Contingency	–	–	1.0	1.4	0.3	–	2.7
Total	13.6 ⁽⁵⁾	2.1	27.4	61.5	13.3	-	117.9

Notes:

- (1) Inclusive of purchase price of land, land lease payments (if applicable) and funds spent allocated to land.
- (2) Inclusive of all soft costs and include allocated Agents Fee and up front costs in the offering expenses column.
- (3) Inclusive of the all financing interest and financing fees.
- (4) Inclusive of the Development Management Fees.
- (5) This represents the price at which Purchasers are purchasing an interest in the Sunrise Project. This is compared to the appraisal of US\$13.6 million plus soft costs to date of US\$2.6 million totaling US\$16.2 million, which is an implied discount of approximately 15.9% to the appraised value.

The next significant milestone of the Sunrise Project will be completing the site work which will begin in April 2024 and is expected to be completed in 2024, following which the foundation processes will begin. The foundation process is expected to be completed by 2025.

Following completion of the foundation, construction of the superstructure will begin and is expected to be completed in 2026. While construction of the superstructure is ongoing, between 2025 and 2026, the building finishes are expected to be installed. Following installation of the building finishes, construction of the Sunrise Project will be complete. The lease-up of the rental building on the Sunrise Project site is expected to commence in 2026, three months prior to the completion of construction, and continue for 12 months thereafter. The REDT does not anticipate facing any barriers to achieving the milestones set out above.

Combined Development Plans

The below table sets forth the annual milestones to be achieved for the Projects and their combined expenditures.

(US\$ millions)	Costs to Date	Offering expenses	2024	2025	2026	2027	Total
Milestones			Site work and foundation start	Foundation complete, superstructure underway, installing building finishes	Construction complete, lease up commences	Occupancy stabilized, Liquidity event	
Hard Costs (excluding contingency)	-	-	28.6	98.3	12.1	-	139.0
Land Costs ⁽¹⁾	17.5	-	-	-	-	-	17.5
Soft Costs (excluding contingency)⁽²⁾	3.8	4.1	15.1	1.8	2.0	-	26.8
Financing⁽³⁾ Costs	-	-	1.4	4.7	8.5	-	14.7
Operating Costs Costs⁽⁴⁾	-	-	2.2	3.4	1.0	-	6.6
Hard & Soft Contingency	-	-	1.8	2.5	0.6	-	4.9
Total	21.3 ⁽⁵⁾	4.1	49.1	110.6	24.3	-	209.5

Notes:

- (1) Inclusive of purchase price of land, land lease payments (if applicable) and funds spent allocated to land.
- (2) Inclusive of all soft costs and include allocated Agents Fee and up front costs in the offering expenses column.
- (3) Inclusive of the all financing interest and financing fees.
- (4) Inclusive of the Development Management Fees.
- (5) This represents the price at which Purchasers are purchasing an interest in the Projects. This is compared to the combined appraisals of US\$25.0 million plus total soft costs to date of US\$3.8 million totaling US\$28.8 million, which is an implied discount of approximately 25.8% to the appraised value.

The Construction Contract

The Manager has been in negotiations with, and expects to enter into a construction contract with a construction manager to provide standard construction services to the JV LP. During the construction phase, the contractor will, subject to the finalization of the construction contract, construct the buildings in accordance with an agreed-upon schedule for achieving substantial completion and subject to a GMP. The Manager anticipates that the construction contract will be finalized before closing of the Offering.

The JV LP Interest Purchase Agreement

The following is a summary of certain material provisions of the JV LP Interest Purchase Agreement. This summary does not purport to be complete and reference should be made to the agreement itself, copies of which will be made available promptly and in any event within seven days after its execution at www.sedarplus.com.

The JV LP Interest Purchase Agreement will provide for (i) the acquisition by the Holding LP of the JV LP Class B Units at a price of US\$10.00 per unit, using all of the Net Subscription Proceeds, (ii) the acquisition by the Holding LP of the JV LP Special LP Units, and (iii) the contribution of the Property LPs to the JV LP by affiliates of the Current Owner. If only the Minimum Offering is achieved, this is expected to be US\$39,480,000, and if the Maximum Offering is achieved, this is expected to be US\$48,880,000. The JV LP Interest Purchase Agreement will provide for the Holding LP to be deemed for the purposes of allocating ownership of the Projects between the REDT and the Current Owner to have contributed additional capital to the JV LP equal to the difference between the Gross Subscription Proceeds invested in the JV LP and the Net Subscription Proceeds (being the Total Agent's Fee).

The JV LP Interest Purchase Agreement will contain customary closing conditions, covenants and representations and warranties typical of those contained in purchase agreements for similar real estate assets negotiated between sophisticated purchasers and vendors acting at arm's length. Certain of the representations and warranties will be qualified as to knowledge (after reasonable inquiry), materiality and disclosure, and subject to reasonable exceptions, relating to the Property LPs and the Projects (including, among other things, representations and warranties as to organization and status, power and authorization and issued capital of the Property LPs, compliance with federal, state and local laws, rules and regulations, title to the Projects, certain property related financial information, outstanding liens, tax matters, environmental matters and litigation matters). The representations and warranties will survive for a period of ten months from the Closing Date.

The Current Owner will indemnify the REDT for any breach of the representations and warranties in the JV LP Interest Purchase Agreement. The maximum liability of the Current Owner under this indemnity will be limited to US\$1.0 million and no claim under such indemnity may be made until the aggregate losses for all claims arising from a breach of a representation and warranty that is the subject of the indemnity exceed US\$50,000.

There can be no assurance of recovery by the REDT from the Current Owner for any breach of the representations and warranties to be made by it or its affiliates under the JV LP Interest Purchase Agreement, as there can be no assurance that the Current Owner's assets will be sufficient to satisfy such obligations. Only the REDT will be entitled to bring a claim or action for misrepresentation or breach of contract under the JV LP Interest Purchase Agreement and purchasers of Units under this Prospectus will not have any contractual rights under the JV LP Interest Purchase Agreement. Purchasers will, however, have certain statutory rights of action against the REDT, the Promoter and the Agent under applicable securities laws. See "Purchasers' Statutory Rights and Other Contractual Rights".

Environmental Site Assessments

Independent environmental consultants have prepared environmental site assessment reports for the Projects (the "**Environmental Assessments**") in general accordance with applicable ASTM Standard Practices and/or related federal regulations governing environmental site assessments. In general, the purpose of the Environmental Assessments was to determine the history of the present and prior uses of the Projects, and to assess the potential for the presence of any hazardous substances or petroleum products, their use, storage and disposal at and in the vicinity of the Projects.

The Environmental Assessments conducted previously and updated in September 2018, July 2019, April to July 2021 and January 2024 by an Environmental Professional as defined in section 312.10 of Title 40 of the Code of the Federal Regulations, Part 312, or a Professional Geologist licensed by the Florida Department of Environmental Protection ultimately concluded that recognized environmental conditions (REC) were not present on the Projects and that no further assessment was warranted.

Geotechnical Exploration Reports

Independent accredited Professional Engineers (P.E.) have prepared geotechnical exploration reports (the "**Geotechnical Exploration Reports**") for each of the Projects. In general, the purpose of the Geotechnical Exploration Reports

was to evaluate the general subsurface conditions at the Projects and to provide geotechnical engineering recommendations for foundation design, groundwater control, pavement design and site preparation. The Geotechnical Exploration Reports concluded that the existing subsurface conditions are suitable for the development of the proposed four-story construction projects, provided that the geotechnical engineering recommendations set forth in each respective report are followed.

Independent Appraisals

Colliers International Valuation & Advisory Services (the “**Appraiser**”) has prepared an independent appraisal report for the fair market value of each of the Projects (the “**Independent Appraisals**”). The Independent Appraisals were prepared in conformity with requirements of *Uniform Standards of Professional Appraisal Practice* and the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute of the United States. The Independent Appraisals for Projects were conducted with a valuation date of January 5, 2024. A copy of each of the Independent Appraisals is available on the REDT’s issuer profile on SEDAR+ at www.sedarplus.com.

The Appraisal Institute of the United States defines market value 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 that the price is not affected by undue stimulus”, and this definition is accordingly used in the Independent Appraisal. 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 own best interests; (iii) a reasonable time is allowed for exposure in the open market; (iv) payment is made in terms of cash in U.S. dollars or in 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. The Appraiser was not given any limiting instructions by the Manager.

Based on the Independent Appraisals, the estimated market value of the Bayside Project is US\$11.40 million and the estimated market value of the Sunrise Project is US\$13.55 million, resulting in an aggregate estimated value of the Projects of US\$24.95 million.

In valuing the Projects, the Sales Comparison Approach (as defined below) was utilized by the Appraiser, adjusted and reconciled as appropriate. The Sales Comparison Approach is based on the principle of substitution, which asserts that no one would pay more for a property than the value of similar properties in the market. This approach analyzes comparable sales by applying transactional and property adjustments in order to bracket the subject property on an appropriate unit value comparison. The Sales Comparison Approach is applicable when sufficient data on recent market transactions is available. Alternatively, this approach may offer limited reliability because many properties have unique characteristics that cannot be accounted for in the adjustment process (the “**Sales Comparison Approach**”). The income capitalization and the cost approach are not applicable when valuing unimproved commercial land and therefore were excluded by the Appraiser.

The Appraiser visited the Projects to assess location and general physical characteristics and estimated the highest and best use for the Projects. In appraising the Projects, the Appraiser assumed that title to the Projects was clear and marketable, all existing liens, encumbrances and assessments were disregarded unless otherwise noted in each of the Independent Appraisals, the Projects are appraised as though free and clear, under responsible ownership and competent management, that the soil conditions are suitable, and that no asbestos or other hazardous materials are stored or found in or on the Projects. The Appraiser further assumed that all factual data furnished by the Manager, the Current Owner, the Current Owner’s representatives, or persons designated by the Manager or the owner to supply such data was accurate and correct, unless otherwise specifically noted in each of the Independent Appraisals.

Caution should be exercised in the evaluation of the Independent Appraisal results. An appraisal is an estimate of market value and is not a precise measure of value. The Independent Appraisals are based on various assumptions, including assumptions of future expectations and while the Appraiser’s forecasts are considered to be reasonable as of the effective date of the applicable Independent Appraisal, some of the assumptions may not materialize or may differ materially from actual results in the future.

5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

This MD&A outlines the Projects' operating strategies, risk profile considerations, business outlook and analysis of its results of operations and financial conditions for the years ended December 31, 2023 and December 31, 2022. This MD&A should be read in conjunction with the Projects' audited combined financial statements as at December 31, 2023, December 31, 2022, and January 1, 2022 and for the years ended December 31, 2023 and December 31, 2022 included in this Prospectus ("**Combined Financial Statements**").

The Projects, as presented in the Combined Financial Statements, are not legal entities and the Projects represent a combination of real estate development assets located in Largo, Florida, USA, owned by Bayside LP and Kissimmee, Florida, USA, owned by the Sunrise LP, respectively.

The Bayside LP was formed as a limited partnership under the laws of the Delaware on July 23, 2019. The Bayside LP's general partner, the Bayside GP, has the authority to administer and carry out the day-to-day business and affairs of the Bayside LP as set forth in the Bayside LP's limited partnership agreement. The Bayside LP's registered office is located at 3625 Dufferin Street, Suite 500, Toronto, Ontario M3K 1N4.

The Sunrise LP was formed as a limited partnership under the laws of the Delaware on June 21, 2019. The Sunrise LP's general partner, the Sunrise GP, has the authority to administer and carry out the day-to-day business and affairs of the Sunrise LP as set forth in the Sunrise LP's limited partnership agreement. The Sunrise LP's registered office is located at 3625 Dufferin Street, Suite 500, Toronto, Ontario M3K 1N4.

During all periods presented in this MD&A, Bayside LP, Bayside GP, Sunrise LP, and Sunrise GP are all wholly owned subsidiaries of H&R REIT.

Cautionary Note Regarding Forward-Looking Information

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

Basis Of Presentation

The Combined Financial Statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("**IFRS**"). Unless otherwise stated, amounts expressed in this MD&A are in thousands of U.S. dollars (\$ or US\$) unless otherwise indicated. The Projects' Combined Financial Statements have been prepared on a historical cost basis, unless otherwise noted.

The Projects' Combined Financial Statements have been prepared for the specific purposes of reporting on the financial position, financial performance, changes in equity and cash flows of the Projects as required by applicable Canadian securities laws.

Business Overview, Objectives and Strategy

The Bayside LP purchased land in September 2019, including transaction costs, for \$6,570 for the primary purpose of developing and operating a multifamily rental building. The property is located at 16485 US Highway 19 N, Clearwater, Florida, 33764, United States.

The Sunrise LP entered into a land lease in June 2019 for the primary purpose of developing and operating a multi-family rental building. The property is located at Sunrise City Drive, Kissimmee, Florida, 34746, United States. The Sunrise LP held an option to acquire this land at a predetermined price. The Sunrise LP had paid \$1,948 in land lease payments as of January 2024, up until the exercise of its option to purchase the land, including transaction costs, for \$9,025. In aggregate, payments of \$10,973 have been made to the vendor for both the purchase option and land lease payments.

The Projects are compatible with the zoning requirements of the respective municipality or county in which each Project is located and with pre-construction work now well underway, construction is scheduled to commence in the second quarter of 2024.

The Manager intends to commence construction concurrently with the REDT's acquisition of an indirect interest in the Projects. The Manager will oversee the construction process. Following completion of the construction of the buildings, the Manager intends to supervise marketing efforts to lease-up each of the Projects until Stabilization. The Manager intends to complete a Liquidity Event within three and a half years of the Closing Date, subject to two discretionary one-year extensions.

Financial And Operational Highlights

Annual Financial Performance

The Projects' financial performance for the years ended December 31, 2023 and December 31, 2022 is summarized below:

Years ended December 31, 2023 and 2022

	2023	2022
Fair value adjustment	\$ 3,179	
Net income (loss) and comprehensive income (loss)	<u>\$ 3,179</u>	

	December 31, 2023 (Audited)	December 31, 2022 (Audited)	January 1, 2022 (Audited)
Total Assets	\$30,395	\$25,830	\$22,883
Current Liabilities	\$8,921	\$10,714	\$11,103

Annual Results of Operations

The Projects are currently in the pre-construction phase with construction starts anticipated in the second quarter of 2024. All of the costs incurred during the periods noted above have been capitalized as part of the property under development. The net income for the year ended December 31, 2023 was \$3,179 as compared to nil income for the year ended December 31, 2022. The reason for this variance was due to the change in fair value on property under development during 2023. The year ended December 31, 2023 contained a fair value gain of \$3,179. No general and administrative expenses were borne by the Projects during the years ended December 31, 2022 and December 31, 2023.

Fair Value Adjustment

Management engaged an internal valuation to fair value the Projects as at January 1, 2022 and December 31, 2022. The fair value of the Projects as at December 31, 2023 was determined using a third-party appraisal. The third-party appraiser evaluates external market data provided by independent industry experts to arrive at their determination of fair value. As of December 31, 2023, the appraised value was \$19,812 compared to \$14,919 as of December 31, 2022. This resulted in a fair value gain of \$3,179 in the year ended December 31, 2023. The remaining increase in fair value pertains to \$1,714 of additions to property under development. As of January 1, 2022, the appraised value was \$11,740. In the year ended December 31, 2022, there were \$3,179 of additions to property under development with a corresponding increase to fair value. There was no fair value gain (loss) during the year ended December 31, 2022. Any changes in fair value were included in net and comprehensive income as a fair value gain.

Property Under Development

In September 2019, the Bayside LP acquired a tract of land for \$6,570, including transaction costs. As of January 1, 2022, the value of the Bayside Project was \$7,416. The appraised value increased to \$12,547 as of December 31, 2023. This increase in fair value pertains to market changes, as well as additions to property under development. Additions to property under development in the years ended December 31, 2023 and December 31, 2022, consisted of soft costs, which include municipal approvals and certain design costs.

In June 2019, the Sunrise LP acquired a land lease. As of January 1, 2022, the value of the Sunrise Project (excluding the right of use asset) was \$4,324. The appraised value increased to \$7,265 as of December 31, 2023, excluding the right of use asset. This increase in fair value is a result of fair value adjustments, as well as additions to property under development. Additions to property under development in the years ended December 31, 2023 and December 31, 2022, consisted of soft costs, which include municipal approvals and certain design costs. Sunrise LP had the option to acquire this land at a predetermined price of \$8,921. In January 2024, the Sunrise LP exercised its option and acquired the tract of land. As a result, the land lease ceased, and the Sunrise LP was released from its lease liability.

	2023		2022	
Balance, beginning of year	\$	14,919	\$	11,740
Additions to property under development		1,714		3,179
Fair value adjustment		3,179		-
Balance, end of year	\$	19,812	\$	14,919

Right of Use Asset

In June 2019, the Sunrise LP acquired a land lease. IFRS requires that a right of use asset be recognized for the present value of future payments under the land lease at each reporting date. The Sunrise LP had the option to acquire this land at a predetermined price of \$8,921. In January 2024, the Sunrise LP exercised its option and acquired the tract of land. As a result, the land lease ceased, and the Sunrise LP was released from its lease liability.

During the period ended December 31, 2023, the right of use asset was fair valued to match the predetermined purchase price pursuant to the option exercised in January 2024.

The repayments noted below represent the lease payments the Sunrise LP made to the lessor of the property during each year.

Below is a reconciliation of the right of use asset per the Combined Financial Statements:

	2023		2022	
Balance, beginning of year	\$	10,713	\$	11,073
Repayments		(350)		(360)
Fair value adjustment		(1,442)		-
Balance, end of year	\$	8,921	\$	10,713

Lease Liability

In June 2019, the Sunrise LP acquired a land lease. IFRS requires that a lease liability be recognized for the present value of future payments under the land lease at each reporting date. At each reporting date, the lease liability was equal to the right of use asset. At December 31, 2023, the lease liability was revalued to match the predetermined purchase price pursuant to the option exercised in January 2024. Sunrise LP had the option to acquire this land at a predetermined price of \$8,921. In January 2024, the Sunrise LP exercised its option and acquired the tract of land. As a result, the land lease ceased, and the Sunrise LP was released from its lease liability.

Below is a reconciliation of the lease liability per the Combined Financial Statements.

	2023		2022	
Balance, beginning of year	\$	10,713	\$	11,073
Repayments		(350)		(360)
Fair value adjustment		(1,442)		-
Balance, end of year	\$	8,921	\$	10,713

Annual Cash Flows

The following table details the changes in cash for the years ended December 31, 2023 and December 31, 2022.

	2023	2022
Cash, beginning of year	198	70
Cash from operating activities	-	-
Cash used in investing activities	(1,365)	(2,848)
Cash from financing activities	2,829	2,976
Cash, end of year	1,662	198

Cash on hand at December 31, 2023 and December 31, 2022 was \$1,662 and \$198, respectively.

Cash flow from operating activities for the years ended December 31, 2023 and December 31, 2022 was \$nil.

Cash proceeds from financing activities for the year ended December 31, 2023, was \$2,829, compared to \$2,976 for the year ended December 31, 2022. Cash proceeds from financing in the years ended December 31, 2023 and December 31, 2022, was provided substantially by contributions from H&R REIT.

Cash used in investing activities for the year ended December 31, 2023 was \$1,365, compared to \$2,848 for the year ending December 31, 2022. The period over period difference was primarily driven by the additions to property under development.

Risk Management

The Projects' activities expose it to market risk, liquidity risk. Risk management is carried out by management of the Projects. The Projects' overall risk management strategy seeks to minimize potential adverse effects on the Projects' financial performance.

(a) **Market risk:**

The Projects have no exposure to interest rate risk.

The Projects have no exposure to currency or other market price risk.

(b) **Liquidity risk:**

Liquidity risk is the risk that the Projects will encounter difficulty in meeting obligations associated with its financial liabilities, such as lease liability and accounts payable and accrued liabilities, that are settled by delivering cash or another financial asset.

The following were the contractual maturities of financial liabilities and other commitments as at December 31, 2023:

	< 1 year	> 1 year	Total
Lease liability	\$ 8,921	\$ -	\$ 8,921

The Projects manage their liquidity risks by preparing budgets and cash flow forecasts to ensure they have sufficient funds to fulfill its obligations. The Projects mitigate liquidity risk by maintaining relationships with various lenders, capital commitments by its owners to fund their liabilities as they become due.

Material Accounting Policies

A summary of the material accounting policies is available in Note 2 of the Projects' Combined Financial Statements.

Use Of Estimates

The preparation of combined financial statements in conformity with IFRS requires management to make certain estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. A full list of significant estimates and judgements can be found in Note 1 (e) of the Projects' Combined Financial Statements.

Related Party Transactions

The Projects do not employ key management personnel. Management services, strategic oversight, accounting and administrative duties of managing the Projects are the responsibility of H&R REIT. As part of these services, the employment benefits of the development team have been capitalized to the property under development.

Future Outlook

The objective of the Manager is to successfully develop the Projects into multi-family rental buildings throughout the construction, and lease-up of the buildings. The Manager intends to complete a Liquidity Event within three and a half years of the Closing Date.

Upon closing of the Offering, the REDT plans to adopt a financial year end of December 31.

Subsequent Events

In 2019, the Sunrise LP entered into a land lease for a tract of land. The Sunrise LP had the option to acquire this land at a predetermined price of \$8,921. In January 2024, the Sunrise LP exercised its option and acquired the tract of land. As a result, the land lease ceased, and the Sunrise LP was released from its lease liability.

The following is a pro forma combined statement of financial position as a result of this acquisition.

	December 31 2023	Pro forma adjustments	Total
Assets			
Non-current assets:			
Property under development	\$ 19,812	\$ 8,921	\$ 28,733
Right-of- use asset	8,921	(8,921)	-
Current assets:			
Cash	1,662	(1,662)	
	\$ 30,395	\$ (1,662)	\$ 28,733
Liabilities and Divisional Surplus			
Current liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
Lease liability	8,921	(8,921)	-
	8,921	(8,921)	-
Divisional surplus	21,474	7,259	28,733
Commitments and contingencies			
Subsequent event			
	\$ 30,395	\$ (1,662)	\$ 28,733

\$28,733 of property under development as show in the proforma above represents \$24,950 of land value as supported by third party appraisals and \$3,783 of additional development costs previously borne by H&R REIT.

Discussion of Operations

The Projects are in the pre-development stage of two multi-family rental building developments. The Projects intend to commence construction in the second quarter of 2024, at which point significant capital expenditures will be incurred. No revenue is expected until construction is completed.

6. USE OF PROCEEDS

Following the completion of the Offering, the REDT intends to indirectly acquire an interest in each of the Projects using the Net Subscription Proceeds, through an investment in the Investment LP Units. The Investment LP will invest the proceeds from the issuance of the Investment LP Units to the REDT to acquire an interest in the Holding LP. The Holding LP will use the proceeds from the issuance of the Holding LP Common Units to acquire an interest in the JV LP. The JV LP will use the proceeds from the issuance of such interest to pay the costs and expenses of the Offering and to fund the development of the Projects. The REDT will also be deemed for the purposes of allocating ownership of the Projects between the REDT and the Current Owner to have contributed an amount equal to the Total Agent's Fee to the Investment LP, and the Investment LP and the Holding LP will be deemed to have made corresponding contributions to the Holding LP and the JV LP, respectively, for such purposes.

Assuming the Minimum Offering is sold, the Gross Subscription Proceeds will be US\$42,000,000 (net proceeds of US\$39,480,000, before deduction of the expenses of the Offering, which are estimated to be US\$1.0 million). Assuming the Maximum Offering is sold, the Gross Subscription Proceeds will be US\$52,000,000 (net proceeds of US\$48,880,000, before the deduction of the expenses of the Offering, which are estimated to be US\$1.0 million in the case of the Maximum Offering). The REDT will use the Net Subscription Proceeds to acquire the Investment LP Units and therefore an indirect interest in the Projects. The REDT's net proceeds will be used to fund the development of the Projects. The REDT may also temporarily hold cash and investments for the purposes of paying its expenses and liabilities and for working capital.

The Current Owner has committed to provide the Equity Commitment in an aggregate amount equal to the difference between (a) the gross proceeds raised from the Offering and any concurrent private placements by the REDT, and (b) the Maximum Offering, which would result in a maximum Equity Commitment of US\$10 million in the aggregate if only the Minimum Offering is achieved, in order to provide the necessary equity to complete development of the Projects.

During the fiscal year ended December 31, 2023, the Projects did not have any cash flow from operating activities. The REDT does not intend to use any of the net proceeds from the Offering to fund negative cash flow from operating activities in future periods. See "Risk Factors – Risks Related to Real Estate Industry, the Projects and the REDT's Business – Negative Cash Flow from Operating Activities".

The following table shows the intended use of the gross proceeds from the issuance of Units in the case of the completion of the Minimum Offering and the Maximum Offering.

(US\$)	Assuming Minimum Offering	Assuming Maximum Offering
Sources of Funds		
Proceeds from issuance of Units	\$42,000,000	\$52,000,000
Total Sources of Funds:	\$42,000,000	\$52,000,000
Use of Funds		
Agent's Fee	\$2,520,000	\$3,120,000
Investment in the Projects ⁽¹⁾	\$39,480,000	\$48,880,000
Total Use of Funds:	\$42,000,000	\$52,000,000

Note:

⁽¹⁾ The Investment LP's interest in the Holding LP, and the Holding LP's interest in the JV LP, will each be fixed based on the Gross Subscription Proceeds raised in the Offering and not the Net Subscription Proceeds. The Investment LP will invest the Net Subscription Proceeds (along with a deemed capital contribution equal to the Total Agent's Fee) in the Holding LP, and the Holding LP will invest the Net Subscription Proceeds (along with a deemed capital contribution equal to the Total Agent's Fee) in the JV LP.

Operating Expenses are forecasted at approximately US\$220,000 per annum, including advisory fees, audit, tax, legal, transfer agent and other fees. The Bayside LPs, the Sunrise LPs, the JV LP, the Holding LP, the Investment LP and the REDT will enter into a funding arrangement, pursuant to which the Bayside LPs and the Sunrise LPs (through the JV LP, the Holding LP and the Investment LP, as applicable) will provide the REDT and its subsidiaries with the funds necessary to pay for all such Operating Expenses.

There is also no guarantee that the REDT will be able to complete the proposed development of the Projects. See "Risk Factors – Risks Related to Real Estate Industry, the Projects and the REDT's Business – the Projects" and "Forward-Looking Statements".

Set out below are the expected sources and uses of funds for the Projects, assuming either the Minimum Offering or the Maximum Offering (rounded to the nearest thousand):

(US\$ millions)	Assuming Minimum Offering	Assuming Maximum Offering
Sources of Funds		
Investment in the JV LP by the REDT from the Offering Public	42.0	52.0
Proceeds from the Equity Commitment	10.0	0
Proceeds from Debt Financing	136.2	136.2
Total Sources of New Funds:	188.2	188.2
Current Owner's Equity	21.3	21.3
Total Sources of Funds	209.5	209.5
Use of Funds		
Agent's Fee ⁽²⁾	2.5	3.1
Estimated expenses of the Offering (legal, accounting and audit, appraisal, tax advice, printing, travel, securities filings)	1.0	1.0
Soft Costs ⁽³⁾	18.9	18.9
Hard Costs (excluding contingency) ⁽⁴⁾	139.0	139.0
Financing Costs ⁽⁵⁾	14.7	14.7
Operating Costs ⁽⁶⁾	6.6	6.6
Contingency Costs	5.5	4.9
Total New Uses of Funds:	188.2	188.2
Land Costs	17.5	17.5
Costs to Date ⁽⁷⁾	3.8	3.8
Total Uses of Funds	209.5	209.5

Notes:

- (1) Inclusive of deemed capital contribution representing the difference between the Gross Subscription Proceeds and the Net Subscription Proceeds (being the Total Agent's Fee).
- (2) Expenses do not include fees and expenditures described in the table under the heading "Use of Proceeds". The net proceeds from the Offering will be allocated to such fees and expenditures.
- (3) Inclusive of the below and above grade construction of the building (demolition, excavation, construction of the foundation, construction of the superstructure and the installation of the building finishes) and common area fixtures, furniture and equipment.
- (4) Inclusive of all soft costs to be spent. In this table this does not include Agent's Fee and Estimated Costs of the Offering and soft costs to date whereas in some tables Soft Costs include this. This is why the total in the maximum scenario of US\$18.9 million differs from US\$26.8 million presented elsewhere.
- (5) Inclusive of all financing related costs
- (6) Inclusive of the Development Management Fees.
- (7) Inclusive of soft Costs to date. See "Description of the Activities of the REDT – The Projects – Development Plans" for a further breakdown of the development costs.

Following the completion of the Offering, the REDT expects there to be sufficient cash to achieve the next significant milestones of the Projects relating to site work and completing the foundation. Based on the construction timeline, not all construction elements would be able to continue for the next 12 months absent debt financing, however, the REDT expects there to be more than sufficient cash to maintain the asset and sustain operations for at least the next 12 months.

In the event that the Projects are unable to, or the Manager determines not to, secure project level debt financing, the Projects will seek as much debt financing as possible in order to fund the construction. The Manager may, subject to H&R REIT's discretion, seek to fund the development of the Projects using debt provided by H&R REIT through its credit facilities and other sources of financing. In such case, H&R REIT will provide financing to the Project or Projects, as applicable, in an amount, at a cost and on terms that are the same or no worse than what is forecasted in the development pro forma, and provided that such financing is on reasonable commercial terms that are not less advantageous to the REDT and/or the Projects than if the financing were obtained from a person acting at arm's length from the REDT and/or the Projects. In addition, if the lack of debt financing is determined to be a cost overrun, pursuant to the JV LP Agreement, the Current Owner will be obligated to fund such cost overrun through subscriptions for Cost Overrun Units. The REDT will manage its resources responsibly until such time as it can procure the necessary financing. Any reduction in expenditures is expected to result in delays to the various milestones. See "Risk Factors – Real Property Ownership and Revenue Risks" and "Risk Factors – Construction and Development Risk".

See “Description of the Activities of the REDT – The Projects – Development Plans” for a detailed estimate of project costs and the development timeline for the Projects.

7. DESCRIPTION OF SECURITIES

The REDT is offering a minimum of US\$42,000,000 and a maximum of US\$52,000,000 of Class A Units, Class E Units, Class F Units and/or Class U Units, at a purchase price of C\$10.00 per Class A Unit and C\$10.00 Class F Unit and US\$10.00 per Class E Unit and US\$10.00 per Class U Unit.

7.1 The REDT

The rights and obligations of the Unitholders are governed by the Declaration of Trust. The following is a summary of certain material provisions of the Declaration of Trust, as it will be amended and restated in connection with the filing of the Final Prospectus. This summary does not purport to be complete and reference should be made to the Declaration of Trust itself, a copy of which will be available from the REDT during the period of distribution of the Units and will be available following the filing of the Final Prospectus under the REDT’s profile on SEDAR+ at www.sedarplus.com

Capitalized terms in this summary which are not defined in this Prospectus are defined in the Declaration of Trust.

Units

The beneficial interest in the net assets and net income of the REDT is divided into four classes of Units: Class A Units, Class E Units, Class F Units and Class U Units. The REDT is authorized to issue an unlimited number of Units of each class, although, following completion of the Offering and any concurrent private placements, the REDT will not seek to raise any further equity from the public and, accordingly, the REDT is a closed-ended vehicle. The 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.

The Class A Units are denominated in Canadian dollars and designed for investors with commission-based accounts wishing to make their investment and receive distributions in Canadian dollars. The Class F Units are denominated in Canadian dollars and designed for investors with fee-based accounts wishing to make their investments and receive distributions in Canadian dollars and differ from the Class A Units in that the Class F Units are not required to pay a selling concession. The Class U Units are denominated in U.S. dollars and designed for investors with commission-based accounts and will receive distributions in U.S. dollars. The Class E Units are denominated in U.S. dollars and designed for investors with fee-based accounts wishing to make their investments and receive distributions in U.S. dollars and differ from the Class U Units in that the Class E Units are not required to pay a selling concession.

Except as described above, each Unit entitles the holder to the same rights and obligations and no Unitholder is entitled to any privilege, priority or preference in relation to any other holder of Units, subject to (i) the proportionate entitlement of each holder of Class A Units, Class E Units, Class F Units and Class U Units to participate in distributions made by the REDT and to receive proceeds upon termination of the REDT, based on such holder’s share of the Proportionate Class A Interest, Proportionate Class E Interest, Proportionate Class F Interest and Proportionate Class U Interest, respectively, (to achieve the intended result of ensuring that any changes in the value of the Canadian dollar relative to the value of the U.S. dollar since the Closing Date to the date of any applicable distribution do not affect the amounts distributable by the REDT to holders of U.S. Dollar Units) and (ii) a proportionate allocation of income or loss of the REDT in accordance with the terms of the Declaration of Trust. None of the Units will be listed on a stock exchange.

On termination or liquidation of the REDT, each Unitholder of record is entitled to receive on a proportionate basis based on such holder’s share of the Proportionate Class A Interest, Proportionate Class E Interest, Proportionate Class F Interest and Proportionate Class U Interest, respectively, (to achieve the intended result of ensuring that any changes in the value of the Canadian dollar relative to the value of the U.S. dollar since the Closing Date to the date of any applicable distribution do not affect the amounts distributable by the REDT to holders of U.S. Dollar Units) all of the assets of the REDT remaining after payment of or provisions made for all debts, liabilities and liquidation expenses of the REDT.

On the redemption of Units, the REDT may, in its sole discretion, designate as payable to the redeeming Unitholder, the Unitholder's proportionate share at the time of the redemption of any capital gains realized by the REDT in the taxation year in which the redemption occurred. In addition, the REDT may designate, for the purposes of the Tax Act, any capital gains realized by the REDT as a result of the redemption of Units (including any capital gains realized by the REDT on an *in specie* redemption of Units) as being paid to the redeeming Unitholders with the result that the taxable portion of such gains generally may be deductible by the REDT, subject to the Allocation to Redeemers Rule. Any such allocations and designations will reduce the proceeds of disposition otherwise payable to the redeeming Unitholder for the Units redeemed but, for greater certainty, will not reduce the amount paid to the redeeming Unitholder in connection with the redemption. The Manager does not intend to cause the REDT to designate capital gains to redeeming Unitholders to the extent that the Allocation to Redeemers Rule would apply to prevent the REDT from deducting taxable capital gains so designated to redeeming Unitholders. On termination or liquidation of the REDT, the Unitholders of record are entitled to receive on a proportionate basis based on the Proportionate Class A Interest, Proportionate Class E Interest, Proportionate Class F Interest and Proportionate Class U Interest, respectively, all of the assets of the REDT remaining after payment of all debts, liabilities and liquidation expenses of the REDT.

The REDT is prohibited from offering Units to the public following the closing of the Offering, provided, for clarity, that the REDT may issue the Class I Units pursuant to a concurrent private placement in connection with the closing of the Offering. See "Description of Securities – The REDT – Class I Units."

Class I Units

The Declaration of Trust will empower the Trustees to create and issue a class of units of beneficial interest in the REDT, designated as "Class I Units", which the REDT may issue to certain institutional investors at a price of US\$10.00 per unit, with a minimum subscription amount of US\$5,000,000, or such other minimum subscription amount as determined by the Manager, pursuant to a concurrent private placement in connection with the closing of the Offering, not to exceed one-third of the Gross Subscription Proceeds received on the Closing Date. If applicable, the Class I Units would be denominated in U.S. dollars and designed for institutional investors wishing to make their investments and to receive distributions in U.S. dollars and differ from the Class U Units in that (i) the Class I Units would be required to pay a different Agent's Fee or selling concession, (ii) the base Asset Management Fee payable to the Manager in respect of the Class I Units may be less than the base Asset Management Fee payable to the Manager in respect of the other classes of Units, and (iii) the Carried Interest calculable in respect of the Class I Units may be less than the Carried Interest calculable in respect of the other classes of Units.

Non-Certificated Inventory System and Transfers of Units

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 the Closing Date, the REDT, 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 such Unitholders hold such Units. A Unitholder participating in the NCI system will not be entitled to a certificate or other instrument from the REDT or the REDT'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.

Any purported transfer of a Unit on a "public market", as defined for purposes of the SIFT Rules, shall be considered void *ab initio*.

Limitation on Non-Resident Ownership

In order for the REDT to maintain its status as a "mutual fund trust" under the Tax Act, the REDT must not be established or maintained primarily for the benefit of Non-Residents, except in limited circumstances. Among those circumstances are that all or substantially all of the mutual fund trust's property is not "taxable Canadian property", as defined

by the Tax Act. Although it is not expected that the REDT will directly or indirectly own any “taxable Canadian property”, Non-Residents will not be permitted to be the beneficial owners of more than 49% of the Units (on a number of Units or fair market value basis) and the Board will inform the transfer agent and registrar of this restriction. The Board may require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the Board becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 49% of the Units then outstanding (on a number of Units or fair market value basis) are, or may be, Non-Residents or that such a situation is imminent, the Board shall inform the transfer agent and the transfer agent shall not accept a subscription for Units from or issue Units to a person unless the person provides a declaration that the person is not a Non-Resident. If, notwithstanding the foregoing, the Board determines that more than 49% of the Units (on a number of Units or fair market value basis) are held by Non-Residents, the Board may send a notice to Non-Resident Unitholders, chosen in inverse order to the order of acquisition or registration or in such manner as the Board may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not less than 60 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Board with satisfactory evidence that they are not Non-Residents within such period, the Board may, on behalf of such Unitholders, sell such Units and, in the interim, suspend the voting and distribution rights attached to such Units. Upon such sale the affected holders will cease to be Unitholders and their rights will be limited to receiving the net proceeds of sale, subject to the right to receive payment of any distribution declared by the Board which is unpaid and owing to such Unitholders. The Board will have no liability for the amount received provided that they act in good faith.

Distributions

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.

The REDT will aim to realize an annual projected targeted pre-tax investor gross compounded annualized return of approximately 18%-20% equating to a total pre-tax investor gross return over three and a half years from the Closing Date of approximately 80% before fees and satisfaction of the Carried Interest, on the REDT’s indirect investment in the Projects upon the achievement of a Liquidity Event, although these figures will necessarily vary as between classes of Units based on the proportionate entitlements of each class of Units and Canadian/U.S. dollar exchange rates. See “Use of Proceeds” and “Risk Factors” for a more complete discussion of the factors and assumptions underlying these statements and of related risks and their potential consequences. “Pre-tax investor gross compounded annualized return” is calculated based on the estimated net pre-tax cash flow expected to be generated from the Projects considering revenues, expenditures as well as factors specific to the Projects, such as construction timelines and sale dates, including financing costs and prior to amounts paid as Carried Interest. This supplementary measure does not have a standardized meaning and may not be comparable with similar measures presented by other issuers.

Commencing on the earlier of Stabilization and the date on which the Trustees determine that it is in the best interests of the Unitholders, and until a Liquidity Event has been achieved, the REDT intends to declare and pay to Unitholders quarterly cash distributions out of the available operating cash flow of the REDT (to the extent declared by the Trustees and otherwise available). However, such cash distributions may not occur or, if any such cash distributions do occur, may be reduced, including to zero, or suspended, as the ability of the REDT to make cash distributions and the actual amount distributed will depend on the development and operation of the Projects, the expenses and requirements of the REDT, and the timing of a Liquidity Event; and will be subject to various factors, including those referenced in the “Risk Factors” section of this Prospectus.

The achievement of the annual projected targeted pre-tax investor gross compounded annualized return of approximately 18%-20% equating to a total pre-tax investor gross return over three and a half years from the Closing Date of approximately 80%, before fees and satisfaction of the Carried Interest, on the REDT’s indirect investment in the Projects upon the occurrence of a Liquidity Event, is based on the following assumptions:

(US\$ millions)	The Bayside Project	The Sunrise Project	Total
Property at Stabilization ⁽¹⁾⁽²⁾	115.0	149.3	264.3
Forecasted Stabilized Net Operating Revenue ⁽³⁾	8.5	10.7	19.2
Forecasted Stabilized Operating Expenses ⁽⁴⁾	2.7	3.2	5.9
Forecasted Stabilized Net Operating Income ⁽⁵⁾	5.8	7.5	13.3
Forecasted Capitalization Rate	5.00%	5.00%	5.00%
Total Project Costs ⁽⁶⁾	91.7	117.9	209.7
Estimated Hold Period Income & Working Capital Net of Closing Costs ⁽⁷⁾	1.3	2.0	3.3
Total Project Profit ⁽⁸⁾	24.7	33.5	58.1

Notes:

- (1) Calculated as the forecasted stabilized net operating income divided by the forecasted capitalization rate of 5.0%.
- (2) Stabilization occurs at occupancy of the Projects at 95%.
- (3) Primarily includes apartment rental revenue, parking and garage revenue and provision of bad debt. Total operating revenue is expected to increase at an annual growth rate of 2% following the Initial Occupancy Date.
- (4) The total operating expenses are expected to increase at an annual growth rate of 1.5% following the Initial Occupancy Date. The forecasted stabilized net operating income margin is assumed to be approximately 70% for the Sunrise Project and approximately 68% for the Bayside Project, and average base monthly rent is untrended from the Closing Date.
- (5) Defined as the difference between the forecasted stabilized total operating revenue and forecasted stabilized total operating expenses for the 12 months following Stabilization.
- (6) Inclusive of all project costs.
- (7) In the event that a Liquidity Event involves the sale of all or substantially all of the assets of the REDT.
- (8) Calculated as the difference between the projected stabilized value plus working capital and hold period income, less total forecasted costs of the Projects.

Following closing of the Offering and the acquisition of the REDT's indirect interest in the Projects, the REDT will initially own all of the issued and outstanding Investment LP Units. The Investment LP will acquire an interest in the Holding LP, which will in turn acquire an interest in the JV LP.

Holders of limited partnership interests in the JV LP will receive all distributions and returns of capital from their investment in the Projects, following receipt of distributions and returns of capital from the Bayside LPs and the Sunrise LPs, respectively, as and when declared.

The Holding LP will be entitled to receive all the Distributable Cash from the JV LP, less any amounts to be paid to the Current Owner on the JV LP Class A Units. Holders of interests in the Holding LP will be entitled to receive all the Distributable Cash received by the Holding LP from the JV LP. The Investment LP will be entitled to receive all the Distributable Cash from the Holding LP, less any amounts to be paid to the Current Owner or an affiliate of the Current Owner in respect of the Carried Interest. Holders of interests in the Investment LP will be entitled to receive all the Distributable Cash received by the Investment LP from the Holding LP. See "Description of Securities – The Investment LP – Cash Flow Distributions", "Description of Securities – The Holding LP – Cash Flow Distributions" and "Description of Securities – The JV LP – Cash Flow Distributions".

After (i) payment of all expenses of the REDT and its Subsidiaries, and (ii) payment of the Minimum Return of 8% compounded per annum by the REDT to Unitholders (the calculation of which, for greater clarity, includes the repayment of Gross Subscription Proceeds without reference to any U.S. federal, state and/or local income and/or withholding tax borne by the REDT or any Subsidiary of the REDT that is a partnership, whether or not attributable directly or indirectly to any particular Unitholder) and the payment of an equivalent minimum return to the Current Owner, an affiliate of the Current Owner will, in addition to the Current Owner's pro rata share of distributions from the Projects, be entitled to receive 20% of all further distributions made by the Projects. Thereafter, after payment of the Secondary Minimum Return of 15% compounded per annum by the REDT to Unitholders and the payment of an equivalent secondary minimum return to the Current Owner, the affiliate of the Current Owner will, in addition to its pro rata share of distributions from the Projects, be entitled to receive 30% of all further distributions made by the Projects.

The Carried Interest calculation is calculated at a Unit class level after having allocated the appropriate amounts to each Unit class based on the proportionate class interest. In connection with the completion of a Liquidity Event, holders of the Carried Interest may, directly or indirectly, receive cash and/or securities in satisfaction of their interest.

The Investment LP will elect to be classified as a corporation for U.S. federal income tax purposes. Accordingly, the Investment LP will be subject to applicable U.S. income and withholding taxes. The Investment LP will satisfy its U.S. tax liability, or make sufficient reserves for its applicable U.S. taxes, prior to making distributions to the REDT. The REDT will then distribute the Distributable Cash Flow to the Unitholders, based on the proportionate entitlement of each class of Units. A Canadian resident Unitholder (other than a Plan) generally will be entitled to a credit, and the REDT may be entitled to claim a deduction, in respect of its share of the U.S. taxes paid by the Investment LP in computing its Canadian taxable income to the extent permitted by the detailed rules in the Tax Act. See "Certain Canadian Federal Income Tax Considerations", "Certain U.S. Federal Income Tax Considerations", "Risk Factors – Risks Related to Canadian Tax" and "Risk Factors – Risks Related to U.S. Tax".

If and when declared by the Trustees, the amount of the distributions payable in respect of each Unit, as applicable, will differ and be allocated based on, initially, the proportionate interest of the REDT attributable to each class and determined, from time to time, as follows:

- (a) the product of the Proportionate Class A Interest and the balance of the Distributable Cash Flow (the "**Distributable Cash Flow Balance**") shall be distributed to the holders of Class A Units, *pro rata* in accordance with their respective proportionate shares;
- (b) the product of the Proportionate Class E Interest and the Distributable Cash Flow Balance shall be distributed to the holders of Class E Units, *pro rata* in accordance with their respective proportionate shares;
- (c) the product of the Proportionate Class F Interest and the Distributable Cash Flow Balance shall be distributed to the holders of Class F Units, *pro rata* in accordance with their respective proportionate shares; and
- (d) the product of the Proportionate Class U Interest and the Distributable Cash Flow Balance shall be distributed to the holders of Class U Units, *pro rata* in accordance with their respective proportionate shares,

in each case adjusted as required to achieve the intended result of ensuring that any changes in the value of the Canadian dollar relative to the value of the U.S. dollar since the Closing Date to the date of the applicable distribution do not affect the amounts distributable by the REDT to holders of U.S. Dollar Units (including for greater certainty ensuring that the effect of such changes on the calculation of the amounts distributable to the Investment LP by the Holding LP on the Investment LP's interest in the Holding LP is attributed in its entirety to the Canadian Dollar Units).

The aggregate Minimum Return, after payment of all expenses of the Projects, the REDT and its Subsidiaries, (i) is based on an 8% per annum compounded return on the Gross Subscription Proceeds received by the REDT from the issuance of each Unit, (ii) is calculated in the currency of issuance of each such Unit, and (iii) is a preferred return, payable prior to payment of any amounts pursuant to the Carried Interest and Asset Management Fee, but (iv) is not guaranteed, is not expected to be paid prior to the occurrence of a Liquidity Event, and may not be paid upon the occurrence of a Liquidity Event or at all. The aggregate Secondary Minimum Return, after payment of all expenses of the Projects, the REDT and its Subsidiaries (including the Asset Management Fee and a portion of the Carried Interest), (i) is based on a 15% per annum compounded return on the Gross Subscription Proceeds received by the REDT from the issuance of each Unit, (ii) is calculated in the currency of issuance of each such Unit, and (iii) is a preferred return, payable prior to payment of the increased percentage of distributions payable pursuant to the Carried Interest, but (iv) is not guaranteed, is not expected to be paid prior to the occurrence of a Liquidity Event, and may not be paid upon the occurrence of a Liquidity Event or at all.

The REDT may designate for the purposes of the Tax Act capital gains realized by the REDT as a result of the redemption of Units (including any capital gains realized by the REDT on an *in specie* redemption of Units) as being paid to the redeeming Unitholders, with the result that the taxable portion of such gains generally may be deductible by the REDT, subject to the Allocation to Redeemers Rule. In addition, on the redemption of Units, the REDT may in its sole discretion, designate payable to the redeeming Unitholder, the Unitholder's proportionate share at the time of the redemption of any capital gains realized by the REDT in the taxation year in which the redemption occurred. Any such allocations and designations will reduce the proceeds of disposition otherwise payable to the redeeming Unitholder of the Units redeemed but, for greater certainty, will not reduce the aggregate amount paid to the redeeming Unitholder in connection with the redemption. The Manager does not intend to cause the REDT to designate capital gains to redeeming Unitholders to the extent that the Allocation to Redeemers Rule, which limits the ability of the REDT to deduct taxable capital gains allocated to redeeming Unitholders in certain circumstances, would apply to such designated capital gains. Accordingly, any such taxable capital gains may be made payable to the non-redeeming Unitholders at the end of the year rather than being allocated to redeeming Unitholders. In such cases, the amounts and/or taxable component of distributions to non-redeeming Unitholders may be greater than they would have been in the absence of the Allocation to Redeemers Rule.

Distributions payable to Unitholders pursuant to the Declaration of Trust shall be deemed to be distributions of income of the REDT, net realized taxable capital gains of the REDT, foreign source income, REDT capital or other items in such amounts as the Board, in its absolute discretion, may determine and shall be so designated, where required, and allocated to the Unitholders in the same proportions as distributions received by the Unitholders, subject to the discretion of the Board to adopt an allocation method which the Board considers to be more reasonable in the circumstances. For greater certainty, any distribution of net realized capital gains of the REDT shall include the non-taxable portion of the capital gains of the REDT which are included in such distribution.

If, on a Distribution Payment Date, the Board determines that the REDT does not have cash in an amount sufficient to pay the full amount of any distribution to be made on such Distribution Payment Date, or for any other reason cannot pay the distribution in cash, or the Board otherwise elects in respect of any such distribution, the distribution payable to the Unitholders on such Distribution Payment Date will be distributed to Unitholders in the form of additional Units, or fractions of Units, having a value equal to the cash shortfall. Any distributions payable in Units will increase the aggregate adjusted cost base of a Unitholder's Units. Those additional Units will be issued pursuant to exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

If, for any taxation year of the REDT, after any other distributions made in the year, there would remain in the REDT additional net income or net realized capital gains, the REDT will be required to pay or make payable such net income and net realized capital gains as one or more special year-end distributions for such year to Unitholders as is necessary to ensure that the REDT will not be liable for income tax on such amounts under Part I of the Tax Act (after taking into account all available deductions, credits and refunds). Such special distributions may be paid in the form of Units and/or cash. Any special distributions payable in Units will increase the aggregate adjusted cost base of a Unitholder's Units. Immediately after a proportionate *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, subject to any reduction on account of withholding taxes, hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution.

Distribution on Termination of the REDT

On the termination of the REDT, the assets of the REDT shall be liquidated and the proceeds distributed in the following order:

- (a) to pay any costs involved in the sale of the assets of the REDT and to pay all amounts required to discharge any mortgages or encumbrances registered against the assets, to pay all unpaid expenses which are required to be paid under the Declaration of Trust and all expenses incurred in the winding-up of the REDT, to pay all of the liabilities of the REDT and to establish reserves as the Board considers necessary for the contingent liabilities of the REDT; and
- (b) to pay the balance to Unitholders on a proportionate basis based upon the (i) Proportionate Class A Interest, (ii) Proportionate Class E Interest, (iii) Proportionate Class F Interest, and (iv) Proportionate Class U Interest, respectively, and within each class *pro rata* based upon the number of Units held, subject to adjustments to achieve the intended result with respect to attributing the effect of changes in the value of the Canadian dollar relative to the value of the U.S. dollar as described above.

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

Holders of Canadian Dollar Units will have unhedged exposure in respect of any returns of capital made at the end of the Term.

Meetings of Unitholders and Resolutions

The Board may, at any time, convene a meeting of the Unitholders and will be required to convene a meeting on receipt of a request in writing of Unitholders holding, in aggregate, 15% or more of the Units outstanding. A meeting of holders of a class of Units may be called by the Board if the nature of the business to be transacted at the meeting is only relevant to the Unitholders of the class of Units. A meeting of a class of Unitholders shall be called by the Board upon written request of the Unitholders of the class holding in the aggregate not less than 15% of the Units of the class then outstanding, which requisition must specify the purpose or purposes for which such meeting is to be called. Any meeting of Unitholders (or a class of Unitholders) may be held by telephonic or electronic means and a Unitholder who, through those means, votes at the meeting or establishes a communications link to the meeting shall be deemed to be present at the meeting. Any such meeting shall be deemed to have taken place at the registered office of the REDT.

Any matter to be considered at a meeting of Unitholders, other than certain matters requiring the approval of Unitholders by Special Resolution, will require the approval of Unitholders by Ordinary Resolution. A quorum for a meeting convened to consider such a matter will consist of two or more Unitholders or any class of Unitholders present in person or by proxy and representing not less than 10% of the Units, or class of Units, as the case may be. If a quorum is not present at a meeting within 30 minutes after the time fixed for the meeting, the meeting, if convened pursuant to a request of Unitholders, will be cancelled, but otherwise will be adjourned to such day, being not less than 10 days later, and to such place and time as may be selected by the chairperson of the meeting. The Unitholders present at any adjourned meeting will constitute a quorum.

Each Unitholder is entitled to one vote per Unit held and votes of Unitholders will be conducted with holders of Class A Units, Class E Units, Class F Units and Class U Units voting together as a single class. Notwithstanding the foregoing, if the Board determines that the nature of the business to be transacted at a meeting affects Unitholders of one class of Units in a manner materially different from its effect on Unitholders of another class of Units, the Units of such affected class will be voted separately as a class.

The following matters require approval by Ordinary Resolution and shall be deemed approved, consented to or confirmed, as the case may be, upon the adoption of such Ordinary Resolution:

- (a) matters relating to the administration of the REDT for which the approval of the Unitholders is required by policies of the securities regulatory authorities or other Applicable Laws and regulations in effect from time to time, and such policies, laws or regulations do not require approval by Special Resolution;
- (b) subject to the requirements for a Special Resolution, any matter or thing stated in the Declaration of Trust to be required to be consented to or approved by the Unitholders; and
- (c) any matter which the Board considers appropriate to present to the Unitholders for their confirmation or approval.

The following matters require approval by Special Resolution and shall be deemed approved, consented to or confirmed, as the case may be, upon the adoption of such Special Resolution:

- (a) any change in the Carried Interest, Asset Management Fee or the addition of any other fee or amount payable to the Manager or its affiliates;
- (b) matters relating to the administration of the REDT for which the approval of the Unitholders is required by Special Resolution by applicable securities laws, regulations, rules or policies in effect from time to time;
- (c) changes to the Investment Restrictions and the Operating Policy described in paragraph (e) set out under the heading "Investment Restrictions and Operating Policies – Operating Policies";

- (d) any re-opening of the REDT or the creation of further classes of Units (other than the Class I Units);
- (e) the issuance of equity by any Subsidiaries of the REDT other than in connection with the issuance of the Cost Overrun Units;
- (f) a reduction in the amount payable on any outstanding Units upon termination of the REDT;
- (g) an increase in the liability of any Unitholders;
- (h) any extension of the Term (other than pursuant to the exercise of the two discretionary one-year extensions at the discretion of the Board);
- (i) an amendment, modification or variation in the provisions or rights attaching to the Units in any material adverse respect as determined by the Board, acting reasonably;
- (j) the alteration or elimination of any voting rights pertaining to any outstanding Units; or
- (k) approval of a Liquidity Event.

Furthermore, notwithstanding the above or any other provision herein, no confirmation, consent or approval shall be sought or have any effect and no Unitholders shall be permitted to effect, confirm, consent to or approve, in any manner whatsoever, where the same increases the obligations of or reduces the compensation payable to or protection provided to the Board, except with the prior written consent of the Board.

In the event the REDT enters into a transaction that is subject to review under MI 61-101, and as a result requires approval from each class of Units, voting separately as a class, the REDT intends to apply to applicable securities regulatory authorities for discretionary relief from such obligation given that (i) the Declaration of Trust provides that Unitholders will vote as a single class unless the nature of the business to be transacted at a meeting of Unitholders affects holders of one class of Units in a manner materially different from its effect on holders of another class of Units, (ii) the relative returns of any proposed transaction to each class of Units are fixed pursuant to a formula set out in the Declaration of Trust, and (iii) providing a class vote could grant disproportionate power to a potentially small number of Unitholders.

Resolution in Lieu of a Meeting

A resolution signed in writing by Unitholders shall be deemed to be a proceeding at a meeting of Unitholders and to be as valid and effective as if it has been passed at a meeting of Unitholders that satisfies all the requirements of the Declaration of Trust relating to meetings of Unitholders if:

- (a) in the case of a resolution of Unitholders that may be approved by the affirmative vote of a majority of the votes cast at a meeting of Unitholders, such resolution is, after being submitted to all of the Unitholders, consented to in writing by Unitholders who, in the aggregate, hold not less than half of the outstanding Units; and
- (b) in the case of a resolution of Unitholders that may be approved by the affirmative vote of at least two-thirds of the votes cast at a meeting of Unitholders, such resolution is consented to in writing by Unitholders who, in the aggregate, hold not less than two-thirds of the outstanding Units.

Termination of the REDT

In order to provide Unitholders with liquidity, the Manager intends to achieve a Liquidity Event within three and a half years of the Closing Date, subject to two discretionary one-year extensions where the Manager determines in its discretion that the extensions are prudent given then prevailing market conditions and in the best interests of the REDT. The “**Liquidity Event**” may be, subject to Unitholder approval as the case may be, (i) the sale of all or substantially all of the assets of the REDT, (ii) the sale of all or substantially all of the Units of the REDT by Unitholders or all of the securities in the JV LP through which the REDT indirectly owns its interests in the Projects (or if only one Project remains, such Project), for cash or

Listed Securities or a combination of cash and Listed Securities, (iii) a transaction which provides Unitholders with comparable liquidity that such Unitholders would have if the Units were Listed Securities, whether by means of a reverse take-over, merger, amalgamation, arrangement, take-over bid, insider bid, reorganization, joint venture or similar transaction or other combination with an issuer of Listed Securities, (iv) the exchange of Units for securities that are listed on a stock exchange or securities that are exchangeable or convertible into securities that are listed on a stock exchange (collectively, “**Listed Securities**”), or (v) an event similar to those described in items (i) to (iv) above and designated as a “Liquidity Event” by the independent Trustees.

The Term is targeted to be a period of three and a half years starting on the Closing Date, subject to earlier termination as described below. The Term may also be extended (including following the exercise of either or both of the discretionary one-year extensions exercisable at the discretion of the Manager) by Special Resolution of the Unitholders, subject to approval by the Board, and shall be automatically extended to allow for the completion of the process commenced pursuant to the H&R Liquidity Option, REDT Liquidity Option or the Sale Process, as applicable.

Notwithstanding the Term outlined above, the REDT may be wound up and dissolved as soon as practicable following the direct or indirect disposition of all of the assets of the REDT.

The Current Owner and the REDT have agreed to certain liquidity rights in order to facilitate the sale of one or both of the Projects, which can be initiated by the Current Owner (the “**H&R Liquidity Option**”) at any time during the period beginning on the first anniversary of the Closing Date and ending immediately prior to the 60th day before the end of the Term (including subject to any applicable, permitted extensions (including by Special Resolution of the Unitholders)), and by the REDT (the “**REDT Liquidity Option**”) at any time during the 30 days following the 60th day before the expiry of the Term (including subject to any applicable, permitted extensions (including by Special Resolution of the Unitholders)).

The REDT and the Current Owner shall each appoint an independent, third party appraiser to obtain separate appraisals of each of the Projects. Following receipt of the appraisals, the Current Owner will have 30 days to agree to acquire the Projects or the JV LP Class B Units representing the REDT’s ownership interests of one or both of the Projects, at the purchase price (the “**Liquidity Option Price**”) established below:

H&R Liquidity Option

- (a) If the H&R Liquidity Option is exercised during the period beginning on the first anniversary of the Closing Date and ending prior to the date that is the earlier of (i) the commencement date of lease-up and (ii) the date that is 30 months following the Closing Date, the Liquidity Option Price shall be equal to pre-tax amount that would be distributed (or be available for distribution) if either or both of the Projects, as applicable, were sold for the greater of: (A) a price which would result in Unitholders achieving a pre-tax investor gross compounded annualized return equal to 25% (calculated based on the annualized return for the U.S. Dollar Units), before fees and Carried Interest; and (B) the mid-point of the two appraisals. In either case, the Liquidity Option Price shall be allocated among the Projects based on their relative proportions of the aggregate of the appraised values of the Projects as a whole, and the Current Owner shall be permitted to offer to purchase one or both of the Projects (or the JV LP Class B Units representing the ownership interests in one or both of the Projects), at its discretion.
- (b) If the H&R Liquidity Option is exercised during the period beginning on the date that is the earlier of (i) the commencement date of lease-up and (ii) the date that is 30 months following the Closing Date, and ending immediately prior to the 60th day before the end of the Term (including subject to any applicable, permitted extensions (including by Special Resolution of the Unitholders)), the Liquidity Option Price shall be equal to the pre-tax amount that would be distributed (or be available for distribution) if either or both of the Projects, as applicable, were sold for the greater of: (A) the value of the Liquidity Event modelled in the pro forma of the Projects (being approximately US\$115.0 million for the Bayside Project and US\$149.3 million for the Sunrise Project); and (B) either (i) the mid-point of the two appraisals, or (ii) if the higher appraisal is more than 110% of the lower appraisal, a third appraisal shall be obtained and the price shall be the mid-point of the two closest appraisals among the three appraisals. In either case, the Liquidity Option Price shall be calculated based on the Project specific appraisal and modelled pro forma price. The Current Owner shall be permitted to offer to purchase one or both of the Projects (or the JV LP Class B Units representing the ownership interests in one or both of the Projects), at its discretion.

REDT Liquidity Option

- (c) If the REDT Liquidity Option is exercised during the 30 days following the 60th day before the expiry of the Term (including subject to any applicable, permitted extensions (including by Special Resolution of the Unitholders)), the Liquidity Option Price shall be equal to the pre-tax amount that would be distributed (or be available for distribution) if both of the Projects were sold for the greater of: (A) the value of the Liquidity Event modelled in the pro forma of both of the Projects (being approximately US\$264.3 million); and (B) either (i) the mid-point of the two appraisals, or (ii) if the higher appraisal is more than 110% of the lower appraisal, a third appraisal shall be obtained and the price shall be the mid-point of the two closest appraisals among the three appraisals. In either case, the Liquidity Option Price shall be allocated among the Projects based on their relative proportions of the aggregate of the appraised values of the Projects as a whole, and the Current Owner shall be permitted, but not obligated, to purchase both, but not one, of the Projects (or the JV LP Class B Units representing the ownership interests in both of the Projects).

If the Current Owner has not exercised the H&R Liquidity Option, and does not offer to purchase the Projects pursuant to the REDT Liquidity Option within the 30-day period following receipt of the appraisals (the “**Appraisal Receipt Period**”), the REDT will have the right, during the 60-day period following the expiry of the Appraisal Receipt Period, to initiate a sales process for the entirety of the Project(s) (the “**Sale Process**”), pursuant to which the Projects may be sold to one or more third parties at any price (the “**Sale Process Price**”), provided that the Current Owner shall be permitted to bid during the Sale Process. If the REDT is able to identify an acquiror that is not the Current Owner, the REDT shall have the right to require that the Current Owner sell its limited partner interests in the JV LP or its interest in the Projects, as applicable, at the applicable proportion that such interests represent of the Sale Process Price. In the event that the REDT is only able to identify a buyer for one but not both of the Projects, the REDT shall be permitted to sell such Project to such buyer at the applicable Sale Process Price, and the REDT shall have the right to require that the Current Owner sell its interest in such Project and/or cause the sale by the JV LP of such Project.

Any transaction involving both Projects or all of the JV LP Class B LP Units to be completed pursuant to the H&R Liquidity Option, the REDT Liquidity Option or the Sale Process will be subject to approval by the Unitholders by Special Resolution.

Following completion of the H&R Liquidity Option, REDT Liquidity Option or the Sale Process, as applicable, the REDT will distribute, or will direct the JV LP to distribute, the available net proceeds to the Unitholders, subject to the applicable portion (if any) of such proceeds payable to the Current Owner and/or the Carried Interest Holder in respect of the Current Owner’s proportionate interest in the Projects and the Carried Interest.

Notwithstanding anything to the contrary in the foregoing, the REDT and Current Owner shall work together to structure the occurrence of the Liquidity Event, or the transaction completed pursuant to the H&R Liquidity Option, REDT Liquidity Option or Sale Process (in each case, and together with the Liquidity Event, a “**Sale Transaction**”), in a manner that is mutually tax efficient for the parties, including that if the expected U.S. federal income tax required to be withheld on such disposition is higher than the expected U.S. federal income tax liability of the Investment LP on the gain realized from such disposition, then the REDT (on behalf of the Investment LP) and the Current Owner intend to take steps, if available, in order to mitigate the amount of U.S. federal income tax required to be withheld. Further, the Current Owner shall have the right in connection with a proposed or anticipated Sale Transaction to extract its proportionate interest in one or both of the Projects from the JV LP through a redemption of the JV LP Class A Units representing the ownership interests in one or both Projects, provided that any such extraction shall not affect the allocation of proceeds or income from such sale as between the Unitholders on the one hand and the Current Owner and its affiliates on the other hand. In the event that such Sale Transaction does not proceed, the REDT shall have the right to cause JV LP to repurchase the Current Owner’s interest in the Projects in consideration for the issuance of one or more series of JV LP Class A Units.

Change of Control of the Manager

In the event that (i) there is a “change of control” of H&R REIT, or (ii) H&R REIT is no longer a publicly-traded issuer, H&R REIT or an affiliate thereof will be obligated to make an offer to the Unitholders to acquire all, but not less than all, of the Units, the Investment LP Units, the Holding LP Common Units, the JV LP Class B Units or the Projects at a price which would result in Unitholders achieving a pre-tax investor gross compounded annualized return equal to the upper range of the targeted pre-tax investor gross compounded annualized return, being 20% (calculated based on the annualized return for the U.S. Dollar Units), before fees and Carried Interest. For purposes of the foregoing, a “change of control” is defined as: (i) the

acquisition by any person or persons, acting jointly and in concert, of (a) more than 50% of the outstanding trust units of H&R REIT; or (b) more than 33 ⅓% of the outstanding trust units of H&R REIT and the election or appointment by such person or persons of their nominees as a majority of the Trustees; or (c) all or substantially all of the assets of H&R REIT; (ii) a sale of substantially all of Lantower Residential's assets or a divestiture of the Lantower Residential platform, (iii) an initial public offering of Lantower Residential, (iv) a merger of Lantower Residential with another entity resulting in Lantower Residential no longer being controlled directly or indirectly by H&R REIT; or (v) a spin-off of Lantower Residential or substantially all of its assets to a new entity that is not controlled directly or indirectly by H&R REIT. Any offer pursuant to the foregoing shall be subject to compliance with applicable laws, which may include a vote of the Unitholders. The parties shall endeavour to structure the acquisition of the applicable units in a manner that is tax efficient for the parties, provided that in the event H&R REIT or its successor, as applicable, and the REDT cannot agree, the offer shall be in respect of the JV LP Class B Units. In any such transaction, assuming the Minimum Return has been achieved, the offer to purchase shall also include the JV LP Special LP Units and/or Holding LP Special LP Units.

Amendments to the Declaration of Trust

The Board may, without the approval of or notice to Unitholders, amend the Declaration of Trust for certain limited purposes specified therein, including to:

- (a) remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law or regulation applicable to or affecting the REDT;
- (b) provide, in the opinion of the Board, additional protection for the Unitholders or to obtain, preserve or clarify the provision of desirable tax treatment to Unitholders;
- (c) notwithstanding anything to the contrary contained herein, make amendments which, in the opinion of the independent Trustees, are necessary or desirable in the interests of Unitholders in connection with a Liquidity Event described under “– Termination of the REDT” above, provided that any such amendment does not, and could not reasonably be expected to, adversely affect the rights, privileges or interests of Unitholders;
- (d) make amendments which, in the opinion of the Board, are necessary or desirable in the interests of the Unitholders as a result of changes in taxation laws or accounting rules or in their interpretation or administration, or in order to benefit from or better comply with any provisions or such laws or rules;
- (e) remove conflicts or inconsistencies between the disclosure in the Prospectus and the Declaration of Trust that, in the opinion of the Board, based on the advice of counsel, are necessary or desirable in order to make the Declaration of Trust consistent with the Prospectus;
- (f) make any change or correction in the Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (g) make any amendments which are necessary to provide for the terms of the Class I Units, if applicable;
- (h) make any amendments which, in the opinion of the Board, based on the advice of its financial advisors, are required to achieve the intended result of ensuring that any changes in the value of the Canadian dollar relative to the value of the U.S. dollar since the Closing Date to the date of any applicable distribution do not affect the amounts distributable by the REDT to holders of U.S. Dollar Units;
- (i) bring the Declaration of Trust into conformity with Applicable Laws, including the rules and policies of Canadian securities regulators or with current practice within the securities industry provided that any such amendment does not adversely affect the rights, privileges or interests of Unitholders;
- (j) maintain, or permit the Manager to take such steps as may be desirable or necessary to maintain, the status of the REDT as a “mutual fund trust” and a “unit trust” for the purposes of the Tax Act, maintain or avoid any other relevant status under the Tax Act, or respond to amendments to the Tax Act or to the interpretation thereof or, better comply with existing provisions of the Tax Act; or

- (k) make amendments as are required to undertake an internal reorganization involving the sale, lease, exchange or other transfer of the assets of the REDT as a result of which, based on the advice of counsel, the REDT has substantially the same interest, whether direct or indirect, in the REDT Property that it had prior to the reorganization and includes an amalgamation, arrangement or merger of the REDT and its affiliates with any entities provided that in the opinion of the Board, based on the advice of counsel, the rights of Unitholders are not prejudiced thereby.

Except for changes to the Declaration of Trust which require the approval of Unitholders or changes described above which do not require approval of or prior notice to Unitholders, the Declaration of Trust may be amended from time to time by the Board upon prior written notice to Unitholders. Any such amendment of the Declaration of Trust will be described in the REDT's next quarterly MD&A.

Information and Reports

The REDT 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. In addition, on or before March 31 in each calendar year (or such other time as required by law), the REDT will forward to Unitholders tax reporting information in such manner as will enable each such person to report the income tax consequences of investment in Units in the Unitholder's annual Canadian income tax return.

As a "venture issuer" under Applicable Laws, the REDT will be required to file, in addition to applicable news releases: (i) audited annual financial statements, related MD&A, and the applicable annual certificate for each of the Chief Executive Officer and Chief Financial Officer under NI 52-109, each within 120 days after the end of the REDT's financial year-end, (ii) interim financial reports, related MD&A and the applicable interim certificate for each of the Chief Executive Officer and Chief Financial Officer under NI 52-109, each within 60 days after the end of each of the REDT's first three quarterly periods of its financial year, (iii) material change reports, as soon as possible, and in any event within ten days of the date on which the change occurs, in accordance with Part 7 of NI 51-102, and (iv) business acquisition reports, in accordance with Part 8 of NI 51-102. As a venture issuer, the REDT will not be required to file an annual information form and the REDT does not currently intend to do so voluntarily. The Declaration of Trust does not require the REDT to, and the REDT does not intend to, call and hold annual general meetings of Unitholders and, accordingly, the REDT does not expect to annually file and send Unitholders a management information circular.

If a material change occurs in the affairs of the REDT, including in respect of the affairs of its Subsidiaries, the REDT will (a) immediately issue and file a news release authorized by an executive officer disclosing the nature and substance of the change, and (b) as soon as practicable, and in any event within 10 days of the date on which the change occurs, file a material change report with respect to the material change in accordance with applicable Canadian securities laws. Notwithstanding the foregoing, the REDT may instead comply with the provisions of applicable Canadian securities laws concerning confidential material change reports. For purposes of the foregoing, "material change" shall mean: (a) a change in the business, operations or capital of the REDT or any of its Subsidiaries that would reasonably be expected to have a significant effect on the market price or value of any of the securities of the REDT, or (b) a decision to implement a change referred to in (a) made by the Board or other persons acting in a similar capacity or by senior management of the REDT or any of its Subsidiaries who believe that confirmation of the decision by the Board or any other persons acting in a similar capacity is probable.

Redemption

The Units will be redeemable quarterly at the option of Unitholders by written notice to the REDT.

A Unitholder wishing to redeem the whole or any part of his, her or its Units may do so by delivering a written notice of such desire (the "**Unit Redemption Notice**") to the REDT at any time. Units shall be considered to be tendered for redemption on the date (the "**Unit Redemption Date**") that the REDT has, to the satisfaction of the Board, received the Unit Redemption Notice and further documents or evidence the REDT may reasonably require with respect to the identity, capacity or authority of the person giving such notice.

Subject to Applicable Laws and the conditions listed below, the REDT will redeem the Units specified in such Unit Redemption Notice. The redemption price payable per Unit in respect of each class (or series, as applicable) of Units will be based on the proportionate interest of the REDT attributable to each class or series, as applicable, determined as follows:

- (a) where the Units are listed on a stock exchange or similar market, equal to the lesser of (i) 95% of the average market price of the Units during the 10-trading day period after the Redemption Date; and (ii) 100% of the closing market price of the Units on the Redemption Date; or
- (b) where the Units are not listed on a stock exchange or similar market, based on the proportionate interest of the REDT attributable to each class, determined as follows:
 - (i) the redemption price per Class A Unit is equal to the Redemption Value of the REDT on the Unit Redemption Date multiplied by the Proportionate Class A Interest divided by the total number of outstanding Class A Units less the Redemption Cost;
 - (ii) the redemption price per Class E Unit is equal to the Redemption Value of the REDT multiplied by the Proportionate Class E Interest divided by the total number of outstanding Class E Units less the Redemption Cost;
 - (iii) the redemption price per Class F Unit is equal to the Redemption Value of the REDT multiplied by the Proportionate Class F Interest divided by the total number of outstanding Class F Units less the Redemption Cost; and
 - (iv) the redemption price per Class U Unit is equal to the Redemption Value of the REDT multiplied by the Proportionate Class U Interest divided by the total number of outstanding Class U Units less the Redemption Cost.

The redemption proceeds payable on the Class A Units and Class F Units will be based on the Net Asset Value, determined in U.S. dollars and converted into Canadian dollars at the spot exchange rate available to the REDT in respect of such redemption proceeds and holders of Class A Units and Class F Units will receive redemption proceeds in Canadian dollars. As a result, although holders of Class A Units and Class F Units will receive Canadian dollars upon redemptions, the amount of such redemptions will be determined based in part upon the U.S. dollar/Canadian dollar exchange rate at the time of such redemption. The REDT does not currently intend to enter into any hedging arrangements to limit the impact of changes in the U.S. dollar/Canadian exchange rate and therefore Unitholders will have full exposure to changes in the exchange rate between the U.S. dollar and Canadian dollar. The REDT may enter into hedging arrangements in the future. See “Risk Factors – Risks Related to the REDT – Currency Exchange Rate”.

The redemption price per Unit multiplied by the number of Units tendered by a Unitholder for redemption will be paid to such Unitholder by way of a cash payment no later than the last day of the calendar month following the calendar quarter in which such Units were tendered for redemption, provided that, unless the Board otherwise determines:

- (a) the total amount payable by the REDT by cash payment in respect of the redemption of Units for the calendar quarter shall not exceed C\$50,000 in the aggregate; and
- (b) the total amount payable by the REDT by cash payment in respect of the redemption of Units in any 12-month period ending at the end of that calendar quarter will not exceed 1% of the aggregate Net Asset Value at the start of such 12-month period.

See “Risk Factors – Risks Related to the Offering – Limited Liquidity of Units”.

The payment in cash by the REDT of the redemption price of Units will reduce the amount of cash available to the REDT for the payment of distributions to Unitholders, as the payment of the amount due in respect of redemptions will take priority over the payment of such cash distributions. See “Risk Factors – Risks Related to Redemptions – Use of Available Cash.”

If the redemption price for any Units is not satisfied in cash as a result of the foregoing limitations, the REDT shall satisfy the redemption of such Units by way of an *in specie* distribution of property of the REDT (which may include the Investment LP Units, provided such Unitholder is not an Excluded Person unless such transfer is approved by the Investment GP in its sole and absolute discretion) and/or the issuance of unsecured subordinated promissory notes of the REDT, at its option, as determined by the Board in its sole discretion. Property distributed by the REDT, or notes issued by the REDT, on a

redemption may be illiquid and generally will not be qualified investments for trusts governed by Plans. In those circumstances, adverse tax consequences generally may apply to a Plan and/or the annuitant, holder, subscriber or beneficiary thereunder or thereof, as a result of the redemption of Units held in a trust governed by a Plan. See “Risk Factors – Risks Related to Redemptions – Payment of Redemption Price in Kind”. The redemption right is not intended to be the primary mechanism for Unitholders to liquidate their investment.

In respect of a cash payment to a holder of Class A Units or Class F Units, the redemption price per Unit as determined above will be converted by the REDT into Canadian dollars at the spot exchange rate available to the REDT in respect of such redemption amount, and the resulting Canadian dollar amount will be paid to the redeeming Unitholder.

Units will be redeemed according to the order in which Redemption Notices are received.

Powers and Responsibilities of the Board of Trustees

The Board has exclusive authority to manage the operations and affairs of the REDT and to make all decisions regarding the business of the REDT, and has authority to bind the REDT. The powers, authorities and responsibilities of the Board are limited to those expressly set forth in the Declaration of Trust. The Board is responsible for managing the activities and administration of the REDT and the conduct of the affairs of the REDT, including without limitation:

- (a) holding REDT Property in safekeeping; retaining moneys, securities, property, assets or investments; investing moneys from time to time forming part of the REDT Property (as such term is defined in the Declaration of Trust);
- (b) ensuring that the Net Subscription Proceeds are invested in the Investment LP Units;
- (c) lending money or other REDT Property, whether secured or unsecured;
- (d) paying properly incurred expenses out of REDT Property;
- (e) depositing moneys from time to time forming part of the REDT Property in accounts;
- (f) possessing and exercising rights, powers and privileges pertaining to ownership of or interest in REDT Property;
- (g) holding legal title to REDT Property;
- (h) approving the application for the listing on any stock exchange of any Units or other securities of the REDT, and doing all things which in the opinion of the Board may be necessary or desirable to effect or maintain such listing or listings;
- (i) reinvesting income and gains of the REDT and taking other actions besides the mere protection and preservation of the REDT Property;
- (j) ensuring compliance with applicable securities legislation;
- (k) preparing and filing or causing to be prepared and filed all requisite returns, reports and filings;
- (l) monitoring the REDT’s status as a “mutual fund trust” within the meaning of the Tax Act;
- (m) providing all requisite office accommodation and associated facilities;
- (n) providing or causing to be provided to the REDT all other administrative and other services and facilities required by the REDT;

- (o) maintaining or causing to be maintained complete records of all transactions in respect of the investment portfolio of the REDT;
- (p) prescribing any instrument provided for or contemplated by the Declaration of Trust;
- (q) remitting distributions to Unitholders;
- (r) appointing the auditors of and registrar and transfer agent for the REDT; and
- (s) except as prohibited by law, to delegate from time to time to the REDT's employees, consultants, agents and other persons including, without limitation, the Manager, the doing of such things and the exercise of such powers as the Board may from time to time deem expedient, so long as any such delegation is not inconsistent with any of the provisions of the Declaration of Trust and will be subject at all times to the general control and supervision of the Board as provided for therein,

all subject to the terms and conditions set out in the Declaration of Trust. The Declaration of Trust provides that the Board may engage or employ persons in connection with the REDT and pay them compensation out of the REDT Property and may delegate its powers, authorities and duties. Pursuant to the Management Agreement, the Manager will be responsible for providing management and administration services to the REDT and will fulfil the responsibilities listed above, subject to the oversight of the Board.

The Declaration of Trust provides that any Trustee may resign upon written notice to the REDT. A Trustee may be removed at any time with cause by the Manager. A vacancy occurring among the Trustees may be filled by resolution of the remaining Trustees, as long as they constitute a quorum and a majority of the Trustees constituting quorum are resident in Canada for purposes of the Tax Act (or if they are not, then a new Trustee may be appointed by the Manager). In the event that an independent Trustee ceases to be a Trustee, such vacancy shall be filled by a person that would qualify as an independent Trustee, and a quorum of independent Trustees shall be necessary to fill such vacancy.

The Declaration of Trust provides that the Trustees and officers of the REDT (and the directors and officers of any affiliated entity) will be indemnified out of the REDT Property in respect of any civil, criminal or administrative action or proceeding to which such person is made a party by reason of being or having been a Trustee or officer of the REDT or such affiliated entity, and/or in respect of any and all taxes, penalties or interest in respect of unpaid taxes or other governmental charges imposed upon such parties as a result of the exercise of their powers or duties under the Declaration of Trust. However, any such party will not be indemnified in respect of unpaid taxes or other governmental charges that result from their failure to act honestly and in good faith with a view to the best interests of the REDT, or as a result of their failure to exercise that degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, or, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, where such party did not have reasonable grounds for believing that their conduct was lawful.

In addition, the Declaration of Trust contains other customary provisions limiting the liability of the Trustees and indemnifying the Trustees in respect of certain liabilities incurred by them in the carrying out of their duties.

Each of the Trustees are required to exercise their powers and discharge their duties honestly, in good faith and in the best interests of the REDT and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Conflicts of Interest

A Trustee who directly or indirectly has a material interest in a material contract or transaction or proposed material contract or transaction with the REDT, or an affiliate of the REDT, must disclose in writing to the REDT the nature and extent of such interest forthwith after becoming aware of the material contract or transaction or proposed material contract or transaction. Such Trustee must not vote on any resolution to approve the material contract or transaction, unless the material contract or transaction is one relating primarily to their remuneration as a Trustee or one for indemnity or insurance. Where a Trustee fails to disclose their interest in a material contract or transaction, any Trustee or any Unitholder, in addition to exercising any other rights or remedies in connection with such failure exercisable at law or in equity, may apply to a court for

an order setting aside the material contract or transaction and directing that the Trustee account to the REDT for any profit or gain realized, provided that if the Trustee is acting honestly and in good faith, they will not be accountable to the REDT or to the Unitholders for any profit or gain realized from such material contract or transaction, and such material contract or transaction will not be void or voidable and may not be set aside, if: (i) the material contract or transaction was reasonable and fair to the REDT at the time it was approved; (ii) the material contract or transaction is confirmed or approved at a meeting of the Unitholders duly called for that purpose; and (iii) the nature and extent of the Trustee's interest in such contract or transaction is disclosed in reasonable detail in the notice calling the meeting of the Unitholders.

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 and provided these matters are exclusively related to the Projects:

- (a) an acquisition of real property or an investment in real property in connection with the Projects, whether by co-investment or otherwise, in which H&R REIT or its affiliates or any related party of the REDT has any direct or indirect interest, whether as owner, operator or manager, other than pursuant to the JV LP Interest Purchase Agreement;
- (b) a material change to any agreement with H&R REIT, its affiliates or any related party of the REDT or any renewal, extension or termination thereof or any increase in any fees (including any transaction fees) or distributions payable thereunder, excluding the development management fees contemplated in this Prospectus;
- (c) any new fees or arrangements to be entered into with H&R REIT, its affiliates or any related party of the REDT that are not contemplated in the Management Agreement and excluding the development management fees contemplated in this Prospectus;
- (d) the entering into of, or the waiver, exercise or enforcement of any rights or remedies under, any agreement entered into by the REDT, or the making, directly or indirectly, of any co-investment, in each case with (i) any Trustee, (ii) any entity directly or indirectly controlled by any Trustee or in which any Trustee holds a significant interest, or (iii) any entity for which any Trustee acts as a director or other similar capacity;
- (e) the refinancing, increase or renewal of any indebtedness related to the Projects owed by or to (i) any Trustee, (ii) any entity directly or indirectly controlled by any Trustee or in which any Trustee holds a significant interest, or (iii) any entity for which any Trustee acts as a director or other similar capacity;
- (f) decisions relating to any claims by or against one or more parties to any agreement with H&R REIT, its affiliates or any related party of the REDT related to the Projects;
- (g) determining whether to exercise the REDT's rights (as the indirect holder of the JV LP Class B Units) to replace the general partner of the JV LP; and
- (h) determining whether an event or occurrence should be designated as a Liquidity Event.

In connection with any transaction involving the REDT, 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 REDT.

Rights of Unitholders

Subject to certain important exceptions, a Unitholder has substantially all of the same protections, rights and remedies as a shareholder would have under the CBCA. Many of the provisions of the CBCA respecting the governance and management of a corporation have been incorporated in the Declaration of Trust. For example, Unitholders are entitled to exercise voting rights in respect of their Units in a manner comparable to shareholders of a CBCA corporation, and provisions relating to the calling and holding of meetings of Unitholders included in the Declaration of Trust are comparable to those of the CBCA. Unlike shareholders of a CBCA corporation, the REDT will not be required to hold annual Unitholder meetings and Unitholders do not have a

comparable right of a shareholder to make a proposal at a general meeting of the REDT. The matters in respect of which Unitholder approval is required under the Declaration of Trust are generally less extensive than the rights conferred on the shareholders of a CBCA corporation. Unitholders do not have recourse to a dissent right under which shareholders of a CBCA corporation are entitled to receive the fair value of their shares where certain fundamental changes affecting the corporation are undertaken (such as an amalgamation, the sale of all or substantially all of its property, or a going private transaction). As an alternative, Unitholders seeking to terminate their investment in the REDT are entitled to receive, subject to certain conditions and limitations, a share of the REDT's net assets, through the exercise of the redemption rights described above under "– Redemption". Unitholders similarly do not have recourse to the statutory oppression remedy that is available to shareholders of a CBCA corporation where the corporation undertakes actions that are oppressive, unfairly prejudicial or disregard the interests of security holders and certain other parties. Unitholders have no pre-emptive rights with respect to the Units.

Shareholders of a CBCA corporation may apply to a court to order the liquidation and dissolution of the corporation in certain circumstances, whereas Unitholders may rely only on the general provisions of the Declaration of Trust which permit the winding-up of the REDT with the approval of a Special Resolution of the Unitholders. Shareholders of a CBCA corporation may also apply to a court for the appointment of an inspector to investigate the manner in which the business of the corporation and its affiliates is being carried on where there is reason to believe that fraudulent, dishonest or oppressive conduct has occurred. The CBCA also permits shareholders to bring or intervene in derivative actions in the name of the corporation or any of its Subsidiaries, with the leave of a court. The Declaration of Trust does not include comparable rights.

The foregoing is a summary only of certain of the material provisions of the Declaration of Trust. For a complete understanding of all of the provisions of the Declaration of Trust, reference should be made to the Declaration of Trust itself, a copy of which is available from the REDT.

7.2 The Investment LP

The following is a summary only of certain of the material provisions that are contained in the Investment LP Agreement.

The rights and obligations of the Investment GP and the parties holding the Investment LP Units are governed by the Investment LP Agreement among the Investment GP, the REDT, as the initial limited partner, and all persons who subsequently become limited partners of the Investment LP holding the Investment LP Units.

Capital in the Investment LP

The capital of the Investment LP consists of an unlimited number of the Investment LP Units, plus the interests held by the Investment GP as general partner. Initially, all of the Investment LP Units will be held by the REDT.

Allocation of Net Income and Net Losses

Net income, and (where permitted by Applicable Law) the income for income tax purposes, of the Investment LP will be allocated among the Investment GP and holders of the Investment LP Units on the following basis:

- (a) first, 0.01% of net income and (where permitted by Applicable Law) the income for income tax purposes, will be allocated to the Investment GP; and
- (b) second, the balance will be allocated to the holders of the Investment LP Units (initially being the REDT).

Net losses and (where permitted by Applicable Law) losses for income tax purposes of the Investment LP will be allocated to the holders of the Investment LP Units.

For the avoidance of doubt, allocations of income and loss of the Investment LP will be made on a consistent basis for Canadian and U.S. Federal income tax purposes, except to the extent of any difference arising solely because of one or more differences described in subsection 126(4.12) of the Tax Act.

Cash Flow Distributions

To the extent cash flow permits, the Investment LP will pay and distribute in each year an amount equal to all cash flow from its investment in the Investment LP Units in that year after payment of all current obligations of the Investment LP. Cash flow will be distributed on a quarterly basis (or such other time frame as determined by Investment GP) as follows:

- (a) 0.01% to the Investment GP, up to a maximum of US\$1,000 in a single fiscal year;
- (b) 99.99% to the holders of the Investment LP Units.

Notwithstanding the above, the Investment GP may in its sole and unfettered discretion elect to not distribute cash flow in any period or to reduce the amount of any distribution of cash flow in whole or in part.

Distributions upon Wind-up, etc.

Upon the liquidation, dissolution or wind-up of the Investment LP, the assets of the Investment LP will be liquidated and the proceeds thereof will be distributed, as applicable, as follows:

- (a) first, to pay all unpaid expenses which are required to be paid under the Investment LP Agreement and all expenses incurred in the winding-up of the Investment LP;
- (b) second, to pay all of the liabilities of the Investment LP, including any loans or advances made by its limited partners and any amounts owing to the Investment GP in respect of costs and expenses owing to it as general partner;
- (c) third, to establish such reserves as the Investment GP as general partner considers necessary;
- (d) fourth, to pay to the partners of the Investment LP any unpaid portion of the distributions noted under “Description of Securities – The Investment LP – Cash Flow Distributions”.

Alternatively, the holders of the Investment LP Units may approve by Special Resolution distributions of all assets of the Investment LP *in specie*, in which event the Investment GP and each holder of the Investment LP Units shall, subject to the provisions of the Investment LP Agreement, be entitled to receive an undivided interest in each and every asset of the Investment LP in accordance with such limited partner’s proportionate interest in the Investment LP as of the date of dissolution or sale, which would reduce the capital account of the Investment LP Units accordingly.

Additional Capital Contributions

No limited partner of the Investment LP will be required to make additional capital contributions to the Investment LP over and above the purchase price paid for such limited partner’s Investment LP Units.

Management of the Investment LP

The Investment GP, as general partner of the Investment LP, will have exclusive authority over the management of the Investment LP, the conduct of its affairs, and the management and disposition of the property of the Investment LP, except for certain limited matters being subject to votes of the holders of the Investment LP Units and certain Investment Restrictions and Operating Policies contained in the Declaration of Trust, as described under “Investment Restrictions and Operating Policies”. The Investment GP will not have any rights to vote.

Removal of the Investment GP

Holders of the Investment LP Units may, by Ordinary Resolution and upon 30 days’ written notice to the Investment GP, remove the Investment GP as general partner of the Investment LP without cause, and may immediately remove the Investment GP for cause, if such cause is not remedied after reasonable notice from the holders of the Investment LP Units. In either such case, the holders of the Investment LP Units will appoint, concurrently with the removal, a replacement

general partner to assume all of the responsibilities and obligations of the removed general partner, and the removed general partner will be released of its liabilities under the Investment LP Agreement and indemnified for any damages and expenses with respect to events which occur in relation to the Investment LP after the appointment of the new general partner.

Transfer of the Investment LP Units

The transfer of the Investment LP Units will be subject to a number of restrictions, including: (i) the Investment LP Units may not be transferred to a person or partnership who is an Excluded Person (which includes a Non-Resident) unless such transfer is approved by the Investment GP in its sole and absolute discretion; (ii) no Investment LP Units will be transferable in part; and (iii) no transfer of the Investment LP Units will be accepted by the Investment GP unless a transfer form, duly completed and signed by the registered holder of such Investment LP Units has been remitted to the registrar and transfer agent of the Investment LP. In addition, a transferee of the Investment LP Units must provide to the Investment GP such other instruments and documents as the Investment GP may require, in appropriate form, completed and executed in a manner acceptable to the Investment GP and must pay the administration fee, if any, required thereby. A transferee of a unit of the Investment LP will not become a partner or be admitted to the Investment LP and will not be subject to the obligations and entitled to the rights of a partner under the Investment LP Agreement until the foregoing conditions are satisfied and such transferee is recorded on the Investment LP's register of partners.

Amendments to the Investment LP Agreement

The Investment LP Agreement may be amended by Special Resolution of the holders of the Investment LP Units except for certain amendments which require unanimous approval of holders of the Investment LP Units, including: (i) changing the liability of any limited partner; (ii) changing the right of a limited partner to vote at any meeting of holders of the Investment LP Units; and (iii) changing the Investment LP from a limited partnership to a general partnership.

The Investment GP may also make amendments to the Investment LP Agreement without the approval or consent of the limited partners to reflect, among other things: (i) a change in the name of the Investment LP or the location of the principal place of business or registered office of the Investment LP; (ii) the admission, substitution, withdrawal or removal of limited partners in accordance with the Investment LP Agreement; (iii) a change that, as determined by the Investment GP, is reasonable and necessary or appropriate to qualify or continue the qualification of the Investment LP as a limited partnership in which the limited partners have limited liability under Applicable Laws; (iv) a change that, as determined by the Investment GP, is reasonable and necessary or appropriate to enable the Investment LP to take advantage of, or not be detrimentally affected by, changes in the Tax Act or other taxation laws; (v) creating or issuing one or more new classes or series of additional limited partnership units that rank *pari passu* with or junior to the Investment LP Units and the Cost Overrun Units or any other limited partnership units; or (vi) a change to amend or add any provision, or to cure any ambiguity or to correct or supplement any provisions contained in the Investment LP Agreement which may be defective or inconsistent with any other provision contained in the Investment LP Agreement or which should be made to make the Investment LP Agreement consistent with the disclosure set out in this Prospectus.

Notwithstanding the foregoing: (i) no amendment which would adversely affect the rights and obligations of the Investment GP, as a general partner, may be made without the consent of the Investment GP; and (ii) no amendment which would adversely affect the rights and obligations of any other holders of limited partnership units or any class of limited partner differently than any other class of limited partner may be made without the consent of such holder or class.

7.3 The Holding LP

The following is a summary only of certain of the material provisions that will be contained in the Holding LP Agreement.

The rights and obligations of the Holding GP LP and the parties holding the Holding LP Units will be governed by the Holding LP Agreement, as it will be amended and restated on or before the Closing Date, among the Holding GP LP, the Carried Interest Holder and the Investment LP, and all persons who subsequently become limited partners of the Holding LP. The REDT will indirectly invest in the Holding LP through the REDT's investment of the Net Subscription Proceeds in the Investment LP, which in turn will invest in the Holding LP and the Holding GP LP.

Capital in the Holding LP

The capital of the Holding LP consists of an unlimited number of the Holding LP Common Units and an unlimited number of the Holding LP Special LP Units, plus the general partner interest held by the Holding GP LP as general partner. The Holding LP Common Units will be held by the Investment LP directly, representing the REDT's indirect interest in the Holding LP, and the Holding LP Special LP Units representing the Carried Interest, will be held by the Carried Interest Holder.

Allocation of Income and Losses for Tax and Accounting Purposes

For tax and accounting purposes, losses for each fiscal year of the Holding LP will be allocated to the holders of the Holding LP Common Units. For tax and accounting purposes, net income for each fiscal year of the Holding LP will be allocated to the holders of the Holding LP Units and the Holding GP LP, as general partner of the Holding LP, in the same manner and in the same priorities in which income received from the Holding LP is ultimately distributed to such partners (or that would have been distributed in the year if there were sufficient distributions), provided for greater certainty that, to the extent possible, the amount of income and capital gains (including the non-taxable portion thereof) allocated to the Carried Interest Holder for each fiscal year is intended to be equal to the amount of the distributions, if any, paid to the Carried Interest Holder for such fiscal year; subject to adjustments for prior loss allocations and such other adjustments as necessary to be made on a cumulative basis and subject to adjustments necessary to meet the Canadian or U.S. federal income tax standards, as applicable. For the avoidance of doubt, allocations of income and loss of the Holding LP will be made on a consistent basis for Canadian and U.S. income tax purposes, except to the extent of any difference arising solely because of one or more differences described in subsection 126(4.12) of the Tax Act.

Cash Flow Distributions

To the extent cash flow permits, and subject to any restrictions imposed on the Holding LP by any lenders under any debt financing, the Holding LP is expected to pay and distribute, from time to time, all cash flow from its investment in the JV LP. Cash flow will be distributed on a quarterly basis, with 1% distributed to the Holding GP LP, and the balance distributed to the limited partners of the Holding LP as follows, in each case without duplication and to the extent not previously distributed:

- (a) as to that portion of Distributable Cash comprised of proceeds received by the Holding LP as distributions on the JV LP Class B Units, to the holders of Holding LP Common Units on a pro rata basis in accordance with their respective proportion of Holding LP Common Units;
- (b) as to that portion of Distributable Cash comprised of proceeds received by the Holding LP as distributions on the JV LP Special LP Units, to the holders of Holding LP Special LP Units on a pro rata basis in accordance with their respective proportion of Holding LP Special LP Units; and
- (c) as to that portion of Distributable Cash from sources otherwise than as described above, to the holders of Holding LP Common Units on a pro rata basis in accordance with their respective proportion of Holding LP Common Units.

Notwithstanding the foregoing, the Holding GP LP may in its sole and unfettered discretion elect to not distribute cash flow in any period or to reduce the amount of any distribution of cash flow in whole or in part.

Distributions upon Wind-up, etc.

Upon the liquidation, dissolution or wind-up of the Holding LP, the assets of the Holding LP will be liquidated and the proceeds thereof will be distributed, as applicable, as follows:

- (a) first, to pay all unpaid expenses which are required to be paid under the Holding LP Agreement and all expenses incurred in the winding-up of the Holding LP;
- (b) second, to pay all of the liabilities of the Holding LP, including any loans or advances made by its limited partners and any amounts owing to the Holding GP LP in respect of costs and expenses owing to it as general partner;

- (c) third, to establish such reserves as the Holding GP LP as general partner considers necessary;
- (d) fourth, to pay to the partners of the Holding LP any unpaid portion of the distributions noted under “Description of Securities – The Holding LP – Cash Flow Distributions”.

Alternatively, the holders of the Holding LP Units may approve by a resolution of 66²/₃% of each voting class of the Holding LP Units distributions of all assets of the Holding LP, in which event the Holding GP LP and each holder of the Holding LP Units shall, subject to the provisions of the Holding LP Agreement, be entitled to receive an undivided interest in each and every asset of the Holding LP in accordance the proportionate amounts that would have been received if property were liquidated and distributed as described above.

Additional Capital Contributions

No limited partner of the Holding LP will be required to make additional capital contributions to the Holding LP over and above the purchase price paid for such limited partner’s Holding LP Units.

Management of the Holding LP

The Holding GP LP, as general partner of the Holding LP, will have exclusive authority over the management of the Holding LP, the conduct of its affairs, and the management and disposition of the property of the Holding LP, except for certain limited matters being subject to votes of the holders of the Holding LP Units and certain Investment Restrictions and Operating Policies contained in the Declaration of Trust, as described under “Investment Restrictions and Operating Policies”. The Holding GP LP will not have any rights to vote.

Removal of the Holding GP LP

Holders of the Holding LP Common Units may, by Ordinary Resolution and upon not less than 30 days’ written notice to the Holding GP LP, remove the Holding GP LP as general partner of the Holding LP without cause, and may immediately remove the Holding GP LP for cause, if such cause is not remedied after reasonable notice from the holders of the Holding LP Common Units. In either such case, the holders of the Holding LP Common Units will appoint, by Ordinary Resolution, concurrently with the removal, a replacement general partner to assume all of the responsibilities and obligations of the removed general partner, and the removed general partner will be released of its liabilities under the Holding LP Agreement and indemnified for any damages and expenses with respect to events which occur in relation to the Holding LP after the appointment of the new general partner.

Transfer of the Holding LP Units

The transfer of the Holding LP Units will be subject to a number of restrictions, including: (i) the Holding LP Units may not be transferred except to an affiliate in accordance with the terms of the Holding LP Agreement; and (ii) no transfer of the Holding LP Units will be accepted by the Holding GP LP unless a transfer form and power of attorney, duly completed and signed by the registered holder of the Holding LP Units has been remitted to the Holding GP LP. In addition, a transferee of the Holding LP Units must provide to the Holding GP LP such other instruments and documents as the Holding GP LP may require, in appropriate form, completed and executed in a manner acceptable to the Holding GP LP and must pay the administration fee, if any, required thereby. No transfer of the Holding LP Units may be made if it: (i) would result in the Holding LP becoming a “SIFT partnership” for purposes of the Tax Act; (ii) in the opinion of legal counsel, such transfer would result in the Holding LP being treated as a corporation for purposes of the Code; (iii) such transfer is effectuated through an “established securities market” or a “secondary market (or the substantial equivalent thereof)” within the meaning of Section 7704 of the Code; (iv) in the opinion of legal counsel for the Partnership, such transfer is reasonably likely to cause the Holding LP to fail to satisfy the 90% qualifying income test described in Section 7704(c) of the Code; or (v) in the opinion of legal counsel for the Holding LP, such transfer would require the registration of the Holding LP Units under the United States Securities Act of 1933, as amended, or would otherwise violate any applicable federal or state securities or blue sky law (including investment suitability standards). A transferee of a Holding LP Unit will not become a partner or be admitted to the Holding LP and will not be subject to the obligations and entitled to the rights of a partner under the Holding LP Agreement until the foregoing conditions are satisfied and such transferee is recorded on the Holding LP’s register of partners.

Amendments to the Holding LP Agreement

The Holding LP Agreement may be amended by a resolution of 66²/₃% of each voting class of the Holding LP Units, except for certain amendments which require unanimous approval of holders of the Holding LP Units and certain other amendments which require (only and not in addition) the approval of 50% of the Holding LP Common Units. Matters requiring unanimous approval of holders of the Holding LP Units include: (i) changing the liability of any limited partner; (ii) changing the right of a limited partner to vote at any meeting of holders of the Holding LP Units; and (iii) changing the Holding LP from a limited partnership to a general partnership. Matters requiring approval of 50% of the Holding LP Common Units include: (i) any removal of or change to the Holding GP LP, (ii) any amendment to the terms and conditions of the Holding LP Common Units, (iii) the issuance of any additional Holding LP Common Units, (iv) the creation of any class of the Holding LP Units having rights equal to or greater than those attaching to the Holding LP Common Units, (v) an amendment to the amending clause in respect of the Holding LP Common Units, (vi) approval of certain material transactions entered into with related parties of H&R REIT, and (vii) to consent to any action that would adversely affect the Holding LP Common Units, as applicable, and any interests therein.

The Holding GP LP may also make amendments to the Holding LP Agreement without the approval or consent of the limited partners to reflect, among other things: (i) a change in the name of the Holding LP or the location of the principal place of business or registered office of the Holding LP; (ii) the admission, substitution, withdrawal or removal of limited partners in accordance with the Holding LP Agreement (iii) a change that, as determined by the Holding GP LP, is reasonable and necessary or appropriate to qualify or continue the qualification of the Holding LP as a limited partnership in which the limited partners have limited liability under Applicable Laws; (iv) a change that, as determined by the Holding GP LP, is reasonable and necessary or appropriate to enable the Holding LP to take advantage of, or not be detrimentally affected by, changes in Applicable Laws relating to taxation; (v) creating or issuing one or more new classes or series of additional limited partnership interests; or (vi) a change to amend or add any provision, or to cure any ambiguity or to correct or supplement any provisions contained in the Holding LP Agreement which may be defective or inconsistent with any other provision contained in the Holding LP Agreement or which should be made to make the Holding LP Agreement consistent with the disclosure set out in this Prospectus.

Notwithstanding the foregoing: (i) no amendment which would adversely affect the rights and obligations of the Holding GP LP, as a general partner, may be made without the consent of the Holding GP LP; and (ii) no amendment which would adversely affect the rights and obligations of any other holders of limited partnership units or any class of limited partner differently than any other class of limited partner may be made without the consent of such holder or class.

7.4 The JV LP

The following is a summary only of certain of the material provisions that will be contained in the JV LP Agreement.

The rights and obligations of the JV GP and the parties holding the JV LP Units will be governed by the JV LP Agreement, as it will be amended and restated on or before the Closing Date, among the JV GP, the Current Owner and the Holding LP, and all persons who subsequently become limited partners of the JV LP. The REDT will indirectly invest in the JV LP through the REDT's investment of the Net Subscription Proceeds in the Investment LP, which in turn will invest in the Holding LP, which in turn will invest in the JV LP. Following the Acquisition, assuming the Maximum Offering is achieved, the REDT will have an indirect 70.9% interest in the JV LP and assuming the Minimum Offering is sold, the REDT will have an indirect 29.1% interest in the JV LP (inclusive in each case of a deemed capital contribution by the Holding LP equal to the amount of the Agent's Fee and determined in each case without reference to the Carried Interest.)

Capital in the JV LP

The capital of the JV LP consists of an unlimited number of the JV LP Class A Units, an unlimited number of the JV LP Class B Units, an unlimited number of Cost Overrun Units, an unlimited number of JV LP Special LP Units, plus the general partner interest held by the JV GP as general partner. The JV LP Class A Units will be held by the Current Owner, the JV LP Class B Units will be held by the Holding LP directly, representing the REDT's indirect interest in the JV LP, and the JV LP Special LP Units will be held by the Holding LP, for purposes of receiving distributions for payment to the holders of Holding LP Special LP Units. Cost Overrun Units will be authorized for issuance in connection with any cost overruns. The JV LP Class A Units, the JV LP Class B Units and the Cost Overrun Units may be issued in series with each series representing an indirect interest in a particular Project.

Allocation of Income and Losses for Tax and Accounting Purposes

For tax and accounting purposes, losses for each fiscal year of the JV LP will be allocated to the holders of the JV LP Class A Units, the JV LP Class B Units and Cost Overrun Units. For tax and accounting purposes, net income for each fiscal year of the JV LP will be allocated to the holders of the JV LP Units and the JV GP, as general partner of the JV LP, in the same manner and in the same priorities in which income received from the JV LP is ultimately distributed to such partners (or that would have been distributed in the year if there were sufficient distributions), provided for greater certainty that, to the extent possible, the amount of income and capital gains (including the non-taxable portion thereof) allocated to the Holder of the JV LP Special LP Units in respect thereof for each fiscal year is intended to be equal to the amount of the distributions, if any, paid on the JV LP Special LP Units for such fiscal year; subject to adjustments for prior loss allocations and such other adjustments as necessary to be made on a cumulative basis and subject to adjustments necessary to meet the Canadian or U.S. federal income tax standards, as applicable. For the avoidance of doubt, allocations of income and loss of the JV LP will be made on a consistent basis for Canadian and U.S. Federal income tax purposes, except to the extent of any difference arising solely because of one or more differences described in subsection 126(4.12) of the Tax Act.

Cash Flow Distributions

To the extent cash flow permits, and subject to any restrictions imposed on the JV LP by any lenders under any debt financing, the JV LP is expected to pay and distribute, from time to time, all cash flow from its investment in the applicable Project. Cash flow will be distributed on a quarterly basis, with 0.1% distributed to the JV GP, to a maximum of US\$1,000 in a single fiscal year, and with the balance distributed to the limited partners of the JV LP as follows, in each case without duplication and to the extent not previously distributed:

- (a) as to that portion of each dollar of Distributable Cash as is equal to the proportionate interest in the JV LP of the JV LP Class B Units (determined without reference to the JV LP Special LP Units):
 - (i) first, to the holder of the JV LP Class B Units until such holder (in its capacity as such and without regard to any distributions made on any other class of the JV LP Units held by it, if any) has received, in the aggregate, an amount equal to its Minimum Return, such distribution to be made as a reduction of capital to the extent of the capital contributed to the JV LP by such holder;
 - (ii) second:
 - (A) 20% to the holders of the JV LP Special LP Units, on a pro rata basis in accordance with their respective proportion of the JV LP Special LP Units; and
 - (B) 80% to the holder of the JV LP Class B Units,until such holder of the JV LP Class B Units (in its capacity as such and without regard to any distributions made on any other class of the JV LP Units held by it, if any) has received, in the aggregate, an amount equal to the Secondary Minimum Return; and
 - (iii) thereafter:
 - (A) 30% to the holders of the JV LP Special LP Units, on a pro rata basis in accordance with their respective proportion of the JV LP Special LP Units; and
 - (B) 70% to the holder of the JV LP Class B Units,
- (b) as to that portion of each dollar of Distributable Cash as is equal to the proportionate interest in the JV LP of the JV LP Class A Units (determined without reference to the JV LP Special LP Units):
 - (i) first, to the holders of the JV LP Class A Units, as a reduction of capital (to the extent of the capital contributed by each such holder to the JV LP), on a pro rata basis in accordance with their respective proportion of the JV LP Class A Units, until the holders of the JV LP Class A Units (in their capacity as such and without regard to any distributions made on any other class or classes of the JV LP Units

held by them, if any) have received, in the aggregate, an amount equal to their respective minimum return (being equivalent to the Minimum Return, *mutatis mutandis*);

(ii) second:

(A) 20% to the holders of the JV LP Special LP Units, on a pro rata basis in accordance with their respective proportion of the JV LP Special LP Units; and

(B) 80% to the holders of the JV LP Class A Units on a pro rata basis in accordance with their respective proportion of the JV LP Class A Units,

until the holders of the JV LP Class A Units (in their capacity as such and without regard to any distributions made on any other class of the JV LP Units held by them, if any) have received, in the aggregate, an amount equal to their respective secondary minimum return (being equivalent to the Secondary Minimum Return, *mutatis mutandis*); and

(iii) thereafter:

(A) 30% to the holders of the JV LP Special LP Units, on a pro rata basis in accordance with their respective proportion of JV LP Special LP Units; and

(B) 70% to the holders of the JV LP Class A Units on a pro rata basis in accordance with their respective proportion of the JV LP Class A Units, and

(c) as to that portion of each dollar of Distributable Cash as is equal to the proportionate interest in the JV LP of the Cost Overrun Units (determined without reference to the JV LP Special LP Units):

(i) first, to the holders of Cost Overrun Units, as a reduction of capital (to the extent of the capital contributed by each such holder to the JV LP), on a pro rata basis in accordance with their respective proportion of Cost Overrun Units, until the holders of the Cost Overrun Units (in their capacity as such and without regard to any distributions made on any other class or classes of the JV LP Units held by them, if any) have received, in the aggregate, an amount equal to their respective minimum return (being equivalent to the Minimum Return, *mutatis mutandis*);

(ii) second:

(A) 20% to the holders of the JV LP Special LP Units, on a pro rata basis in accordance with their respective proportion of the JV LP Special LP Units; and

(B) 80% to the holders of Cost Overrun Units on a pro rata basis in accordance with their respective proportion of Cost Overrun Units,

until the holders of the Cost Overrun Units (in their capacity as such and without regard to any distributions made on any other class of the JV LP Units held by them, if any) have received, in the aggregate, an amount equal to their respective secondary minimum return (being equivalent to the Secondary Minimum Return, *mutatis mutandis*); and

(iii) thereafter:

(A) 30% to the holders of the JV LP Special LP Units, on a pro rata basis in accordance with their respective proportion of the JV LP Special LP Units; and

(B) 70% to the holders of Cost Overrun Units on a pro rata basis in accordance with their respective proportion of Cost Overrun Units.

(d) For greater certainty, the foregoing calculations shall be made:

- (i) on a cumulative basis taking into account distributions for all prior periods; and
 - (ii) in respect of the determination of the amounts to be distributed to the holder of the JV LP Class B Units, on a look-through basis, with reference to the entitlements of the Units of the REDT on a class-by-class basis (and, to the extent applicable, the entitlements of holders of the Investment LP Units other than the REDT), such that, in the event that the JV LP has made distributions of Distributable Cash pursuant to the foregoing that are sufficient to allow the REDT to satisfy the Minimum Return or Secondary Minimum Return in respect of any class of Units of the REDT (and, to the extent applicable, the entitlements of holders of the Investment LP Units other than the Fund) (the “**Satisfied REDT Units**”), then that portion the cash otherwise distributable to the holder of the JV LP Class B Units that is equal to the respective proportionate interest of the class of Units of the REDT of the Satisfied REDT Units shall, in the case of the Minimum Return and/or the Secondary Minimum Return having been satisfied, be distributed to the holders of the JV LP Special LP Units in the manner described above.
- (e) Notwithstanding anything to the contrary above, if, from time to time, distributions (or any portion thereof) to be made to the holders of Cost Overrun Units would result in such holders receiving aggregate distributions in an amount exceeding the pre-tax investor gross compounded annualized return to the Class U Units, adjusted to assume no Agent’s Fees were paid, the entitlement of the holders of Cost Overrun Units to receive further distributions shall be suspended to the extent of such overage, unless and until (and to the extent that) such additional distributions would not result in the holders of Cost Overrun Units receiving aggregate distributions in an amount exceeding the pre-tax investor gross compounded annualized return to the Class U Units (whether issued or deemed to be issued). During the occurrence of such a suspension, proportionate interests of the limited partners of the Holding LP shall be determined without regard to the Cost Overrun Units and the provisions described above relating to distributions shall, for such period, be deemed to have been amended *mutatis mutandis*. Notwithstanding the foregoing, the JV GP may in its sole and unfettered discretion elect to not distribute cash flow in any period or to reduce the amount of any distribution of cash flow in whole or in part.

Distributions upon Wind-up, etc.

Upon the liquidation, dissolution or wind-up of the JV LP, the assets of the JV LP will be liquidated and the proceeds thereof will be distributed as follows:

- (a) first, to pay all unpaid expenses which are required to be paid under the JV LP Agreement and all expenses incurred in the winding-up of the JV LP;
- (b) second, to pay all of the liabilities of the JV LP, including any loans or advances made by its limited partners and any amounts owing to the JV GP in respect of costs and expenses owing to it as general partner;
- (c) third, to establish such reserves as the JV GP as general partner considers necessary; and
- (d) fourth, to pay to the partners of the JV LP any unpaid portion of the distributions noted in (a) and (b) under “Description of Securities – The JV LP – Cash Flow Distributions”.

Alternatively, the holders of the JV LP Units of the JV LP may approve by a resolution of 66²/₃% of each voting class of the JV LP Units distributions of all assets of the JV LP, in which event the JV GP and each holder of the JV LP Units shall, subject to the provisions of the JV LP Agreement, be entitled to receive an undivided interest in each and every asset of the JV LP in accordance the proportionate amounts that would have been received if property were liquidated and distributed as described above.

Cost Overruns and Additional Capital Contributions

Except as set out below, no limited partner of the JV LP will be required to make additional capital contributions to the JV LP over and above the purchase price paid for such limited partner’s units.

In the event of a cost overrun for the Projects requiring additional equity capital, the Current Owner has agreed, among other things, to subscribe for Cost Overrun Units in order to fund such cost overrun. The Current Owner has irrevocably committed to subscribe for the Cost Overrun Units, and to pay the full subscription price in respect thereof, as and when required.

The REDT is not and will not be obligated to fund any cost overruns. In the event of a cost overrun, the subscription for Cost Overrun Units will result in indirect dilution of the REDT's interest in the applicable Project. See "Risk Factors".

Liquidity Provisions

The Current Owner and the REDT have agreed to certain liquidity rights in order to facilitate the sale of one or both of the Projects, which can be initiated by the Current Owner (the "**H&R Liquidity Option**") at any time during the period beginning on the first anniversary of the Closing Date and ending immediately prior to the 60th day before the end of the Term (including subject to any applicable, permitted extensions (including by Special Resolution of the Unitholders)), and by the REDT (the "**REDT Liquidity Option**") at any time during the 30 days following the 60th day before the expiry of the Term (including subject to any applicable, permitted extensions (including by Special Resolution of the Unitholders)). The REDT and the Current Owner shall each appoint an independent, third party appraiser to obtain separate appraisals of each of the Projects. Following receipt of the appraisals, the Current Owner will have 30 days to agree to acquire the Projects or the JV LP Class B Units representing the REDT's ownership interests of one or both of the Projects, at the purchase price (the "**Liquidity Option Price**") established below:

H&R Liquidity Option

- (a) If the H&R Liquidity Option is exercised during the period beginning on the first anniversary of the Closing Date and ending prior to the date that is the earlier of (i) the commencement date of lease-up and (ii) the date that is 30 months following the Closing Date, the Liquidity Option Price shall be equal to pre-tax amount that would be distributed (or be available for distribution) if either or both of the Projects, as applicable, were sold for the greater of: (A) a price which would result in Unitholders achieving a pre-tax investor gross compounded annualized return equal to 25% (calculated based on the annualized return for the U.S. Dollar Units), before fees and Carried Interest; and (B) the mid-point of the two appraisals. In either case, the Liquidity Option Price shall be allocated among the Projects based on their relative proportions of the aggregate of the appraised values of the Projects as a whole, and the Current Owner shall be permitted to offer to purchase one or both of the Projects (or the JV LP Class B Units representing the ownership interests in one or both of the Projects), at its discretion.
- (b) If the H&R Liquidity Option is exercised during the period beginning on the date that is the earlier of (i) the commencement date of lease-up and (ii) the date that is 30 months following the Closing Date, and ending immediately prior to the 60th day before the end of the Term (including subject to any applicable, permitted extensions (including by Special Resolution of the Unitholders)), the Liquidity Option Price shall be equal to the pre-tax amount that would be distributed (or be available for distribution) if either or both of the Projects, as applicable, were sold for the greater of: (A) the value of the Liquidity Event modelled in the pro forma of the Projects (being approximately US\$115.0 million for the Bayside Project and US\$149.3 million for the Sunrise Project); and (B) either (i) the mid-point of the two appraisals, or (ii) if the higher appraisal is more than 110% of the lower appraisal, a third appraisal shall be obtained and the price shall be the mid-point of the two closest appraisals among the three appraisals. In either case, the Liquidity Option Price shall be calculated based on the Project specific appraisal and modelled pro forma price. The Current Owner shall be permitted to offer to purchase one or both of the Projects (or the JV LP Class B Units representing the ownership interests in one or both of the Projects), at its discretion.

REDT Liquidity Option

- (c) If the REDT Liquidity Option is exercised during the 30 days following the 60th day before the expiry of the Term (including subject to any applicable, permitted extensions (including by Special Resolution of the Unitholders)), the Liquidity Option Price shall be equal to the pre-tax amount that would be distributed (or be available for distribution) if both of the Projects were sold for the greater of: (A) the value of the Liquidity Event modelled in the pro forma of both of the Projects (being approximately US\$264.3 million); and (B) either (i) the mid-point of the two appraisals, or (ii) if the higher appraisal is more than 110% of the lower appraisal, a third appraisal shall be obtained and the price shall be the mid-point of the two closest appraisals among the three appraisals. In either case, the Liquidity Option

Price shall be allocated among the Projects based on their relative proportions of the aggregate of the appraised values of the Projects as a whole, and the Current Owner shall be permitted, but not obligated, to purchase both, but not one, of the Projects (or the JV LP Class B Units representing the ownership interests in both of the Projects).

If the Current Owner has not exercised the H&R Liquidity Option, and does not offer to purchase the Projects pursuant to the REDT Liquidity Option within the Appraisal Receipt Period, the REDT will have the right, during the 60-day period following the expiry of the Appraisal Receipt Period, to initiate a sales process for the entirety of the Project(s) (the “**Sale Process**”), pursuant to which the Projects may be sold to one or more third parties at any price (the “**Sale Process Price**”), provided that the Current Owner shall be permitted to bid during the Sale Process. If the REDT is able to identify an acquiror that is not the Current Owner, the REDT shall have the right to require that the Current Owner sell its limited partner interests in the JV LP or its interest in the Projects, as applicable, at the applicable proportion that such interests represent of the Sale Process Price. In the event that the REDT is only able to identify a buyer for one but not both of the Projects, the REDT shall be permitted to sell such Project to such buyer at the applicable Sale Process Price, and the REDT shall have the right to require that the Current Owner sell its interest in such Project and/or cause the sale by the JV LP of such Project.

Any transaction involving both Projects or all of the JV LP Class B LP Units to be completed pursuant to the H&R Liquidity Option, the REDT Liquidity Option or the Sale Process will be subject to approval by the Unitholders by Special Resolution.

Following completion of the H&R Liquidity Option, REDT Liquidity Option or the Sale Process, as applicable, the REDT will distribute, or will direct the JV LP to distribute, the available net proceeds to the Unitholders, subject to the applicable portion (if any) of such proceeds payable to the Current Owner and/or the Carried Interest Holder in respect of the Current Owner’s proportionate interest in the Projects and the Carried Interest.

Notwithstanding anything to the contrary in the foregoing, the REDT and Current Owner shall work together to structure the occurrence of the Liquidity Event, or the transaction completed pursuant to the H&R Liquidity Option, REDT Liquidity Option or Sale Process (in each case, and together with the Liquidity Event, a “**Sale Transaction**”), in a manner that is mutually tax efficient for the parties, including that if the expected U.S. federal income tax required to be withheld on such disposition is higher than the expected U.S. federal income tax liability of the Investment LP on the gain realized from such disposition, then the REDT (on behalf of the Investment LP) and the Current Owner intend to take steps, if available, in order to mitigate the amount of U.S. federal income tax required to be withheld. Further, the Current Owner shall have the right in connection with a proposed or anticipated Sale Transaction to extract its proportionate interest in one or both of the Projects from the JV LP through a redemption of the JV LP Class A Units representing the ownership interests in one or both Projects, provided that any such extraction shall not affect the allocation of proceeds or income from such sale as between the Unitholders on the one hand and the Current Owner and its affiliates on the other hand. In the event that such Sale Transaction does not proceed, the REDT shall have the right to cause JV LP to repurchase the Current Owner’s interest in the Projects in consideration for the issuance of one or more series of JV LP Class A Units.

Management of the JV LP

The JV GP, as general partner of the JV LP, will have exclusive authority over the management of the JV LP, the conduct of its affairs, and the management and disposition of the property of the JV LP, except for certain limited matters being subject to votes of the holders of the JV LP Units and certain Investment Restrictions and Operating Policies contained in the Declaration of Trust, as described under “Investment Restrictions and Operating Policies”. The JV GP will not have any rights to vote.

Removal of the JV GP

Holders of the JV LP Class B Units may, by Ordinary Resolution and upon not less than 30 days’ written notice to the JV GP, remove the JV GP as general partner of the JV LP without cause, and may immediately remove the JV GP for cause, if such cause is not remedied after reasonable notice from the holders of the JV LP Class B Units. In either such case, the holders of the JV LP Class B Units will appoint, by Ordinary Resolution, concurrently with the removal, a replacement general partner to assume all of the responsibilities and obligations of the removed general partner, and the removed general partner will be released of its liabilities under the JV LP Agreement and indemnified for any damages and expenses with respect to events which occur in relation to the JV LP after the appointment of the new general partner.

Transfer of the JV LP Units

The transfer of the JV LP Units will be subject to a number of restrictions, including: (i) the JV LP Units may not be transferred except to an affiliate in accordance with the terms of the JV LP Agreement or pursuant to the Liquidity Option described above under “Description of Securities – The REDT – Termination of the REDT”; and (ii) no transfer of the JV LP Units will be accepted by the JV GP unless a transfer form and power of attorney, duly completed and signed by the registered holder of the JV LP Units has been remitted to the JV GP. In addition, a transferee of the JV LP Units must provide to the JV GP such other instruments and documents as the JV GP may require, in appropriate form, completed and executed in a manner acceptable to the JV GP and must pay the administration fee, if any, required thereby. No transfer of the JV LP Units may be made if it: (i) would result in the JV LP becoming a “SIFT partnership” for purposes of the Tax Act; (ii) in the opinion of legal counsel, such transfer would result in the JV LP being treated as a corporation for purposes of the Code; (iii) such transfer is effectuated through an “established securities market” or a “secondary market (or the substantial equivalent thereof)” within the meaning of Section 7704 of the Code; (iv) in the opinion of legal counsel for the Partnership, such transfer is reasonably likely to cause the JV LP to fail to satisfy the 90% qualifying income test described in Section 7704(c) of the Code; or (v) in the opinion of legal counsel for the JV LP, such transfer would require the registration of the JV LP Units under the United States Securities Act of 1933, as amended, or would otherwise violate any applicable federal or state securities or blue sky law (including investment suitability standards). A transferee of a JV LP Unit will not become a partner or be admitted to the JV LP and will not be subject to the obligations and entitled to the rights of a partner under the JV LP Agreement until the foregoing conditions are satisfied and such transferee is recorded on the JV LP’s register of partners.

Amendments to the JV LP Agreement

The JV LP Agreement may be amended by a resolution of 66²/₃% of each voting class of the JV LP Units, except for certain amendments which require unanimous approval of holders of the JV LP Units and certain other amendments which require (only and not in addition) the approval of 50% of the JV LP Class B Units. Matters requiring unanimous approval of holders of the JV LP Units include: (i) changing the liability of any limited partner; (ii) changing the right of a limited partner to vote at any meeting of holders of the JV LP Units; and (iii) changing the JV LP from a limited partnership to a general partnership. Matters requiring approval of 50% of the JV LP Class B Units include: (i) any removal of or change to the JV GP, (ii) any amendment to the terms and conditions of the JV LP Class B Units, (iii) the issuance of any additional JV LP Class B Units, (iv) the creation of any class of the JV LP Units having rights equal to or greater than those attaching to the JV LP Class B Units, (v) an amendment to the amending clause in respect of the JV LP Class B Units, (vi) approval of certain material transactions entered into with related parties of H&R REIT, and (vii) to consent to any action that would adversely affect the JV LP Class B Units, as applicable, and any interests therein.

The JV GP may also make amendments to the JV LP Agreement without the approval or consent of the limited partners to reflect, among other things: (i) a change in the name of the JV LP or the location of the principal place of business or registered office of the JV LP; (ii) the admission, substitution, withdrawal or removal of limited partners in accordance with the JV LP Agreement; (iii) a change that, as determined by the JV GP, is reasonable and necessary or appropriate to qualify or continue the qualification of the JV LP as a limited partnership in which the limited partners have limited liability under Applicable Laws; (iv) a change that, as determined by the JV GP, is reasonable and necessary or appropriate to enable the JV LP to take advantage of, or not be detrimentally affected by, changes in Applicable Laws relating to taxation; (v) creating or issuing one or more new classes or series of additional limited partnership interests; or (vi) a change to amend or add any provision, or to cure any ambiguity or to correct or supplement any provisions contained in the JV LP Agreement which may be defective or inconsistent with any other provision contained in the JV LP Agreement or which should be made to make the JV LP Agreement consistent with the disclosure set out in this Prospectus.

Notwithstanding the foregoing: (i) no amendment which would adversely affect the rights and obligations of the JV GP, as a general partner, may be made without the consent of the JV GP; and (ii) no amendment which would adversely affect the rights and obligations of any other holders of limited partnership units or any class of limited partner differently than any other class of limited partner may be made without the consent of such holder or class.

8. CAPITALIZATION

8.1 Existing and Proposed Capitalization

The following table summarizes information about the outstanding securities of the REDT:

Description of Security	Number Authorized to be Issued	Number Outstanding and Carrying Value as at February 12, 2024	Number Outstanding and Carrying Value after Offering	
			(Assuming Minimum Offering)	(Assuming Maximum Offering)
Initial contribution by H&R REIT, as settlor	unlimited	US\$10.00	US\$10.00	US\$10.00
Class A Units, Class E Units, Class F Units and Class U Units	unlimited	Nil	US\$42,000,000 ⁽¹⁾	US\$52,000,000 ⁽¹⁾

Note:

- (1) The number of Class A Units, Class E Units, Class F Units and Class U Units outstanding after the Offering and any concurrent private placement will be the number of Class A Units, Class E Units, Class F Units and Class U Units purchased which equals US\$42,000,000 in the case of the Minimum Offering and US\$52,000,000 in the case of the Maximum Offering.

8.2 Long-Term Debt

The Projects will target a maximum overall loan-to-cost ratio of approximately 65% of the cost to develop the Projects. However, the maximum loan-to-cost ratio for each Project will be limited to 75% of the cost to develop each Project in accordance with the Declaration of Trust. In accordance with the Construction Loan Term Sheet, the Projects will obtain debt financing from H&R REIT. H&R REIT in turn will have the option, at its discretion, to seek third party financing to fund the debt financing to the Projects. The construction loan will be secured by a first priority mortgage on the Projects, with an initial maximum amount available of 65% of the loan-to-cost ratio for the Projects, which is currently estimated to be US\$136.2 million, to be drawn as construction progresses, and initially allocated (based on a maximum of US\$136.2 million) US\$59.6 million to the Bayside Project and US\$76.6 million to the Sunrise Project. The loan-to-cost ratio for the Projects will not exceed 70% pursuant to the terms of the debt financing. The construction loan will be provided at a fixed 9% per annum interest rate, payable monthly in arrears, regardless of whether H&R REIT seeks third party financing or the rate of such third party financing. The term of the construction loan will be four years, subject to two one-year extensions, at the lender's option, with interest only payments during the term. The construction loan will be subject to an origination fee of 50 basis points. If the lender elects to structure the construction loan as a mezzanine loan, then the JV LP and/or the applicable Property LP shall pay to the lender an amount equal to the mortgage tax, intangible tax, and other similar taxes which would have been payable if the construction loan were structured as a mortgage loan. The construction loan terms will also include certain customary covenants.

9. PRIOR SALES

There have been no prior sales of securities of the REDT, other than the initial Class U Unit issued to H&R REIT, as the settlor of the REDT in return for the initial contribution of US\$10.00, which will be automatically redeemed upon closing of the Offering.

10. TRUSTEES AND EXECUTIVE OFFICERS

10.1 Name, Address, Occupation and Security Holdings

The following are the names, ages and city, province or state and country of residence of each of the individuals who are the Trustees and executive officers of the REDT and their principal occupations during the last five years.

Name, Province or State and Country of Residence	Position/Title ⁽¹⁾	Principal Occupation	Term as Trustee
Samantha Adams Age:52 Vancouver, B.C., Canada	Independent Trustee	Consultant providing early-stage real estate advisory services (self-employed)	February 12, 2024 to present
Andrew Elbaz Age:47 Vancouver, B.C., Canada	Independent Trustee	Partner, Cozen O'Connor LLP	February 12, 2024 to present
Thomas J. Hofstedter Age: 70 Toronto, Ontario, Canada	Trustee	Executive Chairman and Chief Executive Officer, H&R Real Estate Investment Trust	February 12, 2024 to present
Mark Johnson Age:60 Toronto, Ontario, Canada	Independent Trustee and Chair of the Board	Advisor to the Alvin Group	February 12, 2024 to present
Michael Loeb Age: 39 New York City, New York, USA	Trustee and Chief Executive Officer	Executive Vice President, Corporate Development, Lantower Residential	February 12, 2024 to present
Cheryl Fried ⁽¹⁾ Age: 59 Toronto, Ontario, Canada	Chief Financial Officer	Executive Vice President, Finance, H&R Real Estate Investment Trust	N/A
Hunter Webb ⁽¹⁾ Age: 35 Dallas, Texas, USA	Chief Development Officer	Executive Vice President, Development, Lantower Residential	N/A

Notes:

- (1) The individuals acting in the capacity of the REDT's executive officers are not employed by the REDT or any of its Subsidiaries, but rather are employees of the Manager or an affiliate of the Manager and provide services to the REDT and JV LP on behalf of the Manager, pursuant to the Management Agreement.

Personal Profiles

Set out below is a biography of each of the Trustees and executive officers of the REDT, as applicable, for the past five years or more.

Samantha Adams, Independent Trustee

Samantha Adams is a senior real estate and public company executive with over 20 years of experience in Canada and the United States from 2003 to the present. From 2003 to 2019, Ms. Adams worked with the Vancouver-based Sunstone Group of companies as one of four principals, where she was responsible for the operations of over 50 Canadian commercial properties, and was actively involved in three of Canada's most successful public real estate platforms. From September 2016 to September 2019, Ms. Adams acted as the Senior Vice President of Pure Multi-Family REIT LP ("**Pure Multi-Family**"), which at the time of its initial public offering, was Canada's only pure-play cross border multi-family REIT. She was involved in both property management and asset management functions for Pure Multi-Family REIT LP. Ms. Adams has also acted as the Vice President of Pure Industrial Real Estate Trust ("**PIRET**") for over a decade in a variety of leadership roles. Ms. Adams' public company knowledge and experience extends from pre-initial public offering structuring and tax considerations, through

to the successful sale of a public company. She reported to both the PIRET and Pure Multi- Family boards, with which she worked closely to create and comply with all governance and operational charters, policies and procedures, and liaised and worked with outside advisors, including legal, tax, audit and investment bankers. In her various roles, Ms. Adams has also reported directly to audit and governance committees. Ms. Adams received her BA (Honours) from Queen's University and is currently the lead independent trustee for AIP Realty Trust.

Andrew Elbaz, Independent Trustee

Andrew Elbaz is a partner at Cozen O'Connor LLP, a law firm with over 800 lawyers in Canada and the United States. Mr. Elbaz is co-chair of the firm's Canadian capital markets & securities practice. Mr. Elbaz concentrates his practice on public offerings, initial public offerings, mergers & acquisitions, and joint ventures in a variety of industries ranging from life sciences, real estate, mining and oil & gas. Mr. Elbaz represents public and private companies as well as family offices based in Canada, the United States and around the globe where he offers strategic advice to boards of directors on matters ranging from strategic acquisitions, corporate governance and accessing capital markets. Mr. Elbaz also regularly acts for leading investment banks based in Canada and the United States on cross-border public and private offerings and M&A transactions. Mr. Elbaz earned his LL.B at Dalhousie University and a Bachelor of Civil Law degree at Université de Montréal.

Thomas J. Hofstedter, Trustee

Tom Hofstedter is the Executive Chairman and Chief Executive Officer of H&R REIT (TSX: HR.UN) and has been the Chief Executive Officer since its creation in December 1996. In this role, Mr. Hofstedter applies a disciplined strategy to acquisition and selective development. Mr. Hofstedter is also a member of the Investment Committee with more than 40 years of experience in the commercial and residential real estate sector in North America. Mr. Hofstedter was also President and Chief Executive Officer of H&R Finance Trust from its creation in October 2008 to its wind-up in August 2018. Prior to joining H&R REIT, Mr. Hofstedter was head of H&R Development's commercial division. Mr. Hofstedter attended the University of Toronto and became a member of The Institute of Chartered Accountants in 1978.

Mark Johnson, Independent Trustee and Chair of the Board

Mark Johnson has a 35 year history in the financial services industry. Retiring from CIBC in 2022 after 23 years of service, Mr. Johnson was the Co-Head, Real Estate, Global Investment Banking. Leading his team, he was responsible for delivering a broad range of investment banking services including public debt and equity offerings, initial public offerings, mergers & acquisitions, property brokerage, credit and strategic advisory services. In May 2021, Mr. Johnson was appointed Chair of the Equity Due Diligence Committee for CIBC Capital Markets. The committee was responsible for reviewing the due diligence approach for equity issuance involving CIBC across all industry groups. Before joining the Real Estate group, Mr. Johnson was an Executive Director in the CIBC Equity Capital Markets group which was responsible for equity new issuance across all industry groups. Prior to CIBC, Mr. Johnson spent seven years at TD Securities Inc. in the Corporate Finance and Equity Capital Markets Group. Currently, Mr. Johnson is an advisor to the Alvin Group, a family office based in Toronto. Mr. Johnson received his CPA (CA) designation from the Canadian Institute of Chartered Accountants in 1990. He holds his MBA from the University of Toronto and a Bachelor of Arts (Economics) from the University of Western Ontario. From 2006-2014, Mr. Johnson acted as Treasurer and Board Member for Community Living Toronto, an organization that supports individuals with intellectual disabilities. In 2014, Mr. Johnson joined the Board of the Holland Bloorview Kids Rehabilitation Hospital Foundation, where he is currently a member of both the Hospital and Foundation Boards.

Michael Loeb, Trustee and Chief Executive Officer

Michael Loeb is currently Lantower Residential's Executive Vice President of Corporate Development. Mr. Loeb has been working at Lantower Residential since June 2019. Mr. Loeb plays a key role in development and acquisitions across the Lantower Residential portfolio, with a particular focus on the North East region. Prior to Lantower Residential, Mr. Loeb worked as a real estate attorney in New York City, where his practice focused on all aspects of commercial real estate transactions. Mr. Loeb received his Juris Doctor from Fordham University School of Law in 2013, where he received the Milton Young Prize for Taxation.

Cheryl Fried, Chief Financial Officer

Cheryl Fried joined H&R REIT in 2006 as Controller, was promoted to Vice President, Accounting in 2010 and Executive Vice President, Finance in 2014. As Executive Vice President, Finance, Ms. Fried is responsible for overseeing corporate finance, accounting and public reporting of H&R REIT. Prior to joining H&R REIT, Ms. Fried was a manager at KPMG where she serviced clients in the real estate industry. Ms. Fried earned a Bachelor of Arts at The City University of New York and holds a Chartered Accountant designation.

Hunter Webb, Chief Development Officer

Hunter Webb is the Executive Vice President of Development at Lantower Residential and oversees the ground-up development department. Previously, he oversaw the acquisitions department at Lantower Residential which managed over \$1.3 billion of multifamily acquisitions. Mr. Webb was responsible for starting Lantower Residential's ground-up development platform where he leads the \$1.7 billion development pipeline of over 5,000 units in the Sun Belt. Prior to joining Lantower Residential, Mr. Webb worked in other finance and acquisition roles where he was responsible for underwriting, analytics, and financing of multifamily investments. Mr. Webb graduated with an MBA from Northwestern University, Kellogg School of Management and also holds the CCIM designation. He is a member of the Urban Land Institute (ULI) and the National Multifamily Housing Council (NMHC).

Security Holdings of Trustees and Executive Officers

Following completion of the Offering, the Trustees and executive officers of the REDT, as a group, are not expected to beneficially own, control or direct, directly or indirectly, any of the REDT's issued and outstanding Units, and, other than through their ownership of securities of H&R REIT, will not have a direct or indirect equity interest in the Projects.

Insurance Coverage for Trustees and Officers and Indemnification

The REDT and its Subsidiaries will obtain or cause to be obtained a policy or policies of insurance for the Trustees and executive officers of the REDT and each of its corporate Subsidiaries. Under such policy or policies, each REDT Entity will have reimbursement coverage to the extent that it has indemnified the Trustees, directors and officers, as applicable. The policy or policies will include securities claims coverage, insuring against any legal obligation to pay on account of any securities claims brought against the REDT and its Subsidiaries, and their trustees, directors and officers, as applicable. In addition, the REDT and its Subsidiaries will each indemnify its trustees, directors and officers, as applicable, from and against liability and costs in respect of any action or suit brought against them in connection with the execution of their duties of office.

10.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Cease Trade Orders

At the date of this Prospectus, no Trustee or executive officer of the REDT or promoter of the REDT is, or was within 10 years prior to the date of this Prospectus, a director, chief executive officer or chief financial officer of any company that:

- (a) was subject to 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, that was in effect for a period of more than 30 consecutive days, that was issued while the director, executive officer or promoter was acting in the capacity as director, chief executive officer or chief financial officer of the relevant company; or
- (b) was subject to 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, that was in effect for a period of more than 30 consecutive days, that was issued after the director, executive officer or promoter 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.

Penalties or Sanctions

At the date of this Prospectus, no Trustee or executive officer of the REDT or promoter of the REDT or any Unitholder holding a sufficient number of securities to affect materially the control of the REDT, is or had been, within 10 years prior to the date of this Prospectus, subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Bankruptcies

No director or executive officer of the REDT or promoter of the REDT, or a Unitholder holding a sufficient number of securities to affect materially the control of the REDT:

- (a) is, at the date of this Prospectus, or has been within 10 years prior to the date of this Prospectus, a director or executive officer of any company (including the REDT) 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; or
- (b) has, within 10 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 the director, executive officer, promoter or Unitholder.

11. H&R REIT AND THE MANAGEMENT AGREEMENT

11.1 H&R REIT

The REDT will be managed by the Canadian Manager and the JV LP will be managed by the U.S. Manager, each a subsidiary of H&R REIT. The Canadian Manager will be primarily engaged in the management of the REDT and the U.S. Manager will be primarily engaged in the development and construction of the Projects.

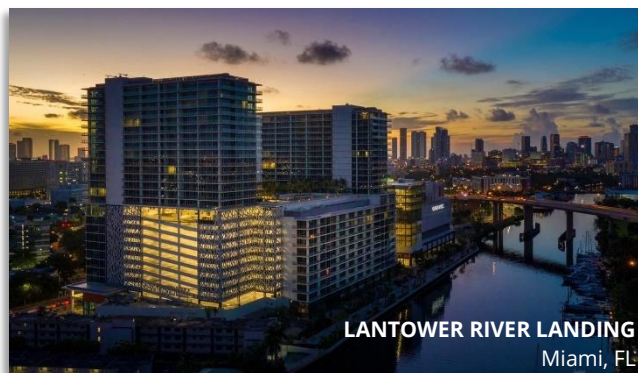
H&R REIT (TSX: HR.UN) is one of Canada's largest fully internalized real estate investment trusts with total assets of \$10.8 billion at December 31, 2023. H&R REIT has ownership interests in a North American portfolio of high quality residential, industrial, retail and office properties comprising over 26.9 million square feet. H&R REIT's strategy is to create a simplified, growth-oriented business focused on residential and industrial properties in order to create sustainable long-term value for unitholders. H&R REIT's target is to be a leading owner, operator and developer of residential and industrial properties, creating value through redevelopment and greenfield development in prime locations within, among other markets, high growth U.S. Sun Belt and gateway cities.

Lantower Residential, a subsidiary of H&R REIT, is a vertically integrated multifamily real estate company based in Dallas, Texas, focused on acquiring, developing, financing, and managing multifamily communities in the U.S. Lantower Residential focuses on driving growth and maximizing value through its disciplined investment strategy and portfolio management. Lantower Residential consists of 24 residential properties in select markets in the United States comprising 8,166 residential rental units, at H&R REIT's ownership interest. In addition to hosting all capacities internally (property management, operations, accounting, human resources, marketing, asset management, etc.), Lantower Residential has an in-house development team that has over 5,000 residential rental units in the pipeline at various stages of zoning, pre-development, development and construction. Lantower Residential uses its vast network of landowners, brokers, architects, engineers, contractors and consultants to exploit accretive U.S. Sun Belt development opportunities, primarily across Texas and Florida. Lantower Residential's in-house team manages the entire real estate development life cycle from land sourcing and the entitlement process to development and design with architects and engineers and ultimately through construction and general

contractor management. Lantower Residential is led by a team of executives supported by over 50 corporate employees with vast experience across all sectors of the multifamily residential business. The teams operate alongside each other to deliver results that lead to successful investment outcomes.

H&R REIT's recent ground-up developments such as the 528-unit River Landing development in Miami, and the 413-unit West Love and 350-unit Midtown developments in Dallas are examples of H&R REIT's intent to grow its portfolio with accretive residential development projects across the U.S. Sun Belt.

Representative Projects



11.2 The Management Agreement

The following is a summary of certain material provisions of the Management Agreement. This summary does not purport to be complete and reference should be made to the agreement itself, a copy of which will be made available promptly and in any event within ten days after its execution on the REDT's issuer profile on SEDAR+ at www.sedarplus.com.

Pursuant to the terms of the Management Agreement to be entered into among the REDT, the JV LP, the Canadian Manager and the U.S. Manager, the Canadian Manager will be appointed as the sole and exclusive manager of the affairs of the REDT and the U.S. Manager will be appointed as the sole and exclusive manager of the affairs of the JV LP, and in turn, the Projects. For greater certainty, the REDT will receive management services only from the Canadian Manager. The Manager will provide the REDT and the JV LP with the strategic, advisory, asset management, administrative, property management, leasing, construction management and administrative services necessary to manage the day-to-day operations of the REDT and the Projects. In carrying out its obligations under the Management Agreement, the Manager will be required to exercise its powers and discharge its duties diligently, honestly, in good faith and in the best interests of the REDT, including exercising the standard of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances. For greater certainty, the REDT will be managed by the Canadian Manager and the JV LP will be managed by the U.S. Manager. The U.S.

Manager will provide all such services related to the Projects. The REDT will receive management services only from the Canadian Manager.

The services to be provided by the Manager under the terms of the Management Agreement include, without limitation: (a) the structuring of the Offering, the REDT and the JV LP, (b) liaising with legal and tax counsel, (c) maintaining ongoing relationships with real estate brokers and Lenders in respect of debt financing for the Projects, (d) conducting continuous analysis of market conditions to monitor the REDT's indirect investment in the Projects, (e) advising the REDT with respect to the disposition of the Projects, (f) providing investor communication and reporting services to the REDT, and (g) doing all such other acts or things and entering into agreements or documents on behalf of the REDT to seek to achieve the investment objectives of the REDT.

Notwithstanding the above, it may at times be prudent for the Manager to delegate certain of its responsibilities under the Management Agreement to third party providers. In the event that the Manager was to outsource any of its obligations under the Management Agreement, such delegation will be done at the expense of the Manager and will not relieve the Manager of its obligations under the Management Agreement.

The personnel engaged by the Manager will not be employees of the REDT. The Manager will provide such administrative, executive and management personnel as may be reasonably necessary to perform its obligations by using its own employees or leased employees and will therefore be responsible for all employment matters with respect to such employees. Pursuant to the terms of the Management Agreement, the Manager will bear all costs and expenses incurred by the Manager in connection with all salaries, employee expenses, office rent and equipment, and other expenses customarily considered to be overhead expenses. The Manager will provide the services of each of Michael Loeb, as Chief Executive Officer, Cheryl Fried, as Chief Financial Officer and Hunter Webb, as Chief Development Officer to the REDT.

The term of the Management Agreement will continue, subject to earlier termination in certain circumstances, until the winding-up or dissolution of the REDT. The Management Agreement can be terminated early in certain circumstances, including (i) upon the dissolution, liquidation, bankruptcy, insolvency or winding-up of the Manager; (ii) in the event that H&R REIT no longer controls the Manager; and (iii) breach of the Manager's standard of care, which breach may be disputed by the Manager acting in good faith by referring the matter to arbitration, the decision resulting from such arbitration to be final. The Management Agreement shall not terminate until the arbitrator renders a decision.

The Management Agreement contains indemnification provisions whereby the REDT indemnifies the Manager against any loss, expense, damage or injury suffered in the scope of its authority under the Management Agreement, provided the same does not result from wilful misconduct, bad faith, fraud, gross negligence or breach of its standard of care owed under the Management Agreement. In addition, under the Management Agreement, the Manager indemnifies the REDT against any loss, expense, damage or injury suffered as a result of the Manager's wilful misconduct, bad faith, fraud, gross negligence or breach of its standard of care owed under the Management Agreement.

In consideration for the Manager's services, the JV LP will pay the U.S. Manager an asset management fee (the "**Asset Management Fee**") equal to 1% per annum of the Gross Subscription Proceeds. The Asset Management Fee will accrue on a monthly basis until the earlier of a Liquidity Event and the date which is three and a half years following the Closing Date but will only be payable following a Liquidity Event and provided that the Minimum Return is achieved. The Manager will not receive payment of the Asset Management Fee during the development phase of the Projects. In the event that a Liquidity Event is proposed by the Manager that would result in the Minimum Return being achieved but is not approved by Unitholders, the Asset Management Fee will continue to accrue until such time as a Liquidity Event is achieved.

11.3 Potential Conflicts of Interest (Manager, Trustees and Officers)

The Canadian Manager and the U.S. Manager are owned (directly and indirectly) and controlled by H&R REIT. Pursuant to the Management Agreement, the U.S. Manager will be receiving various fees and payments from the REDT (through the JV LP) in respect of the asset management and other services provided thereunder in respect of the Projects, and the Canadian Manager will be entitled to cost reimbursement pursuant to the Management Agreement. H&R REIT, through the Current Owner's indirect investment in the Projects, will be entitled to the Carried Interest. In addition, each of: (i) Thomas J. Hofstedter, a representative of H&R REIT, and Michael Loeb, an employee of Lantower, are Trustees of the REDT; and (ii) Michael Loeb, Cheryl Fried and Hunter Webb, each of whom are executive officers of or employed by the Canadian Manager and/or the U.S. Manager, Lantower Residential or their affiliates, are officers of the REDT.

None of Thomas J. Hofstedter, Michael Loeb, Cheryl Fried or Hunter Webb will be in any way limited by the REDT or affected in their ability to carry on other business ventures for their own account and for the accounts of others, other than pursuant to any duties they owe to the REDT, in their capacity as Trustees and/or officers of the REDT, and is now, and intends in the future to be, engaged in the development of, investment in and management of other real estate properties. The foregoing individuals will not have any obligation to account to the REDT or the Unitholders for profits made in such other activities.

The Manager's continuing businesses, including its role in providing asset management services to H&R REIT or Lantower Residential, may lead to conflicts of interest between the Manager and the REDT. The REDT may not be able to resolve any such conflicts, and, even if it does, the resolution may be less favourable to the REDT than if it were dealing with a party that was not a significant holder of an interest in the REDT. The agreements that the REDT enters into with the Manager may be amended upon agreement between the parties, subject to Applicable Laws and approval in certain cases of the independent Trustees.

H&R REIT will be providing debt financing to the Projects. As a result, the REDT and the Projects will be substantially dependent upon H&R REIT and its ability to provide such debt financing in order to develop the Projects, which may result in conflicts of interest between H&R REIT and the REDT. In addition, H&R REIT and the Trustees and executive officers of the REDT and the Manager may be involved in other ventures in the U.S. real estate sector with similar investment objectives to the REDT that may lead to conflicts of interest between H&R REIT, such Trustees, executive officers of the REDT, the Manager and the REDT. As a result, the REDT may not be able to resolve any such conflicts, and, even if it does, the resolution may be less favourable to the REDT than if it were dealing with an arm's length third party. See "Risk Factors – Risks Related to Real Estate Industry, the Projects and the REDT's Business – Potential Conflicts of Interest with Respect to the Trustees and Executive Officers of the REDT". The Declaration of Trust contains provisions respecting potential conflicts of interest that may arise with Trustees. See "Description of Securities – The REDT – Distributions". Additionally, the Board will comprise a majority of independent Trustees.

The Management Agreement contains conflict of interest provisions requiring the Manager to deal in good faith and in a fair, equitable and even handed manner in respect of any conflict of interest that may exist between the interests of the REDT and the interests of the Manager, its employees or any of its affiliates. However, there can be no assurance that the provisions of the Management Agreement will adequately address potential conflicts of interest or that such actual or potential conflicts of interest will be resolved in favour of the REDT. See "Risk Factors – Risks Related to Real Estate Industry, the Projects and the REDT's Business – Potential Conflicts of Interest with Respect to the Manager and the JV GP".

12. PRINCIPAL SECURITYHOLDERS

After giving effect to the Offering, to the best of the knowledge of the REDT, no persons are expected to own, directly or indirectly, or exercise control or direction over Units carrying at least 10% of the votes attached to the issued and outstanding Units.

13. EXECUTIVE COMPENSATION

Executive and Trustee Compensation

The REDT is newly formed and has not completed a financial year. For the period from formation on February 12, 2024 to the date of this Prospectus, no compensation was paid by the REDT to the Trustees or to the executive officers of the REDT. The REDT intends to pay Samantha Adams, Andrew Elbaz and Mark Johnson annual compensation in the amount of US\$15,000. Thomas J. Hofstedter and Michael Loeb will not be compensated for serving as Trustees. No compensation will be paid by the REDT to the executive officers of the REDT. The Manager has not yet determined what proportion of the compensation or fees it pays to the individual performing the functions of executive officers of the REDT will be attributable to the services provided by such individuals to the REDT.

Long Term Incentive Plan, Stock Appreciation Rights and Stock Option Grants

The REDT does not and will not have a long-term incentive plan pursuant to which cash or non-cash compensation has been or will be paid or distributed to any Trustee or executive officer of the REDT. The REDT does not and will not have any stock appreciation rights or incentive plans. The REDT has not issued and will not issue any stock options to any executive officer of the REDT or Trustee.

Pension Plan Benefits

The REDT does not have and will not implement a pension plan for its executive officers or Trustees.

Termination of Employment, Change in Responsibilities and Employment Contracts

The REDT has not entered into and will not enter into any employment contracts or arrangements with its executive officers or Trustees.

13.1 Compensation Committee

The Board does not have a compensation committee.

14. INDEBTEDNESS OF TRUSTEES AND EXECUTIVE OFFICERS

There is not, and there has not been within 30 days before the date of this Prospectus, any indebtedness owing to the REDT from any of the Trustees or executive officers of the REDT or its former executive officers or trustees or any of its subsidiaries or any associate of such person, including indebtedness that is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the REDT or any of its subsidiaries.

15. AUDIT COMMITTEE AND CORPORATE GOVERNANCE

15.1 Audit Committee

The audit committee of the REDT comprises Samantha Adams, Andrew Elbaz and Mark Johnson. Samantha Adams, Andrew Elbaz and Mark Johnson are “independent” and “financially literate” within the meanings of sections 1.4 and 1.6 of NI 52-110, respectively. See the biographies of Samantha Adams, Andrew Elbaz and Mark Johnson above under “Trustees and Executive Officers – Name, Address, Occupation and Security Holdings – Personal Profiles” for a description of the experience that is relevant to the performance of their responsibilities as audit committee members.

The audit committee will assist the REDT in fulfilling its responsibilities of oversight and supervision of its accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures, and the quality and integrity of its financial statements. In addition, the audit committee will be responsible for directing the auditors’ examination of specific areas, for the selection of the REDT’s independent auditors and for the approval of all non-audit services for which its auditors may be engaged. The audit committee is also responsible for determining the Net Asset Value. The audit committee shall determine the Net Asset Value no less frequently than quarterly based on such information as the audit committee deems appropriate, including, but not limited to, appraisals, valuations, market comparables, any notional Carried Interest and other data available to the REDT. The Net Asset Value and Net Asset Value per Unit of a class or series may or may not be equal to the fair market value of the REDT or such class, or the fair market value per Unit or such class or series, as applicable, and may or may not be equal to any net asset value or net asset value per unit determined in accordance with IFRS.

The Board has adopted a written charter for the audit committee which sets out the audit committee’s responsibility in reviewing the financial statements of the REDT and public disclosure documents containing financial information and reporting on such review to the Board, review of the REDT’s public disclosure documents that contain financial information, oversight of the work and review of the independence of the external auditors and reviewing, evaluating and approving the internal control procedures that are implemented and maintained by management. A copy of the audit committee charter is attached to this Prospectus as “Schedule A”.

At no time since the establishment of the REDT has a recommendation of the audit committee to nominate or compensate an external auditor not been adopted by the Trustees. The audit committee has not yet adopted specific policies and procedures for the engagement of non-audit services.

The REDT is newly established and has not yet had a fiscal year end. As a result, there have been no fees billed to the REDT by its auditors, KPMG LLP, in respect of the REDT’s last two fiscal years.

15.2 Corporate Governance

Samantha Adams, Andrew Elbaz, Thomas J. Hofstedter, Mark Johnson and Michael Loeb are the Trustees. Mark Johnson is the Chair of the Board. Samantha Adams, Andrew Elbaz and Mark Johnson are independent. Thomas J. Hofstedter and Michael Loeb are non-independent. A majority of the Trustees are independent within the meaning of applicable securities laws.

The Declaration of Trust provides that, subject to certain conditions, the Trustees will have absolute and exclusive power, control and authority over the REDT's assets and operations, as if the Trustees were the sole absolute legal and beneficial owners of the REDT's assets.

At each of the regularly scheduled meetings of the Board, there will be an in-camera meeting at which any non-independent Trustees and management are not present. The Board has not held any meetings since the establishment of the REDT.

The mandate of the Board is one of stewardship and oversight of the REDT and its business. In fulfilling its mandate, the Board will adopt a written charter setting out its responsibility, among other things, for (i) supervising the activities and managing the investments and affairs of the REDT, (ii) approving major decisions regarding the REDT, (iii) overseeing the Manager and the fulfillment of its responsibilities under the Management Agreement, (iv) identifying and managing risk exposure, (v) ensuring the integrity and adequacy of the REDT's internal controls and management information systems, (vi) succession planning, (vii) maintaining records and providing reports to Unitholders, (viii) ensuring effective and adequate communication with Unitholders, other stakeholders and the public, (ix) determining the amount and timing of distributions to Unitholders, and (x) acting for, voting on behalf of and representing the REDT as a holder of the Investment LP Units.

All newly appointed Trustees will be provided with a comprehensive orientation as to the nature and operation of the business and affairs of the REDT and as to the role of the Board and its committees. The orientation program will be designed to assist the Trustees in fully understanding the nature and operation of the REDT's business, the role of the Board and its committees and the contributions that individual Trustees are expected to make.

The Board has not developed written position descriptions for any committee chairs or the Chief Executive Officer. The Board will delineate the roles and responsibilities of any chair of the Board or of committee chairs by consensus among the Trustees from time to time.

The REDT will adopt a written code of business conduct and ethics (the "**Code of Conduct**") that applies to all Trustees, officers, and the Manager and its employees. The objective of the Code of Conduct is to provide guidelines for maintaining the integrity, reputation, honesty, objectivity and impartiality of the REDT and its Subsidiaries. The Code of Conduct will address honest and ethical conduct, conflicts of interest, confidentiality, protection and proper use of the REDT's assets, compliance with laws and reporting any illegal or unethical behavior, prompt internal reporting of any violations of the Code of Conduct and accountability for adherence under the Code of Conduct. 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 REDT's best interests or that may give rise to real, potential or the appearance of conflicts of interest. The Code of Conduct will also address matters concerning public disclosure and ensure that communications with the public concerning the REDT are timely, consistent and credible, and in accordance with the disclosure requirements under applicable securities laws. 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 SEDAR+ at www.sedarplus.com.

The REDT will also adopt an insider trading policy (the "**Insider Trading Policy**") which will apply to, among others, all Trustees, officers, and the Manager and its employees. The objective of the Insider Trading Policy is to ensure that any purchase or sale of securities occurs without actual or perceived violation of applicable securities laws. The Insider Trading Policy will provide for "blackout" periods during which insiders and other persons who are subject to the policy are prohibited from trading in securities of the REDT. The Insider Trading Policy will also prohibit insiders and other persons who are subject to the policy from trading in securities of the REDT during the period commencing on the first day following the last month of each fiscal quarter and ending 24 hours following the issue of a press release in respect of the REDT's interim or annual financial statements. Additional black-out periods may also be prescribed from time to time by the REDT's administrators of the Insider Trading Policy at any time at which it is determined there may be undisclosed inside information concerning the REDT that makes it inappropriate for personnel to be trading. In such circumstances, the administrators of the Insider Trading Policy will issue a notice instructing these individuals not to trade in securities of the REDT until further notice. This notice will contain a reminder that the fact there is a restriction on trading may itself constitute inside information or information that may lead to rumours and must be kept confidential.

The standard of care and duties of the Trustees provided in the Declaration of Trust are similar to those imposed on directors of a corporation governed by the CBCA. Accordingly, each Trustee is required to exercise the powers and discharge the duties of their office honestly, in good faith and in the best interests of the REDT and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent director would exercise in comparable circumstances. The Declaration of Trust provides that each Trustee is entitled to indemnification from the REDT 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 REDT 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 their conduct was lawful.

If and when a Trustee resigns, the remaining Trustees will identify potential candidates for nomination to the Board, with a view to ensuring overall diversity of experience and skill. A vacancy occurring among the Trustees may be filled by resolution of the remaining Trustees, as long as they constitute a quorum and a majority of the Trustees constituting quorum are resident in Canada for purposes of the Tax Act (or if they are not, then a new Trustee may be appointed by the Manager). In the event that an independent Trustee ceases to be a Trustee, such vacancy shall be filled by a person that would qualify as an independent Trustee, and a quorum of independent Trustees shall be necessary to fill such vacancy.

The Board does not have a compensation committee. The Board has no committees other than the audit committee. The Trustees will be regularly assessed with respect to their effectiveness and contribution.

15.3 Environmental, Social and Governance (ESG)

As one of Canada's largest real estate investment trusts, H&R REIT strives to lead by example within the industry. H&R REIT has always viewed sustainability as its responsibility to its unitholders in terms of transparency, to its employees in terms of collaboration and opportunity, to its tenants in terms of providing healthy working and living environments and to its communities in which H&R REIT's employees live and H&R REIT does business. H&R REIT has opted to report using selected standards with a Global Reporting Initiative (GRI)-referenced claim. In addition, the report includes indicators from the standards for Sustainability Accounting Standards Board (SASB) Real Estate sub sector. Both frameworks provide H&R REIT the capacity to benchmark its performance REIT-wide, ensuring transparency and continuous improvement year-over-year. Please refer to www.hr-reit.com for relevant supplemental financial and governance related disclosures.

The Projects will aim to secure a NGBS Silver designation. The NGBS is the only green building rating system for homes and apartments approved by the American National Standards Institute (ANSI), as an American National Standard. The NGBS provides a blueprint for developers and builders to follow for the design and construction of new and renovated single-family homes and multifamily apartment buildings. Buildings are graded on Energy Efficiency, Water Efficiency, Resource Efficiency, Lot Development, Operations & Maintenance, and Indoor Air Quality. Lantower Residential worked with a Green Building Consultant during the design process for both of the Projects which are currently on track to secure the NGBS Silver designation. As a part of these green building pursuits, the Projects will be furnished with ENERGY STAR appliances and will have the capacity to accommodate 94 total EV charging stations across the two developments. The density bonus which allowed approval of entitlements for 271 residential units in the Sunrise Project is subject to the project satisfying the NGBS Silver certification standards and achieving the NGBS Silver designation.

Lantower Residential partners alongside various charitable organizations that provide food, shelter, and aid to communities in need through the company's Living to Giving initiative. Through the Living to Giving program, corporate and onsite staff work together to achieve lasting social impact and provide relief to children, families, and communities in need. Team members and residents who feel inspired to make a difference are encouraged to participate in Lantower Residential's Living to Giving program.

Prioritizing transparency in the REDT's governance practices and proactively mitigating risk is also important to the REDT. A majority of the Board is independent (60%) and the Audit Committee is 100% independent. Additionally, the Manager believes that diversity and inclusion are fundamental to the culture of collaboration and its diverse employees allow it to take on opportunities from different perspectives and create a greater impact. Women make up 33% of the executive officers of the REDT (1 of 3) and 20% of the Trustees (1 of 5).]

16. PLAN OF DISTRIBUTION

16.1 Maximum and Minimum Offering

The Agent, by this Prospectus, is offering to sell to the public in each of the provinces of Canada up to a maximum of US\$52,000,000 (less the amount of any concurrent private placements) of Class A Units and/or Class E Units and/or Class F Units and/or Class U Units at a price of C\$10.00 per Class A Unit and Class F Unit and US\$10.00 per Class U Unit and Class E Unit. The REDT may issue additional Units by way of private placement concurrent with the closing of the Offering at a price of C\$10.00 or US\$10.00, as the case may be, provided that the proceeds of any such private placements, together with the proceeds of the Offering, do not exceed the Maximum Offering amount. The terms of the Offering were determined by negotiation between the Agent and the Manager, on behalf of the REDT.

There is currently no market through which the Units may be sold, such a market may not develop and Purchasers may not be able to resell securities purchased under this Prospectus. This may affect the pricing and liquidity of the securities in the secondary market, if one should develop, the transparency and availability of trading prices, and the extent of issuer regulation. See “Risk Factors”. As at the date of this Prospectus, the REDT does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, Cboe Canada Inc., any other Canadian marketplace, a U.S. marketplace, or any marketplace outside Canada and the U.S. See “Plan of Distribution”.

There will be no closing of the Offering unless the Minimum Offering is achieved. The minimum subscription amount is C\$10,000 in respect of the Class A Units and Class F Units; and US\$10,000 in respect of the Class E Units and Class U Units. The Closing Date will not proceed unless all preconditions to the closing of the REDT’s indirect interest in the JV LP has been satisfied or waived. The Agent will hold in trust all funds received from subscriptions until the Minimum Offering has been raised. If the Minimum Offering is not achieved within the 90-day distribution period, the Agent will return the funds to the Purchasers without any deductions, unless the subscribers have otherwise instructed the Agent.

The Units have not been and will not be registered under the U.S. Securities Act or the securities laws of any state in the U.S. and, subject to certain exceptions, may not be offered or sold in the U.S. The Agent has agreed that they will not offer or sell the Units within the U.S. except to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) or to a limited number of institutional accredited investors (as defined in the U.S. Securities Act). In addition, until 40 days after the Closing Date, an offer or sale of Units within the U.S. by any dealer (whether or not participating in the Offering) may violate the registration provisions of the U.S. Securities Act unless made in compliance with Rule 144A or another exemption under the U.S. Securities Act.

The REDT and the Manager have agreed to indemnify the Agent and its directors, officers, employees and agents against certain liabilities, including, without restriction, civil liabilities under Canadian securities legislation, and to contribute to any payments the Agent may be required to make in respect thereof.

16.2 Timing of Distribution

The Closing Date is expected to be on or about ●, 2024 or such later date as the REDT and the Agent may agree, but in any event not later than ●, 2024. There will be no closing of the Offering unless the Minimum Offering is achieved, inclusive of the aggregate subscription amount for Units sold pursuant to any private placement concurrent with the closing of the Offering. The distribution under the Offering will not continue for a period of more than 90 days after the date of the receipt obtained from the principal securities regulatory authority for this Prospectus. If one or more amendments to this Prospectus are filed and the principal securities regulatory authority has issued a receipt for any such amendment, the distribution under this Offering will not continue for a period of more than 90 days after the latest date of a receipt for any such amendment. In any case, the total period of distribution under the Offering will not continue for a period of more than 180 days from the date of the receipt for this Prospectus. If the Minimum Offering is not achieved during the 90-day period, subscription funds received by the Agent will be returned to subscribers without any deductions, unless the subscribers have otherwise instructed the Agent.

16.3 Agency Agreement

Pursuant to an Agency Agreement made as of ●, 2024, the Agent has agreed to conditionally offer the Units on a best efforts basis, subject to prior sale, if, as and when issued by the REDT and accepted by the Agent in accordance with the conditions contained in the Agency Agreement, in consideration of the Agent's Fee equal to the aggregate of 6% of the aggregate purchase price of Class A Units, Class E Units, Class F Units and/or Class U Units, and up to 6% of the aggregate purchase price of Class I Units sold by way of a concurrent private placement. The Agent's Fee for the Class A Units and Class U Units includes a selling concession of 3%.

The obligations of the Agent under the Agency Agreement may be terminated at any time at the Agent's discretion on the basis of its assessment of the state of the financial markets and may also be terminated at any time on the occurrence of certain stated events.

Currently, the Agent does not beneficially own, directly or indirectly, any securities of the REDT. Other than as disclosed in this section, there are no payments in cash, securities or other consideration being made, or to be made, to a promoter, finder, or any other person or company in connection with this Offering.

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 system. Units registered in the name of CDS or its nominee will be deposited electronically with CDS on an NCI basis at the Closing Date. A subscriber who purchases Units will receive only a customer confirmation from the registered dealer from or through whom Units are purchased and who is a CDS participant.

Registration and transfers of Units will be effected by TSX Trust Company, as registrar and transfer agent of the REDT.

16.4 Private Placement

The REDT may issue additional Class A Units or Class F Units at a price of C\$10.00 or additional Class U Units or Class E Units at a price of US\$10.00 by way of private placement concurrent with the closing of the Offering provided that the proceeds of any such private placement together with the proceeds of the Offering do not exceed the Maximum Offering. In addition, the REDT may issue Class I Units to Lead Investors on a concurrent private placement at a price of US\$10.00 per Class I Unit provided that the proceeds of any such private placement together with the proceeds of the Offering do not exceed the Maximum Offering.

17. CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Blake, Cassels & Graydon LLP, counsel to the REDT, and Stikeman Elliott LLP, counsel to the Agent, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to the acquisition, holding and disposition of Units by a Unitholder who acquires, as beneficial owner, Units pursuant to this Offering and who, for purposes of the Tax Act and at all relevant times, (i) is or is deemed to be resident in Canada, (ii) deals at arm's length with the REDT and the Agent and is not affiliated with the REDT or the Agent, and (iii) acquires and holds their Units as capital property (a "**Holder**"). Generally, Units will be considered to be capital property of a Holder provided that the Holder does not hold such Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. A Holder whose Units might not otherwise be considered to be 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 every other "Canadian security", as defined in the Tax Act, owned by such Holder in the taxation year in which the election is made or any subsequent taxation year, 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 who holds Units of more than one class at any particular time. Holders who intend to hold Units of more than one class should consult their own tax advisors.

This summary is not applicable to a Holder (i) that is a "financial institution" for purposes of the mark-to-market rules in the Tax Act, (ii) an interest in which is a "tax shelter investment", (iii) that has elected to report its "Canadian tax results" in

a currency other than Canadian dollars, or (iv) that has entered or will enter into a “derivative forward agreement” with respect to the Units (in each case within the meaning of the Tax Act). 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 Holder who has borrowed money to acquire Units under the Offering.

The characterization of gains and losses from disposition of properties, as being on capital or income account will depend on the specific facts and circumstances relating to each such property. This summary assumes that the REDT’s interest in the Investment LP, and each Partnership’s interest in any applicable Lower-Tier Partnership (as defined below), will be held on capital account, however, there can be no assurances in this regard. The REDT will, as required, consider the characterization of its (and its Subsidiaries’) properties as being on capital or income account, including in connection with a Liquidity Event.

This summary is based on the facts set out in this Prospectus, certificates as to certain factual matters from an officer of the REDT (the “**Officer Certificate**”) and from the Agent (the “**Agent Certificate**” and together with the Officer Certificate, the “**Certificates**”), the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Tax Proposals**”), and counsel’s understanding of the current administrative policies and assessing practices of the CRA made publicly available in writing prior to the date hereof. Except for the Tax Proposals, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental, administrative or judicial action, or changes in the CRA’s administrative policies and assessing practices, nor does it take into account or consider any other federal tax considerations or any provincial, territorial or foreign tax considerations, which may differ materially from those discussed herein. This summary assumes that the Tax Proposals will be enacted as currently proposed, but no assurances can be given that the Tax Proposals will be enacted as currently 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 the Units. The income and other tax consequences of acquiring, holding or disposing of Units will vary depending on a Holder’s particular status and circumstances, including the province or territory in which the Holder resides or carries on business. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. Prospective Holders should consult their own tax advisors for advice with respect to the income tax consequences of an investment in the Units in their particular 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 exchange rate quoted by the Bank of Canada on the date such amounts first arose, or such other rate of exchange as is acceptable to the CRA. Investments in Class E Units or Class U Units will be denominated in U.S. dollars and distributions made on Class E Units and Class U Units will be made in U.S. dollars. Accordingly, Holders of Class E Units or Class U Units must convert such amounts to Canadian dollars for purposes of the Tax Act.

For the purposes of this summary and the section “Eligibility for Investment”, above, a reference to the REDT is a reference to Lantower Residential Real Estate Development Trust (No. 1) only and is not a reference to any of its subsidiaries (including any of the Partnerships) or predecessors and a reference to “Units” does not include Class I Units.

Status of the REDT

This summary assumes the REDT will qualify at all relevant times as a “mutual fund trust” within the meaning of the Tax Act and that the REDT will validly elect under the Tax Act to be a “mutual fund trust” from the date it was established. Counsel has been advised that the REDT intends to ensure that it will meet the requirements necessary for it to qualify as a “mutual fund trust” for the purposes of the Tax Act no later than the closing of the Offering and at all times thereafter, and to file the necessary election pursuant to subsection 132(6.1) of the Tax Act so that the REDT will qualify as a “mutual fund trust” throughout its first taxation year. If the REDT were not to qualify as a “mutual fund trust” at all times, the income tax considerations for the REDT and Unitholders may be materially and adversely different from those described below.

The SIFT Rules tax certain publicly-traded or listed trusts and partnerships in a manner similar to corporations and which tax certain distributions from such trusts and partnerships as taxable dividends from a taxable Canadian corporation. The SIFT Rules apply to a trust or partnership that is a “SIFT trust” or a “SIFT partnership” (each as defined in the Tax Act) and their investors. This summary assumes that none of the REDT Entities will be a SIFT trust or a SIFT partnership, as applicable. A REDT Entity will not be a SIFT trust or SIFT partnership, as applicable, provided that (i) such REDT Entity does not hold

at any relevant time any “non-portfolio property” (as defined in the Tax Act), or (ii) “investments” (as defined in subsection 122.1(1) of the Tax Act) in such REDT Entity are not listed or traded on a stock exchange or other “public market” (as defined in subsection 122.1(1) of the Tax Act), at any relevant time.

This summary also assumes that none of the REDT Entities will be a “SIFT trust” or a “SIFT partnership” (each as defined in the Tax Act), as applicable. Provided that (i) the REDT Entities do not hold at any relevant time any “non-portfolio property” (as defined in the Tax Act), or (ii) “investments” (as defined in subsection 122.1(1) of the Tax Act) in the REDT Entities are not listed or traded on a stock exchange or other “public market” (as defined in subsection 122.1(1) of the Tax Act), they will not be SIFT trusts or SIFT partnerships, as applicable.

If any of the REDT Entities were to become a SIFT trust or a SIFT partnership, as applicable, the income tax considerations described below would, in some respects, be materially and adversely different.

Taxation of the REDT

The REDT will be subject to tax under Part I of the Tax Act on its income for each taxation year, including net realized taxable capital gains in the year and its allocated share of income of the Investment LP for the Investment LP’s fiscal period ending on or before the REDT’s taxation year-end, less the portion thereof that it deducts in respect of amounts paid or payable, or deemed to be paid or payable, to Unitholders in the year. An amount will be considered to be payable to a Unitholder in a taxation year if the Unitholder is entitled in that year to enforce payment of the amount. The taxation year of the REDT is the calendar year.

Generally, distributions to the REDT from the Investment LP in excess of its allocated share of the income (including the full amount of any capital gain) of the Investment LP for a fiscal period will result in a reduction in the adjusted cost base to the REDT of its Investment LP Units by the amount of such excess. If, as a result, the adjusted cost base to the REDT of its Investment LP Units at the end of a fiscal period of the Investment LP would otherwise be a negative amount, the REDT would be deemed to realize a capital gain at the Investment LP’s fiscal period end equal to the absolute value of such negative amount, and the adjusted cost base to the REDT of its Investment LP Units would then be increased to nil.

On a sale by the REDT of its Investment LP Units, the REDT will generally realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition received by the REDT exceed (or are less than) the adjusted cost base of its Investment LP Units (which will be increased by the amount of any income of the Investment LP allocated to the REDT for the Investment LP’s fiscal period in which the sale occurs) and any reasonable costs of disposition. In the event the purchaser is a “non-resident” of Canada (for purposes of the Tax Act), a tax-exempt person, a partnership in which a non-resident or tax-exempt person has an interest, a trust (other than a mutual fund trust) which can reasonably be considered to have a beneficiary that is a tax-exempt person or certain other partnerships or trusts, then any capital gain realized by the REDT on the disposition of its Investment LP Units which is attributable to increases in the value of property (other than capital property that is not depreciable property) that is directly or indirectly owned by the Investment LP may be subject to a 100% inclusion rate (as a taxable capital gain) to the extent that the interest is acquired by such persons or partnerships. As a result, all or a portion of a capital gain realized by the REDT on the sale of Investment LP Units may, depending on the circumstances, be taxable at a 100% inclusion rate. The remaining capital gain, if any, will be subject to the 50% inclusion rate generally applicable to capital gains under the Tax Act.

A distribution by the REDT of its property *in specie* upon a redemption of Units will be treated as a disposition by the REDT of such property for proceeds of disposition equal to the fair market value thereof. The REDT 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.

In computing its income or loss for purposes of the Tax Act, the REDT may generally deduct reasonable administrative costs and other expenses of a current nature that it incurs for the purpose of earning income. Generally, the REDT may also deduct, on a five-year straight-line basis (subject to pro-ration for short taxation years), reasonable expenses incurred by it in the course of issuing Units.

For the purposes of the foreign tax credit and foreign tax deduction rules in the Tax Act, the income of the REDT (including income derived through the Partnerships) should generally be considered to be income from a source in the U.S.,

except to the extent that such income arises as a result of a deemed capital gain from the adjusted cost base of the REDT's Investment LP Units being a negative amount (or an equivalent capital gain as a result of the adjusted cost base of a Partnership's interest in a Lower-Tier Partnership (as defined below) being a negative amount as discussed below). To the extent that U.S. income tax is payable by the Investment LP or the Holding GP LP, a portion of such U.S. tax will generally be attributed to the REDT as a foreign income or profits tax, in a manner consistent with the allocation of income under the Investment LP Agreement and the Holding GP LP Agreement, as applicable. The amount of foreign "non-business-income taxes" (as defined in the Tax Act) considered to be paid by the REDT may generally be deducted by the REDT in computing its income for the purposes of the Tax Act (a "**foreign tax deduction**"). Foreign "business-income taxes" (as defined in the Tax Act) considered to be paid by the REDT and foreign income or profits taxes considered to be paid by the REDT in respect of capital gains realized by or allocated to the REDT will generally not be deductible by the REDT in computing its income for purposes of the Tax Act. Provided the REDT makes the appropriate designations, certain foreign income or profits taxes considered to be paid by the REDT that are not deducted by the REDT in computing its income may be deemed to have been paid by Unitholders for purposes of the foreign tax credit rules in the Tax Act. See "Certain Canadian Federal Income Tax Considerations – Taxation of Holders – Foreign Tax Credits and Foreign Tax Deductions" below.

The REDT and the other REDT Entities will enter into transactions denominated in currencies other than the Canadian dollar, including the REDT's investment in Investment LP Units, the Investment LP's acquisition of Holding LP Common Units and the Holding LP's acquisition of JV LP Class B Units and JV LP Special LP Units. The cost and proceeds of disposition of such investments, the amount of any distributions received thereon and all other amounts will be determined for the purposes of the Tax Act in Canadian dollars using the appropriate exchange rates in accordance with the detailed rules in the Tax Act. The amount of income, gains and losses realized by the REDT (whether directly or indirectly through the Partnerships) may accordingly be affected by fluctuations in the value of foreign currencies, including the U.S. dollar, relative to the Canadian dollar.

Gains or losses of the REDT in respect of derivatives will generally be on income account except where such derivatives are used to hedge investments or other transactions on capital account and there is sufficient linkage, in which case such gains or losses will be treated as capital gains or capital losses, subject to the DFA Rules discussed below. Any such gains or losses will be recognized by the REDT when realized. The Tax Act contains rules (the "**DFA Rules**") that target certain financial arrangements (defined in the DFA Rules as "derivative forward agreements") that seek to reduce tax by converting, through the use of derivative contracts, the return on an investment that would have the character of ordinary income to capital gains. The DFA Rules are broad in scope and could apply to other agreements or transactions. If the DFA Rules were to apply in respect of derivative contracts entered into by the REDT or by a Partnership, gains realized in respect of the property underlying such derivatives could be treated as ordinary income. However, the DFA Rules generally should not apply to foreign currency hedging transactions in respect of properties held by the REDT as capital properties.

Generally, under the Declaration of Trust, unless the Trustees otherwise determine, an amount equal to the amount necessary to eliminate the REDT's liability for non-refundable tax under Part I of the Tax Act (after taking into account all available deductions, credits and refunds), together with the non-taxable portion of any net capital gains realized by the REDT but excluding capital gains arising in connection with a distribution *in specie* on the redemption of Units which are designated by the REDT to redeeming Unitholders, will be payable in the year to Unitholders by way of cash distributions. Where such income of the REDT in a taxation year exceeds the total cash distributions for that year, such excess income may be distributed to Unitholders in the form of additional Units. Income of the REDT payable to Unitholders, whether in cash, additional Units or otherwise, will generally be deductible by the REDT in computing its income.

Losses incurred by the REDT (including losses allocated to the REDT by the Investment LP and capable of being deducted by the REDT) cannot be allocated to Unitholders, but may be carried forward and deducted by the REDT in computing its taxable income in future years in accordance with the detailed rules and limitations in the Tax Act.

The REDT will be entitled in each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized taxable capital gains by an amount determined under the Tax Act based on the redemption of Units during the year (the "**capital gains refund**"). The capital gains refund in a particular taxation year may not completely offset the REDT's tax liability for the taxation year arising in connection with the transfer of property *in specie* to redeeming Unitholders on the redemption of Units.

The Declaration of Trust provides that all or a portion of any taxable capital gains realized by the REDT as a result of a redemption of Units may, at the discretion of the Trustees, be treated as income paid or made payable to the redeeming

Unitholder in the applicable year. However, the REDT generally will not be entitled to a deduction in computing its income under the Tax Act, which generally denies a deduction in respect of an amount allocated to a redeeming Unitholder in respect of taxable capital gains to the extent that such amount is greater than the taxable capital gain that would otherwise have been realized by the redeeming Unitholder on the redemption (as determined by the Trustees using reasonable efforts to obtain the information required to determine the Unitholder's cost amount) (the "**Allocation to Redeemers Rule**"). As a result, the taxable component of distributions by the REDT to non-redeeming Unitholders may be adversely affected. Counsel has been advised that the REDT intends, to the extent possible, to administer the redemption of Units in such a manner that no deduction by the REDT should be denied under the Allocation to Redeemers Rule.

Counsel has been advised that the REDT intends to make sufficient distributions in each year of its net income for tax purposes and net realized capital gains so that the REDT will not be liable in the year for any tax under Part I of the Tax Act (after taking into account all available deductions, credits and refunds, including the capital gains refund and non-capital losses or net capital losses, if any, that may be carried forward from prior years).

Taxation of the Partnerships

The Partnerships are generally not subject to tax under the Tax Act. Each partner of a Partnership is required to include (or entitled to deduct) in computing its income for a particular taxation year, its share of the income (or loss) of such Partnership (subject, in the case of a loss, to the application of the "at-risk rules" described below) for the fiscal period of the Partnership ending in, or coincidentally with, such taxation year, whether or not such partner has received any distributions from the Partnership in the year. For this purpose, the income or loss of each Partnership from any source will be computed for each fiscal period as if the Partnership were a person resident in Canada and will be allocated to its partners on the basis of their respective shares of that income or loss as provided for in the limited partnership agreement governing such Partnership. The fiscal period of each Partnership ends on December 31 of each year. In computing the income or loss of the Partnerships, the Partnerships are entitled to deduct their reasonable administrative costs and other expenses incurred by them to earn income.

In computing its income or loss for purposes of the Tax Act, a Partnership may generally deduct reasonable administrative and other expenses of a current nature that it incurs for the purpose of earning income, reasonable interest in respect of debt of such Partnership and available capital cost allowances. Generally, a Partnership may also deduct, on a five-year straight-line basis (subject to pro-rata for short taxation years), reasonable expenses incurred by it in the course of issuing interests in the Partnership.

The income (or loss) of a Partnership from any source will include its share of the income (or loss, subject to the "at-risk" rules described below) from that source of another Partnership of which it is a partner (a "**Lower Tier Partnership**"), as determined in accordance with the Lower Tier Partnership's limited partnership agreement. The source and character of amounts included in (or deducted from) the income of a Partnership on account of income (or loss) of a Lower Tier Partnership from a particular source generally will be determined by reference to the source and character of such amounts when earned (or incurred) by such Lower Tier Partnership. The income of each Partnership should generally be considered as income from a source in the U.S., except to the extent that such income arises as a result of a deemed capital gain from the adjusted cost base of a Partnership's interest in a Lower Tier Partnership being a negative amount.

On the sale by a Partnership of its interest in a Lower Tier Partnership, such selling Partnership will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition received by the Partnership exceed (or are less than) the aggregate of the adjusted cost base of its interest in the Lower Tier Partnership (which will be increased by the amount of any income of the Lower Tier Partnership allocated to it for the Lower Tier Partnership's fiscal period in which the sale occurs) and any reasonable costs of disposition. In the event the purchaser is the Current Owner or another "non-resident" of Canada (for purposes of the Tax Act), a tax-exempt person, a partnership in which a non-resident or tax-exempt person has an interest, a trust (other than a mutual fund trust) which can reasonably be considered to have a beneficiary that is a tax-exempt person or certain other partnerships or trusts, then any capital gain realized by the Partnership on the disposition of its interest in the Lower Tier Partnership which is attributable to increases in the value of property (other than capital property that is not depreciable property) that is directly or indirectly owned by the Lower Tier Partnership, may be subject to a 100% inclusion rate (as a taxable capital gain) to the extent that the interest is acquired by such persons or partnerships. As a result, all or a portion of a capital gain realized by the Partnership on the sale of a Lower Tier Partnership may, depending on the circumstances, be taxable at a 100% inclusion rate. The remaining capital gain, if any, will be subject to the 50% inclusion rate generally applicable to capital gains under the Tax Act.

Generally, distributions to a partner in excess of its allocated share of the income (including the full amount of any capital gains) of a Partnership for a fiscal period will result in a reduction of the adjusted cost base of the partner's interest (including any interest represented by units) in the Partnership by the amount of such excess, as described above. If at the end of any fiscal period of a Partnership, the adjusted cost base of the interest (including any interest represented by units) of such Partnership held by a partner would otherwise be a negative amount, the partner will be deemed to have realized a capital gain at the fiscal period's end equal to the absolute value of such negative amount and the adjusted cost base of the partnership interest (including any interest represented by units) held by such partner will be increased by the amount of such deemed capital gain.

The Minister of Finance (Canada) has released Tax Proposals (the "**EIFEL Proposals**") that are intended, where applicable, to limit the deductibility of interest and financing expenses in certain circumstances, including by requiring a trust that is a member of a partnership that incurs interest and financing expenses to recognize an offsetting income inclusion in respect of all or a portion of the trust's share of such expenses. If the EIFEL Proposals are enacted as proposed, the REDT may be required to include an amount in computing its income in respect of its allocated share of interest and financing expenses deductible by the Partnerships, and the taxable component of distributions to Unitholders may be increased accordingly.

The Tax Act contains rules (the "**at-risk rules**") which, in general, limit the ability of a limited partner of a partnership to deduct in a taxation year its share of any loss of the partnership (other than a capital loss) for a fiscal period ending in that taxation year to its "at-risk amount" in respect of such partnership at the end of that fiscal period. In general, the "at-risk amount" of a limited partner in respect of a limited partnership at the end of any fiscal period will be the adjusted cost base of the limited partner's partnership interest at the end of the fiscal period, plus any income (including the full amount of any capital gain) allocated to the limited partner for the fiscal period, less any amount owing by the limited partner (or by a person or partnership that does not deal at arm's length with the limited partner for purposes of the Tax Act) to the partnership (or to a person or partnership not dealing at arm's length with the partnership for purposes of the Tax Act) and less the amount of the limited partner's investment in the partnership that may reasonably be regarded as protected against loss.

Where a limited partner is not itself a partnership, such partner's share of any loss of a partnership that is not deductible by the partner as a result of the application of the at-risk rules is considered to be a "limited partnership loss" in respect of the partnership for that year. Such limited partnership loss may generally be carried forward and deducted by the partner in a subsequent taxation year against income for that year to the extent that the partner's at-risk amount at the end of the partnership's last fiscal period ending in that year exceeds the partner's share of any loss of the limited partnership for that fiscal period, subject to and in accordance with the provisions of the Tax Act. Where the partner is itself a partnership (as will be the case for the Investment LP with respect to its interest in the Holding LP, the Holding LP with respect to its interest in the JV LP and the JV LP with respect to its interests in the Bayside LPs and Sunrise LPs), such partner's share of any loss of a partnership that is not deductible by the partner as a result of the application of the at-risk rules generally may not be carried forward and deducted in future years but will reduce the partner's share of any loss of the partnership (including for purposes of determining the partner's adjusted cost base of its interest in the subject partnership).

Taxation of Holders

Trust Distributions

A Holder will generally be required to include in computing income for a particular taxation year the portion of the REDT's net income for a taxation year ending on or before the taxation year-end of the Holder, including net realized taxable capital gains, that the REDT pays or makes payable to the Holder in the taxation year of the REDT, whether the Holder receives such portion in cash, additional Units or otherwise. Distributions that are made through the issuance of additional Units may give rise to a taxable income inclusion for the Holder even though no cash has been distributed to such Holder.

Provided that the REDT makes appropriate designations under the Tax Act, net taxable capital gains realized by the REDT that are paid or payable, or deemed to be paid or payable, by the REDT to a Holder will effectively retain their character and be treated as such in the hands of the Holder for purposes of the Tax Act.

Any amount in excess of the net income and net taxable capital gains of the REDT that is paid or payable, or deemed to be paid or payable, by the REDT to a Holder in that year will generally not be included in the Holder's income for the taxation year. However, where such an amount is paid or payable to a Holder that exceeds an amount equal to the amount of the REDT's net taxable capital gains that have been designated to the Holder for that year (other than as proceeds of disposition

of Units or any part thereof), the Holder will generally be required to reduce the adjusted cost base of the Holder's Units by that amount. To the extent that the adjusted cost base of a Unit would otherwise be a negative amount, the absolute value of such negative amount will be deemed to be a capital gain realized by the Holder and the adjusted cost base of the Unit to the Holder will immediately thereafter be increased to nil. Holders should consult their own tax advisors in this regard. See the discussion under "Taxation of Capital Gains and Capital Losses" below.

Provided the REDT makes appropriate designations under the Tax Act in respect of its income from foreign sources, such income as is paid or payable to a Holder will be treated as foreign source income in the hands of the Holder, to the extent permitted by the Tax Act. See "Foreign Tax Credits and Foreign Tax Deductions" below.

Foreign Tax Credits and Foreign Tax Deductions

Provided the REDT makes appropriate designations in respect of foreign source income made payable to a Holder for a year, such Holder will be deemed to have paid its pro rata share of the foreign "business-income tax" and "non-business-income tax" (each as defined for purposes of the foreign tax credit rules in the Tax Act) considered to be paid by the REDT for the year in respect of its foreign source income. The amount of such tax deemed to be paid by a Holder may be deductible as a foreign tax credit from the Holder's Canadian federal income tax otherwise payable for the year (a "**foreign tax credit**"). To the extent that U.S. tax is payable by the Investment LP or the Holding GP LP, a portion of such U.S. tax will generally be attributed to the REDT in a manner consistent with the allocation of income under the Investment LP Agreement and the Holding GP LP Agreement, as applicable. In order for such U.S. tax to be eligible for a foreign tax credit or foreign tax deduction, in the event that the amount of U.S. tax paid does not represent the final U.S. income tax liability for the year, the Investment LP and the Holding GP LP must each file a U.S. federal income tax return to establish the final U.S. income tax liability in respect of such amounts. If the amount of U.S. tax paid by the Investment LP or the Holding GP LP exceeds the ultimate U.S. tax liability of the Investment LP or the Holding GP LP, as the case may be, the excess will not be eligible for a foreign tax credit or foreign tax deduction regardless of whether such excess is refunded to the applicable Partnership. In the Officer Certificate, an officer of the REDT has advised that it intends to cause the Investment LP and the Holding GP LP to file any such U.S. federal income tax returns as may be required to permit the REDT and the Holders to claim foreign tax credits and to permit the REDT to claim foreign tax deductions in respect of U.S. taxes paid by the Investment LP and the Holding GP LP to the extent permitted under the Tax Act.

Notwithstanding the foregoing, the REDT's "non-business-income tax" will not include (a) U.S. tax that may reasonably be regarded as having been paid by the REDT in respect of income from property other than real or immovable property (including income from property other than real or immovable property earned by the REDT through its interest in the Partnerships) to the extent that the amount of such U.S. tax exceeds 15% of the amount of such income, or (b) U.S. tax that was deducted by the REDT as a foreign tax deduction, as described above.

A Holder's ability to claim a foreign tax credit in respect of its pro rata share of such U.S. taxes deemed to be paid by the Holder 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 in which the U.S. taxes are paid, or has other U.S. source 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. Prospective Purchasers should consult their own tax advisors regarding their ability to claim foreign tax credits.

A Holder will not be entitled to claim a foreign tax deduction in respect of foreign taxes of the REDT deemed to have been paid by such Holder in respect of which a foreign tax credit is not available.

The Tax Act contains rules that address certain foreign tax credit generator transactions (the "**Foreign Tax Credit Generator Rules**"). Under the Foreign Tax Credit Generator Rules, the foreign "business income tax" or "non-business-income tax", each as defined in the Tax Act, for any taxation year may be limited in certain circumstances, including where a partner's share of the partnership's income under the income tax laws of any country (other than Canada) under whose laws the income of the partnership is subject to income taxation, is less than the partner's share of such income for purposes of the Tax Act. Although the Foreign Tax Credit Generator Rules are not expected to apply to the REDT, there can be no assurances. If the Foreign Tax Credit Generator Rules were to apply to the REDT, a Unitholder's ability to claim foreign tax credits in respect of U.S. taxes considered to be paid by the REDT would be adversely affected.

Disposition of Units

In general, a disposition of a Unit will give rise to a capital gain (or a capital loss) equal to the amount by which the Holder's proceeds of disposition of the Unit exceed (or are exceeded by) the aggregate of the adjusted cost base of the Unit to the Holder and any reasonable costs of disposition. The Holder's proceeds of disposition will not include an amount payable by the REDT that the Holder is otherwise required to include in income, including any capital gain realized by the REDT in connection with a redemption which the REDT has allocated to the redeeming Holder. See the discussion under "Taxation of Capital Gains and Capital Losses" below.

The adjusted cost base of a Unit to a Holder will include all amounts paid by the Holder for the Unit, subject to certain adjustments. The cost to a Holder of additional Units received in lieu of a cash distribution of income (including net capital gains) will generally be equal to the amount of the distribution. For the purpose of determining the adjusted cost base to a Holder, when a Unit is acquired as capital property, 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 the acquisition.

Where the REDT redeems Units by distributing property of the REDT to a Holder, the Holder will also be required to include in income any taxable capital gains that the REDT realizes on or in connection with such *in specie* distribution of property and designates to such Holder. The proceeds of disposition to the redeeming Holder will be equal to the fair market value of the notes issued or property distributed by the REDT less any income or capital gain realized by the REDT in connection with such redemption and designated to such Holder. The cost of notes issued or property distributed *in specie* by the REDT to a Holder upon a redemption of Units will be equal to the fair market value of those notes or that property, as applicable, at the time of distribution. The Holder will thereafter be required to include in income interest or other income derived from the notes or property in accordance with the provisions of the Tax Act. Notes issued or property (other than cash) distributed by the REDT to a Holder on a redemption of Units, including Investment LP Units, generally will not be "qualified investments" under the Tax Act for trusts governed by Plans. See "Eligibility for Investment".

The consolidation of Units of the REDT will not result in a disposition of Units by Holders. The aggregate adjusted cost base to a Holder of all of the Holder's Units will not change as a result of a consolidation of Units; however, the adjusted cost base of the Holder per Unit will increase.

Taxation of Capital Gains and Capital Losses

A Holder must include in income for a taxation year one-half of any capital gain (a "**taxable capital gain**") realized by the Holder on a disposition of a Unit in the year, and the amount of any net taxable capital gains designated by the REDT to the Holder in the year. The Holder generally must deduct one-half of the amount of any capital loss (an "**allowable capital loss**") realized by the Holder in a taxation year against the Holder's taxable capital gains for the year. Allowable capital losses in excess of taxable capital gains realized by the Holder in a taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted against net taxable capital gains in any subsequent taxation year, subject to the detailed provisions of the Tax Act.

Refundable CCPC Tax

A Holder that is throughout its taxation year a "Canadian-controlled private corporation" (as defined in the Tax Act) or a "substantive CCPC" (as proposed to be defined in the Tax Act pursuant to Tax Proposals released by the Department of Finance (Canada) on November 28, 2023) at any time in the year will be subject to an additional tax (refundable in certain circumstances) in respect of its "aggregate investment income" for the year, which is generally defined to include income from property and amounts in respect of net taxable capital gains (including taxable capital gains realized on a disposition of Units and net taxable capital gains designated by the REDT to the Holder). Holders are advised to consult their own tax advisors.

Alternative Minimum Tax

A Holder that is an individual or trust (other than certain specified types of 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 REDT paid or payable, or deemed to be paid or payable, to the Holder and that is designated as net taxable capital gains.

18. CERTAIN U.S. FEDERAL TAX CONSIDERATIONS

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

This summary is generally directed to prospective Unitholders who purchase the Units offered by this Prospectus and who are not U.S. persons pursuant to the U.S. Internal Revenue Code (“Code”) (“**Non-U.S. Unitholders**”). However, the summary does not deal with all aspects of U.S. federal income taxation that may be relevant to the specific circumstances of certain Non-U.S. Unitholders. For example, the summary does not address the U.S. federal income tax consequences to Non-U.S. Unitholders that are in special tax situations such as U.S. expatriates.

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 own Units should consult their own tax advisors as to the particular U.S. federal income tax considerations applicable to them.

“Non-U.S. Unitholder” Defined

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

Limitations

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

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

This summary is based on the facts set out in this Prospectus. This summary is also based upon KPMG’s understanding of the relevant provisions of the Code, the regulations under the Code, the Canada-United States Convention with Respect to Taxes on Income and on Capital (“Treaty”) and the judicial and administrative interpretations and pronouncements thereof as currently in effect. There can be no assurance that the IRS will not successfully challenge the conclusions reached in this summary and no ruling from the IRS has been or will be sought on any of the items discussed below. These authorities are subject to change retroactively and/or prospectively and any such changes could affect the U.S. federal income tax consequences described in the summary below.

This summary does not constitute, and should not be construed to constitute, tax advice to any particular Non-U.S. Unitholder and/or any other investor. Each Non-U.S. Unitholder and/or any other investor is, therefore, advised to consult his, her or its own tax advisor as to the U.S. federal, state, and local income and other tax consequences to such Non-U.S. Unitholder and/or any other investor of the purchase, ownership and disposition of the Units taking into consideration his, her or its own particular circumstances.

U.S. Federal Income Taxation of the REDT

The U.S. entity classification rules prescribe the classification of various entities for U.S. federal income tax purposes. Generally, a non-U.S. business entity is, by default, treated as a corporation for U.S. federal income tax purposes under the entity classification rules if all members have limited liability. Pursuant to the *Trust Beneficiaries’ Liability Act, 2004* (Ontario),

all of the Unitholders of the REDT will have limited liability. Since all of the REDT's Unitholders will have limited liability, the REDT should be treated as a corporation for U.S. federal income tax purposes.

The remainder of this discussion is based on the REDT being classified as a corporation and that the Units will be treated as shares of a non-U.S. corporation for U.S. federal income tax purposes. In addition, the remainder of this discussion is based on the Investment LP being classified as a corporation (see *U.S. Federal Income Taxation of the Investment LP* discussion below).

It is anticipated that the REDT's only asset will be interests in the Investment LP and that the REDT's only income will be distributions out of the current and accumulated earnings and profits of the Investment LP, which distributions should be treated as dividends for U.S. federal income tax purposes. The REDT is not expected to earn any other income that would be treated as income effectively connected with the conduct of a U.S. trade or business ("USTB") ("ECI"), and that would be attributable to a permanent establishment (typically a fixed place of business) maintained by the REDT in the U.S. within the meaning of the Treaty.

Since the REDT should be treated as a non-U.S. corporation for U.S. federal income tax purposes, and the REDT is not expected to earn any ECI attributable to a U.S. permanent establishment, the REDT would not likely be subject to U.S. federal income tax on a net basis.

If the REDT disposes of its units in Investment LP, the REDT would likely not be subject to U.S. federal income tax on the gain realized because: (1) the gain is not expected to be attributable to a U.S. permanent establishment of the REDT; and (2) the units of Investment LP, treated as shares of a non-U.S. Corporation for U.S. federal income tax purposes (see discussion below), should not be treated as USRPIs (see discussion below) because, in general, only shares of a U.S. corporation that is treated as a USRPHC (as defined below) would be treated as USRPIs such that the disposition of such shares by a non-U.S. person would be subject to U.S. federal income tax (see discussion below).

Disposition of Units by Non-U.S. Unitholders

In general, since the REDT would be treated as a non-U.S. corporation, Non-U.S. Unitholders would not be subject to U.S. federal income tax upon a disposition of the Units unless: (i) the Non-U.S. Unitholder is an individual who is present in the U.S. for 183 days or more in the taxable year of the disposition and certain other conditions are met, or (ii) the gain is effectively connected with the conduct by the Non-U.S. Unitholder of a USTB within the U.S. and, if the Non-U.S. Unitholder is eligible for benefits under the Treaty, attributable to a permanent establishment of the Non-U.S. Unitholder within the meaning of the Treaty.

Non-U.S. Unitholders in either of these situations should consult their own tax advisors on the U.S. federal income tax consequences of the disposition of the Units.

Cash and In Specie Distributions in Redemption of Units Held by Non-U.S. Unitholders

In general, the distribution of cash of the REDT, the *in specie* distribution of property of the REDT, including, for example, the Investment LP units, and the issuance of unsecured subordinated notes of the REDT and/or other property of the REDT, in redemption of Units held by Non-U.S. Unitholders, should not be subject to U.S. federal income tax unless: (i) the Non-U.S. Unitholder is an individual who is present in the U.S. for 183 days or more in the taxable year of the disposition and certain other conditions are met, or (ii) the gain is effectively connected with the conduct by the Non-U.S. Unitholder of a USTB within the U.S. and, if the Non-U.S. Unitholder is eligible for benefits under the Treaty, attributable to a permanent establishment of the Non-U.S. Unitholder within the meaning of the Treaty.

Non-U.S. Unitholders in either of these situations should consult their own tax advisors on the U.S. federal income tax consequences of cash and *in specie* distributions in redemption of the Units.

In the event that the REDT makes an *in specie* distribution of property other than the Investment LP units or unsecured subordinated notes of the REDT, Non-U.S. Unitholders should consult their own tax advisors on the U.S. federal income tax consequences of owning property other than the Investment LP units or unsecured subordinated notes of the REDT.

U.S. Federal Income Taxation of the Investment LP

Taxation of the Investment LP's Allocable Share of ECI

The Investment LP should be an eligible entity that will elect to be classified as a corporation for U.S. federal income tax purposes, effective on the date of its formation. Consequently, the Investment LP should be considered a “foreign corporation” for U.S. federal income tax purposes.

In general, a non-U.S. corporation, that is tax resident in a jurisdiction with an income tax treaty with the U.S. would, annually be subject to U.S. federal income tax at the rate of 21% on net income, including capital gains, that is effectively connected with a USTB, i.e., ECI, and, if a treaty applies, that would be attributable to a permanent establishment in the U.S. A partner of a partnership is generally attributed the USTB of the partnership and would be allocated any profits attributable to ECI generated by such USTB through a permanent establishment in the U.S.

In general, a partnership that has ECI allocable to non-U.S. partners must withhold and remit U.S. withholding tax (“**Section 1446 Withholdings**”) on any ECI allocable to such non-U.S. partners and must file annually with the IRS certain U.S. tax returns to report this withholding. Section 1446 Withholdings must be made at the highest rate of U.S. federal income tax applicable to such non-U.S. partners, without regard to any preferential rates of tax. For example, non-U.S. corporations are subject to Section 1446 Withholdings at the rate of 21% on their allocable share of ECI from a partnership. A non-U.S. partner may claim the Section 1446 Withholdings as a credit against its final U.S. federal income tax liability for the year by attaching proof of withholding to its U.S. federal income tax return.

Each of the Holding LP and the JV LP is treated as a partnership for U.S. federal income tax purposes (see discussion below). The development of the Projects by the JV LP should be treated as a USTB of the JV LP. Since the USTB of the JV LP should be attributed to the Investment LP (indirectly through the JV LP and the Holding LP), on an annual basis, the ECI, if any, of the JV LP (as attributable to the Projects which would be permanent establishments of the Investment LP), should not be subject to Section 1446 Withholdings on the portion of the ECI allocable to the Holding LP as the Holding LP is not a non-U.S. person. The Holding LP, however, would be subject to Section 1446 Withholdings at the rate of 21% on the portion of the ECI allocable to the Investment LP.

The Investment LP will, on an annual basis, be subject to U.S. federal income tax at the rate of 21% with respect to its allocable share of ECI, if any, attributable to its indirect investment in the JV LP. The Investment LP may claim the Section 1446 Withholdings as a credit against its final U.S. federal income tax liability for the tax year by attaching proof of withholding to its U.S. federal income tax return.

*Taxation of the Investment LP's Dispositions of United States Real Property Interests (“**USRPIs**”)*

A non-U.S. corporation’s gain from the disposition of a USRPI is generally subject to U.S. federal income tax on a net basis, withholding and filing requirements and is not exempt under the Treaty. A USRPI generally includes real property (such as land and buildings) located in the U.S. Shares of a U.S. corporation (but generally not of a non-U.S. corporation) would also be treated as a USRPI if such U.S. corporation is a “U.S. real property holding corporation” (a “**USRPHC**”) (in general, a corporation in which the fair market value of such corporation’s USRPIs comprised 50% or more of the sum of the fair market value of such corporation’s worldwide real property interests plus its other assets used or held for use in a trade or business). The gain on the disposition of a USRPI recognized by a non-U.S. corporation would be taxed at the rate of 21%. The amount of money and the fair market value of any property received by a non-U.S. corporation from the disposition of a partnership interest, to the extent attributable to USRPIs, would be considered to be an amount received from the disposition of such underlying USRPIs and any gain from such deemed disposition of USRPIs would also be subject to U.S. federal income taxation as if it was ECI at the rate of 21%.

Dispositions of USRPIs by non-U.S. persons, including non-U.S. corporations, may also be subject to U.S. withholding on the part of the purchaser under the FIRPTA rules (“**Section 1445 Withholdings**”). In general, Section 1445 Withholdings are generally required at a rate of 15% on the gross amount realized from the disposition of a USRPI, including the disposition of partnership interests in certain partnerships in which 50% or more of the fair value of the gross assets consist of USRPIs and 90% or more of the fair value of the gross assets consist of USRPIs and cash and cash equivalents (“**50/90 Partnership**”). The Section 1445 Withholdings may be reduced or eliminated (in certain circumstances) if an application for

a withholding certificate is timely filed with the IRS requesting a reduction in withholding and a withholding certificate is received from the IRS. A withholding certificate might be issued by the IRS if a non-U.S. person establishes that the actual U.S. federal income tax on the disposition of the USRPI is expected to be less than the required Section 1445 Withholdings because, for example, the non-U.S. person suffers a loss on the sale. However, no assurance can be given that the IRS will approve a withholding certificate application to reduce the amount of Section 1445 Withholdings.

In general, the disposition of USRPIs by a U.S. person should not be subject to Section 1445 Withholdings provided that the U.S. person timely provides to the purchaser a certification of its non-foreign status. However, there are special Section 1445 Withholdings rules that would apply to a U.S. partnership that disposes of a USRPI and the gain realized is allocable to a non-U.S. partner of such partnership. In such case, the Section 1445 Withholdings would be required on such allocable share of gain at the non-U.S. partner's highest rate of tax effective for the taxable year of the disposition multiplied by the gain realized. For example, the Section 1445 Withholdings for a non-U.S. corporate partner of a U.S. partnership would be equal to 21% of such partner's allocable share of the gain realized.

If a U.S. partnership is subject to both Section 1445 Withholdings and Section 1446 Withholdings, U.S. Regulations provide that such partnership will only be subject to the payment and reporting requirements of Section 1446 with respect to partnership gain from the disposition of USRPIs (“**Overlap Rule**”).

A non-U.S. person may claim the Section 1446 Withholdings and the Section 1445 Withholdings withheld, if any, as a credit against its final U.S. federal income tax liability for the year by attaching proof of withholding to its U.S. federal income tax return.

If the JV LP, a U.S. partnership, disposes of the Projects, the JV LP should not be subject to Section 1445 Withholdings with respect to the USRPIs disposed of on the portion of such gain allocable to U.S. partners such as the Holding LP. The Holding LP, however, would be subject to Section 1446 Withholdings at the rate of 21% on the portion of the gain allocable to the Investment LP which would be subject to U.S. federal income taxation as if it was ECI.

If the Holding LP disposes of its interest in the JV LP, then the Holding LP will be subject to both Section 1445 Withholdings and Section 1446 Withholdings. However, by operation of the Overlap Rule (discussed above), the Holding LP would only be subject to the Section 1446 Withholdings rules and would be required to withhold U.S. federal income tax at the rate of 21% on the realized gain that would be allocable to the Investment LP.

If the Investment LP disposes of its interest in the Holding LP, the Investment LP will be subject to Section 1445 Withholdings at that rate of 15% of the gross amount realized since the Holding LP interests would likely be interests in a 50/90 Partnership. The Investment LP could timely apply to the IRS for a withholding certificate if it is anticipated that the Investment LP's U.S. federal income tax on the gain from the disposition is expected to be less than the required Section 1445 Withholdings. However, it may take the IRS significant time to process the withholding certificate application and no assurance can be given that the IRS will approve a withholding certificate application to reduce the amount of Section 1445 Withholdings.

If the REDT indirectly disposes of the Projects or of its indirect interest in any of the entities in the structure, and the expected U.S. federal income tax required to be withheld on such disposition is higher than the expected U.S. federal income tax liability of the Investment LP on the gain realized from such disposition, then the REDT, on behalf of the Investment LP, intends to take steps, if available, to mitigate the amount of U.S. federal income tax required to be withheld.

Withholding Tax on Dispositions of Partnership Interests in Partnerships that are Engaged Directly or Indirectly in a USTB

In general, if a non-U.S. partner, including a non-U.S. corporation, disposes of a partnership interest in a partnership that is directly or indirectly engaged in a USTB, and all or a portion of the gain from such disposition would be treated as ECI, then the transferee would be required to withhold U.S. federal income tax at the rate of 10% of the amount realized (“**Section 1446(f) Withholdings**”). A non-U.S. partner may claim the Section 1446(f) Withholdings as a credit against its final U.S. federal income tax liability for the year by attaching proof of withholding to its U.S. federal income tax return.

The disposition of a partnership interest in a partnership that is directly or indirectly engaged in a USTB by a U.S. partner (such as a U.S. partnership) should not be subject to Section 1446(f) Withholdings provided that the U.S. partner timely provides to the purchaser a certification of its non-foreign status.

The disposition of a 50/90 Partnership (as defined above) by a non-U.S. partner would only be subject to Section 1445 Withholdings at the rate of 15% on the gross amount realized and would not also be subject to Section 1446(f) Withholdings.

If the Holding LP disposes of its interest in the JV LP, then the Holding LP should not be subject to Section 1446(f) Withholdings since the Holding LP is a U.S. person provided that the Holding LP timely provides to the purchaser a certification of its non-foreign status.

If the Investment LP disposes of its interest in the Holding LP, the Investment LP should not be subject to Section 1446(f) Withholdings since the interests in the Holding LP would likely be interests in a 50/90 Partnership provided that the disposition of such 50/90 Partnership interests would also be subject to Section 1445 Withholdings.

The Investment LP U.S. Federal Income Tax Compliance Requirements

The Investment LP will be required to annually file a U.S. federal income tax return (i.e. Form 1120-F for non-U.S. corporations) including for the year in which a disposition occurs and may claim the Section 1446 Withholdings withheld and the Section 1445 Withholdings withheld, if any, as a credit against the Investment LP's final U.S. federal income tax liability for the year by attaching proof of withholding to its U.S. federal income tax return.

In addition, the Investment LP may also be subject to U.S. branch profits tax (paid with its U.S. federal income tax return) on its allocable share of annual taxable income from the JV LP and/or from a disposition. U.S. branch profits tax is imposed at the rate of 30% on a calculated profits amount. Should the U.S. branch profits tax be applicable, it may be possible to take the position that the profits subject to branch profits tax would be eligible under the Treaty for a reduced rate of 5% with respect to profits in excess of a C\$500,000 cumulative exemption. If applicable, the Investment LP intends to take the position that the reduced branch profits tax rate of 5% under the Treaty applies to any profits subject to the branch profits tax. However, because the Investment LP is not a tax resident under the Treaty (but rather it is wholly owned by the REDT which may qualify as a tax resident under the Treaty), no assurances may be given that the IRS will not challenge this position and assert that a higher branch profits tax rate should apply.

U.S. Federal Income Taxation of the Holding LP and the JV LP

Each of the Holding LP and the JV LP are limited partnerships classified as partnerships for U.S. federal income tax purposes. Each such limited partnership does not intend to make an election to be treated as a corporation for U.S. federal income tax purposes. As such, each such limited partnership is not a taxable entity and does not incur any entity level U.S. federal income tax liability. Instead, the partners of such limited partnerships that are not treated as partnerships or disregarded entities for U.S. federal income tax purposes, including the Investment LP, are required to take into account their allocable shares of items of income, gain, loss and deduction and which may result in U.S. federal income tax reporting and/or paying obligations.

The Holding LP will withhold and remit Section 1446 Withholdings on certain income allocable to the Investment LP and will be required to file with the IRS certain U.S. tax returns to report this withholding.

19. INTERNATIONAL INFORMATION REPORTING

Part XVIII of the Tax Act, which was enacted to implement the Canada-United States Enhanced Tax Information Exchange Agreement (the "IGA"), imposes due diligence and reporting obligations on "reporting Canadian financial institutions" in respect of their "U.S. reportable accounts". The REDT, and/or dealers through which Unitholders hold their Units, may be subject to due diligence and reporting obligations. If a Unitholder is a U.S. person (including a U.S. citizen), Units are otherwise "US reportable accounts" or if a Unitholder does not provide the requested information, Part XVIII of the Tax Act will generally require information about the Unitholder's investment in the REDT to be reported to the CRA, unless the investments are held within a Plan (other than a FHSA). The CRA is expected to provide that information to the IRS. The Tax Act does not currently address whether FHSAs would be treated in the same way as other Plans for these purposes, although the CRA has indicated this matter is under consideration and that these accounts do not currently need to be reviewed, identified or reported. No assurances can be given that such reporting will not be required for FHSAs in the future.

Reporting obligations in the Tax Act have been enacted to implement the Organization for Economic Cooperation and Development Common Reporting Standard (the "CRS Rules"). Pursuant to the CRS Rules, "reporting financial institutions"

(as defined the CRS Rules) are required to have procedures in place to identify accounts held by residents of foreign countries (other than the U.S.) or by certain entities any of whose “controlling persons” are resident in a foreign country (other than the U.S.) and to report the required information to the CRA. Such information is exchanged on a reciprocal, bilateral basis with countries that have agreed to a bilateral information exchange with Canada under the Common Reporting Standard and in which the account holders or such controlling persons are resident. Under the CRS Rules, Unitholders are required to provide certain information, including information as to their residence status for the purpose of such information exchange, unless the investment is held within a Plan (other than a FHSA). Certain Tax Proposals would, if enacted, also exempt FHSAs from the CRS Rules; however, there can be no assurance that such Tax Proposals will be enacted as proposed.

20. RISK FACTORS

The purchase of Units involves a number of risks. The risks described below are not the only risks involved with an investment in the Units. If any of the following risks occur, or if others occur, the REDT’s business, operating results and financial condition could be seriously harmed and Purchasers may lose all of their investment. Risks affecting the REDT will affect its ability to make distributions on the Units. In addition to the risk factors set forth elsewhere in this Prospectus, prospective Purchasers should consider the following risks associated with a purchase of Units:

Risks Related to Real Estate Industry, the Projects and the REDT’s Business

An investment in Units is an investment in U.S. real estate through the REDT’s indirect interest in the Projects. Investment in real estate is subject to numerous risks, including the factors listed below and other events and factors which are beyond the control of the REDT:

Real Property Ownership and Revenue Risks

All real property investments are subject to a degree of risk and uncertainty. There can be no assurance that the Projects will be operated successfully, that the operations of the REDT will be profitable or that cash from refinancing of the Projects or 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 Projects that even the combination of experience and knowledge may not be able to avoid. By specializing in a particular type of real estate, the REDT 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 REDT’s revenues as well as the marketability and value of each of the Projects will depend on many factors beyond the control of the REDT, including, without limitation: (i) changes in general economic conditions (such as the availability, terms and cost of mortgage financing 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) competition from other available properties; (vi) the ability of the REDT to provide adequate maintenance at competitive costs; (vii) the promulgation and enforcement of governmental regulations relating to land-use and zoning restrictions, environmental protection and occupational safety; (viii) changes in governmental rules and fiscal policies; (ix) various uninsured or uninsurable risks; (x) civil unrest; (xi) acts of God and natural disasters; and (xii) acts of war or terrorism. In the event that the Projects experience any of the foregoing events or occurrences, the value of, and return on, the Projects would be negatively impacted.

There can be no assurance of profitable operations once development of the Projects is complete because the costs of operating the Projects, 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, insurance, certain professional services and all related charges, must be made regardless of whether the Projects are producing sufficient income to service such expenses, and such costs even tend to increase even if there is a decrease in the REDT’s income from its investment in the Projects. Any financing procured for the Projects could or will require debt service payments. There is also no assurance that there will be a ready market for the sale of the Projects because, as outlined below, investments in real estate generally are not liquid. Future profits, if any, will depend upon various factors, including the growth of the Orlando MSA and the Tampa MSA, and the regions around the Projects, the success, if any, of the development and marketability of the Projects, the receipt of applicable government approvals, the application of government regulations and enforcement of such regulations and general political and economic conditions.

In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting the REDT's investment may be incurred. A prolonged deterioration in economic conditions could increase and exacerbate the foregoing risks. The failure to rent unleased space on a timely basis or at all would likely have an adverse effect on the REDT's financial condition.

The likelihood of success of the REDT must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any real estate investment. If the REDT fails to address any of these risks or difficulties adequately, its investment performance likely will suffer. There is no assurance that the REDT can operate profitably or that the REDT will successfully implement its plans.

Construction and Development Risk

The Projects will be subject to a number of risks inherent in the development, marketing, sale and construction of residential development projects in Largo, Florida (Tampa) and Kissimmee, Florida (Orlando), respectively, including: (i) the potential that the REDT may fail to recover expenses already incurred if it abandons the development of the Projects; (ii) construction or development costs may exceed original estimates, possibly making the Projects less profitable than originally estimated, or unprofitable; (iii) the time required to complete the construction or development of the Projects or to lease-up the completed Projects may be greater than anticipated, thereby adversely affecting the REDT's cash flow and liquidity projections; (iv) the cost and timely completion of construction (including risks beyond the REDT's control, such as weather, labour conditions, labour and material shortages and increased labour and materials costs); (v) contractor and subcontractor disputes, strikes, labour disputes or supply disruptions; (vi) the failure to achieve expected occupancy levels within the projected time frame, if at all; (vii) delays with respect to obtaining additional required permits and governmental approvals; (viii) changes in real estate, tax, zoning, environmental, and land use laws; (ix) environmental risks, including environmental conditions not identified in due diligence and future environmental concerns; (x) occupancy rates and rents of the completed Projects may not be sufficient to make it profitable; (xi) the REDT's ability to dispose of the Projects could be impacted by the ability of prospective buyers to obtain financing; (xii) the potential for undisclosed liabilities relating to the Projects; and (xiii) the availability and pricing of financing to fund the REDT's development activities on favourable terms or at all.

The Projects' viability and profitability are also dependent on a certain construction timeline being met. If there should be a significant delay in the provision of services to meet the construction timeline or construction of the Projects, the Projects' viability and/or profitability may be materially adversely affected. The Projects strive to mitigate these risks where possible by entering into fixed price construction contracts with general contractors, including with GMP provisions.

The Bayside Project is subject to additional development and construction risk associated with the satisfaction of the NGBS Silver certification standards. The entitlements for 271 residential units approved by the City of Largo includes the Bonus Density of 21 units as provided in the Bonus Density Agreement. The Bonus Density Agreement requires that the Bayside Project achieve NGBS Silver certification as a condition to the Density Bonus. If the Bayside Project does not achieve such certification or demonstrate entitlement to an equivalent Bonus Density available under the CDC and approved by the City of Largo, then the project will not receive a certificate of occupancy which is required for the occupancy and operation of the project,

The above risks could result in substantial unanticipated delays or increased costs and expenses and, under certain circumstances, could prevent the initiation of development activities or the completion of development activities once undertaken and affect the operation, profitability, and viability of the Projects. In addition, development 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. Any of these risks could have an adverse effect on the REDT's cash flows, financial condition or results of operations and its ability to make distributions to Unitholders in the future.

Financing Risks

Although H&R REIT has committed to provide debt financing to the Projects, the Projects may not be able to complete the construction of the Projects or refinance such debt financing. If a default occurs under any debt financing, the lender (if it is a third party lender) could exercise its rights including, without limitation, foreclosure or sale of one or more of the Projects. In addition, as H&R REIT will be providing the lending to the Projects and will also be responsible for funding cost overruns through subscriptions for Cost Overrun Units, the Projects will be relying on substantial financing from H&R REIT in order to

complete their development. Any failure on the part of H&R REIT to advance the debt financing necessary, or any insolvency on the part of H&R REIT, could have a material adverse affect on the Projects and their development.

Rental Income Risks

The Projects are expected to generate income primarily through rent payments made by the tenants thereof pursuant to standard form leases which are in place for each developed rental unit. Upon expiry of any lease, there can be no assurance that it will be renewed or that the tenant will be replaced for a number of reasons. Furthermore, the terms of any subsequent lease may be less favourable than the existing lease. If a significant number of tenants of the Projects are unable to meet their obligations under their leases or if a significant amount of available space in the Projects become vacant and cannot be re-leased out to tenants on economically favourable terms, the Projects may not generate revenues sufficient to meet Operating Expenses, including debt service and capital expenditures, and Distributable Cash will be adversely affected.

Project Risk

Following closing of the Offering, the REDT will indirectly acquire an interest in the Projects. The Manager has estimated that the total cost necessary to carry out the proposed development of the Projects will be US\$221 million. If either or both of the Projects are unable to be developed, there could be a material adverse effect on the REDT's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders in the future. The REDT does not expect to have cost overruns and the Manager has budgeted contingencies for the Projects. However, in the event of a future incremental equity requirement or cost overrun requiring additional equity, the Current Owner has agreed, among other things, to subscribe for Cost Overrun Units. However, there can be no guarantee that the Current Owner will comply with this obligation or that such funds will be available, or that if available, that the cost overrun will be satisfied in full.

There is no assurance that the Projects will be operated successfully. The potential return to investors depends on the revenues generated by the Projects, expenses incurred, costs and time to construct the Projects, as well as the price achieved through a Liquidity Event and/or the ability of the REDT to consummate a Liquidity Event. However, there can be no assurance that such business activities will generate revenues sufficient to meet the return objectives of the REDT.

The Projects will be subject to the risks inherent in the marketing, leasing and construction of residential units in Tampa, Florida and Orlando, Florida, respectively, including, but not limited to, the inability to obtain construction or mortgage financing on reasonable terms or at all, the inability or failure or unwillingness, when and if required, to provide or procure guarantees, security and other credit support to secure Project financing, fluctuations in interest rates, fluctuations in or volatility of real estate markets (particularly the residential rental property markets in Tampa, Florida and Orlando, Florida, respectively) and general economic conditions, failure to repay or refinance mortgages resulting in foreclosure or power of sale, construction delays due to force majeure, strikes, shortages of materials or labour, competition from other properties, limits on insurance coverage and increases in construction costs caused by general economic conditions.

Negative Cash Flow from Operating Activities

During the fiscal year ended December 31, 2023, the Projects did not have any cash flow from operating activities. To the extent a Project has negative cash flow from operating activities in future periods, such Project may be required to seek alternative forms of debt or equity financing, including the Current Owner acquiring Cost Overrun Units. There can be no assurance that debt or equity financing will be available to a Project or, if available, will be on terms acceptable to such Project. In addition, to the extent that a Project has negative cash flow from operating activities in future periods, it may be required to deploy a portion of its existing working capital to fund such negative cash flow from operating activities. The REDT does not anticipate that the Projects will generate positive cash flows from operations until their respective completions.

General Competition from Other Real Property Operators

The market for residential rental units in Tampa, Florida and Orlando, Florida is competitive, and the Projects face competition with numerous developers continuously undertaking and marketing projects in both markets. In the future, this level of competition may increase if and as existing operators become more successful and new operators enter the market. Competing developers may in the future develop and/or own developments that compete directly with the Projects, or otherwise offer lower prices, better locations, better services or other attractive features in any given properties' catchment area, which

may heighten competition for tenants. Local market conditions play a significant role in how competition affects the Projects, in particular on the prices the Projects are able to set, and additional competition may lower occupancy levels and rental revenue of the Projects from time to time.

Maintaining a competitive position may also require continued investment in the Projects. In the face of competition, the Projects may lose potential renters, and there may be pressure to discount rental rates below what would otherwise be charged in order to offer lease incentives to attract renters. As a result, the Projects' revenues may decrease, which could impair the JV LP's ability to satisfy debt service obligations and the REDT's ability to pay distributions. In addition, increased competition for buyers may require the Manager to make unbudgeted capital improvements to the Projects, which may reduce the cash available for the JV LP and impair its ability to satisfy debt service obligations and for the REDT to pay distributions. No assurance can be given that the Projects will have sufficient resources to make the necessary investments, or that any such investments would lead to higher occupancy rates, allow the Projects to charge higher rent rates or otherwise generate incremental earnings. If competition intensifies and the Projects' occupancy rates or rental revenues decline, this could result in a material adverse effect on the REDT's business, financial condition and results of operations.

Environmental Matters

Under various environmental laws, the Bayside LPs and/or the Sunrise LPs could become liable for the costs of abatement, removal or remediation of certain hazardous substances that may have been or may in the future be located on, in, under or released from the Projects, or may have liability for offsite migration of such substances. The failure to deal effectively with such substances may adversely affect the Manager's ability to sell the Projects or to borrow using the Projects as collateral, and could potentially also result in claims against the Bayside LPs and/or the Sunrise LPs by third parties. In addition, if hazardous substances are located on, in, under or released from, the Projects, the Bayside LPs and/or the Sunrise LPs could incur substantial liabilities through a private party personal injury claim, a claim by an adjacent property owner for property damage or a claim by a governmental entity, including fines and penalties. The costs of defending these claims, conducting environmental remediation, complying with orders by governmental authorities for the Bayside LPs and/or the Sunrise LPs to study, contain, stop and/or remedy any contamination, resolving liabilities caused by tenants or to third parties or responding to changed conditions, could have a material adverse effect on the REDT's business, financial condition and results of operations which may impact the REDT's ability to meet its investment objectives.

The Environmental Assessments are based solely on (i) data and information collected during the preparation of the Environmental Assessments, and (ii) site conditions encountered at the time of the site visits by the environmental consultants who prepared the Environmental Assessments. Despite the conclusions of the Environmental Assessments, there is a risk that unforeseen contamination requiring abatement, remediation or containment may be discovered. Additional material costs could also arise as a result of the discovery of unforeseen or unknown geotechnical or hydrogeological conditions.

The Tampa Real Estate Market

The Bayside Project is subject to the risks associated with fluctuations in or the volatility of the Tampa real estate market, specifically, the market for residential rental properties in the Tampa MSA. The demand for newly constructed residential rental units in Tampa is affected by numerous factors, including, but not limited to, interest rates, mortgage rules, the supply of residential units, and general economic conditions. The Tampa real estate market is subject to change, and there can be no assurance that demand for newly constructed residential rental properties in Tampa will not decline. A decrease in demand for, or increase in the supply of, residential units in Tampa could materially adversely affect the Bayside Project's viability, and, as a result, the Bayside Project could be temporarily delayed or cancelled altogether. See "– Geographic Concentration and Local Economic Conditions" below for a summary of the potential impact of a deterioration of the local economic conditions in the local area of the Bayside Project.

The Orlando Real Estate Market

The Sunrise Project is subject to the risks associated with fluctuations in or the volatility of the Orlando real estate market specifically, the market for residential rental properties in the Orlando MSA. The demand for newly constructed residential rental units in Orlando is affected by numerous factors, including, but not limited to, interest rates, mortgage rules, the supply of residential units, and general economic conditions. The Orlando real estate market is subject to change, and there can be no assurance that demand for newly constructed residential rental properties in Tampa will not decline. A decrease in the demand for, or increase in the supply of, residential units in Orlando could materially adversely affect the Sunrise Project's

viability, and, as a result, the Sunrise Project could be temporarily delayed or cancelled altogether. See “– Geographic Concentration and Local Economic Conditions” below for a summary of the potential impact of a deterioration of the local economic conditions in the local area of the Sunrise Project.

Natural Disasters and Severe Weather

The Projects may be impacted by natural disasters and severe weather, including floods, hurricanes, fires, earthquakes, storms, rising temperatures and other climate-related events, beyond the REDT’s control. Depending on their severity, these events could cause significant damage to the Projects, interruptions to the construction and development of the Projects, threats to the safety of the Projects’ residents and increased insurance costs to insure the Projects. There may be adverse impacts to the REDT’s business if there is disruption or destruction in connection with any of these events, regardless of cause, and the REDT may, as a result, require additional time to complete the construction, the lease-up and/or the sale of the Projects and may also be required to incur significant unanticipated costs to manage the impact of these events. There is also a possibility that the REDT’s ability to generate revenues from the Projects could be significantly impaired by any disruption or destruction due to any such natural disasters and severe weather-related events.

Residential Tenancy Legislation

The State of Florida has not currently enacted residential tenancy legislation that imposes rent control guidelines that could limit the REDT’s ability to raise rental rates at the Projects upon their completion and lease-up. While rental rates are generally not increased during the term of a lease (which typically ranges from six to twelve months), there are no current State of Florida guidelines or regulations restricting the increase of rent payable by residential tenants after the lease term has expired. There can be no assurances, however, that such legislation, regulations or guidelines will not be enacted or promulgated in the future.

Negative Geopolitical Events May Cause Increased Economic Volatility

Events such as war and occupation, terrorism and related geopolitical risks may lead to increased economic volatility and may have adverse short-term and long-term effects on world economies and securities markets generally, including Canadian, U.S., European and other economies and securities markets. The effects of disruptive geopolitical events could affect the economies and securities markets of countries in which H&R REIT and/or its affiliates operate in ways that cannot necessarily be foreseen at the present time. These events could also exacerbate other pre-existing political, social and economic risks.

Regulation and Changes in Applicable Laws

The Projects are 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 Laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting the Projects (including with retroactive effect). Any changes in the laws to which the Projects are subject to could materially adversely affect a Project’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 REDT is subject or the effect of any such changes on its investments in the Projects. Lower revenue growth or significant unanticipated expenditures may result from the Projects’ 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 the Projects or the restrictions on discharges or other conditions; or (ii) other governmental rules and regulations or enforcement policies affecting the development, use and operation of the Projects, including changes to building codes and fire and life-safety codes. As a result, the Projects may, in the future, incur capital expenditures which may not be fully recoverable from tenants.

Property Encumbrances

The Projects may be or may become subject to various easements and charges including, without limitation, gas, water, electricity and other utility easements and rights of access and conduits to and across the Projects. Where such encumbrances exist, the REDT may be required to grant or obtain additional easement area and could be responsible for the cost of moving infrastructure. In the event that the owner of an easement damages an improvement while working within the easement, the REDT could be responsible for the cost of repairs. Further, in certain circumstances if an owner of an adjoining property were to take action to block certain rights of access, the REDT may be required to seek a court order to maintain access to and from the applicable property.

Capital Expenditures and Fixed Costs

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 to pay such expenses. Once developed, in order to retain desirable rentable space and to generate adequate revenue over the long-term, each Project must maintain or, in some cases, improve, its condition to meet market demand. Maintaining a rental property in accordance with market standards can entail significant costs, which the Projects may not be able to pass on to its tenants. The timing and amount of further capital expenditures required by the Projects will indirectly affect the amount of cash available for distribution to Unitholders in the future. Distributions may be reduced, or even eliminated, at times when the Projects deems it necessary to make significant capital or other expenditures.

If the actual costs of maintaining or upgrading the Projects in the future exceed the Manager's estimates, the Projects will incur additional and unexpected costs. If competing residential properties are built in the area where the Projects are located, the net operating income derived from and the value of such property could be reduced. Any failure by either Project to undertake appropriate maintenance work in response to the factors described above could materially adversely affect the rental income that the REDT indirectly earns from the Projects in the future and could have a material adverse effect on the financial condition and results of operations and the REDT's ability to make distributions to Unitholders.

Access to Capital

The real estate industry is highly capital intensive. Although the Projects expect to have access to debt financing, there can be no assurances that the Projects will otherwise have access to sufficient capital or access to capital on terms favourable to the Projects to complete their development. Further, in certain circumstances, the Projects may not be able to borrow additional funds. Market conditions and unexpected volatility or illiquidity in financial markets may inhibit the Projects' access to long-term financing in the Canadian and U.S. capital markets. As a result, it is possible that financing which the Projects may require in order to develop, may not be available or, if it is available, may not be available on favourable terms to the JV LP. Failure by the JV LP to access required capital could have a material adverse effect on the REDT's business, cash flow, financial condition and results of operations and ability to make distributions to Unitholders.

Revenue Shortfalls

Revenues from the Projects, once developed, may not increase sufficiently to meet increases in Operating Expenses or debt service payments under any debt financing or to fund changes in the variable rates of interest charged in respect of such loans.

Fluctuations in Interest Rates and Capitalization Rates

Debt financing may include indebtedness with interest rates based on variable lending rates that will result in fluctuations in the Project's cost of borrowing.

As interest rates fluctuate in the lending market, generally capitalization rates will as well, which affects 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.

Litigation at the Project Level

The acquisition, ownership and disposition of real property carries certain specific litigation risks. Litigation may be commenced with respect to the Projects in relation to activities that took place prior to the REDT's acquisition of an interest in the Projects.

Liquidity

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. If the Projects were required to be quickly liquidated, the proceeds to the REDT may be significantly less than the aggregate carrying or net asset value of the Projects or less than what

would be expected to be received under normal circumstances which could have an adverse effect on the REDT'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 Projects may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for the Projects to be disposed of at a lower price. There can be no assurance that the fair market value of the Projects will not decrease in the future.

Economic Environment

The REDT is subject to risks involving the economy in general, including inflation, deflation or stagflation, unemployment, supply chain pressures and negative geopolitical issues. Poor economic conditions could adversely affect the development of the Projects or the Projects' ability to generate revenues, thereby reducing its operating income and earnings. Such conditions could also have an adverse impact on the ability of the Projects to maintain occupancy rates in the future which could harm the REDT's financial condition. In weak economic environments, the Projects' tenants may be unable to meet their rental payments and other obligations due to the Projects, which could have a material and adverse effect on the REDT. In addition, fluctuation in interest rates or other financial market volatility may restrict the availability of financing for future prospective purchasers of the Projects and could potentially reduce the value of the Projects.

Geographic Concentration and Local Economic Conditions

The Projects are located in Largo, Florida (Tampa) and Kissimmee, Florida (Orlando), respectively. As such, the REDT is susceptible to local economic conditions, which impact the supply of and demand for residential rental properties in this area. If there is a downturn in the local economies, the Projects could be materially adversely affected to a greater extent than if the REDT owned a more geographically diversified real estate portfolio. An important part of the REDT's business plan is based on the belief that property values for residential rental properties in the market in which the Projects operate will continue to improve over the next several years. There can be no assurance as to the extent property values in the market in which the Projects operate will remain high or continue to grow. If this market experiences economic downturn in the future, the value of the Projects could decline and the REDT's ability to execute its business plan may be adversely affected, which could adversely affect the REDT's financial condition and operating results.

Public Health Crises

Public health crises relating to any virus, flu or any other similar disease or illness, including COVID-19 or its variants (each a "Health Crisis") could adversely impact the REDT, including through: a general or acute decline in economic activity in the region in which the Projects are located; increased unemployment; reduced immigration; closure of college and university campuses; household consolidation (young adults moving back in with their parents); supply shortages; temporary service disruptions due to illness; REDT or government-imposed isolation programs and restrictions on the movement of personnel; and other mobility restrictions and quarantine measures; increased government regulation; inability to access governmental programs or processes on a timely basis; efficacy of governmental relief efforts; and the quarantine or contamination of the Projects. Contagion in the market in which the Projects are located could negatively impact its occupancy, reputation or attractiveness of that market. Furthermore, increased government regulation relating to a Health Crisis could result in legislation or regulations that may restrict the ability of landlords to enforce material provisions under leases among other potential adverse impacts. All of these occurrences may have a material adverse effect on the business, cash flows, financial condition and results of operations of the Projects, including the valuation of the Projects in connection with a Liquidity Event.

Risks Related to the REDT

Holding Entity Structure

As a holding entity, the REDT's ability to meet its obligations, including payment of Operating Expenses and distributions, depends on the receipt by the REDT of distributions from its Subsidiaries as the principal source of Cash Flow. As a result, the Cash Flow and ability to pay distributions on the Units are dependent upon the earnings of the REDT's Subsidiaries and the distribution of those earnings and other funds to the REDT. The payment of distributions by certain of the REDT's Subsidiaries may be subject to restrictions set out in relevant tax or corporate laws and regulations, constating or

constitutional documents or other governing provisions, which may require that certain Subsidiaries remain solvent following payment of any such distributions. Substantially all of the REDT's business will be conducted through its Subsidiaries.

Distributions may be Reduced or Suspended

Although the REDT intends to distribute its available cash to Unitholders following the earlier of Stabilization and the date on which the Trustees determine that it is in the best interests of the Unitholders, such cash distributions may be reduced or suspended.

The Minimum Return payable to holders of Class A Units, Class E Units, Class F Units and Class U Units, is not guaranteed and may not be paid on a current basis in each year or at all. The return on an investment in the Units is not comparable to the return on an investment in a fixed income security. Cash distributions, including a return of a Unitholder's original investment, are not guaranteed and the anticipated return on investment is based upon many performance assumptions. It is important for Purchasers to consider the particular risk factors that may affect the real estate development and investment markets generally and therefore the availability and stability of the distributions to Unitholders. Moreover, while the Minimum Return is 8% compounded per annum and the Secondary Minimum Return is 15% compounded per annum, it may not be equal to 8% or 15%, as applicable, and does not mean that Unitholders should expect to receive an 8% or 15%, as applicable, compounded return per annum and return of their Gross Subscription Proceeds before the Carried Interest becomes payable.

Capital Depletion Risk

The REDT expects that distributions to Unitholders (to the extent declared by the Trustees and otherwise available) will commence on the earlier of Stabilization and the date on which the Trustees determine that it is in the best interests of the Unitholders. While the REDT expects that its cash flows will stabilize in three and a half years following the closing of the Offering, distributions to Unitholders may, in whole or in part, be composed of returns of capital. A return of capital means all, or a portion of, the distributions provided to Unitholders is derived from funds that were invested in the REDT originally, as opposed to the returns or income generated by the investment in the REDT. Returns of capital will reduce the Net Asset Value of the particular class of Units, as applicable, and may reduce the total assets of the REDT.

Reliance on Assumptions

The REDT's investment objectives and the Manager's strategy have been formulated based on the Manager's analysis and expectations regarding recent economic developments in the U.S., the future of U.S. real estate markets generally, and the Canadian dollar to U.S. dollar exchange rate. Such analysis may be incorrect and such expectations may not be realized.

Currency Exchange Rate

Although investors in the Class A Units and Class F Units will be investing in Canadian dollars and will receive distributions, if any, in Canadian dollars, the distributions will be calculated based on the Canadian dollar equivalent of a given distribution in U.S. dollar (which calculation shall use the U.S. dollar spot exchange rate available to the REDT in respect of such distribution). The Canadian dollar is not maintained at a fixed exchange rate compared to U.S. dollar but rather the value of the Canadian dollar has a floating exchange rate in relation to the U.S. dollar. The REDT does not currently intend to enter into any hedging arrangements to limit the impact of changes in the U.S. dollar/Canadian exchange rate. Additionally, the business of the REDT's Subsidiaries and its affiliates will be conducted in the U.S. Consequently, as (i) holders of Class A Units and Class F Units will receive distributions, if any, in Canadian dollars, and (ii) any income and gains will be earned and any expenses and losses of the REDT will be incurred in U.S. dollars, investors who purchase Units will accordingly be subject to currency exchange rate risk as a result of fluctuations in the Canadian dollar/U.S. dollar exchange rate.

Payment of Minimum Return and Carried Interest

The amounts calculated as being distributable to Unitholders for purposes of determining the Carried Interest are not the same as the amounts that will be distributed to Unitholders pursuant to the Declaration of Trust. It is possible that the persons entitled to the Carried Interest will receive amounts even if one or more classes of Units have not received the Minimum Return, primarily as a result of fluctuations in currency exchange rates and the different impacts of such fluctuations on Canadian Dollar Units as compared to U.S. Dollar Units (and vice versa).

General Litigation

In the normal course of the REDT'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 in relation to, among other things, 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 REDT and, as a result, could have a material adverse effect of the REDT's assets, liabilities, business, financial condition and results of operations. Even if the REDT 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 REDT's business operations, which could have a material adverse effect on the REDT's business, cash flow, financial condition and results of operations and ability to make distributions to Unitholders.

Potential Conflicts of Interest with Respect to the Trustees and Executive Officers of the REDT

The Trustees will, from time to time, in their individual capacities, deal with parties with whom the REDT may be dealing, or may be seeking investments similar to those desired by the REDT. The interests of these persons could conflict with those of the REDT. Pursuant to the Declaration of Trust, all decisions to be made by the Board which involve the REDT are required to be made in accordance with the Trustee's duties and obligations to act honestly and in good faith with a view to the best interests of the REDT and its Unitholders. In addition, the Declaration of Trust contains provisions requiring the Trustees to disclose their interests in certain contracts and transactions and to refrain from voting on those matters. Conflicts may also exist as certain Trustees and executive officers of the REDT, namely, Thomas J. Hofstedter, Michael Loeb, Cheryl Friend and Hunter Webb, have interests in or are otherwise affiliated with the Current Owner and/or its affiliates. While the executive officers of the REDT also owe fiduciary and legal duties to the REDT and its Unitholders, there can be no assurance that the provisions of the Declaration of Trust, the provisions of the Management Agreement or any internal corporate policies of the REDT, as applicable, will adequately address potential conflicts of interest or that such actual or potential conflicts of interest with respect to the Trustees or executive officers of the REDT will be resolved in favour of the REDT. See "H&R REIT and the Management Agreement – Potential Conflicts of Interest (Manager, Trustees and Officers)".

Potential Conflicts of Interest with Respect to H&R REIT and the Manager

The services of the Manager as manager of the REDT and JV LP are not exclusive to the REDT and JV LP. The Manager or any of its affiliates and associates may, at any time, engage in the development of, investment in and management of other real estate properties. The Manager will not have any obligation to account to the REDT, JV LP or the Unitholders for profits made in such other activities. While the Manager owes fiduciary, legal and financial duties to the REDT and its Unitholders and JV LP, the Manager's continuing businesses, including its role in providing asset management services to other issuers other than the REDT, may lead to conflicts of interest between the Manager and the REDT, including in connection with a Liquidity Event, Liquidity Option or Sale Process, or any other potential exit event with respect to the Projects. In addition, H&R REIT will be providing debt financing to the Projects. As a result, the REDT and the Projects will be substantially dependent upon H&R REIT and its ability to provide such debt financing in order to develop the Projects, which may result in conflicts of interest between H&R REIT and the REDT. The REDT may not be able to resolve any such conflicts, and, even if it does, the resolution may be less favourable to the REDT than if it were dealing with a party that was not a significant holder of an interest in the REDT and was not a provider of asset management services to issuers other than the REDT. See "H&R REIT and the Management Agreement – Potential Conflicts of Interest (Manager, Trustees and Officers)".

Purchasers of Units pursuant to this Offering must rely on the judgement and good faith of the shareholders, directors, officers and employees of the Manager and its affiliates in resolving the aforementioned conflicts of interest as they may arise.

Insurance Coverage May be Inadequate

The REDT will attempt to obtain adequate insurance of the type and coverage customarily obtained for properties similar to that of the Projects to cover significant areas of risk to it as an entity and to the Projects. 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 REDT may not have adequate coverage for such losses. If the Projects incur a casualty loss that is not fully insured or the insurer is unable to pay due to insolvency, the value of the REDT's assets will be reduced by any such uninsured loss. In addition, other than any working capital reserve or other reserves the REDT may establish, it has no source of funding to contribute to repairing or reconstructing any uninsured damaged property.

Reliance on the Manager

Prospective Purchasers assessing the risks and rewards of this investment will, in large part, be relying on the good faith and expertise of the Manager and its senior executives. Moreover, the historical performance of other projects managed by the Manager is not intended to be, nor should be construed as, an indication as to future value, success or returns in respect of the Units, the REDT or the Projects.

Reliance on Third-Party Property Management

The U.S. Manager may later on rely upon independent management companies to perform property management functions in respect of the Projects. To the extent the U.S. Manager relies upon such management companies, the employees of such management company will devote as much of their time to the management of the Projects as in their judgement is reasonably required and may have conflicts of interest in allocating management time, services and functions among the Projects and their other development, investment and/or management activities.

Limited Operating History

The REDT is a newly organized entity with no operating history. There is no assurance that the REDT will be able to successfully implement its business plans or operate profitably over the short term or an extended period.

Risks Related to the Offering

Limited Liquidity of Units

There is currently no market through which the Units may be sold, such a market may not develop, 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, if one should develop, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. As at the date of this Prospectus, the REDT does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities on any Canadian marketplace, U.S. marketplace, or any marketplace outside Canada and the U.S. Although the REDT intends to complete a Liquidity Event within three and a half years of the Closing Date (subject to any applicable, permitted extensions), there can be no assurance that the REDT will be wound up or that Unitholders will receive a return of their Gross Subscription Proceeds by that time. Accordingly, an investment in Units is suitable solely for persons able to make and bear the economic risk of a long-term investment.

Less than Full Offering

There can be no assurance that more than the Minimum Offering will be sold. If less than all of the US\$52,000,000 of Class A Units, Class E Units, Class F Units and/or Class U Units are sold pursuant to this Offering and any concurrent private placements by the REDT, the Current Owner will fund the rest of the required equity for development of the Projects through the Equity Commitment and acquiring a greater interest in the Projects. In such circumstances, an investor's proportionate interest in the Projects will be reduced accordingly.

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 REDT to be remote in the circumstances, that a Unitholder could be held personally liable for the obligations of the REDT to the extent that claims are not satisfied out of the assets of the REDT. It is intended that the affairs of the REDT will be conducted to seek to minimize such risk wherever possible.

Nature of Investment

The Units represent a fractional interest in the REDT and do not represent a direct investment in the REDT's assets and should not be viewed by investors as direct securities of the REDT's assets. A Unitholder does not hold a share of a body corporate. 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 REDT equivalent to the OBCA or the CBCA which sets out the rights and entitlements of shareholders of corporations in various circumstances. As well, the REDT 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 Against Foreign Subsidiaries

All of the assets of the JV LP, including the Projects, are located outside of Canada. As a result, it may be difficult or impossible for investors to effect service within Canada upon such persons or entities, 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 U.S. 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. A court in the United States may refuse to hear a claim based on a violation of Canadian provincial securities laws or otherwise on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a court in the United States agrees to hear a claim, it may determine that the local law in the United States, and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process.

Risks Related to Redemptions

Use of Available Cash

The payment in cash by the REDT of the redemption price of Units will reduce the amount of cash available to the REDT for the payment of distributions to Unitholders, as the payment of the amount due in respect of redemptions will take priority over the payment of such cash distributions.

Limitation on Payment of Redemption Price in Cash

Unless the Trustees otherwise determine, the total cash amount payable on the redemption of Units by the REDT is limited to C\$50,000 in the aggregate in each calendar quarter and is also limited in any 12-month period to 1% of the aggregate Net Asset Value at the start of such 12-month period.

Payment of Redemption Price in Kind

The redemption price of Units may be paid and satisfied by way of an *in specie* distribution of property of the REDT (which may include the Investment LP Units), and/or the issuance of unsecured subordinated promissory notes of the REDT, at its option, as determined by the Board in its sole discretion, to the redeeming Unitholder. Such property may be illiquid and generally will not be a qualified investment for Plans. Adverse tax consequences generally may apply to a trust governed by a Plan and/or the annuitant, holder, subscriber or beneficiary thereunder or thereof, as a result of the redemption of Units held in a trust governed by a Plan. Accordingly, investors that propose to invest in Units through Plans should consult their own tax advisors before doing so to understand the potential tax consequences of exercising their redemption rights attached to such Units.

Risks Related to Canadian Tax

Mutual Fund Trust Status

For the REDT to qualify as a "mutual fund trust" within the meaning of the Tax Act, it must comply on a continuous basis with certain requirements relating to the qualification of the Units for distribution to the public, the number of Unitholders

and the dispersal of ownership of a particular class of its Units. The REDT intends to comply with the requirements under the Tax Act such that it will qualify at all times as a “mutual fund trust” for purposes of the Tax Act, however, no assurances can be given in this regard. Should the REDT 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” would be materially and adversely different in certain respects.

Restrictions on Non-Resident Ownership

A trust will be deemed not to be a “mutual fund trust” for purposes of the Tax Act if it is established or maintained primarily for the benefit of “non-residents” of Canada (for purposes of the Tax Act), except in limited circumstances. Those circumstances include when all or substantially all of the mutual fund trust’s property is not “taxable Canadian property”, as defined by the Tax Act (if such definition were read without reference to paragraph (b) thereof). The law does not provide any means of rectifying a loss of mutual fund trust status if this requirement is not met.

In order to comply with the limitations on ownership by Non-Residents, the Declaration of Trust includes (i) restrictions on the ownership of Units intended to limit the number of Units held by Non-Residents, such that non-residents of Canada for purposes of the Tax Act, partnerships that are not “Canadian partnerships” (as defined in the Tax Act) or any combination of the foregoing will not be permitted to be the beneficial owners of more than 49% of the Units (on a number of Units or fair market value basis).

The restrictions on the issuance of Units by the REDT to Non-Residents may negatively affect the REDT’s ability to raise financing for future operations. In addition, the Non-Resident ownership restrictions could negatively impact the liquidity of the Units and the market price at which Units can be sold.

Investment Eligibility

There can be no assurance that the Units will continue to be “qualified investments” under the Tax Act for trusts governed by Plans. Promissory notes or other property (including Investment LP Units) which may be received in connection with an *in specie* redemption of Units generally will not be “qualified investments” under the Tax Act for trusts governed by Plans. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments by Plans.

The SIFT Rules

The SIFT Rules apply to a trust that is a “SIFT trust” or a partnership that is a “SIFT partnership”, each as defined in the Tax Act. Provided that a trust or partnership does not own “non-portfolio property” (as defined in the Tax Act) at any relevant time, it will not be subject to the SIFT Rules. Based on the Investment Restrictions of the REDT and the limitations imposed on the Partnerships under their respective Partnership Agreements, the REDT Entities are not expected to hold any non-portfolio property and, therefore, should not be subject to the SIFT Rules. However, there can be no assurance that the SIFT Rules or the administrative policies and assessing practices of the CRA with respect thereto will not be changed in a manner that adversely affects the REDT Entities or the Unitholders.

If the SIFT Rules were to apply to a REDT Entity, they may have an adverse impact on the REDT and the Unitholders, on the value of the Units and on the ability of the REDT to undertake financing, and Distributable Cash Flow may be materially reduced. The effect of the SIFT Rules on the market for the Units is uncertain.

Taxable Income Exceeding Cash Distributions

Whether or not the REDT pays cash distributions in a particular year, it is expected that the REDT will make sufficient distributions (in the form of additional Units if cash distributions are not paid) to ensure that the REDT is not subject to non-refundable tax under Part I of the Tax Act for the year. Accordingly, Unitholders may be subject to tax under the Tax Act on their share of the REDT’s income regardless of whether cash distributions are paid.

Non-Resident Holders

The Tax Act may impose additional withholding or other taxes on distributions made by the REDT to Unitholders who are Non-Residents. Such 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 consequences under the Tax Act to Non-Residents of acquiring, holding or disposing of Units, which may be worse than the consequences to Canadian resident Unitholders. Prospective Purchasers who are Non-Residents should consult their own tax advisors.**

Loss Restriction Event

Pursuant to rules in the Tax Act, if the REDT experiences a “loss restriction event”, (i) it will be deemed to have a year-end for tax purposes (which would generally result in an unscheduled distribution of undistributed net income and net realized capital gains, if any, at such time to Unitholders to the extent necessary so that the REDT is not liable for non-refundable tax on such amounts under Part I of the Tax Act), and (ii) it will become subject to the loss restriction rules generally applicable to a corporation that experiences an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on its ability to carry forward losses. Generally, the REDT will be subject to a loss restriction event if a person becomes a “majority-interest beneficiary”, or a group of persons becomes a “majority-interest group of beneficiaries”, of the REDT, each as defined in the affiliated persons rules contained in the Tax Act, with certain modifications. Generally, a majority-interest beneficiary of a trust is a beneficiary of the trust whose beneficial interest in the income or capital of the trust, together with the beneficial interests in the income or capital of the trust, as the case may be, of all persons or partnerships with whom such beneficiary is affiliated for the purposes of the Tax Act, represents greater than 50% of the fair market value of all the beneficial interests in the income or capital of the trust, as the case may be. A majority-interest group of beneficiaries of a trust is generally a group of beneficiaries of the trust where, if one person held all the beneficial interests held by such group, such person would be a majority-interest beneficiary of the trust.

Foreign Taxes

Foreign income taxes paid or considered to have been paid by the Investment LP or the Holding GP LP (or another Partnership) will be attributed to the REDT in accordance with the Investment LP Agreement and the Holding GP LP Agreement (or such other Partnership Agreement) and, provided the REDT makes appropriate designations, will generally be deemed to have been paid by Unitholders for purposes of the foreign tax credit rules in the Tax Act, provided however that where such taxes are imposed in respect of income from property other than real property a foreign tax credit will generally not be available to the extent that the applicable foreign tax rate exceeds 15%.

The availability of a foreign tax credit in respect of creditable taxes deemed to be paid by Unitholders will be subject to the detailed rules contained in the Tax Act and each Unitholder’s particular circumstances. Although the foreign tax credit provisions of the Tax Act are designed to avoid double taxation, the maximum credit is limited as described in the preceding paragraph such that the full foreign tax credit may be unavailable. Because of this, and because of timing differences in recognition of expenses and income and other factors, double taxation may arise.

Under the Foreign Tax Credit Generator Rules, the REDT’s foreign “business income tax” or “non-business-income tax”, each as defined in the Tax Act, for any taxation year may be limited in certain circumstances, including where a partner’s share of the partnership’s income under the income tax laws of any country (other than Canada) under whose laws the income of the partnership is subject to income taxation, is less than the partner’s share of such income for purposes of the Tax Act. Although the Foreign Tax Credit Generator Rules are not expected to apply to the REDT, there can be no assurances in this regard. If the Foreign Tax Credit Generator Rules were to apply to the REDT, a Unitholder’s ability to claim foreign tax credits in respect of U.S. taxes considered to be paid by the REDT would be adversely affected.

Differences in Canadian and U.S. Tax Laws

The REDT is required to compute its income in accordance with the provisions of the Tax Act, which may differ materially from the applicable provisions of the Code. In addition, the effective tax rate under the Tax Act and the Code (combined with any other applicable U.S. state or local tax law) may differ, in which case Unitholders generally will be subject to the higher effective tax rate.

Change of Law

There can be no assurance that Canadian federal income tax laws, the judicial interpretation thereof, the terms of the Treaty or the administrative policies and assessing practices of the CRA will not be changed in a manner that adversely affects the REDT or Unitholders. Any such change could increase the amount of tax payable by the REDT or the other REDT Entities or could otherwise adversely affect Unitholders by reducing Distributable Cash Flow available for distribution to the Unitholders, or changing the tax treatment applicable to Unitholders in respect of distributions from the REDT or the sale of Units.

Foreign Currency

For purposes of the Tax Act, the REDT, the Partnerships and the Unitholders are generally required to compute their Canadian tax results 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 rate of exchange quoted by the Bank of Canada on the day such amount first arose, or using such other rate of exchange as is acceptable to the CRA. As a result, the REDT, the Partnerships and the Unitholders may realize gains and losses for tax purposes by virtue of the fluctuation of the value of foreign currencies, including the U.S. dollar, relative to the Canadian dollar.

Risks Related to U.S. Tax

Dispositions of Real Property

In connection with a Liquidity Event, the REDT may effect a sale of its interest in the Projects by indirectly (through the Investment LP) disposing of the interests of an underlying Partnership (such as the Holding LP). In such circumstances, the required Section 1445 Withholdings (as defined above) may be higher than the estimated U.S. federal income tax payable by the Investment LP on the gain realized. There can be no assurance that: (1) the IRS would agree to a lower amount of Section 1445 Withholdings in the event that a withholding certificate application is made to reduce the amount of Section 1445 Withholdings; and/or (2) if (a) the IRS' determination with respect to a withholding certificate application does not result in the reduction of the Section 1445 Withholdings to the estimated amount of U.S. federal income tax payable by the Investment LP, or (b) if no withholding certificate application is made, the IRS would agree to refund to the Investment LP all of the overwithheld tax. In the event that a sale of the Projects is structured in this manner, and the Investment LP does not receive a full refund of any overwithheld tax, the amount available to the REDT to pay distributions to Unitholders may be reduced.

If the REDT intends to dispose of its indirect interest in the Projects or of its indirect interest in an underlying Partnership (such as the Holding LP), and the U.S. federal income tax expected to be required to be withheld on such disposition is higher than the expected U.S. federal income tax liability of the Investment LP on the gain which would be realized from such disposition, the REDT (on behalf of the Investment LP) may take available steps to reduce the amount of U.S. federal income tax required to be withheld. No assurances can be given that the REDT will be able to structure a transaction in a way that reduces such U.S. withholding taxes.

Change of Law

There can be no assurance that U.S. federal income tax laws, the terms of the Treaty, and the IRS and Department of the Treasury administrative and regulatory policies respecting the U.S. federal income tax consequences described herein will not be changed, possibly on a retroactive basis, in a manner that adversely affects Unitholders. In particular, any such change could increase the amount of U.S. federal income tax or withholding tax payable by the REDT or its subsidiary entities, reducing the amount of distributions which the REDT would otherwise receive and thereby reducing the amount available to pay distributions to Unitholders.

For all of the above reasons and others set forth herein, the Units involve a certain degree of risk. Any person considering the purchase of Units should be aware of these and other factors set forth in this Prospectus and should consult with their legal, tax and financial advisors prior to making an investment in the Units. The Units should only be purchased by persons who can afford to lose all of their investment.

21. PROMOTER

H&R REIT is considered to be the promoter of the REDT by reason of its initiative in organizing the business of the REDT and taking the steps necessary for the public distribution of the Units, and as the indirect owner of the Current Owner. Prior to Closing, other than the initial Class U Unit issued to H&R REIT, as settlor of the REDT (which will be automatically redeemed upon closing of the Offering), H&R REIT does not, nor do its trustees or officers, beneficially own, control or direct, directly or indirectly, any Units. In connection with the Offering, the Current Owner is not disposing of its interests in the Projects and the Current Owner will not receive any of the net proceeds of the Offering on closing of the Offering.

22. LEGAL PROCEEDINGS

To the REDT's knowledge, there are no legal proceedings or regulatory actions material to the REDT to which it is a party, or to which it has been made a party since its formation, and no such proceedings are known to the REDT to be contemplated. There have been no penalties or sanctions imposed against the REDT by a court relating to provincial securities legislation or by any securities regulatory authority, there have been no penalties or sanctions imposed by a court or regulatory body against the REDT and the REDT has not entered into any settlement agreements before a court relating to provincial securities legislation or with any securities regulatory authority since its formation.

23. INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The REDT was only recently formed and has not carried on any business to date. None of (i) the Manager, or the directors, executive officers or principal shareholder of the Manager, (ii) the Trustees, executive officers or principal securityholders of the REDT, or (iii) any associate or affiliate of the persons referred to in (i) and (ii), has a material interest in any transaction carried out by the REDT or its Subsidiaries within the three years before the date of this Prospectus that has materially affected or is reasonably expected to materially affect the REDT or any of its Subsidiaries, except that the REDT issued one Class U Unit to the Manager on the formation of the REDT. As disclosed herein:

- (a) the REDT will be managed by the Manager pursuant to the Management Agreement (see "H&R REIT and the Management Agreement" and "Trustees and Executive Officers") and the Manager will be entitled to the aggregate Asset Management Fee from the REDT and the JV LP;
- (b) the Carried Interest Holder will be entitled to the Carried Interest. See "Description of Securities – The REDT – Distributions" and the "Carried Interest" section of the Prospectus Summary; and
- (c) H&R REIT will provide the debt financing to the Projects. See "Capitalization – Long-Term Debt".

24. AUDITOR

The auditors of the REDT are KPMG LLP, 333 Bay Street, Suite 4600, Toronto, Ontario.

25. REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent for the Units is TSX Trust Company at its principal office in Toronto, Ontario. Registration and transfers of Units will be effected only through the NCI system administered by CDS. Beneficial owners of Units will not, except in certain limited circumstances, be entitled to receive certificates evidencing their ownership of Units that are purchased. See "Plan of Distribution" and "Description of Securities – The REDT".

26. MATERIAL CONTRACTS

The following are the only material agreements, other than contracts entered into in the ordinary course of business, which the REDT and/or its Subsidiaries have or expect to enter into on or before the Closing Date. **Copies of these agreements are, or will be, available for inspection during regular business hours at the offices of the Manager, located at 3625 Dufferin Street, Suite 500, Toronto, Ontario, M3K 1N4 during the period of distribution of the Units and will be available following the Closing Date at www.sedarplus.com.**

- (a) Declaration of Trust – described in “Description of Securities – The REDT”.
- (b) Investment LP Agreement – described in “Description of Securities – The Investment LP”.
- (c) The Holding LP Agreement – described in “Description of Securities – The Holding LP”.
- (d) The JV LP Agreement – described in “Description of Securities – The JV LP”.
- (e) The JV LP Interest Purchase Agreement – described in “Description of the Activities of the REDT –The Projects – The JV LP Interest Purchase Agreement”.
- (f) The Construction Loan Term Sheet – described in “Capitalization – Long-Term Debt”.
- (g) Management Agreement – described in “H&R REIT and the Management Agreement – The Management Agreement”.
- (h) Agency Agreement – described in “Plan of Distribution – Agency Agreement”.

27. EXPERTS

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

Certain information relating to the Independent Appraisals have been based upon reports by the Appraiser. As at the date of this Prospectus, the “designated professionals” of the Appraiser beneficially owned, directly or indirectly, less than 1% of the outstanding securities of the REDT, its associates or its affiliates and no interests in property of the REDT, its associates or its affiliates.

Certain legal matters in connection with this Offering will be passed upon by Blake, Cassels & Graydon LLP, on behalf of the REDT, by Stikeman Elliott LLP, on behalf of the Agent. As at the date of this Prospectus, partners and associates of Blake, Cassels & Graydon LLP, as a group, beneficially owned, directly or indirectly, less than 1% of the outstanding securities of the REDT, its associates or its affiliates and no interests in property of the REDT, its associates or its affiliates. As at the date of this Prospectus, partners and associates of Stikeman Elliott LLP, as a group, beneficially owned, directly or indirectly, less than 1% of the outstanding securities of the REDT, its associates or its affiliates and no interests in property of the REDT, its associates or its affiliates.

KPMG LLP, U.S. tax advisor to the REDT, has advised on the summary of principal U.S. federal income tax considerations set out under the heading “Certain U.S. Federal Income Tax Considerations”. As at the date of this Prospectus, the “designated professionals” of KPMG LLP did not beneficially own, directly or indirectly, any of the outstanding securities of the REDT, its associates or its affiliates and no interests in property of the REDT, its associates or its affiliates.

KPMG LLP has prepared its audit report in respect of the REDT’s statement of financial position, statement of changes in Unitholder’s equity and statement of cash flows which are included in this Prospectus. KPMG LLP has confirmed that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation and regulations.

28. PURCHASERS’ STATUTORY RIGHTS AND OTHER CONTRACTUAL RIGHTS

Securities legislation in certain of the provinces of Canada provide Purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provide a Purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the Purchaser, provided that such remedies for rescission or damages are exercised by the Purchaser within the time limit prescribed by the securities legislation of the applicable province. The Purchaser should refer to the securities legislation in the province in which the Purchaser resides for the particulars of these rights or consult with a legal advisor.

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LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT TRUST (NO. 1)

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THE PROJECTS

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Financial Statements
(Expressed in United States dollars)

**LANTOWER RESIDENTIAL
REAL ESTATE
DEVELOPMENT TRUST
(NO. 1)**

And Independent Auditor's Report thereon

As at and for the one-day period ended February 12, 2024 (date of formation)

INDEPENDENT AUDITOR'S REPORT

To the Trustees of Lantower Residential Real Estate Development Trust (No. 1)

Opinion

We have audited the financial statements of Lantower Residential Real Estate Development Trust (No. 1) (the Entity), which comprise:

- the statement of financial position as at February 12, 2024 (date of formation)
- the statement of changes in net assets for the one-day period ended February 12, 2024 (date of formation)
- the statement of cash flows for the one-day period ended February 12, 2024 (date of formation)
- and notes to the financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at February 12, 2024 (date of formation), and its financial performance and its cash flows for the one-day period ended February 12, 2024 (date of formation) in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, 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.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform 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, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

_____, 2024

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT TRUST (NO. 1)

Statement of Financial Position
(Expressed in United States Dollars)

February 12, 2024 (date of formation)

Assets

Cash	\$ 10
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Net assets attributed to unitholders (note 3)	\$ 10
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See accompanying notes to financial statements.

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT TRUST (NO. 1)

Notes to Financial Statements (continued)
(Expressed in United States Dollars)

As at and for the one-day period ended February 12, 2024 (date of formation)

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT TRUST (NO. 1)

Statement of Changes in Net Assets
(Expressed in United States Dollars)

As at and for the one-day period ended February 12, 2024 (date of formation)

Net assets attributable to unitholders, beginning of period	\$ –
Contributions	10
<hr/> Net assets attributable to unitholders, end of period	<hr/> \$ 10

See accompanying notes to financial statements.

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT TRUST (NO. 1)

Notes to Financial Statements (continued)
(Expressed in United States Dollars)

As at and for the one-day period ended February 12, 2024 (date of formation)

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT TRUST (NO. 1)

Statement of Cash Flows
(Expressed in United States Dollars)

As at and for the one-day period ended February 12, 2024 (date of formation)

Cash flows from financing activities:	
Proceeds from issuance of unit, net of issue costs	\$ 10
<hr/>	
Increase in cash, being cash, end of period	<u>\$ 10</u>

See accompanying notes to financial statements.

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT TRUST (NO. 1)

Notes to Financial Statements
(Expressed in United States Dollars)

As at and for the one-day period ended February 12, 2024 (date of formation)

Lantower Residential Real Estate Development Trust (No. 1) (the “REDT”) is a newly created trust pursuant to a Declaration of Trust dated February 12, 2024, and is governed by the laws of the Province of Ontario. The REDT was formed for the purpose of indirectly owning an interest in the Bayside and Sunrise development projects currently wholly-owned by a subsidiary of H&R Real Estate Investment Trust and located in the Tampa, Florida market, and Orlando, Florida market.

To date, there have been no operations and going forward, the REDT’s financial reporting year end will be December 31.

The registered and head office of the REDT is 3625 Dufferin Street, Suite 500, Toronto, ON, M3K 1N4, Canada.

1. Basis of presentation:

(a) Statement of compliance:

The REDT financial statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and using accounting policies described herein.

The financial statements were approved by the Trustees on _____.

As there have been no operations during the period, a statement of income and comprehensive income has not been prepared.

(b) Functional and presentation currency:

These financial statements are presented in United States dollars, which is the functional currency of the REDT. Management has made judgments to determine the functional currency of the REDT.

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT TRUST (NO. 1)

Notes to Financial Statements (continued)
(Expressed in United States Dollars)

As at and for the one-day period ended February 12, 2024 (date of formation)

2. Material accounting policy information:

(a) Cash and cash equivalents:

Cash includes cash on hand and is measured at amortized cost.

(b) Foreign currency translation:

Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At the statement of financial position date, monetary assets and liabilities denominated in Canadian dollars are translated into the functional currency at the reporting date exchange rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at period-end exchange rates are recognized in net income.

Non-monetary items measured at historical cost are translated using the historical exchange rate. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

3. Units:

The REDT is authorized to issue various classes of trust interests. Initially, an unlimited number of Class A Units, Class E Units, Class F Units and Class U Units have been authorized for issuance. The Class A Units and Class F Units shall be denominated in Canadian dollars. The Class E Units and Class U Units shall be denominated in United States dollars.

The Declaration of Trust contains certain redemption rights requiring the REDT to repurchase the initial unit issued and, therefore, it 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.

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT TRUST (NO. 1)

Notes to Financial Statements (continued)
(Expressed in United States Dollars)

As at and for the one-day period ended February 12, 2024 (date of formation)

4. Subsequent event:

The REDT entered into an agency agreement dated _____, pursuant to which it filed a final prospectus dated _____ in each of the provinces of Canada in connection with its initial public offering to sell a minimum of US\$42,000,000 and a maximum of US\$52,000,000 of Class A Units, Class E Units, Class F Units and/or Class U Units at a price of C\$10 per Class A Unit and Class F Unit and a price of US\$10 per Class E Unit and Class U Units (the "Offering"). Costs related to the Offering include agents' fees of C\$0.60 for each Class A Unit and Class F Unit, US\$0.60 for each Class E Unit and Class U Unit.

The closing of the transactions contemplated by this prospectus is scheduled to occur in March 2024.

Concurrent with or immediately following Closing, the REDT has agreed to indirectly acquire an indirect interest in each of the Bayside and Sunrise development projects currently wholly-owned by a subsidiary of H&R Real Estate Investment Trust and located in the Tampa, Florida market, and Orlando, Florida market.

Combined Financial Statements (In thousands of U.S. dollars)

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT

Years ended December 31, 2023 and 2022

INDEPENDENT AUDITOR'S REPORT

To the Trustees of H&R Real Estate Investment Trust ("H&R REIT")

Opinion

We have audited the combined financial statements of the Lantower Residential Real Estate Development (the "Entity"), which comprise:

- the combined statements of financial position as at December 31, 2023, December 31, 2022 and January 1, 2022
- the combined statements of net and comprehensive income for the years ended December 31, 2023 and December 31, 2022
- the combined statements of changes in divisional surplus for the years ended December 31, 2023 and December 31, 2022
- the combined statements of cash flows for the years ended December 31, 2023 and December 31, 2022
- and notes to the combined financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the combined financial position of the Entity as at December 31, 2023, December 31, 2022 and January 1, 2022, and its combined financial performance and its combined cash flows for the years ended December 31, 2023 and December 31, 2022 in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, 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.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform 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, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant

audit findings, including any significant deficiencies in internal control that we identify during our audit.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

March ____, 2024

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT

Combined Statements of Financial Position
(In thousands of U.S. dollars)

December 31, 2023, December 31, 2022 and January 1, 2022

	Notes	December 31 2023	December 31 2022	January 1 2022
Assets				
Non-current assets:				
Property under development	3	\$ 19,812	\$ 14,919	\$ 11,740
Right-of- use asset	4	8,921	10,713	11,073
Current assets:				
Cash		1,662	198	70
		\$ 30,395	\$ 25,830	\$ 22,883
Liabilities and Divisional Surplus				
Current liabilities:				
Accounts payable and accrued liabilities		\$ -	\$ 1	\$ 30
Lease liability	5	8,921	10,713	11,073
		8,921	10,714	11,103
Divisional surplus		21,474	15,116	11,780
Commitments and contingencies	8			
Subsequent event	3, 4, 5, 12			
		\$ 30,395	\$ 25,830	\$ 22,883

See accompanying notes to combined financial statements.

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT

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

Years ended December 31, 2023 and 2022

	2023	2022
Fair value adjustment	\$ 3,179	\$ -
Net and comprehensive income	\$ 3,179	\$ -

See accompanying notes to combined financial statements.

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT

Combined Statements of Changes in Divisional Surplus
(In thousands of U.S. dollars)

Years ended December 31, 2023 and 2022

	2023		2022	
Divisional surplus, beginning of year	\$	15,116	\$	11,780
Net and comprehensive income		3,179		-
Contributions		3,179		3,336
Divisional surplus, end of year	\$	21,474	\$	15,116

See accompanying notes to combined financial statements.

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT

Combined Statements of Cash Flows
(In thousands of U.S. dollars)

Years ended December 31, 2023 and 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Net and comprehensive income	\$ 3,179	\$ -
Fair value adjustment	(3,179)	-
	-	-
Financing activities:		
Contributions	3,179	3,336
Lease liability, net	(350)	(360)
	2,829	2,976
Investing activities:		
Additions to property under development	(1,364)	(2,819)
Change in non-cash working capital	(1)	(29)
	(1,365)	(2,848)
Increase in cash	1,464	128
Cash, beginning of year	198	70
Cash, end of year	\$ 1,662	\$ 198

See accompanying notes combined financial statements.

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT

Notes to Combined Financial Statements
(In thousands of U.S. dollars)

Years ended December 31, 2023 and 2022

The Bayside Project and Sunrise Project (collectively, the “Projects”) as presented in these combined financial statements are not a legal entity and the Projects represents a combination of real estate developments located in Largo, Florida, USA, owned by Lantower Largo HWY 19 Tampa LP (“Bayside LP”) and Kissimmee, Florida, USA, owned by Lantower Sunrise Orlando LP (“Sunrise LP”), respectively.

Bayside LP was formed as a limited partnership under the laws of the Delaware on July 23, 2019. Bayside LP’s general partner, Lantower Largo HWY 19 Tampa GP LLC (“Bayside GP”), has the authority to administer and carry out the day-to-day business and affairs of Bayside LP as set forth in Bayside LP’s limited partnership agreement. Bayside LP’s registered office is located at 3625 Dufferin Street, Suite 500, Toronto, Ontario M3K 1N4.

Sunrise LP was formed as a limited partnership under the laws of the Delaware on June 21, 2019. Sunrise LP’s general partner, Lantower Sunrise Orlando GP LLC (“Sunrise GP”), has the authority to administer and carry out the day-to-day business and affairs of Sunrise LP as set forth in Sunrise LP’s limited partnership agreement. Sunrise LP’s registered office is located at 3625 Dufferin Street, Suite 500, Toronto, Ontario M3K 1N4.

During all periods presented in these combined financial statements, Bayside LP, Bayside GP, Sunrise LP, and Sunrise GP are all wholly owned subsidiaries of H&R Real Estate Investment Trust (“H&R REIT”).

During all periods presented in these combined financial statements, the Projects were controlled by H&R REIT. H&R REIT has entered into an Initial Public Offering process through the Ontario Securities Commission. The transaction contemplates an offering of trust units of the Lantower Residential Real Estate Development Trust (No. 1) (the “REDT”), a newly created, unincorporated close-ended investment trust established under the laws of the Province of Ontario. Following the closing of the offering, the REDT has agreed to indirectly acquire an interest in the Projects through the indirect acquisition of limited partnership units of Lantower Residential Real Estate Development Fund JV LP (the “IPO Transaction”).

These combined financial statements have been prepared on a combined basis from the books and records of the Project LPs and present the financial position, financial performance, changes in divisional surplus and cash flows of the Projects as of December 31, 2023, December 31, 2022, and January 1, 2022 and during the years ended December 31, 2023 and December 31, 2022.

These combined financial statements were authorized for issuance by H&R Real Estate Investment Trust on February __, 2024.

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT

Notes to Combined Financial Statements
(In thousands of U.S. dollars)

Years ended December 31, 2023 and 2022

1. Basis of preparation:

(a) Going concern basis of accounting:

The Combined Financial Statements have been prepared on a going concern basis, which contemplates that the Projects will continue in operation for the foreseeable future and will be able to realize on its assets and discharge its liabilities in the normal course of business. The Projects have no sources of operating cash inflows and its ability to continue as a going concern is dependent upon its ability to raise additional financing to continue to develop the Projects, and meet ongoing requirements for general operations. The Projects may also receive continued financial support from H&R REIT to alleviate the financing concerns.

(b) Statement of compliance and basis of presentation:

The combined financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and using accounting policies described herein. These are the first combined financial statements of the Property LPs prepared in accordance with IFRS which have adopted IFRS in accordance with IFRS 1, First-Time Adoption of International Reporting Standards. The first annual IFRS combined financial statements of the Property LPs are those for the year ended December 31, 2022 with a date of transition of January 1, 2022.

An explanation or reconciliation of how the transition to IFRS has affected the combined financial statements of the Property LPs financial position, financial performance, and cash flows has not been presented as combined financial statements of the Property LPs have not been presented in previous years.

(c) Functional currency:

These combined financial statements are presented U.S. dollars, which is the Projects' functional currency. All financial information has been rounded to the nearest thousand U.S. dollar.

(d) Basis of measurement:

The combined financial statements have been prepared on the historical cost basis, except for property under development and right-of-use asset, which are measured at fair value.

(e) Use of judgments and estimates:

The preparation of these combined financial statements requires management to make certain estimates and assumptions that affect the application of accounting policies, the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities at the date of the combined financial statements. Actual results may differ from these estimates.

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT

Notes to Combined Financial Statements
(In thousands of U.S. dollars)

Years ended December 31, 2023 and 2022

1. Basis of preparation (continued):

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these combined financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The significant judgments used in determining the recorded amount for assets and liabilities in the combined financial statements include the following:

(i) Classification of property under development:

Management applied judgment in the classification of its property under development as investment property held for capital appreciation rather than for short-term sale in the ordinary course of business as defined by International Accounting Standard ("IAS") 40, Investment Property ("IAS 40").

(ii) Accounting for acquisitions:

Management 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. The acquisition of the Projects has been accounted for as asset acquisitions as no core processes were acquired.

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

(i) Property under development and right-of-use asset:

The critical assumptions and estimates used when determining the fair value of property under development and right-of-use asset include the price per unit of comparable sales. Management determines fair value by either using external independent appraisers or by the internal valuation team. The third-party appraiser evaluates external market data provided by independent industry experts to arrive at their determination of fair value. See note 3 for further information on property under development and right-of-use asset estimates and assumptions.

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT

Notes to Combined Financial Statements
(In thousands of U.S. dollars)

Years ended December 31, 2023 and 2022

2. Material accounting policies:

(a) Property under development:

The Projects classifies its acquisitions as asset acquisitions when it acquires a property, and it has not acquired an operating platform. The initial cost of a property under development considered an asset purchase is comprised of its purchase price and any directly attributable expenditures including transaction costs such as due diligence costs and professional fees.

Property under development is held for capital appreciation and to earn rental income and thus qualifies as investment property under IAS 40. After initial recognition, property under development is recorded at fair value, determined based on an independent valuation using the comparable sales method, as of the combined statement date. The related gains or losses arising from the changes in fair value are recognized in the combined statements of income and comprehensive income in the year of the change.

Property under development is classified as such until each property is substantially completed and available for occupancy. The initial cost of property under development includes the acquisition cost of the land, development costs, borrowing costs and indirect costs wholly attributable to development. Where borrowings are associated with specific construction or development, the amount capitalized is the gross borrowing cost incurred on such borrowings. The capitalization of borrowing costs is suspended if there are prolonged periods that construction or development activity is interrupted. Indirect costs such as realty taxes and insurance related to the homes under construction or land under development are also capitalized.

(b) Leases:

The Projects, as a lessee, recognizes assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value and is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. The lease payments are fixed pursuant to a lease agreement. The lease liability is subsequently measured at amortized cost using the effective interest method. The lease liability is remeasured when the expected lease payments change as a result of certain modifications, changes in payments based on an index or rate, or due to changes in lease term.

The right-of-use asset is measured on a fair value basis in accordance with IAS 40. The fair value approach is reported in note 2(a).

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT

Notes to Combined Financial Statements
(In thousands of U.S. dollars)

Years ended December 31, 2023 and 2022

2. Material accounting policies (continued):

(c) Divisional surplus:

The divisional surplus represents the combined surplus of the Projects as the combined financial statements are prepared on a combined basis. Contributions on the combined statement of changes in divisional surplus represent contributions from H&R REIT.

(d) Income taxes:

The Projects, as presented in these combined financial statements, are owned by two partnerships, being Bayside LP and Sunrise LP. As such, any income tax liabilities will be reported by the partners. In certain instances, the Projects may be subject to certain state and local taxes.

(e) Financial instruments:

Financial assets and financial liabilities are classified into three categories: amortized cost, fair value through other comprehensive income and fair value through profit and loss ("FVTPL"). The classification of financial assets is determined by their context in the Projects' business model and by the characteristics of the financial asset's contractual cash flows.

The following summarizes the Projects' classification and measurement of financial assets and financial liabilities:

Financial assets and liabilities	Classification
Cash	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

All financial assets and financial liabilities are initially recognized when the Projects become a party to the contractual provision of the instrument.

A financial asset that contains a significant financing component or a financial liability is initially measured at fair value plus transaction costs, except for those financial assets classified at FVTPL, for which transaction costs are expensed immediately. A financial asset without a significant financing component is initially measured at the transaction price.

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT

Notes to Combined Financial Statements
(In thousands of U.S. dollars)

Years ended December 31, 2023 and 2022

2. Material accounting policies (continued):

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- (i) It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- (ii) Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

The Projects subsequently measure financial assets at amortized cost using the effective interest method. The amortized cost is reduced by loss allowances. Interest income, foreign exchange gains and losses and loss allowances are recognized in profit and loss.

Financial assets are derecognized if the Projects' contractual rights to the cash flows from the financial assets expire, or if the Projects transfer the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Any gain or loss on derecognition is recognized in profit and loss. Financial assets measured at FVTPL are re-measured at each combined statement date with net gains and losses, including interest or dividend income, recognized in profit and loss.

Financial liabilities are classified as amortized cost or FVTPL. A financial liability is measured at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Financial liabilities are derecognized if the Projects' obligations specified in the contract expire or are discharged or cancelled. Any gain or loss on derecognition is also recognized in profit and loss.

(f) Fair value measurements:

The Projects measure financial instruments, such as derivatives, and non-financial assets, such as real estate investment properties and properties under development, at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT

Notes to Combined Financial Statements
(In thousands of U.S. dollars)

Years ended December 31, 2023 and 2022

2. Material accounting policies (continued):

The principal or the most advantageous market must be accessible by the Projects.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interests.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Projects use valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the combined financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the combined financial statements on a recurring basis, the Projects determine whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

(g) Levies:

In accordance with IFRS Interpretations Committee ("IFRIC") 21, Levies, the Projects recognize 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 Projects taxes. Additionally, as a pro rata property tax basis adjustment is most often included in the Projects price in the United States, this is included in the Projects' assessment of the fair value of property under development.

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT

Notes to Combined Financial Statements
(In thousands of U.S. dollars)

Years ended December 31, 2023 and 2022

3. Property under development:

In 2019, Bayside LP acquired a tract of land for \$6,000.

In 2019, Sunrise LP entered into a land lease for a tract of land. Sunrise LP had the option to acquire this land at a predetermined price. In January 2024, Sunrise LP exercised its option and acquired the tract of land for \$8,921. As a result, the land lease ceases.

Development activity for the Projects since acquisition has been limited to soft costs, which include municipal approvals and certain design costs. The changes in property under development during the Years ended December 31, 2023 and 2022 consist of the following:

	2023		2022	
Balance, beginning of year	\$	14,919	\$	11,740
Additions to property under development		1,714		3,179
Fair value adjustment		3,179		-
Balance, end of year	\$	19,812	\$	14,919

The fair value methodology for the property under development and right-of-use asset is considered to be Level 3, as significant unobservable inputs are required to determine fair value. Management engaged an internal valuation to value the property under development and right-of-use asset for purposes of these Combined Financial Statements as at December 31, 2022 and January 1, 2022. An external independent appraiser provided appraisals of property under development and right-of-use asset for purposes of these Combined Financial Statements as at December 31, 2023:

	December 31 2023		December 31 2022		January 1 2022	
Property under development	\$	19,812	\$	14,919	\$	11,740
Right-of-use asset		8,921		10,713		11,073
	\$	28,733	\$	25,632	\$	22,813

The valutors utilized a comparable sales approach to arrive at a price per unit which was used to calculate the appraised values above. The value of the Projects was determined by multiplying the price per unit by the number of units for the proposed construction. The price per unit were derived by the valutors in part from a combination of third-party information and the observation of industry trends (Level 3 inputs). Considerations used to derive the price per unit include development and use potential for the land and transactional adjustments including market conditions.

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT

Notes to Combined Financial Statements
(In thousands of U.S. dollars)

Years ended December 31, 2023 and 2022

3. Property under development (continued):

A significant increase (decrease) in the price per unit estimates in isolation would result in a significantly higher (lower) fair value.

The prices per unit calculated by the external independent appraiser as at December 31, 2023 and by the internal valuation team as at December 31, 2022 and January 1, 2022 are set out below:

	December 31 2023	December 31 2022	January 1 2022
Price per unit	\$ 48	\$ 43	\$ 38

The value of property under development is most sensitive to changes in price per unit. As of January 1, 2022, a 5% increase (decrease) in the price per unit would result in a \$1,141 increase (decrease) in the fair value. As of December 31, 2022, a 5% increase (decrease) in the price per unit would result in a \$1,282 increase (decrease) in the fair value. As of December 31, 2023, a 5% increase (decrease) in the price per unit would result in a \$1,437 increase (decrease) in the fair value.

4. Right-of-use Asset

	2023	2022
Balance, beginning of year	\$ 10,713	\$ 11,073
Repayments	(350)	(360)
Fair value adjustment	(1,442)	-
	\$ 8,921	\$ 10,713

In 2019, Sunrise LP entered into a land lease for a tract of land. Sunrise LP had the option to acquire this land at a predetermined price. In January 2024, Sunrise LP exercised its option and acquired the tract of land and as a result the land lease ceased.

Please see note 3 for the determination of fair value.

5. Lease Liability

	2023	2022
Balance, beginning of year	\$ 10,713	\$ 11,073
Repayments	(350)	(360)
Revaluation based on exercise of purchase option	(1,442)	-
Balance, end of year	\$ 8,921	\$ 10,713

In January 2024, Sunrise LP exercised its option and acquired the tract of land for \$8,921. As a result, Sunrise LP was released from its lease liability.

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT

Notes to Combined Financial Statements
(In thousands of U.S. dollars)

Years ended December 31, 2023 and 2022

6. Due to related parties and related party transactions:

The Projects do not employ key management personnel. Management services, strategic oversight, accounting and administrative duties of managing the Projects are the responsibility of H&R REIT. As part of these services, the employment benefits of the development team have been capitalized to the property under development.

7. Segment reporting:

The Projects include two land developments located in the United States. Management, when measuring the Projects' performance, does not distinguish or group its operations on a geographical or any other basis. Accordingly, the Projects have a single reportable segment for disclosure purposes in accordance with IFRS.

8. Commitments and contingencies:

(a) Litigation and claims:

The Projects may be subject to claims and legal actions that arise in the ordinary course of business. Management must use judgment, estimates, and assumptions in assessing the potential exposure of these claims and legal actions and in determining the provision to be recorded, if any.

9. Risk management:

The Projects' activities expose it to market risk, liquidity risk. Risk management is carried out by management of the Projects. The Projects' overall risk management strategy seeks to minimize potential adverse effects on the Projects' financial performance.

(a) Market risk:

The Projects have no exposure to interest rate risk.

The Projects have no exposure to currency or other market price risk.

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT

Notes to Combined Financial Statements
(In thousands of U.S. dollars)

Years ended December 31, 2023 and 2022

9. Risk management (continued):

(b) Liquidity risk:

Liquidity risk is the risk that the Projects will encounter difficulty in meeting obligations associated with its financial liabilities, such as lease liability and accounts payable and accrued liabilities, that are settled by delivering cash or another financial asset.

The following were the contractual maturities of financial liabilities and other commitments as at December 31, 2023:

	< 1 year	> 1 year	Total
Lease liability	\$ 8,921	\$ -	\$ 8,921

The Projects manage its liquidity risk by preparing budgets and cash flow forecasts to ensure it has sufficient funds to fulfill its obligations. The Projects mitigate liquidity risk by maintaining relationships with various lenders, capital commitments by its owners to fund its liabilities as they become due.

10. Fair value measurement:

The fair values of the Projects' financial assets and liabilities, approximate their recorded values due to their short-term nature.

11. Capital risk management:

The Projects' capital consists of the divisional surplus.

The Projects' principal objective with respect to debt financing is to minimize its overall borrowing costs while ensuring sufficient liquidity and flexibility to meet the funding requirements of its development and carrying costs.

The Projects consider its capital structure on an ongoing basis and adjusts its capital structure in response to cash flow considerations, potential business opportunities and general economic conditions. The actual level and type of future financings to fund the Projects' capital obligations will be determined based on prevailing interest rates, various costs of debt, capital market conditions and management's general view of the appropriate leverage in the business.

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT

Notes to Combined Financial Statements (continued)
(In thousands of U.S. dollars)

Years ended December 31, 2023 and 2022

12. Subsequent Event:

In 2019, Sunrise LP entered into a land lease for a tract of land. Sunrise LP had the option to acquire this land at a predetermined price of \$8,921. In January 2024, Sunrise LP exercised its option and acquired the tract of land. As a result, the land lease ceased, and Sunrise LP was released from its lease liability.

**SCHEDULE A
AUDIT COMMITTEE CHARTER**

Lantower Residential Real Estate Development Trust (No. 1) (the “Trust”)

1. Mandate

The primary function of the audit committee (the “**Committee**”) is to assist the Trust in fulfilling its responsibilities of oversight and supervision of its accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures, and the quality and integrity of its financial statements.

The Committee’s primary duties and responsibilities are to:

- (a) serve as an objective party to monitor the Trust’s financial reporting and internal control system and review the Trust’s financial statements;
- (b) review the performance of the Trust’s external auditors; and
- (c) provide an open avenue of communication among the Trust’s auditors, the trustees of the Trust and senior management of the Trust and H&R REIT Management Services Limited Partnership, in its capacity as manager of the Trust (the “**Manager**”).

2. Composition

The Committee shall be composed of three trustees of the Trust as determined by the trustees of the Trust, two of whom shall be free from any relationship that, in the opinion of the trustees, would interfere with the exercise of their independent judgment as a member of the Committee.

- (a) At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of this Audit Committee Charter, the definition of “financially literate” is 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 presumably be expected to be raised by the Trust’s financial statements.
- (b) The members of the Committee shall be appointed by the trustees of the Trust. Unless a Chair is elected by the trustees, the members of the Committee may designate a Chair. The Chair shall be responsible for leadership of the Committee, including preparing the agenda, presiding over the meetings and reporting to the trustees.

3. Meetings

The Committee shall meet four times annually, or more frequently as circumstances dictate. If so requested by a member of the Committee, the external auditor shall attend any meeting of the committee held during the term of office of the external auditor.

4. Authority

The Committee is granted the authority to investigate any matter brought to its attention, with full access to all books, records, facilities and personnel of the Trust. The Committee has the power to engage and determine funding for outside counsel or other experts or advisors as the Committee deems necessary for these purposes and as otherwise necessary or appropriate to carry out its duties.

5. Duties and Responsibilities

The Committee shall:

- (a) Documents/Reports Review
 - (1) Review the Trust's financial statements, management's discussion and analysis of financial results ("MD&A") and any financial press releases before the Trust publicly discloses this information and report on such review to the trustees.
 - (2) Review and assess the adequacy of procedures in place for the review of the Trust's public disclosure of financial information extracted or derived from the Trust's financial statements, other than the Trust's financial statements, MD&A and financial press releases.
- (b) External Auditor
 - (1) Oversee the work of the external auditor for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Trust, including reviewing with management of the Manager and the external auditor the overall scope and plans for the audit.
 - (2) Review annually the performance of the external auditors, who shall be ultimately accountable to the trustees of the Trust and the Committee as representatives of the unitholders of the Trust.
 - (3) Recommend to the trustees of the Trust the selection and compensation and, where applicable, the replacement of the external auditor nominated for the purpose of preparing or issuing an auditor's report or performing other audit review services for the Trust.
 - (4) Consult with the external auditor, without the presence of management of the Manager about the quality of the Trust's accounting principles, internal controls and the completeness and accuracy of the Trust's financial statements.
 - (5) Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Trust's external auditors.
- (c) Financial Reporting Processes
 - (1) In consultation with the external auditor, review with management of the Manager the integrity of the Trust's accounting and financial reporting practices and procedures, both internal and external, and approve, if appropriate, changes to the Trust's auditing and accounting practices.
 - (2) Review and assist with the resolution of any significant disagreement among management of the Manager and the external auditor in connection with the preparation of the financial statements.
 - (3) Establish procedures for (A) the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters; and (B) the confidential anonymous submission by the Manager's employees of concerns regarding questionable accounting or auditing matters.
- (d) Risk Management
 - (1) Be aware of the risks of the business and ensure management of the Manager has adequate processes in place to monitor, manage and mitigate these risks as they arise.

6. Other

The Committee shall review any related-party transactions not in the ordinary course of business in the absence of a special committee of the board of trustees designated for such purpose.

CERTIFICATE OF THE REDT AND THE PROMOTER

Dated: February 19, 2024

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 of Canada.

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT TRUST (NO. 1)

By: (Signed) "Michael Loeb"
Chief Executive Officer

By: (Signed) "Cheryl Fried"
Chief Financial Officer

ON BEHALF OF THE BOARD OF TRUSTEES

By: (Signed) "Thomas J. Hofstedter"
Trustee

By: (Signed) "Mark Johnson"
Trustee

ON BEHALF OF THE PROMOTER

H&R REAL ESTATE INVESTMENT TRUST
as Promoter

By: (Signed) "Thomas J. Hofstedter"
Executive Chairman and Chief
Executive Officer

CERTIFICATE OF THE AGENT

Dated: February 19, 2024

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 of Canada.

CIBC WORLD MARKETS INC.

By: (Signed) "Greg Kay"
Executive Director