Form **8937**
(December 2017)
Department of the Treasury
Internal Revenue Service

# Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

OMB No. 1545-0123

## Part I Reporting Issuer

| | |
|---|---|
| 1 Issuer's name: Brookfield Residential US Corporation | 2 Issuer's employer identification number (EIN): 45-1505249 |

| | | |
|---|---|---|
| 3 Name of contact for additional information: Investor Relations | 4 Telephone No. of contact: 855-234-8362 | 5 Email address of contact: investor.relations@brookfieldrp.com |

| | |
|---|---|
| 6 Number and street (or P.O. box if mail is not delivered to street address) of contact: 4906 Richard Road SW | 7 City, town, or post office, state, and ZIP code of contact: Calgary, Alberta, T3E 6L1 |

| | |
|---|---|
| 8 Date of action: September 6, 2019 | 9 Classification and description: Consent to Modification of Indentures |

| | | | |
|---|---|---|---|
| 10 CUSIP number | 11 Serial number(s) | 12 Ticker symbol | 13 Account number(s) |
| See attached. | | | |

## Part II Organizational Action

Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ See attached.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ See attached.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ See attached.

**Part II** **Organizational Action** *(continued)*

**17** List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ **See attached.**

**18** Can any resulting loss be recognized? ▶ See attached.

**19** Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ **See attached.**

**Sign Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature ▶ Date ▶ October 11, 2019

Print your name ▶ Thomas Lui Title ▶ Chief Financial Officer

| **Paid Preparer Use Only** | | | | | |
|---|---|---|---|---|---|
| | Print/Type preparer's name: Jason Factor | Preparer's signature | Date: 10-11-19 | Check ☐ if self-employed | PTIN: 1470860 |
| | Firm's name ▶ **Cleary Gottlieb Steen & Hamilton LLP** | | | Firm's EIN ▶ **13-5599083** | |
| | Firm's address ▶ **One Liberty Plaza, New York, NY 10006** | | | Phone no. **212-225-2000** | |

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054

**Brookfield Residential US Corporation**
**EIN: 45-1505249**
**Date of Action: September 6, 2019**
**Attachment to Internal Revenue Service Form 8937**

**The information contained herein is being provided pursuant to the requirements of Section 6045B of the Internal Revenue Code of 1986, as amended, and includes a general summary regarding the application of certain U.S. federal income tax laws and regulations relating to the effects of the Consent Payments (as defined below) on the tax basis of holders of a series of notes issued by Brookfield Residential US Corporation ("BRUSC"). The information contained herein does not constitute tax advice and does not purport to be complete or to describe the consequences that may apply to particular categories of holders. BRUSC does not provide tax advice to holders of its debt obligations and the examples provided below are based on certain assumptions and are merely illustrative. Holders should consult their own tax advisers regarding the particular tax consequences of the Consent Solicitation to them, including the applicability and effect of all U.S. federal, state and local and foreign tax laws.**

**10. CUSIP Numbers**
6.125% Notes due 2022 (the "2022 Notes"): 11283YAA8

6.125% Notes due 2023 (the "2023 Notes"): 11283WAE4

6.375% Notes due 2025 (the "2025 Notes") and together with the 2022 Notes and the 2023 Notes, the "Notes"): 11283WAC8

**14. Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action.**

On September 6, 2019, holders of the three outstanding series of Notes consented to approve amendments to certain provisions of the indentures of their Notes (the "Amendments") in exchange for cash. Consenting holders received US$7.50 per $1000 in aggregate principal amount of 2022 Notes, C$7.50 per C$1000 in aggregate principal amount of 2023 Notes and US$7.50 per $1000 in aggregate principal amount of 2025 Notes (the "Consent Payments").

For more information, see the press release for the final results of the solicitation of Consents to Modification, available on the Company's website: https://www.brookfieldresidential.com/press-releases-events-and-webcasts-landing/brookfield-residential-announces-receipt-of-requisite-consents-from-holders-of-its-senior-notes

The 2022 Notes were originally co-issued by BRUSC and its parent company Brookfield Residential Properties Inc. ("BRPI"), a corporation organized under the laws of Alberta, Canada. However, BRUSC was allocated 100% of the proceeds of the 2022 Notes and has at all times acted (and expects to act) as the primary obligor thereunder, including with respect to all payments of principal, interest and the Consent Payments thereon. Accordingly, for U.S. federal income tax purposes, BRUSC and BRPI take the position that BRUSC is the issuer of the 2022 Notes.

Each of the 2023 Notes and the 2025 Notes were issued by BRPI and, as a result of the Amendments, became co-issued by BRPI and BRUSC. However, BRPI was allocated 100% of the proceeds of the 2023 Notes and the 2025 Notes has at all times acted (and expects to act) as the primary obligor thereunder, including with respect to all payments of principal, interest and the Consent Payments thereon. Accordingly, for U.S. federal income tax purposes, BRUSC and BRPI take the position that BRPI is the issuer of the 2023 Notes and the 2025 Notes.

**15. Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis.**

Consent to Modification of the 2022 Notes

BRUSC will treat the modification of the indenture and the receipt of Consent Payments with respect to the 2022 Notes as causing a deemed exchange, because the receipt of the Consent Payments will result in a change in yield that will constitute a significant modification to the terms of the 2022 Notes for U.S. federal income tax purposes. BRUSC will treat the 2022 Notes as securities, and will treat the deemed exchange of the 2022 Notes as a recapitalization. A recapitalization generally will not result in the recognition of gain or loss, except that gain may be recognized up to the amount of the cash received in exchange for the holder's consent to the modification of the indenture. Consequently, a holder's initial tax basis in the 2022 Notes after receipt of the Consent Payments is the same as the holder's tax basis in the 2022 Notes allocated thereto prior to receipt of the Consent Payments, increased by the amount of gain recognized by the holder, if any, and decreased by the amount of cash received by the holder.

Consent to Modification of the 2023 Notes and the 2025 Notes

BRPI will not treat the modification of the indenture and the receipt of Consent Payments with respect to the 2023 Notes and the 2025 Notes as causing a deemed exchange and recapitalization for U.S. federal income tax purposes. Holders will not recognize gain or loss as a result of receiving the Consent Payments with respect to the 2023 Notes and the 2025 Notes. A holder's tax basis and holding period in the 2023 Notes and the 2025 Notes therefore generally would be the same as the holder's adjusted tax basis and holding period prior to receiving the Consent Payments.

**16. Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates.**

Under the rules applicable to recapitalizations, a holder's initial tax basis in the 2022 Notes after receiving the Consent Payments is the same as the holder's tax basis in the 2022 Notes allocated thereto prior to receiving the Consent Payments, increased by the amount of gain recognized by the holder, if any, and decreased by the amount of cash received by the holder. As an example, assume that an investor held a $1000 principal amount of the 2022 Notes with a $1,000 tax basis, and received cash of $7.50 in exchange for consenting to the modification of the indenture. The holder's initial tax basis in the 2022 Note after receiving the Consent

Payment would be $1,000 (holder's tax basis in the 2022 Note prior to receiving the Consent Payment), increased by $7.50 (gain recognized), and decreased by $7.50 (cash received), resulting in a $1,000 basis in the 2022 Note after receiving the Consent Payment.

**17. List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based.**

Section 1001; Section 368(a)(1)(E); Section 354; Section 356; Section 358; Treasury Regulation section 1.1273-2.

**18. Can any resulting loss be recognized?**

A holder generally will not be permitted to recognize any loss on the transactions, including as a result of the rules applicable to recapitalizations.

**19. Provide any other information necessary to implement the adjustment, such as the reportable tax year.**

The consent to approve amendments to certain provisions of the indentures of the Notes in exchange for cash was consummated on September 6, 2019. For a holder whose taxable year is the calendar year, the reportable tax year is 2019.

Pursuant to U.S. Treasury Regulation section 1.1273-2(f)(9), BRUSC has determined that, within the meaning of U.S. Treasury Regulation section 1.1273-2:

- The 2022 Notes are "traded on an established market."

- The trading price of the 2022 Notes at the time the Consent to Modification was consummated was 101.770 %.