



H&R REAL ESTATE INVESTMENT TRUST

**NOTICE OF
SPECIAL MEETING OF UNITHOLDERS**

to be held December 13, 2021

and

MANAGEMENT INFORMATION CIRCULAR

with respect to a proposed

ARRANGEMENT

involving

H&R REAL ESTATE INVESTMENT TRUST

November 5, 2021



November 5, 2021

Dear fellow unitholder:

You are invited to attend the special meeting (the “**Meeting**”) of the unitholders and special voting unitholders (collectively, the “**Unitholders**”) of H&R Real Estate Investment Trust (the “**REIT**”) to be held on Monday, December 13, 2021 at 10:30 a.m. (Toronto time) as a virtual-only meeting via live audio webcast online at www.virtualshareholdermeeting.com/HR2021Special.

At the Meeting you will be asked to consider and, if thought advisable, pass a special resolution authorizing and approving a proposed plan of arrangement (the “**Plan of Arrangement**”) and related matters involving the REIT and certain other affiliated entities of the REIT. The Plan of Arrangement is intended to effect a tax-free spin-off of the REIT’s Primaris assets, including all of the REIT’s enclosed malls, to a new stand-alone real estate investment trust as part of the REIT’s repositioning strategy.

If the special resolution in respect of the Plan of Arrangement is passed without variation and the Plan of Arrangement is implemented, it would, among other things and subject to certain conditions described in the attached management information circular of the REIT dated November 5, 2021 (the “**Circular**”), result in Unitholders, through a series of steps, receiving Series A units of a newly formed real estate investment trust to be called Primaris Real Estate Investment Trust (“**Primaris REIT**”). After completion of the Plan of Arrangement, affiliates of Healthcare of Ontario Pension Plan (“**HOOPP**”) will sell eight properties to Primaris REIT in consideration for units of Primaris REIT such that, following the Plan of Arrangement and the HOOPP contribution of properties, Unitholders and HOOPP are expected to own an approximate 74% and 26% interest in Primaris REIT, respectively (on a partially diluted basis).

Unitholders who are unable to attend the Meeting are encouraged to vote online at www.proxyvote.com or by telephone at 1-800-474-7493 (English) or 1-800-474-7501 (French), by entering their 16-digit control number printed on the front of their form of proxy or voting instruction form and following the instructions provided. You may also complete, sign, date and return the form of proxy or voting instruction form to Broadridge at Broadridge Investor Communications Corporation, Attention: Data Processing Centre, P.O. Box 3700, STN Industrial Park, Markham, ON L3R 9Z9. In order to be effective, proxies and voting instruction forms must be received no later than 10:30 a.m. (Toronto time) on December 9, 2021 or, if the Meeting is adjourned or postponed, the last business day preceding the date of any adjournment or postponement thereof.

Your vote is very important. Whether or not you plan to attend the Meeting, please submit your vote as soon as possible to ensure your views are represented at the Meeting. You can vote using any one of the methods prescribed on the applicable form of proxy or voting instruction form.

Thank you for your continued support of the REIT.

Sincerely,

A handwritten signature in black ink, appearing to read 'Thomas J. Hofstedter', with a stylized flourish at the end.

Thomas J. Hofstedter
Chief Executive Officer
H&R Real Estate Investment Trust



H&R REAL ESTATE INVESTMENT TRUST
SUITE 500, 3625 DUFFERIN STREET, TORONTO, ONTARIO M3K 1N4

NOTICE OF SPECIAL MEETING OF UNITHOLDERS

NOTICE IS HEREBY GIVEN that the special meeting (the “**Meeting**”) of the unitholders (the “**REIT Unitholders**”) and special voting unitholders (the “**Special Voting Unitholders**”) and, together with the REIT Unitholders, the “**Unitholders**”) of H&R Real Estate Investment Trust (the “**REIT**”) will be held as a virtual-only meeting via live audio webcast online at www.virtualshareholdermeeting.com/HR2021Special on Monday, December 13, 2021 at the hour of 10:30 a.m. (Toronto time) for the following purposes:

- (a) in accordance with the interim order of the Court of Queen’s Bench of Alberta dated November 5, 2021 (the “**Interim Order**”), to consider and, if deemed advisable, to pass, with or without variation, a special resolution, substantially in the form attached as Schedule A to the accompanying management information circular dated November 5, 2021 (the “**Circular**”), among other things, (i) ratifying, authorizing, confirming, approving and adopting a plan of arrangement under the *Business Corporations Act* (Alberta) (the “**Plan of Arrangement**”), (ii) ratifying, authorizing, confirming, approving and adopting an arrangement agreement, (iii) authorizing the trustees of the REIT to enter into an amended and restated REIT Declaration of Trust (as defined in the Circular), to give effect to the Plan of Arrangement and as a consequence of the Plan of Arrangement or otherwise as contemplated in the Circular, together with such minor or clerical amendments to the REIT Declaration of Trust as they, in their sole discretion, approve, (iv) approving the issuance of up to 26,140,914 units of Primaris Real Estate Investment Trust (“**Primaris REIT**”) (representing approximately 26% of the issued and outstanding units of Primaris REIT (the “**Primaris REIT Units**”) on a partially diluted basis following completion of the Plan of Arrangement and the other transactions described in the accompanying Circular and assuming the Primaris REIT Units are consolidated on a 4:1 basis pursuant to the Plan of Arrangement) to affiliates of Healthcare of Ontario Pension Plan, or as they may direct, as further described in the accompanying Circular, and (v) authorizing any trustee or officer of the REIT to enter into, to execute or cause to be executed on behalf of the REIT or to prepare and deliver or cause to be prepared and delivered all such documents, agreements and instruments, including the amended and restated REIT Declaration of Trust and any other documents, agreements and instruments involving the REIT, and cause to be done all such other acts and things as such trustee or officer shall determine to be necessary or desirable in order to carry out the intent of the foregoing resolution and the matters authorized thereby, such determination to be conclusively evidenced by the execution or preparation and delivery of such document, agreement or instrument or the doing of any such act or thing;
- (b) if the Arrangement Resolution (as defined in the Circular) is passed, to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution (the “**Equity Plans Resolution**”), the full text of which is set forth in Schedule B to the accompanying Circular, approving, on behalf of Primaris REIT and the holders of Series A units of Primaris REIT (the “**Primaris REIT Units, Series A**”) (i) the incentive unit plan and unit option plan, respectively, of Primaris REIT, (ii) the reservation for issuance of up to 1,250,000 Primaris REIT Units, Series A (assuming the Primaris REIT Units are consolidated on a 4:1 basis pursuant to the Plan of Arrangement) for issuance under the incentive unit plan, and (iii) the reservation for issuance of up to 3,000,000 Primaris REIT Units, Series A (assuming the Primaris REIT Units are consolidated on a 4:1 basis pursuant to the Plan of Arrangement) for issuance under the unit option plan all as further described in the accompanying Circular; and
- (c) to act upon such other matters as may properly come before the Meeting or any adjournment or postponement thereof.

The Circular provides additional information relating to the matters to be dealt with at the Meeting and forms part of this Notice. The trustees of the REIT have fixed November 2, 2021 as the Record Date for determining those Unitholders entitled to receive notice of and vote at the Meeting.

The board of trustees and management of the REIT have continued to actively monitor developments related to COVID-19, including the directives from public health and government agencies. To mitigate risks to the health and safety of the REIT's communities, Unitholders, employees and other stakeholders, the Meeting will be held in a virtual-only format by way of live audio webcast. Unitholders will need to visit www.virtualshareholdermeeting.com/HR2021Special to participate in the Meeting, and log-in using the 16-digit control number included either on their proxy form or voting instruction form, as applicable. The Meeting platform is fully supported across browsers and devices running the most updated version of applicable software plug-ins. You should ensure you have a strong, preferably high-speed, internet connection wherever you intend to participate in the Meeting. The Meeting will begin promptly at 10:30 a.m. (Toronto time) on December 13, 2021. Online check-in will begin 15 minutes prior, at 10:15 a.m. (Toronto time). You should allow ample time for online check-in procedures. For any technical difficulties experienced during the check-in process or during the Meeting, please call 1-800-586-1548 (Canada and U.S.) or 303-562-9288 (international) for assistance.

The webcast Meeting allows registered Unitholders and duly appointed proxyholders to attend the Meeting live, submit questions by typing them into the "Ask a Question" text box and submit their vote while the Meeting is being held if they have not done so in advance of the Meeting. Unitholders are reminded to retain their form of proxy and/or voting instruction form, as your 16-digit control number is listed therein and provides access to the Meeting, to vote and ask questions. Guests will be able to attend the Meeting through the live webcast only, by joining the webcast at www.virtualshareholdermeeting.com/HR2021Special as a guest. Guests will not be able to submit questions or vote.

In accordance with the REIT's sustainability policy, in connection with the Meeting, the REIT will be using the Canadian Securities Administrators' "notice-and-access" delivery model which allows the REIT to furnish the Circular and the accompanying proxy-related materials (collectively, the "**Meeting Materials**") to Unitholders over the Internet resulting in lower costs and a reduction in the environmental impact of the Meeting. Under notice-and-access, Unitholders will continue to receive a proxy or voting instruction form enabling them to vote at the Meeting, however instead of a paper copy of the Meeting Materials, including the Circular, Unitholders will receive a notice with information on how they may access the Meeting Materials, including the Circular, electronically. On or about November 12, 2021, the REIT intends to mail Unitholders of record as of November 2, 2021 a notice with information about the notice-and-access process and voting instructions, as well as a proxy or voting instruction form containing instructions on how to access the Meeting Materials. **UNITHOLDERS ARE REMINDED TO REVIEW THE CIRCULAR PRIOR TO VOTING.** Unitholders with questions about notice-and-access can call TSX Trust Company toll free at 1-888-433-6443. The Meeting Materials can be viewed online at the following internet address: www.meetingdocuments.com/astca/hr. Please note that if you request a paper copy of the Circular, you will not receive a new form of proxy or voting instruction form, so you should retain these forms sent to you in order to access the webcast Meeting, vote and ask questions accordingly through the 16-digit control number assigned therein. Please note that only registered Unitholders and duly appointed proxyholders have the ability to vote at the Meeting.

Unitholders who are unable to attend the Meeting are encouraged to vote online at www.proxyvote.com or by telephone at 1-800-474-7493 (English) or 1-800-474-7501 (French), by entering their 16-digit control number printed on the front of their form of proxy or voting instruction form and following the instructions provided. You may also complete, sign, date and return the form of proxy or voting instruction form to Broadridge at Broadridge Investor Communications Corporation, Attention: Data Processing Centre, P.O. Box 3700, STN Industrial Park, Markham, ON L3R 9Z9. In order to be effective, proxies and voting instruction forms must be received no later than 10:30 a.m. (Toronto time) on December 9, 2021 or, if the Meeting is adjourned or postponed, the last business day preceding the date of any adjournment or postponement thereof.

DATED at Toronto, Ontario this 5th day of November, 2021.

BY ORDER OF THE TRUSTEES OF
H&R REAL ESTATE INVESTMENT TRUST



ALEX AVERY
Executive Vice President, Asset Management & Strategic Initiatives
H&R Real Estate Investment Trust

H&R REAL ESTATE INVESTMENT TRUST
MANAGEMENT INFORMATION CIRCULAR

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GLOSSARY

The following lists certain terms that shall have the meanings set forth below when used in this management information circular (the “**Circular**”). These defined terms are not always used in and may not conform exactly to the defined terms used in the schedules to this Circular or any agreements referred to therein.

“**ABCA**” means the *Business Corporations Act* (Alberta), as amended, including the regulations promulgated thereunder;

“**allowable capital loss**” has the meaning provided under “Certain Canadian Federal Income Tax Considerations – Taxation of Holders Resident in Canada – Taxation of Capital Gains and Losses”;

“**Arrangement**” means the proposed arrangement under Section 193 of the ABCA on the terms and conditions set out in the Plan of Arrangement, and any amendments, modifications or supplements thereto made in accordance with the terms thereof;

“**Arrangement Agreement**” means the arrangement agreement dated as of October 26, 2021, between the REIT and PRR Investments, as amended, modified or supplemented from time to time;

“**Arrangement Resolution**” means the special resolutions of Unitholders authorizing and approving the Arrangement;

“**Articles of Arrangement**” means the articles of arrangement in respect of the Arrangement required under subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order has been made to give effect to the Arrangement;

“**Broadridge**” means Broadridge Investor Communications Corporation or Broadridge Financial Solutions, Inc.;

“**Business Day**” means a day which is not a Saturday, Sunday or statutory holiday in the Province of Alberta or the Province of Ontario, on which the principal commercial banks in downtown Calgary and downtown Toronto are generally open for the transaction of commercial banking business;

“**CDS**” means CDS Clearing and Depository Services Inc. or its nominee (which is, at the date hereof, CDS & Co.), together with its successors from time to time;

“**Certificate**” means the certificate(s) or other confirmation(s) of filing to be issued by the Registrar pursuant to subsection 193(11) of the ABCA giving effect to the Arrangement;

“**CIBC**” means CIBC World Markets Inc., financial advisor to the REIT;

“**Code**” means the Internal Revenue Code (United States), as in effect from time to time;

“**Consideration**” means the price payable by Primaris REIT to HOOPP (or as HOOPP may direct) pursuant to the Purchase and Sale Agreement, consisting of some combination (at the election of HOOPP) of Primaris REIT Units, Series A and/or Primaris REIT Non-Voting Units, Series B, collectively representing approximately 26% of the total issued and outstanding Primaris REIT Units (on a partially diluted basis taking into account New Primaris Master LP Exchangeable Units and Primaris REIT Incentive Units) and a non-interest bearing promissory note in an amount equal to approximately \$200.21 million;

“**Court**” means the Court of Queen’s Bench of Alberta;

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

“**CRA Ruling**” has the meaning provided under “Summary of Transactions”;

“**CRAL Limited**” means CRAL Class B Limited, an affiliate of Canadian Realty Advisors Limited (formerly H&R Property Management Ltd.);

“**Depository**” means TSX Trust Company, in its capacity as depository for the Arrangement, or such other person chosen by the REIT to act as depository for the Arrangement;

“Distribution” means the delivery of all of the then issued and outstanding Primaris REIT Units, Series A to the REIT Unitholders pursuant to the Plan of Arrangement;

“Effective Date” means the date shown on the Certificate issued by the Registrar giving effect to the Arrangement;

“Effective Time” means 12:01 a.m. (Toronto time) on the Effective Date or such other time on the Effective Date as may be specified in the Notice of Determination;

“Equity Plans Resolution” means the ordinary resolution of the Unitholders to approve, on behalf of Primaris REIT and the holders of Primaris REIT Units, Series A, the equity-based compensation plans, as further described in this Circular, for Primaris REIT;

“Existing REIT Option” means a REIT Option outstanding as of the Effective Time;

“Fairness Opinion” has the meaning provided under “The Arrangement – Fairness Opinion”, a copy of which is attached as Schedule E;

“Final Order” means the final order to be made by the Court approving the Plan of Arrangement to be applied for following the Meeting pursuant to the provisions of Section 193 of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

“H&R Class B Units” means the HRMSLP Class B Units and the Portfolio LP Class B Units;

“Holder” has the meaning provided under “Certain Canadian Federal Income Tax Considerations”;

“HOOPP” means, collectively, HOOPP Realty Inc., Lansdowne Mall Inc. and Lansdowne Industrial Inc., affiliates of Healthcare of Ontario Pension Plan, each of which is arm’s length to the REIT;

“HOOPP Contribution” means the indirect sale by HOOPP of the HOOPP Properties to Primaris REIT, as described under “Purchase and Sale Agreement”;

“HOOPP Properties” means the properties to be indirectly acquired by Primaris REIT pursuant to the Purchase and Sale Agreement, as more particularly described in Schedules G, I, and L;

“HRMSLP Class B Units” means the Exchangeable GP Units of H&R REIT Management Services Limited Partnership, a limited partnership formed under the laws of the Province of Manitoba and a subsidiary partnership of the REIT entitling holders to cash distributions from H&R REIT Management Services Limited Partnership determined by reference to the cash distributions on a REIT Unit and which are exchangeable in accordance with their terms for REIT Units (as well as a nominal amount of cash);

“Incentive Units” means incentive units granted under the REIT Incentive Unit Plan which was established in 2013, as amended, modified or supplemented from time to time, which are to be settled, upon vesting, in cash, REIT Units, or any combination thereof;

“Initial Primaris REIT Unit” means the Primaris REIT Unit, Series A to be issued to the REIT on formation of Primaris REIT;

“Initial Primaris Subscription Note” means a demand promissory note in the principal amount of \$10.00 to be issued by the REIT to Primaris REIT on the formation of Primaris REIT;

“Initial Primaris Trustee” means the CEO of the REIT, or such other person as may be appointed by the REIT in accordance with the Primaris REIT Declaration of Trust;

“Interim Order” means the interim order of the Court with respect to the Arrangement under subsection 193(4) of the ABCA, dated November 5, 2021, confirming, among other things, the calling and holding of the Meeting and the voting thereat, as such order may be affirmed, amended or modified by any court of competent jurisdiction, a copy of which is included at Schedule C to this Circular;

“Intermediary” means with respect to REIT Units, an intermediary with whom a Non-Registered Unitholder deals in respect of REIT Units;

“Legacy PRR Limited Partnerships” means the limited partnerships specified in the Notice of Determination in which PRR Trust holds a substantial interest immediately before the Qualifying Disposition and in which the REIT also directly holds a nominal limited partner interest;

“Legacy Retail Liabilities” means the liabilities of the REIT associated with the Legacy Retail Transferred Properties, if any, as set out in the Notice of Determination;

“Legacy Retail Transferred Properties” means the Canadian retail properties, if any, held directly by the REIT as of the Effective Time and identified as such in the Notice of Determination;

“Legacy Retail Transferred Properties Consideration” means the issuance of the limited partnership interests of Primaris LP specified as such in the Notice of Determination and the assumption by Primaris LP of the Legacy Retail Liabilities;

“Meeting” means the special meeting of Unitholders to be held on December 13, 2021 including any adjournment(s) or postponement(s) thereof, to consider and (i) to vote upon the Arrangement Resolution, (ii) subject to the approval of the Arrangement Resolution, to vote upon the Equity Plans Resolution, and (iii) to act upon such other matters as may properly come before the Meeting or any adjournment or postponement thereof;

“New Primaris Master GP Trust” means New Primaris Master GP Trust, a unit trust to be formed under the laws of the Province of Ontario prior to the Effective Time, with the REIT as the sole beneficiary;

“New Primaris Master LP” means New Primaris Master LP, a new limited partnership to be formed under the laws of the Province of Ontario, with the REIT as the sole limited partner and New Primaris Master GP Trust as the sole general partner;

“New Primaris Master LP Exchangeable Units” means Class B exchangeable limited partnership units of New Primaris Master LP entitling holders to cash distributions from New Primaris Master LP determined by reference to the cash distributions on a Primaris REIT Unit and which are exchangeable in accordance with their terms for Primaris REIT Units;

“New Primaris Master LP Note” means a non-interest bearing, demand promissory note, issued by New Primaris Master LP pursuant to the Plan of Arrangement and having a principal amount equal to the fair market value of the New Primaris Master LP Exchangeable Units to be issued to the REIT pursuant to the Plan of Arrangement, as specified in the Notice of Determination;

“New REIT Option” means a REIT Option issued in exchange for an Existing REIT Option pursuant to the Plan of Arrangement;

“Nominal REIT Distribution” means the distribution to be paid by the REIT pursuant to step 14 of the Plan of Arrangement;

“Nominee Corporations” means the corporations that own bare legal title to the real properties indirectly held by the REIT through the Retail Segment Property as of immediately prior to the Qualifying Disposition, as specified for greater certainty in the Notice of Determination;

“Non-Registered Unitholder” means a beneficial holder of REIT Units or Special Voting Units, as applicable, that holds its Units or Special Voting Units, as applicable, through an Intermediary;

“Non-Resident Holder” has the meaning provided under “Certain Canadian Federal Income Tax Considerations – Taxation of Holders Not Resident in Canada”;

“Notice” means the notice of the Meeting accompanying the Circular;

“Notice of Appearance” means a notice of appearance that must be served and filed by the REIT securityholder or other person who wishes to appear, or to be represented, and to present evidence or arguments at the hearing in respect of the Final Order;

“Notice of Determination” means a notice to be executed by the parties to the Arrangement two Business Days prior to the Effective Date specifying: (i) the Effective Time; (ii) the Legacy Retail Transferred Properties; (iii) the Legacy Retail Transferred Properties Consideration; (iv) the Legacy PRR Limited Partnerships; (v) the Legacy Retail Liabilities; (vi) the principal amount of the New Primaris Master LP Note; (vii) the Post-Plan Trustees; (viii) the Nominee Corporations; (ix) the Primaris Master LP Property; (x) the limited partnership units of Primaris LP included in the Primaris Property; (xi) the Primaris Redemption Price; (xii) the PRR Trust Payables; (xiii) the PRR Trust Receivables; (xiv) the Spin-out Primaris REIT Units; (xv) the Spin-out Primaris Subscription Amount; (xvi) the respective interests in Primaris Master LP held by the REIT and Old Primaris GP Trust immediately prior to Step 3 of the Plan of Arrangement; (xvii) the amount of the distribution to be paid by PRR Trust in Step 5 of the Plan of Arrangement; (xviii) the additional limited partnership interests in New Primaris Master LP to be issued to the REIT pursuant to Step 9 of the Plan of Arrangement; (xix) the number of Primaris REIT Options for which each REIT Option held by an employee of Primaris REIT (or any of its subsidiaries) will be exchanged pursuant to Step 19 of the Plan of Arrangement; (xx) the number of REIT Options for which each Primaris REIT Option held by an employee of the REIT (or any of its subsidiaries) will be exchanged pursuant to Step 20 of the Plan of Arrangement; (xxi) the number of Primaris REIT Units, Series A to be receivable on the settlement of the Primaris REIT Incentive Units received in exchange for Incentive Units pursuant to Step 21 of the Plan of Arrangement, for each REIT Unit and Primaris REIT Unit, Series A receivable on the settlement of such Incentive Units immediately before such exchange; (xxii) the number of New Primaris Master LP Exchangeable Units to be subscribed for by the REIT in Step 23 of the Plan of Arrangement and the subscription price payable therefor; (xxiii) the ratio by which the Primaris REIT Units will be consolidated or split in Step 25 of the Plan of Arrangement; and (xxiv) such other matters as may be agreed upon between the parties;

“Old Primaris GP Trust” means Primaris Master GP Trust, an *inter vivos* trust formed under the laws of the Province of Ontario;

“Plan of Arrangement” means the plan of arrangement under Section 193 of the ABCA, as set forth in Schedule D to this Circular, and any amendment, modification or supplement made in accordance with the terms thereof;

“Portfolio LP” means H&R Portfolio Limited Partnership, a limited partnership formed under the laws of the Province of Manitoba and a subsidiary partnership of Portfolio LP Trust;

“Portfolio LP Class B Units” means Class B limited partnership units of Portfolio LP entitling holders to cash distributions from Portfolio LP determined by reference to the cash distributions on a REIT Unit and which are exchangeable in accordance with their terms for REIT Units (as well as a nominal amount of cash);

“Portfolio LP Trust” means H&R Portfolio LP Trust, a unit trust formed under the laws of the Province of Ontario and a subsidiary trust of the REIT;

“Post-Plan Trustees” means the individuals specified in the Notice of Determination to be the trustees of Primaris REIT upon the completion of the Plan of Arrangement, which individuals must be permissible as trustees of Primaris REIT in accordance with the Primaris REIT Declaration of Trust;

“Primaris GP Trust” means Primaris GP Trust, a unit trust to be formed under the laws of the Province of Ontario prior to the Effective Time, with the REIT as the sole beneficiary;

“Primaris LP” means Primaris Limited Partnership, a limited partnership to be formed under the laws of the Province of Ontario prior to the Effective Time, with the REIT as the sole limited partner and Primaris GP Trust as the sole general partner;

“Primaris Master LP” means Primaris Master Limited Partnership, a limited partnership formed under the laws of the Province of Ontario, the sole general partner of which is Old Primaris GP Trust and the sole limited partner of which is the REIT;

“Primaris Master LP Property” means all of the properties held by Primaris Master LP as of the Effective Time, as specified in the Notice of Determination;

“Primaris Property” means (i) all of the limited partnership units of Primaris LP, other than a nominal interest, as specified in the Notice of Determination; (ii) all of the units of Primaris GP Trust; and (iii) the PRR Trust Receivables;

“Primaris Property Purchase Agreement” means the purchase agreement to be entered into between the REIT and New Primaris Master LP for the acquisition of the Primaris Property by New Primaris Master LP at the time specified therein;

“Primaris Redemption Price” means the redemption price payable for fractional units of Primaris REIT pursuant to Step 2.5 of the Plan of Arrangement, as specified in the Notice of Determination;

“Primaris REIT” means an unincorporated open-ended unit trust to be established under the laws of the Province of Ontario to participate in the Plan of Arrangement, called Primaris Real Estate Investment Trust;

“Primaris REIT Declaration of Trust” means the Declaration of Trust of Primaris REIT, as amended, modified or supplemented from time to time;

“Primaris REIT Incentive Unit Plan” means an incentive unit plan to be adopted by Primaris REIT providing for the granting of incentive units which may be settled, upon vesting, in cash, Primaris REIT Units, Series A, or a combination of the two;

“Primaris REIT Incentive Units” means incentive units to be issued by Primaris REIT under the Primaris REIT Incentive Unit Plan;

“Primaris REIT Non-Voting Units, Series B” means non-voting units of participating interest in Primaris REIT designated in the Primaris REIT Declaration of Trust as “Series B units”, each such unit representing an equal undivided beneficial interest, together with the Primaris REIT Units, Series A, in Primaris REIT;

“Primaris REIT Option Plan” means the option plan to be adopted by Primaris REIT providing for the granting of options exercisable for Primaris REIT Units, Series A;

“Primaris REIT Options” means options to be issued by Primaris REIT under the Primaris REIT Option Plan which will be exercisable for Primaris REIT Units, Series A;

“Primaris REIT Units” means the Primaris REIT Units, Series A and the Primaris REIT Non-Voting Units, Series B, or any of them as the context may require, but for the avoidance of doubt does not include Primaris Special Voting Units;

“Primaris REIT Units, Series A” means units of participating interest in Primaris REIT designated in the Primaris REIT Declaration of Trust as “Series A units”, each such unit representing an equal undivided beneficial interest, together with the Primaris REIT Non-Voting Units, Series B, in Primaris REIT;

“Primaris Special Voting Units” means non-participating special voting units of Primaris REIT, which will not entitle the holder to any distribution from, or property of, Primaris REIT and which may be created in accordance with the provisions of the Primaris REIT Declaration of Trust;

“Primaris Spin-out Properties” means the properties to be acquired by Primaris REIT pursuant to the Plan of Arrangement, as more particularly described in Schedules F, H, and L;

“Primaris Trusteeco” means Primaris Trustee Inc., a corporation to be formed under the laws of the Province of Alberta prior to the Effective Time, with the REIT as the sole shareholder;

“Primaris Voting Units” means, collectively, the Primaris REIT Units, Series A and Primaris Special Voting Units;

“PRR Investments” means PRR Investments Inc., a corporation existing under the laws of the Province of Alberta;

“PRR Trust” means PRR Trust, a unit trust formed under the laws of the Province of Ontario;

“PRR Trust Payables” means certain intercompany debts owing by the REIT to PRR Trust as described in the Notice of Determination;

“PRR Trust Receivables” means certain intercompany debts owing by PRR Trust to the REIT as described in the Notice of Determination;

“Purchase and Sale Agreement” means the purchase and sale agreement dated October 26, 2021 between the REIT, HOOPP, and the other parties thereto, as such agreement may be amended, modified or supplemented in accordance with its terms, providing for the sale of the HOOPP Properties indirectly by HOOPP to Primaris REIT;

“Qualifying Disposition” has the meaning provided under “The Arrangement – Steps Effecting the Arrangement”;

“Record Date” means November 2, 2021;

“Registered Unitholder” means a registered holder of REIT Units or Special Voting Units, as applicable, as recorded in the unitholder register for Units or Special Voting Units, as applicable;

“Registrar” means the registrar appointed under Section 263 of the ABCA;

“REIT” means H&R Real Estate Investment Trust, a unit trust formed under the laws of the Province of Ontario, or, where the context so requires, the trustees of H&R Real Estate Investment Trust acting in their capacity as trustees;

“REIT Declaration of Trust” means the Declaration of Trust of the REIT dated November 4, 1996, as amended and restated as of August 8, 1997, May 27, 1999, May 24, 2001, July 21, 2005, June 23, 2006, May 18, 2007, October 1, 2008, May 15, 2009, August 12, 2010, August 11, 2011, June 25, 2012, June 28, 2013, July 10, 2014, June 24, 2016, June 27, 2017 and August 31, 2018, governed by the laws of the Province of Ontario, pursuant to which the REIT was created, as further amended, supplemented or amended and restated from time to time;

“REIT Exception” has the meaning provided under “Certain Canadian Federal Income Tax Considerations – Status of the REIT, Primaris REIT and Subsidiaries – SIFT Rules”;

“REIT Incentive Unit Plan” means the incentive unit plan of the REIT, as amended, modified or supplemented from time to time;

“REIT Option Plan” means the option plan of the REIT providing for the granting of options exercisable for REIT Units;

“REIT Options” means options issued by the REIT under the REIT Option Plan which are exercisable for REIT Units;

“REIT PSUs” has the meaning provided under “The Arrangement – Steps Effecting the Arrangement – Effect of the Arrangement on Incentive Units”;

“REIT RSUs” has the meaning provided under “The Arrangement – Steps Effecting the Arrangement – Effect of the Arrangement on Incentive Units”;

“REIT Transfer Percentage” means the quotient, expressed as a percentage, obtained by dividing (a) the amount by which the fair market value of a REIT Unit is reduced as a result of the Qualifying Disposition, by (b) the fair market value of a REIT Unit immediately before the Qualifying Disposition;

“REIT Trustees” means the individuals who act as trustees of the REIT in accordance with and subject to the provisions of the REIT Declaration of Trust;

“REIT Unitholders” means the holders of the REIT Units, and **“REIT Unitholder”** means any one of them;

“REIT Units” means units of participating interest in the REIT, each such unit representing an equal undivided beneficial interest in the REIT, but, for the avoidance of doubt, does not include Special Voting Units;

“Resident Holder” has the meaning provided under “Certain Canadian Federal Income Tax Considerations – Taxation of Holders Resident in Canada”;

“Retail Segment Property” means the following property held by the REIT immediately prior to the Qualifying Disposition: (i) the REIT’s limited partnership interest in New Primaris Master LP; (ii) the units of New Primaris Master GP Trust; (iii) the REIT’s remaining limited partnership interest in Primaris LP; (iv) the units of PRR Trust; (v) the REIT’s remaining limited partnership interests in the Legacy PRR Limited Partnerships in which the REIT has a direct interest; (vi) the shares

of Primaris Management Inc.; (vii) the shares of Primaris Trusteeco; and (viii) the shares of any Nominee Corporations held by the REIT immediately before the Qualifying Disposition;

“**SIFT Rules**” has the meaning provided under “Certain Canadian Federal Income Tax Considerations - Status of the REIT, Primaris REIT and Subsidiaries – SIFT Rules”;

“**Special Voting Unitholders**” means the holders of the Special Voting Units, and “**Special Voting Unitholder**” means any one of them;

“**Special Voting Units**” means, collectively, the units of the REIT designated as “Special Voting Units” under the REIT Declaration of Trust, and “**Special Voting Unit**” means any one of them;

“**Spin-out Primaris REIT Units**” means a number of Primaris REIT Units, Series A equal to the number of REIT Units outstanding as of the Effective Time as set out, for reference, in the Notice of Determination;

“**Spin-out Primaris Subscription Amount**” means the amount set out as such in the Notice of Determination;

“**Spin-out Primaris Subscription Note**” means the demand promissory note to be issued by the REIT to Primaris REIT pursuant to Step 10 of the Plan of Arrangement, in a principal amount equal to the Spin-out Primaris Subscription Amount;

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

“**Tax Proposals**” has the meaning provided under “Certain Canadian Federal Income Tax Considerations”;

“**taxable capital gain**” has the meaning provided under “Certain Canadian Federal Income Tax Considerations – Taxation of Holders Resident in Canada – Taxation of Capital Gains and Losses”;

“**Transfer Agent**” means TSX Trust Company, in its capacity as transfer agent for the REIT Units or the Primaris REIT Units, Series A, as applicable;

“**TSX**” means the Toronto Stock Exchange;

“**Unitholders**” means the holders of REIT Units and Special Voting Units (as the context may require), and “**Unitholder**” means any one of them;

“**Units**” means the REIT Units and the Special Voting Units (as the context may require);

“**U.S. Securities Act**” means the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder; and

“**Voting Agreement**” means an agreement between the REIT and the holders of HRMSLP Class B Units, to be entered into in accordance with Step 24 of the Plan of Arrangement, providing for the REIT to exercise the voting rights with respect to Primaris Special Voting Units held by the REIT in accordance with directions from such holders, subject to the terms thereof.

NOTICE TO SECURITYHOLDERS IN THE UNITED STATES

THE SECURITIES ISSUABLE IN CONNECTION WITH THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (“SEC”) OR SECURITIES REGULATORY AUTHORITIES IN ANY STATE, NOR HAS THE SEC OR THE SECURITIES REGULATORY AUTHORITIES IN ANY STATE PASSED UPON THE FAIRNESS OR MERITS OF THE ARRANGEMENT OR UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

THIS CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO PURCHASE, THE SECURITIES TO BE ISSUED UNDER THE ARRANGEMENT, OR THE SOLICITATION OF A PROXY, IN ANY JURISDICTION, TO OR FROM ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH AN OFFER, SOLICITATION OF AN OFFER OR PROXY SOLICITATION IN SUCH JURISDICTION. ANY RESPONSIBILITY OF THE REIT FOR ANY THIRD PARTY’S NON-COMPLIANCE WITH THE LAWS IN SUCH JURISDICTION IS EXPRESSLY DISCLAIMED.

Issuance of the Primaris REIT Units, Series A pursuant to the Plan of Arrangement is exempt from the registration requirements of the U.S. Securities Act. Any offers to resell or resales of the Primaris REIT Units received pursuant to the Plan of Arrangement by persons who, immediately prior to the Arrangement, were “affiliates” (as defined under the U.S. Securities Act) of the REIT are subject to restrictions under the U.S. Securities Act.

The REIT is an unincorporated trust created by the REIT Declaration of Trust under, and governed by, the laws of the Province of Ontario. The solicitation of proxies and the transactions contemplated in this Circular involve securities of a Canadian issuer and are being effected in accordance with Canadian corporate and securities laws. Unitholders should be aware that disclosure requirements under Canadian securities laws are different from requirements under U.S. securities laws. The financial statements in the schedules to this Circular were prepared in accordance with IFRS as issued by the International Accounting Standards Board, which differs in certain respects from U.S. GAAP.

The enforcement by investors of civil liabilities under U.S. federal securities laws may be affected adversely by the fact that the REIT is an unincorporated trust created by the REIT Declaration of Trust under, and governed by, the laws of the Province of Ontario, that some of their officers and trustees are not residents of the U.S., that their auditors are not residents of the U.S. and that a substantial portion of their respective assets are located outside the U.S. You may not be able to sue the REIT or their officers or trustees, or enforce judgments of a U.S. court, in a Canadian court for violations of U.S. securities laws.

This Circular does not address the U.S. tax consequences of the Arrangement for Unitholders who are U.S. taxpayers. Such persons are urged to consult their own tax advisors regarding the U.S. tax consequences of the Arrangement.

FORWARD-LOOKING STATEMENTS

Certain information in this Circular contains forward-looking information within the meaning of applicable securities laws (also known as forward-looking statements) including, among others, statements relating to the Arrangement (including the proposed terms of, and matters relating to, the Arrangement; the expected benefits of the Arrangement to, and resulting treatment of, Unitholders and holders of options and incentive units; the anticipated effects of the Arrangement; the satisfaction of the conditions precedent or receipt of consents, exemptions, approvals and rulings required for the Arrangement; the tax treatment of the Arrangement; and the expected timing of the Arrangement); the anticipated approval of the Arrangement and the Equity Plans Resolution by Unitholders and the Court, as applicable; the receipt of any required regulatory approvals and consents (including the conditional and final approval of the TSX); statements relating to the objectives of the REIT; strategies to achieve those objectives, including the REIT’s strategic repositioning plan and the distributions expected to be payable by the REIT and Primaris REIT, respectively, following the Arrangement; the REIT’s beliefs, plans, estimates, projections and intentions; similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts; and the forecasted financial results of Primaris REIT, including the assumptions contained in such forecast, for the period set out in Schedule K to this Circular.

Forward-looking statements generally can be identified by words such as “outlook”, “objective”, “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “should”, “plans”, “project”, “budget” or “continue” or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect the REIT’s current beliefs and are based on information currently available to management.

Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements are not guarantees of future performance and are based on the REIT's estimates and assumptions that are subject to risks and uncertainties, including those described herein under "Risk Factors" and those discussed in the REIT's materials filed with the Canadian securities regulatory authorities from time to time, which could cause the actual results and performance of the REIT to differ materially from the forward-looking statements contained in this Circular. The REIT expects such risks and uncertainties would also apply to the REIT, Primaris REIT, the REIT Units and the Primaris REIT Units, after completion of the Arrangement. Those risks and uncertainties include, among other things, risks related to: the satisfaction of conditions precedent or receipt of consents, exemptions, approvals and rulings required for the Arrangement not being obtained; the potential benefits of the Arrangement not being realized; the risk of tax liabilities as a result of the Arrangement; the delay in completing the Arrangement; the failure to complete the Arrangement for any reason; the business of the REIT (COVID-19; real property ownership; current economic environment; credit risk and tenant concentration; lease rollovers; interest rates and debt; construction; currency; liquidity; cyber-security; financing credit; environmental and climate change matters; co-ownership interest in properties; joint arrangements and investments; dependence on key personnel; failure to complete acquisitions; competition for real property investments; and potential conflicts of interest) and securities of the REIT and Primaris REIT (prices of the REIT's and Primaris REIT's securities; availability of cash for distributions; credit ratings; ability to access capital markets; tax; tax applicable to Unitholders and holders of Primaris REIT Units; dilution; liability of Unitholders and holders of Primaris REIT Units; the right to redeem REIT Units and Primaris REIT Units; investment eligibility of REIT Units or Primaris REIT Units; debentures of the REIT; inability of the REIT to purchase debentures of the REIT on a change of control; and statutory remedies available to Unitholders and holders of Primaris REIT Units).

Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking statements include that the general economy is gradually recovering as a result of the COVID-19 pandemic, the extent and duration of which is unknown; debt markets continue to provide access to capital at a reasonable cost, notwithstanding the ongoing economic downturn; the assumptions made in connection with the anticipated benefits of the Arrangement; the anticipated approval of the Arrangement by Unitholders and the Court; the anticipated receipt of any required consents, exemptions, approvals and rulings; the expectation that the parties to the Arrangement Agreement and the Purchase and Sale Agreement will comply with its terms and conditions; the expectation that no event, change or other circumstance will occur that could give rise to the termination of the Arrangement Agreement or the Purchase and Sale Agreement; and assumptions concerning currency exchange and interest rates. The REIT cautions that this list of factors is not exhaustive. Although the forward-looking statements contained in this Circular are based upon what the REIT believe are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements.

Readers are also urged to examine the REIT's materials filed with the Canadian securities regulatory authorities from time to time as they may contain discussions on risks and uncertainties which could cause the actual results and performance of the REIT and, after completion of the Arrangement, Primaris REIT to differ materially from the forward-looking statements contained in this Circular. Neither Primaris REIT nor any of its respective trustees or officers in their capacity as such, assumes any responsibility for the completeness of the information contained in the REIT's materials filed with the Canadian securities regulatory authorities or for any failure of the REIT or its trustees or officers to disclose events or facts which may have occurred or which may affect the significance or accuracy of any such information.

All forward-looking statements in this Circular are qualified by these cautionary statements. These forward-looking statements are made only as of November 5, 2021 and neither of the REIT nor Primaris REIT, except as required by applicable Canadian law, assumes any obligation to update or revise them to reflect new information or the occurrence of future events or circumstances.

REPORTING CURRENCIES AND ACCOUNTING PRINCIPLES

Unless otherwise indicated, all references to "\$" or "dollars" in this Circular refer to Canadian dollars and all references to "US\$" or "U.S. \$" in this Circular refer to U.S. dollars.

NON-GAAP FINANCIAL MEASURES

This Circular includes references to the REIT's funds from operations ("FFO") and the net operating income ("NOI") from the Primaris properties, which are non-Generally Accepted Accounting Principles ("GAAP") information that should not be construed as an alternative to comprehensive income (loss) or cash provided by operations as prescribed by GAAP, and may not be comparable to similar measures presented by other issuers as there is no standardized meaning of

FFO or NOI under GAAP. Management believes FFO and NOI are meaningful measures of operating performance. Unitholders are encouraged to refer to the REIT's combined Management's Discussion and Analysis for the year ended December 31, 2020 available on SEDAR at www.sedar.com for further discussion of the REIT's FFO as presented herein.

INTRODUCTION

This Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of the REIT for use at the Meeting to be held on December 13, 2021 and any adjournment or postponement thereof for the purposes set forth in the accompanying Notice. It is expected that the solicitation will be primarily by mail, but proxies may also be solicited by telephone, online or other personal contact by employees of the REIT. The costs of solicitation will be borne by the REIT. The REIT may also engage a proxy solicitation firm on market terms to solicit proxies in favour of the resolutions described herein. The information contained herein is given as at November 5, 2021, except where otherwise indicated.

GENERAL INFORMATION

The Meeting will be held in a virtual-only format by way of live audio webcast. Unitholders will need to visit www.virtualshareholdermeeting.com/HR2021Special to participate in the Meeting, and log-in using the 16-digit control number included either on your proxy form or voting instruction form, as applicable. **You must retain your control number located on the proxy form and/or voting instruction form in order to access the webcast Meeting, vote and ask questions.** The Meeting platform is fully supported across browsers and devices running the most updated version of applicable software plug-ins. Unitholders should ensure they have a strong, preferably high-speed, internet connection wherever they intend to participate in the Meeting. The Meeting will begin promptly at 10:30 a.m. (Toronto time) on December 13, 2021. Online check-in will begin starting 15 minutes prior, at 10:15 a.m. (Toronto time). Unitholders should allow ample time for online check-in procedures. For any technical difficulties experienced during the check-in process or during the Meeting, please call 1-800-586-1548 (Canada and U.S.) or 303-562-9288 (international) for assistance.

The webcast Meeting allows Registered Unitholders and duly appointed proxyholders to attend the Meeting live, submit questions by typing them into the “Ask a Question” text box and submit their vote while the Meeting is being held if they have not done so in advance of the Meeting. Non-Registered Unitholders will have the ability to access the Meeting through the live webcast and ask questions. Guests will be able to attend the Meeting through the live webcast only, by joining the webcast at www.virtualshareholdermeeting.com/HR2021Special as a guest. Guests will not be able to submit questions or vote.

In accordance with the REIT’s sustainability policy, the REIT is utilizing the Canadian Securities Administrators’ notice-and-access delivery model for distribution of this Circular to Registered Unitholders and Non-Registered Unitholders. Notice-and-access is a set of rules that allows issuers to post electronic versions of proxy-related materials (such as proxy circulars) on-line, via the SEDAR website at www.sedar.com and one other website, rather than mailing paper copies of such materials to Unitholders.

Notice-and-access directly benefits the REIT through a substantial reduction in both postage and printing costs and also promotes environmental responsibility by decreasing the large volume of paper documents generated by printing proxy-related materials.

It is anticipated that copies of proxy-related materials will be distributed to Registered Unitholders and Non-Registered Unitholders on or about November 12, 2021 pursuant to the notice-and-access regime. It is anticipated that a notice with information about the notice-and-access process and voting instructions as well as a proxy or voting instruction form (collectively, the “**meeting materials**”) will be distributed to Unitholders on or about November 12, 2021.

Registered Unitholders and Non-Registered Unitholders with questions about notice-and-access can call the REIT’s Transfer Agent, TSX Trust Company, toll free at 1-888-433-6443.

Registered Unitholders and Non-Registered Unitholders may obtain paper copies of this Circular by postal delivery at no cost to them. Requests may be made up to one year from the date the Circular was filed on www.sedar.com by contacting TSX Trust Company toll free at 1-888-433-6443 or via e-mail to fulfilment@astfinanciam.com. In order to receive the Circular in sufficient time to allow for review and return of the proxy by no later than 10:30 a.m. (Toronto time) on December 9, 2021, a request for paper copies should be sent so that it is received by TSX Trust Company no later than the end of business on November 29, 2021.

PROXY MATTERS

Appointment and Revocation of Proxies

If you are a Registered Unitholder, a form of proxy is enclosed with the meeting materials and, if it is not your intention to attend and vote at the Meeting, you are asked to complete and return the form of proxy in the envelope provided. The proxy must be executed by the Registered Unitholder or the attorney of such Registered Unitholder, duly authorized in writing. Proxies may be voted online at www.proxyvote.com or by telephone at 1-800-474-7493 (English) or 1-800-474-7501 (French), by entering the 16-digit control number printed on the front of the proxy and following the instructions provided. Proxies may also be deposited with Broadridge by mail to Broadridge Attention: Data Processing Centre, P.O. Box 3700, STN Industrial Park, Markham, ON L3R 9Z9. In order to be effective, proxies must be received no later than 10:30 a.m. (Toronto time) on December 9, 2021 or, if the Meeting is adjourned or postponed, the last Business Day preceding the date of any adjournment or postponement thereof.

The persons named in the enclosed form of proxy are trustees or officers of the REIT. **A Registered Unitholder may appoint a proxyholder (who is not required to be a Unitholder), other than any person designated in the form of proxy, to attend and act on such Registered Unitholder's behalf at the Meeting, either by inserting such other desired proxyholder's name in the blank space provided on a form of proxy or by substituting another proper form of proxy.** Registered Unitholders are encouraged to appoint such other person (other than the named proxyholders) online at www.proxyvote.com as this will reduce the risk of any mail disruptions in the current environment and will allow the Registered Unitholder to easily share the appointee information they have created with the person they have appointed to represent them at the Meeting. If a Registered Unitholder does not designate the appointee information when completing their form of proxy or does not provide the exact appointee identification number and appointee name to the person who has been appointed to access and vote at the Meeting on such Registered Unitholder's behalf, their appointee will not be able to access the Meeting and vote on such Registered Unitholder's behalf.

Registered Unitholders **MUST** provide their appointee with the **EXACT NAME** and **EIGHT CHARACTER APPOINTEE IDENTIFICATION NUMBER** to access the Meeting. Appointees can only be validated at the Meeting using the **EXACT NAME** and **EIGHT CHARACTER APPOINTEE IDENTIFICATION NUMBER** that is entered by a Registered Unitholder. **IF A REGISTERED UNITHOLDER DOES NOT CREATE AN EIGHT CHARACTER APPOINTEE IDENTIFICATION NUMBER, THEIR APPOINTEE WILL NOT BE ABLE TO ACCESS THE MEETING.**

A Registered Unitholder who has given a proxy pursuant to this solicitation may revoke it as to any matter on which a vote has not already been cast by voting again on the internet or by phone or by any other means permitted by law. Registered Unitholders who are unable to revoke their proxy on the internet or by phone, may revoke their instructions by an instrument in writing executed by the Registered Unitholder or by the attorney of such Registered Unitholder authorized in writing or, if REIT Units or Special Voting Units are held by a corporation, under the corporation's corporate seal or by an officer or attorney of the corporation duly authorized. The written instrument must be submitted by email to the Manager – Corporate Development of the REIT at gdavis@hr-reit.com before the last Business Day preceding the date of the Meeting or any adjournment or postponement thereof at which the proxy is to be used.

Non-Registered Unitholders

In many cases, REIT Units or Special Voting Units beneficially owned by a Non-Registered Unitholder are registered either:

- (a) in the name of an Intermediary that the Non-Registered Unitholder deals with in respect of the REIT Units or Special Voting Units, such as, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs, RDSPs, TFSA's and similar plans; or
- (b) in the name of a clearing agency (such as CDS) of which the Intermediary is a participant.

In accordance with the requirements of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*, the REIT has distributed copies of the “notice-and-access” meeting materials to the clearing agencies and Intermediaries for onward distribution to Non-Registered Unitholders.

Intermediaries are required to forward meeting materials to Non-Registered Unitholders unless a Non-Registered Unitholder has waived the right to receive them. Typically, Intermediaries will use a service company (such as Broadridge) to

forward the meeting materials to Non-Registered Unitholders. The REIT is a “Participating Issuer” under Broadridge’s Electronic Delivery Procedures. Non-Registered Unitholders who have enrolled in Broadridge’s Electronic Delivery Procedures (at www.investordelivery.com or www.proxyvote.com) will have received from Broadridge an email notification that the meeting materials are available electronically, which notification includes a hyperlink to the page on the Internet where the meeting materials can be viewed. Generally, Non-Registered Unitholders who have not waived the right to receive meeting materials will be given a voting instruction form which must be completed and signed by the Non-Registered Unitholder in accordance with the directions on the voting instruction form; voting instruction forms sent by Broadridge permit the completion of the voting instruction form by telephone or through the Internet at www.proxyvote.com, by entering the 16-digit control number printed on the front of the voting instruction form and following the instructions provided.

The purpose of these procedures is to permit Non-Registered Unitholders to direct the voting of the Units they beneficially own. Should a Non-Registered Unitholder who receives a voting instruction form wish to attend and vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Unitholder), the Non-Registered Unitholder should follow the corresponding instructions on the voting instruction form. **Non-Registered Unitholders should carefully follow the instructions of their Intermediaries and their service companies.**

A Non-Registered Unitholder who wants to revoke his or her voting instructions must contact his or her Intermediary in respect of such instructions and comply with any applicable requirements imposed by such Intermediary. An Intermediary may not be able to revoke such instructions if it receives insufficient notice of revocation.

The REIT will pay for an Intermediary to deliver proxy materials to objecting beneficial owners. The meeting materials sent to non-objecting beneficial owners and objecting beneficial owners who have not waived the right to receive the meeting materials will be accompanied by a voting instruction form. By returning the voting instruction form in accordance with the instructions noted thereon, a beneficial owner is able to instruct the voting of the Units owned by it. Voting instruction forms should be completed and returned in accordance with the specific instructions noted thereon. The purpose of this procedure is to permit Non-Registered Unitholders to direct the voting of the Units which they beneficially own.

Voting of REIT Units and Special Voting Units

REIT Units and Special Voting Units represented by proxies will be voted or withheld from voting in accordance with the instructions of the Unitholder and, if the Unitholder specifies a choice with respect to any matter to be acted upon at the Meeting, such REIT Units and Special Voting Units represented by properly executed proxies will be voted accordingly. Registered Unitholders may vote online at the Meeting by following the instructions provided when accessing the Meeting.

If no specification is made to vote the said REIT Units and/or Special Voting Units against the Arrangement Resolution and the Equity Plans Resolution, a proxyholder will vote the REIT Units and/or Special Voting Units IN FAVOUR OF the Arrangement Resolution and, subject to the approval of the Arrangement Resolution, IN FAVOUR OF the Equity Plans Resolution.

Broadridge will serve as independent scrutineer at the Meeting and will tabulate all votes at the Meeting.

Exercise of Discretion by Proxy

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments to matters identified in the Notice and with respect to such other matters as may properly come before the Meeting or any adjournment or postponement thereof. At the date of this Circular, management of the REIT is not aware of any amendments or other matters to come before the Meeting other than the matters referred to in the Notice. With respect to amendments to matters identified in the Notice or other matters that may come before the Meeting, REIT Units and Special Voting Units will be voted by the persons so designated in their discretion.

Voting at Meeting and Quorum

On November 2, 2021, 288,431,251 REIT Units and 9,500,000 Special Voting Units were issued and outstanding. Each REIT Unit and each Special Voting Unit entitles its holder to one vote at the Meeting. REIT Unitholders and/or Special Voting Unitholders of record at the close of business on November 2, 2021, the Record Date established for determining Unitholders entitled to receive notice of and vote at the Meeting, will be entitled to vote at the Meeting, or any adjournment or postponement thereof, either in person or by proxy.

To be approved, the Arrangement Resolution must be approved by the affirmative vote of not less than two-thirds of the votes cast at the Meeting by REIT Unitholders and Special Voting Unitholders, voting together. Other than the Arrangement Resolution, and unless otherwise required by law or the REIT Declaration of Trust, every question coming before the Meeting or any adjournment or postponement thereof (including the Equity Plans Resolution) shall be decided by the majority of the votes cast at the Meeting by REIT Unitholders and Special Voting Unitholders, voting together, on the question. The quorum at the Meeting or any adjournment or postponement thereof shall consist of at least two individuals present in person, each of whom is a holder of REIT Units or Special Voting Units or a proxyholder representing such holder of REIT Units or Special Voting Units, and who hold or represent by proxy not less than 25% of the combined total number of outstanding REIT Units and Special Voting Units as at the Record Date for the Meeting.

QUESTIONS AND ANSWERS

Q: What am I voting on?

A: Unitholders are voting on the Arrangement Resolution and, subject to the approval of the Arrangement Resolution, the Equity Plans Resolution, all as set out in further detail herein.

Q: What is the purpose of the Arrangement?

A: The Arrangement is intended to effect a tax-free spin-off of the REIT's Primaris properties, including all of the REIT's enclosed malls, to Primaris REIT as part of the REIT's strategic repositioning plan. If the Arrangement Resolution is passed without variation and the Plan of Arrangement is implemented, this would, among other things and subject to certain conditions described in this Circular, result in Unitholders, through a series of steps, receiving one Primaris REIT Unit, Series A for each four REIT Units (assuming a 4:1 consolidation pursuant to the Plan of Arrangement) they hold at the Effective Time. After completion of the Arrangement, HOOPP will sell eight properties to Primaris REIT in consideration for Primaris REIT Units such that, following the Arrangement and the HOOPP Contribution, REIT Unitholders and HOOPP are expected to own an approximate 74% and 26% interest in Primaris REIT, respectively.

Q: Who is entitled to vote?

A: Unitholders as of the close of business on the Record Date (being November 2, 2021) are entitled to vote. Each REIT Unit entitles the holder to one vote on those items of business as identified in the Notice and each Special Voting Unit entitles the holder to one vote on those items of business as identified in the Notice. If you acquired your REIT Units or Special Voting Units after the Record Date, please refer to the answer to the question "What if ownership of REIT Units or Special Voting Units has been transferred after the Record Date?".

Q: How do I vote?

A: There are two ways you can vote your REIT Units and Special Voting Units if you are a Registered Unitholder. You may vote at the Meeting by following the instructions provided online at the Meeting, or you may complete the form of proxy appointing the named persons or some other person you choose, who need not be a Unitholder, to represent you as proxyholder and vote your REIT Units or Special Voting Units at the Meeting. If your Units are held in the name of a nominee, please refer to the answer to the question "If my Units are not registered in my name but are held in the name of a nominee (a bank, trust company, securities broker, trustee or other), how do I vote my Units?" to determine how you may vote your Units. Proxies may be voted online at www.proxyvote.com or by telephone at 1-800-474-7493 (English) or 1-800-474-7501 (French), by entering the 16-digit control number printed on the front of the form of proxy and following the instructions provided. Proxies to be used at the Meeting may also be deposited with Broadridge by mail to Broadridge Investor Communications Corporation, Attention: Data Processing Centre, P.O. Box 3700, STN Industrial Park, Markham, ON L3R 9Z9. In order to be effective, proxies must be received no later than 10:30 a.m. (Toronto time) on December 9, 2021 or, if the Meeting is adjourned or postponed, the last Business Day preceding the date of any adjournment or postponement thereof.

Q: What if I plan to access the Meeting and vote online during the Meeting?

A: If you are a Registered Unitholder and plan to access the Meeting and wish to vote your REIT Units or Special Voting Units online during the Meeting, do not complete or return the form of proxy. **You MUST retain your 16-digit control number located on your form of proxy.** You may vote online during the Meeting and your vote will be counted at the Meeting. If your Units are held in the name of a nominee and you wish to access the Meeting, please refer to the answer to the question “If my Units are not registered in my name but are held in the name of a nominee (a bank, trust company, securities broker, trustee or other), how do I vote my Units?” for voting instructions.

Q: Who is soliciting my proxy?

A: Your proxy is being solicited by management and the associated costs will be borne by the REIT. It is expected that the solicitation will be primarily by mail, but proxies may also be solicited by telephone or other personal contact by employees of the REIT. The REIT may also engage a proxy solicitation firm on market terms to solicit proxies in favour of the resolutions described herein.

Q: What if I sign the form of proxy that has been mailed to me?

A: Signing the form of proxy gives authority to Mr. Thomas J. Hofstedter, the President and Chief Executive Officer (the “CEO” or “**Chief Executive Officer**”) of the REIT or failing him, Mr. Larry Froom, the Chief Financial Officer (the “CFO” or “**Chief Financial Officer**”) of the REIT, or to another person you have appointed, to vote your REIT Units or your Special Voting Units at the Meeting.

Q: Can I appoint someone other than these representatives to vote my REIT Units or Special Voting Units?

A: Yes. Write the name of this person, who need not be a Unitholder, in the blank space provided in the form of proxy. You are encouraged to appoint such other person (other than the named proxyholders) as your proxyholder online at www.proxyvote.com as this will reduce the risk of any mail disruptions in the current environment and will allow you to easily share the appointee information you have created with the person you have appointed to represent you at the Meeting. If you do not designate the appointee information when completing your form of proxy or do not provide **the exact appointee identification number and appointee name** to the person (other than the named proxyholders) who has been appointed to access and vote at the Meeting on your behalf, your appointee will not be able to access the Meeting and vote on your behalf.

You **MUST** provide your appointee with the **EXACT NAME** and **EIGHT CHARACTER APPOINTEE IDENTIFICATION NUMBER** to access the Meeting. Appointees can only be validated at the Meeting using the **EXACT NAME** and **EIGHT CHARACTER APPOINTEE IDENTIFICATION NUMBER** that is entered by you. **IF YOU DO NOT CREATE AN EIGHT CHARACTER APPOINTEE IDENTIFICATION NUMBER, YOUR APPOINTEE WILL NOT BE ABLE TO ACCESS THE MEETING.**

Q: What do I do with my completed proxy?

A: For Registered Unitholders, you may vote your proxy online at www.proxyvote.com or by telephone at 1-800-474-7493 (English) or 1-800-474-7501 (French), by entering the 16-digit control number printed on the front of the form of proxy and following the instructions provided. Proxies to be used at the Meeting may also be deposited with Broadridge by mail to Broadridge Investor Communications Corporation, Attention: Data Processing Centre, P.O. Box 3700, STN Industrial Park, Markham, ON L3R 9Z9. In order to be effective, proxies must be received no later than 10:30 a.m. (Toronto time) on December 9, 2021 or, if the Meeting is adjourned or postponed, the last Business Day preceding the date of any adjournment or postponement thereof. This will ensure that your vote is recorded. For Non-Registered Unitholders who receive materials through their broker or other Intermediary, such Non-Registered Unitholder should complete and return the voting instruction form in accordance with the instructions provided by their broker or other Intermediary.

Q: If I change my mind, can I take back my proxy once I have given it?

A: Yes. If you change your mind and wish to revoke your proxy, you may revoke your proxy by voting again on the internet or by phone or by any other means permitted by law. If you are unable to revoke your proxy on the internet or by phone, you may prepare a written statement revoking your proxy. The statement must be signed by you or your attorney as authorized in writing or, if REIT Units or Special Voting Units are held by a corporation, under the corporation's corporate seal or by an officer or attorney of the corporation duly authorized. The written instrument must be submitted by email to the Manager – Corporate Development of the REIT at gdavis@hr-reit.com before the last Business Day preceding the date of the Meeting or any adjournment or postponement thereof at which the proxy is to be used.

Q: How will my REIT Units and/or Special Voting Units be voted if I give my proxy?

A: REIT Units and/or Special Voting Units represented by proxies will be voted or withheld in accordance with the instructions of the holder thereof at the Meeting. If the Unitholder specifies a choice with respect to any matter to be acted upon at the Meeting, such Unitholder's REIT Units and/or Special Voting Units represented by properly executed proxies will be voted accordingly.

With respect to the Arrangement Resolution and the Equity Plans Resolution, REIT Unitholders and/or Special Voting Unitholders have the option of voting their REIT Units and/or Special Voting Units either IN FAVOUR OF or AGAINST such resolutions. If no specification is made to vote the said REIT Units and/or Special Voting Units AGAINST such resolutions, a proxyholder will vote such REIT Units and/or Special Voting Units IN FAVOUR OF these resolutions.

Q: What if amendments are made to these matters or other matters are brought before the Meeting?

A: The form of proxy confers discretionary authority upon the persons named therein with respect to amendments to matters identified in the Notice and with respect to such other matters as may properly come before the Meeting or any adjournment or postponement thereof. At the date of this Circular, management of the REIT is not aware of any amendments or other matters to come before the Meeting other than the matters referred to in the Notice. With respect to amendments to matters identified in the Notice or other matters that may come before the Meeting, REIT Units and Special Voting Units will be voted by the persons so designated in their discretion.

Q: How many REIT Units and Special Voting Units are entitled to vote?

A: As of the Record Date, November 2, 2021, there were 288,431,251 REIT Units outstanding and 9,500,000 Special Voting Units outstanding. Each holder of REIT Units and/or Special Voting Units has one vote for each REIT Unit and/or Special Voting Unit held at the close of business on the Record Date at the Meeting.

Q: What if ownership of REIT Units or Special Voting Units has been transferred after the Record Date?

A: The REIT Declaration of Trust provides that only a holder of REIT Units or Special Voting Units of record at the close of business on the Record Date is entitled to vote at the Meeting, even where such Unitholder has since that date disposed of his or her REIT Units or Special Voting Units, and no Unitholder becoming such after the Record Date will be entitled to receive notice of and vote at the Meeting or any adjournment or postponement thereof.

Q: How will the votes be counted?

A: Broadridge will serve as independent scrutineer at the Meeting and will tabulate all votes at the Meeting.

Q: If my Units are not registered in my name but are held in the name of a nominee (a bank, trust company, securities broker, trustee or other), how do I vote my Units?

A: Generally, Non-Registered Unitholders who have not waived the right to receive meeting materials will be given a voting instruction form which must be completed and signed by the Non-Registered Unitholder in

accordance with the directions on the voting instruction form; voting instruction forms sent by Broadridge permit the completion of the voting instruction form by telephone or through the Internet at www.proxyvote.com, by entering the 16-digit control number printed on the front of the voting instruction form and following the instructions provided.

The purpose of these procedures is to permit Non-Registered Unitholders to direct the voting of the REIT Units or Special Voting Units they beneficially own. Should a Non-Registered Unitholder who receives a voting instruction form wish to access and vote at the Meeting (or have another person attend and vote on behalf of the Non-Registered Unitholder), the Non-Registered Unitholder should follow the corresponding instructions on the voting instruction form. In either case, Non-Registered Unitholders should carefully follow the instructions of their Intermediaries and their service companies. Please refer to “Proxy Matters – Non-Registered Unitholders” above in this Circular.

Q: Why is the Arrangement being proposed?

A: With a view to enhancing Unitholder value, the REIT is proposing to effect a tax-free spin-off of the REIT’s Primaris properties, including all of the REIT’s enclosed malls, to Primaris REIT as part of the REIT’s repositioning strategy. The REIT Trustees are recommending that Unitholders vote IN FAVOUR OF the Arrangement Resolution authorizing the Plan of Arrangement for the following reasons (among others):

- The spin-out of Primaris REIT is expected to provide management of the REIT and Primaris REIT with a sharper business focus for execution of short-term and long-term strategic plans and to enhance the ability of each of the REIT and Primaris REIT to pursue its independent strategic objectives.
- The Arrangement will provide Unitholders with ownership of two separate investments, each of which is primarily focused on different objectives. The REIT Trustees believe that the creation of a new real estate investment trust will provide Unitholders with additional investment flexibility with respect to exposure to each type of investment, as they will hold a separate direct interest in each of the two publicly-traded trusts.
- The Arrangement and operational focus resulting from the Arrangement are expected to allow investors and analysts to more accurately compare and evaluate the REIT and Primaris REIT on a stand-alone basis against appropriate peers, benchmarks and performance criteria specific to that particular business. It is expected that the separate publicly-traded trusts will, in the aggregate, achieve a higher valuation compared to the valuation that would be accorded if all of the REIT’s properties continued to be held within the same publicly-traded trust.

See “The Arrangement – Reasons for the Arrangement” and “The Arrangement – Background to the Transaction”.

PRINCIPAL HOLDERS OF REIT UNITS AND SPECIAL VOTING UNITS

To the knowledge of the trustees and officers of the REIT, no person or company beneficially owns, or controls or directs, directly or indirectly, REIT Units carrying 10% or more of the votes attached to the outstanding REIT Units. CRAL Limited beneficially owns 9,500,000 Special Voting Units, representing 100% of the Special Voting Units, or 3.2% of the total combined REIT Units and Special Voting Units eligible to vote at the Meeting.

SUMMARY OF TRANSACTIONS

In accordance with the Interim Order, (a) REIT Unitholders and Special Voting Unitholders are being asked to consider and, if thought fit, to pass, with or without variation, the Arrangement Resolution, substantially in the form attached as Schedule A to this Circular, authorizing and approving the Plan of Arrangement. If the Arrangement Resolution is passed without variation, and the Plan of Arrangement is implemented, it would result in the completion of certain transactions in the course of which the following would occur:

- (i) each holder of REIT Units will receive one Primaris REIT Unit, Series A for every four REIT Units held (assuming a 4:1 consolidation of, and subject to any differing consolidation or split of, such Primaris REIT Units, Series A pursuant to the Plan of Arrangement as described below), such that REIT Unitholders will continue to hold their REIT Units and will also hold Primaris REIT Units, Series A representing the same proportionate interest in each of the REIT and Primaris REIT immediately following completion of the Arrangement;
- (ii) Primaris REIT would indirectly acquire, through a series of transactions and by way of a “qualifying disposition” pursuant to the Tax Act, the Primaris retail assets and business of the REIT;
- (iii) the amendment and restatement of the REIT Declaration of Trust as may be necessary or desirable to give effect to the Plan of Arrangement and as a consequence of the Plan of Arrangement, or as otherwise contemplated in this Circular; and
- (iv) a simplification of the REIT’s structure by eliminating certain subsidiaries of the REIT, including Primaris Master LP, Old Primaris GP Trust, and PRR Investments.

See “The Arrangement – Steps Effecting the Arrangement” for a more detailed description of the Plan of Arrangement.

In addition, subject to the terms of the Purchase and Sale Agreement, following completion of the Arrangement, it is expected that the HOOPP Properties will be sold to Primaris REIT for the Consideration, which includes Primaris REIT Units. Following closing of the Arrangement and the HOOPP Contribution, the REIT Unitholders and HOOPP are expected to own an approximate 74% and 26% interest in Primaris REIT, respectively (on a partially diluted basis taking into account the New Primaris Master LP Exchangeable Units and the Primaris REIT Incentive Units). Following these transactions, it is expected that Primaris REIT would own, indirectly, 35 properties encompassing 11.4 million square feet of gross leasable area, at Primaris REIT’s ownership share. See “Purchase and Sale Agreement”. The Primaris REIT Non-Voting Units, Series B will not be included in the denominator for dilution calculation purposes of the TSX going-forward.

See Schedule L for disclosure relating to the Primaris Spin-out Properties and related business and the HOOPP Properties, Schedule F and H for combined carve-out financial statements for the Primaris Spin-out Properties and related business and related management’s discussion and analysis, and Schedule G and I for combined carve-out financial statements for the HOOPP Properties and related management’s discussion and analysis. See Schedule J for *pro forma* financial statements of Primaris REIT.

These transactions are part of the REIT’s strategic repositioning plan, announced on October 27, 2021, to transform from being a diversified real estate investment trust into a simplified, growth-oriented real estate investment trust, with increased multi-residential and industrial exposure, surfacing value through its significant development pipeline.

Immediately following completion of the Plan of Arrangement, Unitholders will continue to hold their REIT Units and/or Special Voting Units, as applicable, and holders of REIT Units will also hold Primaris REIT Units, Series A. The REIT Units will continue to trade on the TSX under the ticker symbol “HR.UN” and Primaris REIT Units, Series A are expected to trade on the TSX under the ticker symbol “PMZ.UN”, subject to TSX approval.

The REIT has applied for an advance income tax ruling (the “**CRA Ruling**”) from the CRA in connection with the Arrangement. The REIT will not complete the Arrangement without receiving a favourable CRA Ruling. Provided that a favourable CRA Ruling is obtained, the REIT believes that the Arrangement will occur on a tax-deferred basis for Canadian federal income tax purposes.

The text of the Arrangement Resolution is found at Schedule A to this Circular. The Arrangement Resolution must be approved by at least two-thirds of the votes cast by holders of REIT Units and Special Voting Units, voting together, present in person or by proxy at the Meeting. **Unless the REIT Unitholder or Special Voting Unitholder, as applicable, specifies in the applicable form of proxy that persons named therein are to vote against the Arrangement Resolution, such persons intend to vote IN FAVOUR OF the Arrangement Resolution authorizing the Plan of Arrangement. The REIT Trustees recommend that REIT Unitholders and Special Voting Unitholders vote IN FAVOUR OF the Arrangement Resolution authorizing the Plan of Arrangement.**

THE ARRANGEMENT

Reasons for the Arrangement

On October 27, 2021, the REIT announced that the REIT Trustees, acting with the advice and assistance of financial and legal advisors, had carefully evaluated the Arrangement and that the REIT Trustees: (i) determined that the Arrangement is fair to Unitholders; (ii) determined that the Arrangement is in the best interests of the REIT; (iii) recommended that Unitholders vote in favour of the Arrangement Resolution; and (iv) authorized the entering into by the REIT of the Arrangement Agreement and the Purchase and Sale Agreement. In reaching these determinations, the REIT Trustees considered, among other things, the following factors:

- *Improved Market Understanding and Unitholder Value* – The Arrangement and operational focus resulting from the Arrangement are expected to allow investors and analysts to more accurately compare and evaluate the REIT and Primaris REIT on a stand-alone basis against appropriate peers, benchmarks and performance criteria specific to that particular business. It is expected that the separate publicly-traded trusts will, in the aggregate, achieve a higher valuation compared to the valuation that would be accorded if all of the REIT's properties continued to be held within the same publicly-traded trust.
- *Focused Investment Decision* – The Arrangement will provide Unitholders with ownership of two separate investments, each of which is primarily focused on different objectives. The REIT Trustees believe that the creation of a new real estate investment trust will provide Unitholders with additional investment flexibility with respect to exposure to each type of investment, as they will hold a separate direct interest in each of the two publicly-traded trusts. The REIT will have greater exposure to higher growth multi-residential and industrial assets, with reduced exposure to retail and office assets, as well as an enhanced major market presence in the Greater Toronto Area and high growth U.S. sunbelt and gateway cities, with less exposure to Alberta. Primaris REIT will have a high-quality national portfolio comprised of dominant shopping centre properties located in primary and secondary Canadian markets and will be well positioned to take advantage of market opportunities at a unique time in the evolution of the Canadian retail property landscape and to grow and benefit from the expected economic recovery.
- *Strategic Business Focus* – The spin-out of Primaris REIT is expected to provide management of the REIT and Primaris REIT with a sharper business focus for execution of short-term and long-term strategic plans and to enhance the ability of each of the REIT and Primaris REIT to pursue its independent strategic objectives. The REIT will have an improved *pro forma* balance sheet that will enhance financial flexibility for it to fund its significant multi-residential and industrial development pipeline and for select acquisitions in prime locations in Toronto, Montreal, Vancouver, and high growth U.S. sunbelt and gateway cities, while maintaining its current investment grade credit rating. Primaris REIT will have substantial scale, a differentiated capital structure with leverage significantly below most Canadian REIT peers, and a target payout ratio that is expected to initially provide significant retained annual cash flow to fund investments in development and acquisition opportunities. Primaris REIT's portfolio will also include several urban properties with significant intensification potential.
- *Focused Incentives for Employees* – The Arrangement will provide new opportunities within both the REIT and Primaris REIT for employees to take on new challenges and expand their expertise. Each of the REIT and Primaris REIT will provide incentives to employees that closely align their interests with the performance of the business unit of the business within which they are employed.
- *Experienced Leadership* – The REIT will continue to, and Primaris REIT will, be led by experienced trustees and executives who have demonstrated success building the REIT and who have the requisite experience and ability to grow their respective real estate investment trusts.
- *Independent Access to Capital* – The REIT and Primaris REIT will have independent access to capital (equity and debt) which management believes will result in more focused capital allocation practices including an appropriately focused alignment of debt capacity with the individual cash generation profile and growth opportunities of each particular business.
- *Fairness Opinion* – CIBC provided the Fairness Opinion which concluded that, subject to the assumptions, limitations and qualifications contained therein, (i) the Distribution to Unitholders pursuant to the Arrangement Agreement is fair,

from a financial point of view, to the Unitholders, and (ii) the Consideration to be paid to HOOPP by Primaris REIT pursuant to the Purchase and Sale Agreement is fair, from a financial point of view, to Primaris REIT.

- *Neutral Tax Treatment* – The Arrangement will generally occur on a tax-deferred basis for Canadian federal income tax purposes.

After considering all of the foregoing, the REIT Trustees have determined that the Arrangement is in the best interests of the REIT and have approved the Arrangement and recommend that REIT Unitholders and Special Voting Unitholders vote in favour of the Arrangement Resolution. The foregoing summary of the information and factors considered by the REIT Trustees is not, and is not intended to be, exhaustive. The REIT Trustees did not find it practical to, and did not, quantify or otherwise attempt to assign any relative weight to each specific factor considered in reaching their conclusions and recommendations. In addition, individual REIT Trustees may have assigned different weights to different factors.

Background to the Transaction

The REIT is one of Canada's largest real estate investment trusts with total assets of approximately \$13.1 billion at June 30, 2021. The REIT currently has ownership interests in a North American portfolio of high-quality office, retail, industrial and residential properties comprising over 40 million square feet.

In recent years, the REIT has considered a number of alternatives as part of a strategic repositioning effort to create a simplified, higher-quality real estate investment trust, with increased multi-residential and industrial exposure, and an emphasis on executing its significant development pipeline.

In particular, in January 2020, management of the REIT and the REIT Trustees began to consider a "spin-out" transaction involving the distribution of the REIT's Primaris retail assets into a separate publicly-traded entity. Over the course of the ensuing 20 months, management and the REIT Trustees, together with the REIT's legal advisors, considered various structural alternatives to effect such a spin-out and engaged with certain third parties in connection with the creation of such new entity.

In April 2021, the REIT and HOOPP Realty Inc. entered into a non-binding letter of intent which contemplated the REIT effecting a spin-out of its retail assets into a new real estate investment trust pursuant to a plan of arrangement transaction and subsequent contribution of assets to such new trust by HOOPP in consideration for units of the new trust.

From May 2021 through October 2021, the REIT, together with its financial and legal advisors, considered the specifics of the proposed transactions. Due diligence, including third party appraisals evaluating all properties on a consistent basis, on all relevant properties of the REIT and of the properties to be contributed by HOOPP were conducted by each party. The REIT and HOOPP negotiated the various terms and conditions of the transactions during this period.

The REIT Trustees met and discussed the proposed transaction on six separate occasions between May 2021 and mid-October 2021.

At a meeting of the REIT Trustees on October 22, 2021, the REIT Trustees received presentations from management of the REIT and each of the REIT's financial and legal advisors and reviewed the terms of the draft Arrangement Agreement and Purchase and Sale Agreement.

At a meeting of the REIT Trustees in the evening of October 26, 2021, CIBC provided the REIT Trustees with their oral opinion that, subject to the assumptions, limitations and qualifications contained therein, (i) the Distribution to Unitholders pursuant to the Arrangement Agreement is fair, from a financial point of view, to the Unitholders, and (ii) the Consideration to be paid to HOOPP by Primaris REIT pursuant to the Purchase and Sale Agreement is fair, from a financial point of view, to Primaris REIT. The REIT Trustees then (i) determined that the Arrangement is fair to Unitholders; (ii) determined that the Arrangement is in the best interests of the REIT; (iii) recommended that Unitholders vote in favour of the Arrangement Resolution; and (iv) authorized the entering into by the REIT of the Arrangement Agreement and the entering into by the REIT of the Purchase and Sale Agreement. Mr. Thomas Hofstetter, as indirect holder of certain of the Portfolio LP Class B Units, and Mr. Alex Avery, as proposed Chief Executive Officer of Primaris REIT, did not vote on any matters relating to the Arrangement or the Purchase and Sale Agreement. Late in the evening of October 26, 2021, the REIT entered into the Arrangement Agreement with PRR Investments and the REIT and HOOPP entered into the Purchase and Sale Agreement.

The REIT issued a press release regarding its strategic repositioning, including the transactions contemplated by the Arrangement Agreement and Purchase and Sale Agreement on the morning of October 27, 2021.

Fairness Opinion

The REIT retained CIBC pursuant to an engagement letter effective June 30, 2021 to act as the REIT's financial advisor with respect to the Arrangement. In connection with the engagement, CIBC, on October 26, 2021, rendered to the REIT Trustees an oral opinion, subsequently confirmed by delivery of a written opinion, dated October 26, 2021 (the "**Fairness Opinion**"), to the effect that, as of such date, and concluded that, subject to the assumptions, limitations and qualifications contained therein, (i) the Distribution to Unitholders pursuant to the Arrangement Agreement is fair, from a financial point of view, to the Unitholders, and (ii) the Consideration to be paid to HOOPP by Primaris REIT pursuant to the Purchase and Sale Agreement is fair, from a financial point of view, to Primaris REIT.

The full text of the Fairness Opinion, which sets forth, among other things, the assumptions made, matters considered, and qualifications and any limitations on the Fairness Opinion and the review undertaken by CIBC in connection with rendering its opinion, is attached as Schedule E to this Circular. The summary of the Fairness Opinion set forth in this Circular is qualified in its entirety by reference to the full text of the Fairness Opinion and the REIT Trustees urge Unitholders to read the Fairness Opinion carefully and in its entirety.

The Fairness Opinion does not constitute a recommendation to any Unitholder as to how such Unitholder should vote with respect to the resolutions to be considered by Unitholders at the Meeting or any other matter. The Fairness Opinion was one of a number of factors taken into consideration by the REIT Trustees in making their determinations: (i) that the Arrangement is fair to Unitholders and is in the best interests of the REIT; and (ii) in recommending that Unitholders vote in favour of the Arrangement Resolution.

CIBC acted as financial advisor to the REIT with respect to the Arrangement and will receive a fee from the REIT for such services. In addition, the REIT has agreed to reimburse CIBC for its reasonable out of pocket expenses and to indemnify CIBC for certain liabilities arising out of CIBC's engagement. CIBC has provided financial advisory services to the REIT in the past 24 months. CIBC and/or its affiliates may, in the future, in the ordinary course of its business, perform financial advisory or investment banking services for the REIT, Primaris REIT or any of their respective associates, affiliates or insiders (collectively, the "**Interested Parties**"). CIBC and its affiliates act as traders and dealers, both as principal and agent, in major financial markets and, as such, may have and may in the future have positions in the securities of any Interested Party and, from time to time, may have executed or may execute transactions on behalf of any Interested Party or other clients for which it may have received or may receive compensation. As an investment dealer, CIBC conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including matters with respect to the Arrangement or the REIT.

The REIT Trustees urge Unitholders to read the Fairness Opinion carefully and in its entirety. See Schedule E to this Circular for the full text of the Fairness Opinion.

Steps Effecting the Arrangement

Immediately following completion of the Arrangement, Unitholders will continue to hold their REIT Units or Special Voting Units, as applicable, and holders of REIT Units will also hold Primaris REIT Units, Series A. The REIT Units will continue to trade on the TSX under the ticker symbol "HR.UN" and Primaris REIT Units, Series A are expected to, subject to the approval of the TSX, trade on the TSX under the ticker symbol "PMZ.UN".

The steps effecting the Plan of Arrangement are as follows:

1. The REIT Declaration of Trust and the constating documents of each REIT subsidiary participating in the transactions below, including PRR Trust, will be amended to the extent necessary to facilitate the Plan of Arrangement and the steps and transactions contemplated therein. For greater certainty, such amendments shall not result in a termination or resettlement of the REIT or any REIT subsidiary;
2. The liabilities of Primaris Master LP, if any, will be assumed by the REIT as a contribution to the capital of Primaris Master LP;

3. Primaris Master LP will be liquidated and will distribute undivided interests in each Primaris Master LP Property *pro rata* to its partners, being the REIT and Old Primaris GP Trust, in proportion to their respective interests in Primaris Master LP as specified in the Notice of Determination;
4. Old Primaris GP Trust will be dissolved and distribute all of its property to the REIT;
5. PRR Trust will pay out, as a distribution in cash, the amount, set out in the Notice of Determination, that is determined by it prior to the Effective Time to be sufficient, together with prior distributions by PRR Trust in the year, to distribute all of the taxable income of PRR Trust for its then current taxation year that accrued prior to the Effective Date, provided for greater certainty that the amount of the distribution under this Step 5 may be zero;
6. PRR Investments will be removed as the sole trustee of PRR Trust and, simultaneously, Primaris TrusteeCo will become the sole trustee of PRR Trust;
7. PRR Investments will be liquidated and the remaining property and liabilities of PRR Investments will, upon liquidation, be distributed to, and assumed by, the REIT, the sole shareholder of PRR Investments, and upon filing of articles of dissolution and issuance of a certificate of dissolution by the Registrar under the ABCA (which, for greater certainty, may occur on a date after the Effective Date), PRR Investments will be dissolved;
8. The REIT will transfer the Legacy Retail Transferred Properties, if any, to Primaris LP in consideration for the Legacy Retail Transferred Properties Consideration;
9. Pursuant to and in accordance with the Primaris Property Purchase Agreement, the REIT will transfer the Primaris Property to New Primaris Master LP in consideration for (a) the assumption by New Primaris Master LP of the PRR Trust Payables, (b) the New Primaris Master LP Note, and (c) additional limited partnership interests in New Primaris Master LP as set forth in the Notice of Determination;
10. The REIT will subscribe for the Spin-out Primaris REIT Units for an aggregate subscription price equal to the Spin-out Primaris Subscription Amount, with such subscription price satisfied by the issuance by the REIT to Primaris REIT of the Spin-out Primaris Subscription Note;
11. The Initial Primaris REIT Unit will be redeemed for a redemption price of \$10.00, which will be paid by way of set-off against the amount owing under the Initial Primaris Subscription Note, in full and final satisfaction of each such obligation;
12. Primaris REIT will adopt the Primaris REIT Option Plan and the Primaris REIT Incentive Unit Plan;
13. The terms of the Incentive Units will be adjusted, amended or amended and restated as necessary to provide for the settlement, upon vesting, in cash, a number of REIT Units and Primaris REIT Units (in this step 13, “unit consideration”) equal to the number of REIT Units issuable on settlement immediately prior to the step described in this step 13, or any combination of cash and unit consideration;
14. The REIT will pay out, as a distribution of capital on the REIT Units, an aggregate cash amount equal to the Spin-out Primaris Subscription Amount. The full amount of such distribution will be paid by the REIT to the Depository to be held for and on behalf of the REIT Unitholders pursuant to the Plan of Arrangement;
15. The REIT will sell and transfer the Spin-out Primaris REIT Units to the REIT Unitholders for an aggregate purchase price equal to the Spin-out Primaris Subscription Amount. Each REIT Unitholder will purchase a number of Spin-out Primaris REIT Units equal to their respective number of REIT Units, such that, following completion of the step described in this Step 15, each REIT Unitholder holds the same number of REIT Units and Primaris REIT Units. The purchase price payable by each REIT Unitholder will be equal to such REIT Unitholder’s share of the distribution paid in Step 14 and will be satisfied from the funds held by the Depository as agent for and on behalf of the REIT Unitholders as a result of the transaction described in Step 14, which funds will thereupon be held by the Depository as agent for and on behalf of the REIT, and in respect of the foregoing:
 - a. the REIT shall cease to be the holder of such Spin-out Primaris REIT Units and to have any rights as holder of such Spin-out Primaris REIT Units;

- b. the REIT's name shall be removed as holder of such Spin-out Primaris REIT Units from the registers of Primaris REIT Units maintained by or on behalf of Primaris REIT;
 - c. the REIT Unitholders shall be deemed to be the transferees of such Spin-out Primaris REIT Units (free and clear of all encumbrances) and shall be entered as holders of such Spin-out Primaris REIT Units in the registers of Primaris REIT Units maintained by or on behalf of Primaris REIT; and
 - d. the Spin-out Primaris REIT Units so acquired shall be non-transferrable, and no holder of Spin-out Primaris REIT Units shall be permitted to transfer such Spin-out Primaris REIT Units, until the conclusion of the steps contemplated herein;
16. Concurrently with the step described in Step 15, pursuant to and in accordance with the terms and conditions of the H&R Class B Units, the exchange rights under the H&R Class B Units will be adjusted to provide that on an exchange of such units, in addition to the REIT Units (and nominal amount of cash) for which such units are exchangeable, the holder thereof will be entitled to receive an equivalent number of Primaris REIT Units, Series A subject to the terms and conditions of the H&R Class B Units;
17. The REIT will transfer all of the Retail Segment Property to Primaris REIT for no consideration by way of a "qualifying disposition" (as defined in subsection 107.4(1) of the Tax Act (the "**Qualifying Disposition**"));
18. Concurrently with the transfer described in Step 17, each Existing REIT Option will be exchanged for one New REIT Option and one Primaris REIT Option. The aggregate exercise price of the New REIT Option and the Primaris REIT Option immediately after the exchange will be equal to the exercise price of the Existing REIT Option immediately before the exchange. The exercise price of the Existing REIT Option will be apportioned between the New REIT Option and the Primaris REIT Option *pro rata* based on the post-Qualifying Disposition fair market values of the REIT Units and the Primaris REIT Units, as determined by the REIT Trustees in accordance with the REIT Option Plan and the Primaris REIT Option Plan;
19. Each REIT Option held by an employee of Primaris REIT (or any of its subsidiaries) will be exchanged for a number of Primaris REIT Options having equivalent value to the exchanged REIT Options, as specified in the Notice of Determination, provided for greater certainty that (a) the amount, if any, by which the fair market value of the Primaris REIT Units receivable on the exercise of such Primaris REIT Options immediately after such exchange exceeds the total exercise price payable therefor shall not exceed (b) the amount, if any, by which the fair market value of the REIT Units receivable on the exercise of the exchanged REIT Option immediately before the exchange exceeds the total exercise price that was payable therefor under the exchanged REIT Option;
20. Each Primaris REIT Option held by an employee of the REIT (or any of its subsidiaries) will be exchanged for a number of REIT Options having equivalent value to the exchanged Primaris REIT Options, as specified in the Notice of Determination, provided for greater certainty that (a) the amount, if any, by which the fair market value of the REIT Units receivable on the exercise of such REIT Options immediately after such exchange exceeds the total exercise price payable therefor shall not exceed (b) the amount, if any, by which the fair market value of the Primaris REIT Units receivable on the exercise of the exchanged Primaris REIT Option immediately before the exchange exceeds the total exercise price that was payable therefor under the exchanged Primaris REIT Option;
21. The Incentive Units held by employees of Primaris REIT (or any of its subsidiaries) will be exchanged for Primaris REIT Incentive Units having equivalent value to the exchanged Incentive Units as specified in the Notice of Determination, provided for greater certainty that (a) the fair market value of the Primaris REIT Units, Series A receivable on the settlement of such Primaris REIT Incentive Units immediately after such exchange (net of the amount payable for such Primaris REIT Units, Series A, if any) shall not exceed (b) the aggregate fair market value of the REIT Units and Primaris REIT Units, Series A receivable on the settlement of the Incentive Units immediately before the exchange;
22. The terms of the Incentive Units held by employees of the REIT (or any of its subsidiaries) will be further adjusted, amended or amended and restated as necessary to provide for the settlement, upon vesting, in cash, REIT Units, or any combination thereof;
23. The REIT will subscribe for a number of New Primaris Master LP Exchangeable Units equal to the aggregate number of Primaris REIT Units which would be required to be delivered to the holders of H&R Class B Units on the exchange of such units for REIT Units and Primaris REIT Units, which number shall be specified in the Notice of

Determination. The subscription price payable by the REIT for such units shall be set-off against the amount owing to the REIT by New Primaris Master LP under the New Primaris Master LP Note, in full and final satisfaction of each such obligation;

24. Simultaneously with the step described in Step 23, Primaris REIT will issue an equal number of Primaris Special Voting Units to the REIT for no additional consideration, in accordance with the Primaris REIT Declaration of Trust, and the REIT will enter into the Voting Agreement with the holders of HRMSLP Class B Units;
25. The Primaris REIT Units shall be consolidated or split, if and as specified in the Notice of Determination. Any fractional Primaris REIT Units resulting from such a consolidation will be redeemed by Primaris REIT for an amount in cash equal to such fraction multiplied by the Primaris Redemption Price;
26. The REIT will pay the amount owing under the Spin-out Primaris Subscription Note, with such payment to be made from the funds held by the Depositary as a agent for and on behalf of the REIT as a result of the transaction described in Step 15, and the Initial Primaris Subscription Note will thereupon be cancelled; and
27. The Post-Plan Trustees will be appointed as trustees of Primaris REIT, in replacement of the Initial Primaris Trustee.

The foregoing summary is qualified in its entirety by the full text of the Plan of Arrangement, which is found at Schedule D to this Circular.

Canadian Securities Law and Stock Exchange Considerations

The Primaris REIT Units, Series A to be issued and distributed pursuant to the Plan of Arrangement will be issued and distributed in reliance on exemptions from the prospectus requirements of applicable Canadian securities laws and the Primaris REIT Units, Series A will generally be “freely tradeable” (other than pursuant to certain “control distributions”) under applicable Canadian securities laws.

The Arrangement is not subject to the requirements of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”) because it is not a “business combination” or a “related party transaction” within the meaning of MI 61-101.

The REIT Units are currently listed on the TSX under the ticker symbol “HR.UN”. Following the Effective Time, the REIT Units will remain listed and posted for trading on the TSX under the ticker symbol “HR.UN”. The REIT has applied for listing of the Primaris REIT Units, Series A to be issued or to become issuable pursuant to the Plan of Arrangement, as well as the Primaris REIT Units, Series A to be issued to HOOPP (or as it may direct) or to be issuable to HOOPP (or as it may direct) upon conversion of Primaris REIT Non-Voting Units, Series B on the TSX under the symbol “PMZ.UN”. Listing is subject to the approval of the TSX in accordance with its original listing requirements. The TSX has not conditionally approved the REIT’s listing application on behalf of Primaris REIT and there is no assurance that the TSX will approve the listing application. However, closing of the Arrangement is conditional upon the Primaris REIT Units, Series A being approved for listing on the TSX subject to the satisfaction of the customary listing requirements of the TSX.

Pursuant to the Purchase and Sale Agreement, HOOPP will receive a total of 25.68381% of the outstanding Primaris REIT Units, on a partially diluted basis taking into account New Primaris Master LP Exchangeable Units and Primaris REIT Incentive Units, which is currently estimated to be 26,140,914 Primaris REIT Units (assuming that the Primaris REIT Units are consolidated on a 4:1 basis pursuant to the Plan of Arrangement). HOOPP will have the right to elect to receive a mix of Primaris REIT Units, Series A and Primaris REIT Non-Voting Units, Series B. Assuming the exchange of all Primaris REIT Non-Voting Units, Series B received by HOOPP for Primaris REIT Units, Series A, HOOPP will have a voting percentage equal to 25.73% of all Primaris Voting Units.

Accordingly, pursuant to Section 604(a)(i) of the TSX Company Manual, as HOOPP will be deemed to materially affect control of Primaris REIT, and pursuant to Section 611(c) of the TSX Company Manual, because the number of Primaris REIT Units to be issued to HOOPP exceeds 25% of the Primaris Voting Units, approval of the Unitholders is required in connection with the HOOPP Contribution, which approval will be obtained pursuant to the Arrangement Resolution for the issuance of the 26,140,914 Primaris REIT Units to HOOPP. The TSX will generally not require further Unitholder (or approval of the holders of Primaris REIT Units) for the issuance of an additional 6,535,228 Primaris REIT Units to HOOPP (such number being 25% of the number of Primaris REIT Units being approved by Unitholders), in the event that at the time of closing of the Arrangement and the HOOPP Contribution, 25.68381% of the outstanding Primaris REIT Units would exceed 26,140,914 Primaris REIT Units.

U.S. Securities Law Considerations

Issuance of the Primaris REIT Units, Series A pursuant to the Plan of Arrangement is exempt from the registration requirements of the U.S. Securities Act. Primaris REIT Units, Series A issued pursuant to the Plan of Arrangement to persons that are not affiliates of the REIT or Primaris REIT will be “freely tradeable” under the U.S. Securities Act.

Effect of the Arrangement on REIT Unitholders

Under the Arrangement, each REIT Unitholder will receive a number of Primaris REIT Units, Series A equal to the number of REIT Units held at the Effective Time (subject to any consolidation or split pursuant to the Plan of Arrangement).

Effect of the Arrangement on Distributions

The REIT currently pays cash distributions on a monthly basis of \$0.0575 per REIT Unit, or \$0.69 per annum. It is anticipated that, following the Effective Time, the REIT will declare distributions of \$0.0433 per REIT Unit on a monthly basis, or \$0.52 per REIT Unit per annum and that Primaris REIT will initially declare distributions of \$0.0667 per Primaris REIT Unit on a monthly basis, or \$0.80 per Primaris REIT Unit per annum, assuming that the Primaris REIT Units are consolidated on a 4:1 basis pursuant to the Plan of Arrangement. As all distributions will remain subject to declaration by the REIT Trustees and Post-Plan Trustees, respectively, there is no assurance that the actual distributions declared will be as currently anticipated.

Effect of the Arrangement on REIT Options

The aggregate number of REIT Units that may be issued pursuant to grants under the REIT Option Plan may not exceed 17,723,110 (representing 6.14% of the REIT Units and 5.95% of the total Units outstanding as of November 5, 2021). As of November 5, 2021, there were 9,841,469 REIT Options outstanding (representing 3.41% of the REIT Units and 3.30% of the total Units outstanding as of that date) and up to 7,881,641 REIT Units available for grants of options under the REIT Option Plan without any annual limitation (other than as required by the TSX rules (representing 2.73% of the REIT Units and 2.65% of the total Units outstanding as of that date)). Under these REIT Options, the exercise price per REIT Unit ranges from \$18.98 to \$23.18, with a weighted average exercise price of \$20.50. The REIT did not grant any REIT Options in 2017, 2018, 2019, 2020 and 2021 and has no present intention of granting further REIT Options. Under the REIT Option Plan, REIT Options may be granted to any independent REIT Trustee, officer or employee of the REIT or any subsidiary of the REIT and any permitted assign of such person. The REIT Option Plan provides that if at any time after the grant of a REIT Option and prior to the expiration of such REIT Option, REIT Units are reclassified, reorganized or otherwise changed, the holder of the REIT Options shall be entitled to receive upon the subsequent exercise of his or her REIT Option in accordance with the terms of the REIT Option Plan and shall accept in lieu of the number of REIT Units to which he or she was theretofore entitled upon such exercise but for the same aggregate consideration payable therefor, the aggregate number of securities of the appropriate class and/or other consideration from the REIT, if on the record date of such reclassification, reorganization, other change or distribution in REIT Units, he or she had been the registered holder of the number of REIT Units to which he or she was theretofore entitled upon such exercise.

Under the Arrangement, each Existing REIT Option will initially be exchanged for one New REIT Option and one Primaris REIT Option. For purposes of the REIT Option Plan and the Primaris REIT Option Plan, the New REIT Options and the Primaris REIT Options, respectively, shall be deemed to be a continuation of the Existing REIT Option for which they are exchanged, as opposed to a new grant of options. The aggregate exercise price of the New REIT Option and the Primaris REIT Option immediately after the exchange will be equal to the exercise price of the Existing REIT Option immediately before the exchange. The exercise price of the Existing REIT Option will be apportioned between the New REIT Option and the Primaris REIT Option *pro rata* based on the post-Qualifying Disposition fair market values of the REIT Units and the Primaris REIT Units, as determined by the REIT Trustees in accordance with the REIT Option Plan and the Primaris REIT Option Plan.

Thereafter, under the Arrangement, each New REIT Option held by an employee of Primaris REIT (or any of its subsidiaries) will be exchanged for Primaris REIT Options having equivalent value to the exchanged New REIT Options, as specified in the Notice of Determination and each Primaris REIT Option held by an employee of the REIT (or any of its subsidiaries) will be exchanged for New REIT Options having equivalent value to the exchanged Primaris REIT Options, as specified in the Notice of Determination.

If the Arrangement Resolution is approved, based on the appraised value of the properties less the debt transferred to Primaris REIT by the REIT, as compared to the remaining Unitholders equity of the REIT, it is currently estimated that REIT

Options entitling the holders thereof to acquire 12,416,164 REIT Units will be outstanding following the Arrangement (representing approximately 4.30% of the REIT Units and 4.16% of the total Units estimated to be outstanding immediately following completion of the Arrangement) at a weighted average exercise price of \$14.96.

The Primaris REIT Option Plan is expected to be in substantially the same form as the REIT's existing option plan. Participation in the Primaris REIT Option Plan is restricted to eligible individuals and their permitted assigns. The aggregate number of Primaris REIT Units, Series A to be reserved for issuance pursuant to grants under the Primaris REIT Option Plan may not exceed 3,000,000 (representing 3.98% of the Primaris Voting Units and 3.05% of the Primaris REIT Units estimated to be outstanding immediately following completion of the Arrangement and the HOOPP Contribution and assuming that the Primaris REIT Units are consolidated on a 4:1 basis pursuant to the Plan of Arrangement). The number of Primaris REIT Units, Series A issuable pursuant to all options granted to any one optionee under the Primaris REIT Option Plan, together with any Primaris REIT Units, Series A reserved for issuance to such optionee under any other unit compensation arrangement, cannot exceed 5% of the Primaris REIT Units, Series A outstanding at the date of the grant of the option. Further, except with the approval of the unitholders of Primaris REIT, no options can be granted under the Primaris REIT Option Plan to an optionee if such grant could result, at any time, in: (i) the number of Primaris REIT Units, Series A issuable to insiders pursuant to options granted under the Primaris REIT Option Plan and under all other unit compensation arrangements exceeding 10% of the number of Primaris REIT Units then issued and outstanding; (ii) the issuance of Primaris REIT Units, Series A to insiders of Primaris REIT within a one-year period, exceeding 10% of the number of Primaris REIT Units then issued and outstanding; or (iii) the issuance of Primaris REIT Units, Series A to any one insider and such insider's associates, within a one-year period, exceeding 5% of the number of Primaris REIT Units then issued and outstanding. The options issued pursuant to the Primaris REIT Option Plan will have a maximum term of 10 years and will be non-assignable, except by an eligible individual to his or her permitted assign upon prior notice to Primaris REIT and approval by the Primaris REIT Trustees. The Primaris REIT Option Plan's amendment provisions will require the approval of Primaris REIT Trustees, the unitholders of Primaris REIT and the TSX for certain specified changes.

For a full description of the Primaris REIT Option Plan, see Schedule L to this Circular.

The Primaris REIT Options to be received by holders of Existing REIT Options pursuant to the Arrangement will be granted pursuant to the Primaris REIT Option Plan and will reduce the number of Primaris REIT Units available for issuance under the Primaris REIT Option Plan. The Primaris REIT Option Plan will take effect on the Effective Date as part of the Plan of Arrangement. By approving the Arrangement Resolution (and whether or not the Equity Plans Resolution is approved), Unitholders will be approving, among other things, the Primaris REIT Option Plan and the grant of the Primaris REIT Options pursuant to the Plan of Arrangement and the subsequent exercise of any such Primaris REIT Options in accordance with their terms and the terms of the Primaris REIT Option Plan. However, the TSX requires that the Primaris REIT Option Plan be approved by holders of Primaris REIT Units before the exercise of any other Primaris REIT Options (i.e., other than the Primaris REIT Options issued under the Arrangement) granted under the Primaris REIT Option Plan. This TSX-required approval of the holders of Primaris REIT Units for the Primaris REIT Option Plan is being sought from the Unitholders through the Equity Plans Resolution. If the Equity Plans Resolution is approved by Unitholders at the Meeting, the TSX-required shareholder approval for the Primaris REIT Option Plan will be deemed to have been received.

Based on the appraised value of the properties less the debt transferred to Primaris REIT by the REIT, as compared to the remaining Unitholders equity of the REIT, it is currently estimated (which estimates may be revised to reflect any material changes arising between the date of this Circular and the completion of the Plan of Arrangement or as the REIT otherwise determines is appropriate) that Primaris REIT Options entitling the holders thereof to acquire up to 720,045 Primaris REIT Units (assuming that the Primaris REIT Units are consolidated on a 4:1 basis pursuant to the Plan of Arrangement) will be outstanding following the Arrangement (representing approximately 0.95% of the Primaris Voting Units and 0.73% of the Primaris REIT Units estimated to be outstanding immediately following completion of the Arrangement and the HOOPP Contribution) at a weighted average exercise price of \$22.28 (assuming that the Primaris REIT Units are consolidated on a 4:1 basis pursuant to the Plan of Arrangement). If the Equity Plans Resolution is approved, Primaris REIT would be entitled to grant Primaris REIT Options to acquire up to an additional 2,279,955 Primaris REIT Units following the Effective Date (representing approximately 3.02% of the Primaris Voting Units and 2.32% of the Primaris REIT Units estimated to be outstanding immediately following completion of the Arrangement and the HOOPP Contribution). If the Primaris REIT Option Plan is not approved, Primaris REIT will not be entitled to grant any additional Primaris REIT Options following the Effective Date unless otherwise approved by holders of Primaris REIT Units.

Pursuant to the Arrangement, an aggregate of 777,654 Existing REIT Options will be cancelled, resulting in the available pool of REIT Units issuable under the REIT Option Plan increasing to 8,659,295 REIT Units (representing 3.00% of the REIT Units and 2.91% of the total Units outstanding as of November 5, 2021).

Effect of the Arrangement on Incentive Units

Up to 5,000,000 Incentive Units may be issued in connection with the REIT Incentive Unit Plan, representing 1.73% of the REIT Units and 1.68% of the total Units outstanding as of November 5, 2021. As of such date, 213,474 REIT Units have been issued pursuant to the REIT Incentive Unit Plan (0.07% of each of the REIT Units and total Units outstanding as of that date), 220,913 REIT Units are currently issuable upon vesting of performance units of the REIT (“REIT PSUs”) granted but not yet vested (0.08% of the REIT Units and 0.07% of the total Units issued and outstanding as of that date) assuming vesting at 100% and 1,035,582 REIT Units are currently issuable upon vesting of restricted units of the REIT (“REIT RSUs”) granted but not yet vested (0.36% of the REIT Units and 0.35% of the total Units issued and outstanding as of that date). Accordingly, as of November 5, 2021, an aggregate of 1,256,495 REIT Units (0.44% of the REIT Units and 0.42% of the total Units issued and outstanding as of that date) were issuable under outstanding grants of Incentive Units and 3,530,031 REIT Units (1.22% of the REIT Units and 1.18% of the total Units issued and outstanding as of that date) were reserved for issuance for potential future grants of Incentive Units pursuant to the REIT Incentive Unit Plan.

Incentive Units may be granted to certain REIT Trustees, officers, employees or consultants of the REIT and related entities of the REIT, and such other persons that are designated to be eligible to participate in the REIT Incentive Unit Plan who spend a significant amount of time and attention on the affairs and business of the REIT. Incentive Units vest either after the attainment of certain performance conditions (in the case of REIT PSUs) or after a continuous period of employment (in the case of REIT RSUs). The specific vesting conditions for each Incentive Unit shall be determined by the REIT Trustees.

The REIT Incentive Unit Plan provides that, in the event of any change in the REIT Units by reason of any stock or trust unit distribution, split, recapitalization, reclassification, amalgamation, arrangement, merger, consolidation, combination, exchange or distribution of rights to holders of REIT Units or any other form of corporate or trust reorganization whatsoever, a proportionate adjustment to reflect such change or changes shall be made with respect to the number of Incentive Units outstanding under the REIT Incentive Unit Plan, or securities into which the Units are changed or are convertible or exchangeable may be substituted for Units under the REIT Incentive Unit Plan, on a basis proportionate to the number of Incentive Units in the participant’s Incentive Unit account or some other appropriate basis, all as determined by the REIT Trustees in their sole discretion.

Under the Arrangement, the terms of the Incentive Units will be adjusted, amended or amended and restated as necessary to provide for the settlement, upon vesting, in cash, a number of REIT Units and Primaris REIT Units, Series A equal to the number of REIT Units issuable on settlement immediately prior to the Arrangement or any combination of cash and unit consideration. Thereafter, under the Arrangement, the Incentive Units held by employees of Primaris REIT (or any of its subsidiaries) will be exchanged for Primaris REIT Incentive Units and the terms of the Incentive Units held by employees of the REIT (or any of its subsidiaries) will be further adjusted, amended or amended and restated as necessary to provide for the settlement, upon vesting, in cash, REIT Units, or any combination thereof.

If the Arrangement Resolution is approved, based on the appraised value of the properties less the debt transferred to Primaris REIT by the REIT, as compared to the remaining Unitholders equity of the REIT, it is currently estimated that REIT RSUs entitling the holders thereof to acquire up to 1,149,800 REIT Units will be outstanding following the Arrangement (representing approximately 0.40% of the REIT Units and 0.39% of the total Units estimated to be outstanding immediately following completion of the Arrangement) and REIT PSUs entitling the holders thereof to acquire up to 282,880 REIT Units (assuming vesting at 100%) will be outstanding following the Arrangement (representing approximately 0.10% of the REIT Units and 0.09% of the total Units estimated to be outstanding immediately following completion of the Arrangement).

The Primaris REIT Incentive Unit Plan is expected to be in substantially the same form as the REIT’s existing incentive unit plan. Participation in the Primaris REIT Incentive Unit Plan is restricted to eligible individuals. Up to 1,250,000 Primaris REIT Units, Series A may be issued in connection with the Primaris REIT Incentive Unit Plan (assuming that the Primaris REIT Units are consolidated on a 4:1 basis pursuant to the Plan of Arrangement), representing 1.66% of the Primaris Voting Units and 1.27% of the Primaris REIT Units estimated to be outstanding immediately following completion of the Arrangement and the HOOPP Contribution. No one participant may receive any grant under the Primaris REIT Incentive Unit Plan which, together with all grants then held by such participant would permit such participant to be issued a number of Primaris REIT Units, Series A which is greater than 1% of the total outstanding Primaris REIT Units. The number of Primaris REIT Units, Series A issuable to insiders (as such term will be defined in the Primaris REIT Incentive Unit Plan) of Primaris REIT at any time, under all security based compensation arrangements of Primaris REIT (including the Primaris REIT Option Plan), shall not exceed 10% of the total outstanding Primaris REIT Units, and the number of Primaris REIT Units, Series A issued to insiders, within any one year period, under all security based compensation arrangements of Primaris REIT shall not exceed 10% of the total outstanding Primaris REIT Units. In addition, the total number of Primaris REIT Units, Series A issuable to each of the Primaris REIT Trustees who are not employees or officers of Primaris REIT or

any related entity of Primaris REIT, under all security based compensation arrangements of Primaris REIT, shall not exceed 1% of the total outstanding Primaris REIT Units, and the value of Primaris REIT Incentive Units or other units or options granted to any one such Primaris REIT Trustee within each calendar year, under all security based compensation arrangements of Primaris REIT, shall not exceed \$150,000. The Primaris REIT Incentive Units issued will be non-assignable except to certain permitted assigns. The Primaris REIT Incentive Unit Plan's amendment provisions will require the approval of the unitholders of Primaris REIT and the TSX for certain specified changes.

For a description of the Primaris REIT Incentive Unit Plan, see Schedule L to this Circular.

The Primaris REIT Incentive Unit Plan will take effect on the Effective Date as part of the Plan of Arrangement. By approving the Arrangement Resolution (and whether or not the Equity Plans Resolution is approved), Unitholders will be approving, among other things, the Primaris REIT Incentive Unit Plan and the grant of the Primaris REIT Incentive Units pursuant to the Plan of Arrangement and the subsequent settlement of any such Primaris REIT Incentive Units in accordance with their terms and the terms of the Primaris REIT Incentive Unit Plan. However, the TSX requires that the Primaris REIT Incentive Unit Plan be approved by holders of Primaris REIT Units before the settlement of any other Primaris REIT Incentive Unit in Primaris REIT Units (i.e., other than the Primaris REIT Incentive Units issued under the Arrangement) awarded under the Primaris REIT Incentive Unit Plan. This TSX-required approval of the holders of Primaris REIT Units for the Primaris REIT Incentive Unit Plan is being sought from the Unitholders through the Equity Plans Resolution. If the Equity Plans Resolution is approved by Unitholders at the Meeting, the TSX-required shareholder approval for the Primaris REIT Incentive Unit Plan will be deemed to have been received.

Based on the appraised value of the properties less the debt transferred to Primaris REIT by the REIT, as compared to the remaining Unitholders equity of the REIT, it is currently estimated (which estimates may be revised to reflect any material changes arising between the date of this Circular and the completion of the Plan of Arrangement or as the REIT otherwise determines is appropriate) that Primaris REIT Incentive Units entitling the holders thereof to acquire up to 194,995 Primaris REIT Units (assuming that the Primaris REIT Units are consolidated on a 4:1 basis pursuant to the Plan of Arrangement and assuming vesting at 100% in respect of any Primaris REIT Incentive Units that are performance units) will be outstanding following the Arrangement (representing approximately 0.26% of the Primaris Voting Units and 0.20% of the Primaris REIT Units estimated to be outstanding immediately following completion of the Arrangement and the HOOPP Contribution). If the Equity Plans Resolution is approved, Primaris REIT would be entitled to grant Primaris REIT Incentive Units to acquire up to an additional 1,055,005 Primaris REIT Units following the Effective Date (representing approximately 1.40% of the Primaris Voting Units and 1.07% of the Primaris REIT Units estimated to be outstanding immediately following completion of the Arrangement and the HOOPP Contribution). If the Primaris REIT Incentive Unit Plan is not approved, Primaris REIT will not be entitled to grant any additional Primaris REIT Incentive Units following the Effective Date unless otherwise approved by holders of Primaris REIT Units.

Effect of the Arrangement on H&R Class B Units

In connection with the Arrangement, pursuant to and in accordance with the terms and conditions of the H&R Class B Units, the exchange rights under the H&R Class B Units will be adjusted to provide that on an exchange of such units, in addition to the REIT Units (and nominal amount of cash) for which such units are exchangeable, the holder thereof will be entitled to receive an equivalent number of Primaris REIT Units, Series A, and the rights to receive distributions on the H&R Class B Units will be adjusted accordingly, subject to the right of the REIT Trustees to determine that such units shall instead be exchangeable only for an economically equivalent number of REIT Units as described below (the "**Gross-up Option**"). The Gross-up Option will be exercisable by the REIT Trustees in their discretion, to irrevocably elect that on an exchange of each H&R Class B Unit, (i) the holder will receive such number of REIT Units as would have been deliverable on an exchange of such H&R Class B Unit immediately before the exercise of the Gross-up Option plus an additional number of REIT Units which the REIT Trustees determine on or before the Effective Date, in accordance with the terms and conditions of the H&R Class B Units, to be economically equivalent to the Primaris REIT Units, Series A which would have been deliverable on an exchange of such H&R Class B Unit immediately before the exercise of the Gross-up Option, and (ii) the holder will receive no Primaris REIT Units, Series A. Such holders' rights to distributions would also be adjusted accordingly to reflect the underlying units into which the H&R Class B Units are exchangeable. The determination of economic equivalence will be based on the appraised value of the properties less the debt transferred to Primaris REIT by the REIT, as compared to the remaining Unitholders equity of the REIT and is currently expected to approximately result in an additional 0.37 of a REIT Unit being issued to a holder upon exercise of a H&R Class B Unit in lieu of any Primaris REIT Units, Series A, though such estimate may be revised to reflect any material changes arising between the date of this Circular and the completion of the Plan of Arrangement or as the REIT otherwise determines is appropriate.

In order to facilitate the exchange of the H&R Class B Units into Primaris REIT Units, Series A, under the Plan of Arrangement the REIT will subscribe for a number of New Primaris Master LP Exchangeable Units equal to the aggregate number of Primaris REIT Units which would be required to be delivered to the holders of H&R Class B Units on the exchange of such units for REIT Units and Primaris REIT Units and simultaneously with the foregoing, Primaris REIT will issue an equal number of Primaris Special Voting Units to the REIT for no additional consideration.

In connection with the Arrangement, the REIT will enter into the Voting Agreement with CRAL Limited, the holder of the 9,500,000 HRMSLP Class B Units, providing for the REIT to exercise the voting rights with respect to Primaris Special Voting Units held by the REIT in accordance with directions from CRAL Limited, subject to the terms thereof. CRAL Limited has agreed not to exercise any right to exchange the HRMSLP Class B Units (including if and after the Gross-up Option has been exercised by the REIT Trustees) for a period of twelve months from the Effective Date.

CRAL Limited is not a related party to the REIT or any trustee or officer of the REIT. No individual beneficially owns, controls or directs, directly or indirectly, voting securities of CRAL Limited carrying more than ten percent of the voting rights attached to all outstanding voting securities of CRAL Limited.

It is currently anticipated that the REIT Trustees will exercise the Gross-up Option shortly following the completion of the Arrangement. In the event that the Gross-up Option is exercised, the REIT will no longer be required to hold the New Primaris Master LP Exchangeable Units (or the underlying Primaris REIT Units) in order to provide for the distribution and exchange rights under the H&R Class B Units and will treat such units in a manner consistent with the REIT's other liquid assets. In addition, upon the exercise of the Gross-up Option, the Voting Agreement will terminate.

Assuming that the Gross-up Option is exercised, it is currently estimated that the 3,844,071 Portfolio LP Class B Units would be exchangeable into 5,265,847 REIT Units (representing 1.83% of the REIT Units and 1.69% of the total Units outstanding as of November 5, 2021, on a non-diluted basis but after giving effect to the Gross-up Option), and the 9,500,000 HRMSLP Class B Units would be exchangeable into 13,013,698 REIT Units (representing 4.51% of the REIT Units and 4.19% of the total Units outstanding as of November 5, 2021, on a non-diluted basis but after giving effect to the Gross-up Option). The foregoing calculation is based on an estimate of the appraised value of the properties less the debt transferred to Primaris REIT by the REIT, as compared to the remaining Unitholders equity of the REIT (which estimates may be revised to reflect any material changes arising between the date of this Circular and the completion of the Plan of Arrangement or as the REIT otherwise determines is appropriate).

Procedure for the Arrangement Becoming Effective

The Arrangement is proposed to be carried out pursuant to section 193 of the ABCA. The following procedural steps must be taken for the Arrangement to become effective:

- (a) the Arrangement Resolution must be approved by at least two-thirds of the votes cast by Unitholders voting, in person or by proxy, at a duly called meeting of Unitholders;
- (b) the Arrangement must be approved by the Court in the manner described below under “– Court Approval of the Plan of Arrangement”;
- (c) the other conditions precedent to the Arrangement set out in the Arrangement Agreement must be satisfied or waived by the appropriate parties to that agreement (a summary of which is included below under “– Conditions Precedent to Completing the Plan of Arrangement”); and
- (d) the Articles of Arrangement and all necessary related documents, in form and substance satisfactory to the REIT and PRR Investments, acting reasonably, shall have been accepted for filing by the Registrar, together with the Final Order, in accordance with Section 193 of the ABCA.

Timing of Completing the Plan of Arrangement

If the Meeting is held as scheduled and is not adjourned or postponed and the other necessary conditions at that point in time are satisfied or waived, the REIT expects to apply for the Final Order approving the Arrangement. If the Final Order has been obtained by December 15, 2021, in form and substance satisfactory to the REIT, and subject to satisfaction or waiver of all conditions precedent to completing the Plan of Arrangement and any applicable TSX requirements, the REIT currently anticipates that the Plan of Arrangement will be effected in late December 2021 or early 2022. It is not possible,

however, to state with certainty when the Effective Date will occur, if at all. The REIT Trustees may, in their sole discretion, decide not to proceed with the Plan of Arrangement.

Post-Effective Time Procedures

Primaris REIT Units, Series A

On or after the Effective Date, subject to the conditions as described herein, Primaris REIT shall deliver or arrange to be delivered to the Depository certificates representing Primaris REIT Units, Series A, which certificates will be held by the Depository for distribution to Registered Unitholders in accordance with the Plan of Arrangement. Promptly following such delivery, certificates will be delivered to Registered Unitholders at their most recent address in the records maintained by the REIT's Transfer Agent. It is not expected that new certificates will be issued for REIT Units or that any surrender of REIT Unit certificates will be required.

No action is required by Non-Registered Unitholders to receive their Primaris REIT Units, Series A. Non-Registered Unitholders should have their Primaris REIT Units, Series A credited to their account with their bank, broker or other Intermediary. However, Non-Registered Unitholders should contact their Intermediary if they have any questions regarding this process.

PRR Investments

On or after the Effective Date, subject to the conditions described herein, PRR Investments will file articles of dissolution under the ABCA to effect its dissolution.

Unitholder Approval of the Plan of Arrangement

The approval of the Arrangement Resolution authorizing the Plan of Arrangement will require the affirmative vote of at least two-thirds of the votes cast by REIT Unitholders and Special Voting Unitholders, voting together, present in person or by proxy at the Meeting.

The complete text of the Arrangement Resolution to be presented to the Meeting is set forth in Schedule A to this Circular.

Court Approval of the Plan of Arrangement

An arrangement under the ABCA requires Court approval. Prior to the completion of this Circular, the REIT obtained the Interim Order, which provides for the calling and holding of the Meeting and other procedural matters. A copy of the Interim Order is attached as Schedule C to this Circular.

Subject to approval of the Arrangement Resolution by REIT Unitholders and Special Voting Unitholders at the Meeting, the hearing in respect of the Final Order is currently scheduled to take place on December 15, 2021 at 3:00 p.m. (Calgary time) at the Calgary Courts Centre, 601-5th Street S.W., Calgary, Alberta or as soon thereafter as is reasonably practicable. Any REIT securityholder or other person who wishes to appear, or to be represented, and to present evidence or arguments at that hearing may do so, subject to serving and filing a Notice of Appearance as set out in the notice of originating application for the Final Order and satisfying any other requirements of the Court. The Court will consider, among other things, the fairness and reasonableness of the Plan of Arrangement. The Court may approve the Plan of Arrangement in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court deems fit. In the event that the hearing is postponed, adjourned or rescheduled then, subject to further order of the Court, only those persons having previously served a Notice of Appearance in compliance with the application and the Interim Order will be given notice of the postponement, adjournment or rescheduled date.

TSX Approval

The REIT has applied for, but has not yet received, conditional approval for: (i) the listing on the TSX of the Primaris REIT Units, Series A to be issued pursuant to the Arrangement, the Primaris REIT Option Plan, the Primaris REIT Incentive Unit Plan (including the Primaris REIT Units, Series A which, as a result of the Arrangement, are issuable upon the exercise of Primaris REIT Options and settlement of Primaris REIT Incentive Units) and the listing on the TSX of Primaris REIT Units, Series A issuable on exchange of H&R Class B Units and Primaris REIT Non-Voting Units, Series B, under the

symbol “PMZ.UN”, and (ii) the listing of additional REIT Units on exchange of the H&R Class B Units in the event the Gross-up Option is exercised by the REIT Trustees. These listings and approvals are each a pre-condition to closing the Arrangement and will be subject to the REIT or Primaris REIT, as applicable, fulfilling all of the applicable requirements of the TSX. See “The Arrangement – Canadian Securities Law and Stock Exchange Considerations”.

Arrangement Agreement

The Arrangement is being effected pursuant to the Arrangement Agreement. The Arrangement Agreement contains covenants of and from the REIT and the other parties, and conditions precedent to completion of the Arrangement. The following is a summary of certain provisions of the Arrangement Agreement, but is not intended to be complete. Please refer to the Arrangement Agreement for a full description of the terms and conditions thereof. The Arrangement Agreement may be found on SEDAR at www.sedar.com.

Pursuant to the Arrangement Agreement, the REIT and PRR Investments have agreed to use commercially reasonable efforts and to do all things reasonably required to complete the transactions contemplated in the Arrangement Agreement. The Arrangement Agreement provides that the obligation of the REIT to complete the Arrangement is subject to receipt of a number of approvals and fulfillment of a number of conditions described under “– Other Conditions Precedent to Completing the Plan of Arrangement”. Notwithstanding fulfillment of all conditions and receipt of the contemplated approvals, the REIT may decide at any time before or after the Meeting, but prior to the issue under the ABCA of the Certificate giving effect to the Arrangement, to terminate the Arrangement Agreement and not to proceed with the Arrangement without notice to or the approval of the other parties to the Arrangement Agreement or the Unitholders. The REIT Trustees consider it appropriate to retain the flexibility not to proceed with the Arrangement should some event occur after the Meeting and prior to the Effective Date which, in the opinion of the REIT Trustees, makes it inappropriate to complete the Arrangement. The Arrangement Resolution also provides this discretion to the REIT Trustees.

Subject to applicable law and the terms of the Arrangement Agreement (including the Plan of Arrangement), the Arrangement Agreement may, at any time and from time to time before and after the holding of the Meeting, but not later than the Effective Date, be amended in respect of the Arrangement by written agreement of the REIT and PRR Investments Inc., without, subject to applicable laws, further notice to or authorization on the part of the Unitholders. The Arrangement Resolution also authorizes the REIT Trustees to amend the Arrangement Agreement to the extent permitted therein in any manner not inconsistent with the Interim Order or Final Order, without further notice to or approval by the Unitholders.

The REIT has no present intention to amend the Arrangement Agreement or the Plan of Arrangement. However, it is possible that commercial, market or other factors or conditions could make it advisable to amend the Arrangement Agreement or the Plan of Arrangement.

Other Conditions Precedent to Completing the Plan of Arrangement

The conditions precedent in the Arrangement Agreement include, without limitation:

- (a) the Interim Order shall have been granted in form and substance satisfactory to the REIT and PRR Investments, acting reasonably, not later than November 5, 2021 or such later date as the REIT and PRR Investments may agree and shall not have been set aside or modified in a manner unacceptable to such parties on appeal or otherwise;
- (b) Primaris REIT shall have been formed as contemplated in the Arrangement Agreement;
- (c) the Arrangement Resolution shall have been approved by the requisite number of votes cast by the holders of REIT Units and Special Voting Units at the Meeting, in accordance with the provisions of the Interim Order, the REIT Declaration of Trust, and any applicable regulatory requirements;
- (d) a Final Order approving the Plan of Arrangement shall have been granted in form and substance satisfactory to the REIT and PRR Investments, acting reasonably, not later than December 31, 2021 or such later date as the REIT and PRR Investments may agree and shall not have been set aside or modified in a manner unacceptable to such parties on appeal or otherwise;
- (e) the conditions to closing the purchase and sale transactions provided for in the Purchase and Sale Agreement (other than those only capable of satisfaction at the time of such closing) shall have been waived or satisfied;

- (f) TSX Trust Company, or such other person chosen by the REIT to act as Depository for the Arrangement, shall have been retained and agreed to act as Depository for the Arrangement;
- (g) the Articles of Arrangement and all necessary related documents, in form and substance satisfactory to the REIT and PRR Investments, acting reasonably, shall have been accepted for filing by the Registrar together with the Final Order, in accordance with Section 193 of the ABCA;
- (h) the CRA Ruling shall have been issued in form and substance satisfactory to the REIT, acting reasonably;
- (i) no material action or proceeding shall be pending or threatened by any person, company, firm, governmental authority, regulatory body or agency and there shall be no action taken under any applicable law or regulation, nor any statute, rule, regulation or order which is enacted, enforced, promulgated, announced, proposed or issued by any court, department, commission, board, regulatory body, government or governmental authority or similar agency, domestic or foreign, that:
 - (i) makes or seeks to make illegal or otherwise directly or indirectly restrains, enjoins or prohibits, or seeks to restrain, enjoin or prohibit the Arrangement or any other transactions contemplated in the Arrangement Agreement or in the Plan of Arrangement;
 - (ii) prohibits or ceases trading in, or imposes material limitations on the trading of, REIT Units or Primaris REIT Units, or seeks to do any of the foregoing; or
 - (iii) results in or seeks a judgment or assessment of material damages directly or indirectly relating to the transactions contemplated in the Arrangement Agreement or in the Plan of Arrangement;
- (j) there shall not have occurred any change or proposed change in the income tax laws of Canada or the U.S. or any other jurisdiction, or the interpretation or administration thereof, which change would, as a consequence of the completion of the Arrangement, be material and adverse to the REIT or the Unitholders;
- (k) no breach or default or event of default will result under material debt contracts or indentures or other material agreements of the REIT or any of its respective subsidiary entities directly or indirectly relating to or as a result of the transactions contemplated in the Arrangement Agreement or in the Plan of Arrangement;
- (l) all material regulatory consents, exemptions and approvals considered necessary or desirable by the parties with respect to the transactions contemplated under the Arrangement shall have been granted, completed or obtained including consents, exemptions and approvals, if any, from applicable securities regulatory authorities with respect to the REIT and from the TSX (including approval of the listing and posting for trading of the Primaris REIT Units, Series A);
- (m) all material third party consents, waivers, exemptions and approvals and/or agreements or amendments or supplements to agreements or indentures, considered necessary or desirable by the parties with respect to the transactions contemplated under the Arrangement, including with respect to outstanding securities that are convertible into, or exercisable or exchangeable for, REIT Units, shall have been entered into, completed or obtained prior to implementation of the Arrangement or will be entered into, completed or obtained concurrently with implementation of the Arrangement; and
- (n) the REIT Units shall remain listed on the TSX, subject only to customary conditions acceptable to the REIT, acting reasonably.

In addition to the foregoing mutual conditions, the obligation of the REIT to complete the transactions contemplated by the Arrangement Agreement is subject to the fulfillment or satisfaction, on or before the Effective Date, of each of the following conditions, any of which may be waived by it without prejudice to its right to rely on any other condition:

- (a) each of the covenants, acts and undertakings of PRR Investments to be performed or complied with on or before the Effective Date pursuant to the terms of the Arrangement Agreement shall have been duly performed or complied with; and
- (b) the REIT Trustees shall not have determined, in their sole and absolute discretion, not to proceed with the Arrangement.

Final Board Authority

The Arrangement Agreement and the Arrangement Resolution both provide that the Arrangement shall only be effected upon the authorization of the REIT Trustees to file the Articles of Arrangement and that the timing for effecting the Arrangement is in the sole and absolute discretion of the REIT. In addition, the Arrangement Resolution proposed for consideration by the Unitholders authorizes the REIT Trustees, without further notice to or approval of such Unitholders, to amend the Arrangement, to decide whether to proceed with the Arrangement and to revoke the Arrangement Resolution at any time prior to the Arrangement becoming effective pursuant to the provisions of the ABCA. See Schedule A to this Circular for the text of the Arrangement Resolution.

THE EQUITY PLANS RESOLUTION

At the Meeting, if the Arrangement Resolution is passed, Unitholders will be asked to consider and, if deemed advisable, to pass, with or without variation, the Equity Plans Resolution, the full text of which is set forth in Schedule B to this Circular, approving, on behalf of Primaris REIT and the holders of Primaris REIT Units, Series A, the equity-based compensation plans (substantially as described in Schedule L to this Circular under the heading “Incentive Plan Descriptions”) for Primaris REIT.

To be approved, the Equity Plans Resolution must be approved by the affirmative vote of a majority of the votes cast at the Meeting by REIT Unitholders and Special Voting Unitholders, voting together.

PURCHASE AND SALE AGREEMENT

Summary of the Purchase and Sale Agreement

The Purchase and Sale Agreement has been filed on SEDAR (www.sedar.com). The following is a summary of certain provisions of the Purchase and Sale Agreement, but is not intended to be complete. Please refer to the Purchase and Sale Agreement for a full description of the terms and conditions thereof. Capitalized terms used in this section “Summary of the Purchase and Sale Agreement” but not defined have the meanings given in the Purchase and Sale Agreement.

The HOOPP Contribution

Subject to the terms of the Purchase and Sale Agreement, following completion of the Arrangement, it is expected that the HOOPP Properties will be indirectly sold to Primaris REIT for the Consideration. Following the closing of the Arrangement and the Purchase and Sale Agreement, REIT Unitholders and HOOPP are expected to own an approximate 74% and 26% interest in Primaris REIT, respectively (on a partially-diluted basis taking into account New Primaris Master LP Exchangeable Units and Primaris REIT Incentive Units). In addition to the Primaris REIT Units, as partial consideration for the HOOPP Contribution, HOOPP (or as it may direct), will receive a non-interest bearing promissory note in the face amount of approximately \$200.21 million, which, together with the Primaris REIT Units to be issued to HOOPP (or as it may direct), represents aggregate consideration for the HOOPP Contribution of approximately \$800.84 million. Such promissory note will be repaid by Primaris REIT by way of drawdown on Primaris REIT’s new credit facility within three Business Days of the completion of the Arrangement. The REIT will contribute twenty-seven properties with an appraised value of approximately \$2.4 billion and HOOPP will contribute eight properties with an appraised value of approximately \$0.8 billion.

The Purchase and Sale Agreement also provides for certain net cash real property-related adjustment payments by HOOPP to Primaris REIT in relation to the HOOPP Properties, and by Primaris REIT to HOOPP, in relation to the Primaris Spin-out Properties, which are payable on closing of the transactions contemplated by the Purchase and Sale Agreement.

See Schedule L for disclosure relating to the HOOPP Properties and Schedule G and I for carve-out financial statements for the HOOPP Properties and related management's discussion and analysis. See Schedule J for *pro forma* financial statements of Primaris REIT giving effect to the Arrangement and the HOOPP Contribution.

Representations and Warranties

The Purchase and Sale Agreement contains limited customary representations and warranties made by HOOPP to the REIT and Primaris REIT with respect to, among other things, the HOOPP Properties, and limited customary representations and warranties made by the REIT and/or Primaris REIT to HOOPP with respect to, among other things, the Primaris Spin-out Properties, Primaris REIT, the Primaris REIT Units to be issued to HOOPP and the Arrangement Agreement. The Purchase and Sale Agreement also contains a representation and warranty of the REIT that the Circular complies in all material respects with all applicable securities laws, and that the Circular, other than information provided by HOOPP in writing in respect of HOOPP or the HOOPP Properties for inclusion in the Circular, does not contain an untrue statement of material fact or an omission to state a material fact required to be stated therein or necessary in order to make any statement in the Circular (other than such information relating to HOOPP or the HOOPP Properties) not misleading in light of the circumstances in which it was made. **Those representations and warranties were made solely for the purposes of the Purchase and Sale Agreement, were made as of specified dates and may be subject to contractual standards of materiality different from what may be viewed as material to Unitholders. For the foregoing reasons, Unitholders should not rely on the representations and warranties contained in the Purchase and Sale Agreement as statements of factual information at the time they were made or otherwise.**

The representations and warranties provided in the Purchase and Sale Agreement by each party with respect to itself, any applicable nominees and the beneficial owners of the applicable properties (as the case may be) relate to: organization and status, authority, no bankruptcy, no breach of constating documents, applicable Laws or certain contracts, required consents, pre-emptive rights and enforceability of obligations. The Purchase and Sale Agreement provides that except for the representations and warranties set forth therein, Primaris REIT is acquiring the HOOPP Properties on an "as is, where is" basis and that HOOPP is entering into the transactions contemplated by the Purchase and Sale Agreement on an "as is, where is" basis.

The representations and warranties in the Purchase and Sale Agreement survive for 12 months following closing of the Arrangement and are subject to a deductible of \$5,000,000 (subject to certain exceptions) and a cap on liability of \$50,000,000 (subject to certain exceptions). If the Arrangement becomes effective, Primaris REIT will become liable for all liabilities of the REIT under the Purchase and Sale Agreement, including indemnity obligations. Should a valid claim be made by HOOPP against Primaris REIT under the Purchase and Sale Agreement, any damage awards are to be grossed-up by a factor based on its percentage interest in Primaris REIT at the applicable time.

Conditions

The Purchase and Sale Agreement contains certain customary conditions to the completion of the indirect sale of the HOOPP Properties to Primaris REIT, including that: (i) the Purchase and Sale Agreement shall not have been terminated in accordance with its terms; (ii) the Arrangement has been completed; (iii) required approvals under the *Competition Act* (Canada) have been obtained; (iv) the terms of the Purchase and Sale Agreement to be complied with or performed by the other party have been complied with or performed in all material respects; (v) all representations and warranties of the other party are true and correct in all material respects; and (vi) the Primaris REIT Units, Series A will be listed and posted for trading on the TSX. Each condition may be waived, in whole or in part, by a party.

Termination for a Superior Proposal

The REIT Trustees are permitted to negotiate and enter into an agreement with an arm's length party with respect to and in response to a Superior Proposal (as defined herein) following notice by the REIT to HOOPP that it has received a Superior Proposal (the "**Superior Proposal Notice**"). In addition, HOOPP is permitted to negotiate and enter into an agreement with an arm's length party with respect to the disposition of HOOPP Properties after it has received a Superior Proposal Notice from the REIT. A "**Superior Proposal**" means a bona fide unsolicited written proposal received prior to the Arrangement becoming effective from an arm's length party regarding an acquisition of all or substantially all of the REIT's assets or a bona fide unsolicited written proposal from an arm's length party to merge, combine or effect an arrangement with the REIT or otherwise acquire all or substantially all of the REIT's Units that the REIT Trustees determine, in good faith, after receiving the advice of its outside legal counsel and its financial advisors, and after taking into account all the terms and conditions of the proposal and the person making it (A) that it would be inconsistent with its fiduciary duties to fail to negotiate and/or enter an agreement with such arm's length party and (B) such proposal would, if consummated in

accordance with its terms, but without assuming away the risk of non-completion, reasonably be expected to lead to or constitute a transaction more favourable from a financial point of view to the REIT's unitholders than the formation of Primaris REIT.

If the REIT enters into a definitive agreement or consummates a transaction in respect of the Superior Proposal identified in a Superior Proposal Notice within six months of the date of the Superior Proposal Notice, the REIT may terminate the Purchase and Sale Agreement, provided that in such case the REIT shall reimburse HOOPP for its reasonable out of pocket fees and expenses incurred prior to the date of receipt of a Superior Proposal Notice in respect of external legal counsel and formal appraisals on the HOOPP Properties up to a maximum of \$1,500,000.

Covenants

Until closing, HOOPP and the REIT have agreed to use commercially reasonable efforts to satisfy all conditions precedent in the Purchase and Sale Agreement. In addition, the parties have agreed to cooperate in ensuring all required consents and approvals (including under the *Competition Act* (Canada) are obtained and have obligations to keep each party apprised of the status thereof).

In addition, HOOPP and the REIT have made certain covenants in the Purchase and Sale Agreement with respect to the HOOPP Properties and the Primaris Spin-out Properties, respectively, including that they will, in the period before closing: (i) continue to operate the applicable properties in accordance with its usual business and management practices and existing budgets; (ii) continue to maintain insurance in respect of the applicable properties in accordance with its usual business and management practices; (iii) conduct and cause the beneficial owners of the applicable properties to conduct their respective activities and business in the ordinary course; (iv) comply in material respects with applicable Laws and to use their commercially reasonable efforts to preserve intact the respective properties and assets, in good standing; and (v) keep available the services of their respective officers and employees as a group and to maintain satisfactory relationships with tenants, suppliers, employees, governmental authorities and others having business relationships with them. Notwithstanding the foregoing, prior to closing, PRR Trust is permitted to borrow up to \$143 million under a credit facility from a Canadian chartered bank and repay the REIT up to \$143 million of principal amount owing under loans previously advanced to PRR Trust by the REIT.

In addition, the REIT has made certain covenants in the Purchase and Sale Agreement with respect to the Arrangement including to (i) not amend or modify the Arrangement Agreement or Plan of Arrangement in any material manner without HOOPP's prior consent; (ii) provide HOOPP and HOOPP's solicitor(s) reasonable opportunity to review and comment on the Circular and drafts of all material to be filed with the Court in connection with the Interim Order and the Final Order; and (iii) to convene and conduct the Meeting in accordance with the REIT Declaration of Trust and applicable Law.

PRIMARIS REIT FOLLOWING THE ARRANGEMENT

Reference is made to Schedule L for a detailed description of Primaris REIT following the Arrangement and completion of the transactions contemplated by the Purchase and Sale Agreement. Reference is also made to Schedule F and H for combined carve-out financial statements for the Primaris Spin-out Properties and related business and related management's discussion and analysis. See Schedule G and I for combined carve-out financial statements for the HOOPP Properties and related management's discussion and analysis. See Schedule J for *pro forma* financial statements of Primaris REIT. See Schedule K for forecast financial statements of Primaris REIT, assuming completion of the Arrangement and the HOOPP Contribution.

RISK FACTORS

If the Arrangement Resolution is approved at the Meeting and the Arrangement is completed, immediately following completion of the Plan of Arrangement, Unitholders will hold both REIT Units and Primaris REIT Units. Accordingly, a Unitholder will become a unitholder of Primaris REIT and will remain a Unitholder and will be subject to all of the risks associated with the operations of the REIT and Primaris REIT and their respective businesses. Those risks include the risk factors set forth in the REIT's annual information form and management's discussion and analysis for the year ended December 31, 2020, which is available on SEDAR at www.sedar.com. Additional risk factors relating to the Arrangement are set out below. For a complete discussion of the risk factors relating to the business of Primaris REIT following the completion of the Arrangement, please see "Risk Factors" in Schedule L to this Circular.

Risk Factors Relating to the Arrangement

There are numerous risks associated with the proposed Arrangement and with the acquisition of the HOOPP Properties, including, but not limited to, the risk that conditions precedent or approvals required for the Arrangement or the acquisition of the HOOPP Properties are not obtained; the risk that the proposed Arrangement will not be consummated within the anticipated time period or at all, including as the result of regulatory, market or other factors; the risk that the combined value of the units of the two publicly-traded issuers will not be equal to or greater than what the value of REIT Units would have been had the Arrangement not occurred; there being no established market for the Primaris REIT Units, Series A; the risk of significant additional costs being incurred if the Arrangement is delayed or does not occur at all; guarantee and indemnity obligations that the REIT and Primaris REIT will owe to each other following the Arrangement; the risk that the separated businesses do not realize all of the expected benefits of the Arrangement; the risk of disruption to the REIT's business in connection with the proposed Arrangement; the risk that the proposed Arrangement will require significantly more time and attention from the REIT's senior management and employees than currently anticipated; and the risk that the yet-to-be determined credit rating for Primaris REIT and/or any change in the credit rating for the REIT may result in higher funding costs for one or both of the issuers.

Conditions Precedent and Consents, Exemptions and Approvals

The completion of the Arrangement in the form contemplated by the Arrangement Agreement is subject to a number of conditions precedent, some of which are outside the control of the REIT, including, without limitation, receipt of Unitholder approval at the Meeting, certain regulatory and third party consents, exemptions and approvals, the CRA Ruling, approval of the TSX for the listing of the Primaris REIT Units, Series A and the granting of the Final Order by the Court. There can be no certainty, nor can the REIT provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. Failure to obtain the Final Order on terms acceptable to the REIT Trustees would likely result in the decision being made not to proceed with the Arrangement. If any consents, exemptions or approvals cannot be obtained on terms satisfactory to the REIT Trustees or at all, the Plan of Arrangement may have to be amended in order to mitigate against the negative consequence of the failure to obtain any such consent, exemption or approval, and accordingly, the anticipated benefits available to Unitholders resulting from the Arrangement may be reduced. Alternatively, in the event that the Plan of Arrangement cannot be amended so as to mitigate against the negative consequences of the failure to obtain a consent, exemption or approval, the Arrangement may not proceed at all.

Trading Prices of REIT Units and Primaris REIT Units, Series A

There can be no assurance as to the prices at which the REIT Units and the Primaris REIT Units, Series A will trade following the completion of the Arrangement. The combined trading prices of REIT Units and Primaris REIT Units, Series A received by a Unitholder pursuant to the Arrangement may be materially less than the trading price of the REIT Units immediately prior to the Arrangement.

No Prior Market for Primaris REIT Units, Series A

There is not currently a public market for the Primaris REIT Units, Series A and there can be no assurance that a public market for the Primaris REIT Units, Series A will develop after the Arrangement becomes effective or as to the prices at which trading in the Primaris REIT Units, Series A will occur even if a public market does develop after the Arrangement. If a public market for the Primaris REIT Units, Series A does develop, there may be a significant number of Unitholders who wish to sell their Primaris REIT Units, Series A. Some Unitholders may determine that they do not wish to have an investment solely in the REIT or Primaris REIT, as applicable. In addition, following completion of the Arrangement, some Unitholders may be subject to investment restrictions which preclude them from holding the Primaris REIT Units, Series A or REIT Units, while other Unitholders may elect to sell for different reasons. If there are a significant number of sellers of the Primaris REIT Units, Series A or the REIT Units without a corresponding number of buyers, the trading price of those units could decline and such decline could be material.

Delays or Amendments; Waiver of Conditions

The REIT continues to seek and obtain certain necessary consents and approvals in order to implement the Arrangement and related transactions as currently structured. The REIT may not obtain such consents and approvals on acceptable terms prior to the expected Effective Date. If certain approvals and consents are not received prior to the expected Effective Date, the REIT may decide to proceed nonetheless, or it may either delay or amend the implementation of all or part of the Arrangement in order to allow sufficient time to complete such matters. If the REIT amends or delays the

implementation of the Arrangement or proceeds without certain consents, this may materially adversely affect the REIT's and/or Primaris REIT's financial position.

Indemnification Obligations and Guarantees

The REIT and a subsidiary of Primaris REIT will each agree to indemnify the other for certain liabilities and obligations related to certain debts and related guarantees granted by the REIT and certain of its subsidiaries as well as certain subsidiaries that will become subsidiaries of Primaris REIT pursuant to the Arrangement. These indemnification obligations could be significant. If the REIT or Primaris REIT has to indemnify the other for any substantial obligations, or if a lender realizes on a guarantee given by the REIT or a subsidiary of Primaris REIT, respectively, in favour of debt of Primaris REIT or the REIT, respectively, it may not be able to satisfy those obligations, and this may materially adversely affect the REIT's and/or Primaris REIT's financial position. Furthermore, Primaris REIT and HOOPP will each indemnify each other under the Purchase and Sale Agreement which, in the case of Primaris REIT, includes its indemnity in respect of breaches by the REIT of the Purchase and Sale Agreement if the Arrangement becomes effective.

Costs Associated with the Arrangement

There are certain costs related to the Arrangement, such as those for legal and accounting advisory services and producing this Circular that must be paid even if the Arrangement is not completed. There are also opportunity costs associated with the diversion of management attention away from the conduct of business in the ordinary course. These costs may have an adverse impact on the REIT's and/or Primaris REIT's financial position.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Blake, Cassels & Graydon LLP, counsel to the REIT, the following is a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to the Arrangement for a holder of REIT Units who, at all relevant times and for purposes of the Tax Act, (i) deals at arm's length with the REIT and Primaris REIT; (ii) is not affiliated with the REIT or Primaris REIT; and (iii) holds REIT Units and will hold Primaris REIT Units, Series A as capital property (a "**Holder**"). Provided a Holder does not hold REIT Units or Primaris REIT Units, Series A in the course of carrying on a business or as an adventure or concern in the nature of trade, such units generally will be considered to be capital property to such Holder.

This summary is not applicable to a Holder (i) that is a "financial institution" as defined in the Tax Act for the purposes of the mark-to-market rules; (ii) an interest in which is a "tax shelter investment" (as defined in the Tax Act); (iii) that reports its "Canadian tax results" (as defined in the Tax Act), in a currency other than Canadian currency; (iv) that has entered or will enter into a "derivative forward agreement" (as defined in the Tax Act) with respect to REIT Units; or (v) that, at any relevant time, holds REIT Units acquired upon the exercise of rights to acquire such REIT Units which were granted or otherwise received in respect of, in the course of, or by virtue of employment with the REIT or any corporation or mutual fund trust not dealing at arm's length with the REIT for purposes of the Tax Act. Such Holders are urged to consult their own tax advisors. In addition, this summary does not address the deductibility of interest expense or other expenses incurred by a Holder in connection with debt incurred in respect of the acquisition or holding of REIT Units.

In addition, this summary does not discuss the consequences of the Arrangement to holders of securities of the REIT or any of its subsidiaries participating in the Plan of Arrangement other than REIT Units. Such holders should consult their own tax advisors.

This summary does not describe the Canadian federal income tax considerations generally associated with the holding and disposition of Primaris REIT Units, Series A following completion of the Arrangement. The principal Canadian federal income tax considerations associated with the holding and disposition of Primaris REIT Units, Series A are generally described in Schedule L hereto, subject to the limitations, qualifications, and assumptions therein.

This summary is of a general nature only and is based upon the facts and assumptions set out in this Circular and relies upon a certificate of an officer or trustee of the REIT as to certain factual matters. This summary is based upon 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 prior to the date hereof. This summary assumes that the Tax Proposals will be enacted as proposed, but no assurance can be given that this will be the case. Modification or amendment of the Tax Act or the Tax Proposals could significantly alter the tax status of the REIT or Primaris REIT, or the tax consequences of the Arrangement. This summary is not exhaustive of all possible Canadian federal

income tax consequences and, except for the Tax Proposals, does not take into account or anticipate any changes in law, whether by legislative, governmental, administrative or judicial action, nor does it take into account other federal or any provincial or foreign tax legislation or considerations, which may differ from the Canadian federal income tax considerations described herein.

The REIT has applied to the CRA for the CRA Ruling in connection with the Plan of Arrangement, to confirm, among other things, that the Qualifying Disposition will constitute a “qualifying disposition” within the meaning of the Tax Act. Receipt of the CRA Ruling in form and substance acceptable to the REIT is a precondition to the implementation of the Plan of Arrangement. There can be no assurance that the CRA will issue the CRA Ruling or that the CRA Ruling, if issued, will be in a form acceptable to the REIT. The balance of this summary assumes that the CRA Ruling will be granted in substantially the form requested by the REIT, and that the Qualifying Disposition will constitute a qualifying disposition for the purposes of the Tax Act.

THIS SUMMARY IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSTRUED TO BE, LEGAL OR TAX ADVICE TO ANY PARTICULAR UNITHOLDER. ACCORDINGLY, UNITHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES OF THE ARRANGEMENT TO THEM HAVING REGARD TO THEIR OWN PARTICULAR CIRCUMSTANCES.

Status of the REIT, Primaris REIT and Subsidiaries

Qualification as Mutual Fund Trusts

This summary assumes that each of the REIT and Primaris REIT will qualify at all relevant times as a “mutual fund trust” within the meaning of the Tax Act and that Primaris REIT will validly elect under the Tax Act to be deemed to have been a mutual fund trust from the time of its establishment. Counsel has been advised that it is intended that Primaris REIT will file the necessary election such that Primaris REIT will be deemed to qualify as a mutual fund trust from the beginning of its first taxation year.

If the REIT or Primaris REIT were not to qualify as a mutual fund trust at any relevant time, the Canadian federal income tax considerations described herein would, in some respects, be materially different.

SIFT Rules

The Tax Act includes rules (the “**SIFT Rules**”) that effectively tax certain income of a publicly-traded trust that is distributed to its investors and certain income of a publicly-traded partnership on the same basis as would have applied had the income been earned through a taxable Canadian corporation and distributed by way of dividend to its shareholders. These rules apply only in respect of “SIFT trusts” and “SIFT partnerships” (each as defined in the Tax Act).

A trust that qualifies as a “real estate investment trust” for purposes of the Tax Act is not subject to the SIFT Rules under the “**REIT Exception**”. In order to qualify for the REIT Exception for a particular taxation year, a trust must satisfy a number of detailed quantitative tests with respect to the nature of its investments and the character of its income. Based on its review of the REIT’s assets and revenues, and the expected assets and revenues of Primaris REIT, management of the REIT expects that the REIT will qualify for the REIT Exception for the current taxation year and that Primaris REIT will qualify for the REIT Exception for its first taxation year. In addition, counsel has been advised that management of each of the REIT and Primaris REIT intends to conduct the affairs of the REIT and Primaris REIT, respectively, so that each will qualify for the REIT Exception at all future times. However, there can be no assurance that the REIT will qualify for the REIT Exception for its current taxation year or that the REIT or Primaris REIT will qualify for the REIT Exception for any future year.

Each of the REIT and Primaris REIT has, or will have, investments in certain lower tier entities such as partnerships and trusts. In certain circumstances, it is possible that such lower tier entities could themselves be subject to the SIFT Rules. However, a lower tier entity will not be subject to the SIFT Rules if it is an “excluded subsidiary entity”, as defined for purposes of the SIFT Rules. A partnership or trust will qualify as an excluded subsidiary entity for a taxation year if none of the partnership’s or trust’s “equity” (as defined in the Tax Act) is at any time in the year either (a) listed or traded on a stock exchange or other public market or (b) held by any person other than a real estate investment trust; a taxable Canadian corporation; a SIFT trust or SIFT partnership; an entity that is itself an excluded subsidiary entity; or a person or partnership that does not have, in connection with the holding of a security of the partnership or trust, property the value of which is determined, all or in part, by reference to a security that is listed or traded on a stock exchange or other public market.

Counsel has been advised that each partnership and trust in which REIT or Primaris REIT has a direct or indirect interest (other than Primaris REIT in respect of the REIT) is and will be an “excluded subsidiary entity” at all relevant times.

The balance of this summary assumes that (a) each of the REIT and Primaris REIT will qualify at all relevant times for the REIT Exception; and (b) each of the partnerships and trusts through which the REIT and Primaris REIT derives income (other than Primaris REIT in respect of the REIT) will qualify, at all relevant times, as an excluded subsidiary entity. If any of such assumptions is not accurate, certain income tax consequences described below would, in some respects, be materially and adversely different.

Taxation of Holders Resident in Canada

The following portion of this summary applies to a Holder who, at all relevant times and for purposes of the Tax Act, is resident in Canada (a “**Resident Holder**”). Certain holders resident in Canada who might not otherwise be considered to hold their REIT Units or Primaris REIT Units, Series A as capital property may in certain circumstances be entitled to have such units, along with all other “Canadian securities” (as defined in the Tax Act) held by such holders, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

Acquisition of Primaris REIT Units, Series A and Qualifying Disposition

Pursuant to the Plan of Arrangement, each Resident Holder will acquire one Primaris REIT Unit, Series A from the REIT for each REIT Unit held. Each such Primaris REIT Unit, Series A will be acquired by a Resident Holder at a nominal cost.

A Resident Holder will not realize any taxable income or gain solely as a result of the Qualifying Disposition.

Immediately after the Qualifying Disposition, and in accordance with the detailed rules in the Tax Act applicable to qualifying dispositions, the adjusted cost base of a Resident Holder’s REIT Units will be decreased by an amount equal to the REIT Transfer Percentage multiplied by the adjusted cost base of the Resident Holder’s REIT Units immediately before the Qualifying Disposition.

The adjusted cost base of a Resident Holder’s Primaris REIT Units, Series A will be increased by the same amount immediately after the Qualifying Disposition, except to the extent that the Resident Holder’s loss, if any, from a disposition of the REIT Units immediately before the Qualifying Disposition would have been denied under the “dividend stop-loss rules” in the Tax Act. Management expects that the adjusted cost base of Primaris REIT Units, Series A will not be materially reduced for any Resident Holders as a result of the dividend stop-loss rules.

Income or Gains Realized by the REIT as a Consequence of the Plan of Arrangement

To the extent that the REIT realizes income or gains (whether directly or through its subsidiaries) as a consequence of the Plan of Arrangement, it is expected that the amount of such income or gains will be made payable to REIT Unitholders and will therefore be required to be included in the income of Resident Holders in respect of their REIT Units in accordance with the detailed rules in the Tax Act. Accordingly, to the extent that the Plan of Arrangement gives rise to material income or gain recognition by the REIT, or its subsidiaries, the amount of REIT distributions that will be treated as distributions of income would be increased. See below under “– Taxation of the REIT” for more information regarding the implications of the Arrangement for the REIT under the Tax Act.

Distributions from the REIT

The tax treatment to Resident Holders of distributions from the REIT (including the Nominal REIT Distribution) will generally be determined in a manner similar to that applicable to other distributions that have been paid or payable by the REIT to Resident Holders in the past.

Primaris REIT Unit Split or Consolidation

A consolidation (a “**Consolidation**”) or split (a “**Split**”) of Primaris REIT Units, Series A under the Plan of Arrangement, will not constitute a disposition of such units and a Resident Holder will not realize any taxable income or gain solely as a result of a Consolidation or Split. The adjusted cost base of a Resident Holder’s Primaris REIT Units, Series A immediately after a Consolidation or Split (if given effect) will be equal to the adjusted cost base of the Resident Holder’s

Primaris REIT Units, Series A immediately prior to the Consolidation or Split, as the case may be. The adjusted cost base of Primaris REIT Units, Series A of a Resident Holder on a per unit basis following a Consolidation or Split will be equal to the aggregate adjusted cost base to the Resident Holder of the Primaris REIT Units, Series A held immediately prior to the Consolidation or Split, as applicable, divided by the number of Primaris REIT Units, Series A held immediately after such Consolidation or Split.

Each fraction of a Primaris REIT Unit resulting from a Consolidation will be redeemed under the Plan of Arrangement in exchange for a cash redemption price as set out in the Notice of Determination. The disposition of a fraction of a Primaris REIT Unit pursuant to such a redemption will generally result in a capital gain (or a capital loss) to the Resident Holder equal to the amount, if any, by which the proceeds of disposition of the fractional Primaris REIT Unit, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Primaris REIT Unit to the Resident Holder immediately prior to such redemption. The treatment of capital gains and capital losses is generally described below under “Taxation of Capital Gains and Losses”.

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain realized by a Resident Holder for the purposes of the Tax Act (a “**taxable capital gain**”) on the disposition of property (including REIT Units and Primaris REIT Units, Series A) and the amount of any net taxable capital gains designated by the REIT or Primaris REIT, in respect of such Resident Holder will be required to be included by the Resident Holder in computing income as a taxable capital gain under the Tax Act. One-half of any capital loss realized by a Resident Holder for the purposes of the Tax Act (an “**allowable capital loss**”) on a disposition of property generally must be deducted from taxable capital gains of such Resident Holder in the year of disposition, and any excess of one-half of such capital losses over taxable capital gains realized by the Resident Holder in the year of disposition may generally be deducted in the three preceding taxation years or in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

Taxation of Holders Not Resident in Canada

The following portion of this summary applies to a Holder who, at all relevant times and for purposes of the Tax Act, is not resident or deemed to be resident in Canada for purposes of the Tax Act, and does not use or hold REIT Units and will not use or hold Primaris REIT Units, Series A in a business carried on in Canada, and whose REIT Units and Primaris REIT Units, Series A, at all relevant times, are not “taxable Canadian property” within the meaning of the Tax Act (a “**Non-Resident Holder**”). Generally, units of a trust that is a mutual fund trust (such as the REIT and, as expected, Primaris REIT) will not constitute taxable Canadian property to a Non-Resident Holder at a particular time provided that at no time during the 60-month period immediately preceding that time were 25% or more of the issued units of the trust owned by one or any combination of (i) the Non-Resident Holder; (ii) persons with whom the Non-Resident Holder does not deal at arm’s length for the purposes of the Tax Act; and (iii) partnerships in which the Non-Resident Holder or a person described in (ii) holds a membership interest directly or indirectly through one or more partnerships. Special rules which apply to non-resident insurers carrying on business in Canada and elsewhere are not discussed in this summary.

Acquisition of Primaris REIT Units, Series A and Qualifying Disposition

Pursuant to the Plan of Arrangement, each Non-Resident Holder will acquire one Primaris REIT Unit, Series A from the REIT for each REIT Unit held. Each such Primaris REIT Unit, Series A will be acquired by a Non-Resident Holder at a nominal cost.

A Non-Resident Holder will not realize any taxable income or gain solely as a result of the Qualifying Disposition.

In general terms, the adjusted cost base of REIT Units to a Non-Resident Holder will be adjusted as a result of the Arrangement in the manner described above for a Resident Holder under “– Taxation of Holders Resident in Canada – Acquisition of Primaris REIT Units, Series A”. Such adjustments are not expected to have material consequences for Non-Resident Holders.

Income or Gains Realized by the REIT as a Consequence of the Plan of Arrangement

To the extent that the REIT realizes income or gains (whether directly or through its subsidiaries) as a consequence of the Plan of Arrangement, it is expected that the amount of such income or gains will be made payable to REIT Unitholders and will therefore be required to be included in the income of Non-Resident Holders in respect of their REIT Units in accordance with the detailed rules in the Tax Act. Accordingly, to the extent that the Plan of Arrangement gives rise to

material income or gain recognition by the REIT or its subsidiaries, the amount of REIT distributions that will be treated as distributions of income would be increased. Such an increase may increase the amount of Canadian withholding tax applicable to distributions paid by the REIT to Non-Resident Holders. See below under “– Taxation of the REIT” for more information regarding the implications of the Arrangement for the REIT under the Tax Act.

Distributions from the REIT

The tax treatment to Non-Resident Holders of distributions from the REIT (including the Nominal REIT Distribution) will generally be determined in a manner similar to that applicable to other distributions that have been paid or payable by the REIT to Non-Resident Holders in the past.

Primaris REIT Unit Split or Consolidation

A Consolidation or Split of Primaris REIT Units, Series A, will not constitute a disposition of such units and a Non-Resident Holder will not realize any taxable income or gain solely as a result of a Consolidation or Split. The adjusted cost base of a Non-Resident Holder’s Primaris REIT Units, Series A immediately after a Consolidation or Split (if given effect) will be equal to the adjusted cost base of the Non-Resident Holder’s Primaris REIT Units, Series A immediately prior to the Consolidation or Split, as the case may be. The adjusted cost base of Primaris REIT Units, Series A of a Non-Resident Holder on a per unit basis following a Consolidation or Split will be equal to the aggregate adjusted cost base to the Non-Resident Holder of the Primaris REIT Units, Series A held immediately prior to the Consolidation or Split, as applicable, divided by the number of Primaris REIT Units, Series A held immediately after such Consolidation or Split.

Each fraction of a Primaris REIT Unit resulting from a Consolidation will be redeemed in exchange for a cash redemption price as set out in the Notice of Determination. The amount paid to the Non-Resident Holder in connection with a redemption of a fraction of a Primaris REIT Unit may be subject to Canadian withholding taxes. See “Certain Canadian Federal Income Tax Considerations – Taxation of Holders Not Resident in Canada – Disposition of Series A Units” in Schedule L for more information.

Information to be Provided to Holders

The REIT currently anticipates that the REIT Transfer Percentage will be approximately 27%, though such estimate may be revised to reflect any material changes arising between the date of this Circular and the completion of the Plan of Arrangement or as the REIT otherwise determines is appropriate. The REIT intends to advise Holders, through a posting on the website of the REIT, shortly following the completion of the Plan of Arrangement, of the REIT’s estimate of the REIT Transfer Percentage. Although the REIT intends for the information it provides to be a reasonable estimate of the REIT Transfer Percentage, such estimate will not be binding upon the CRA or on any particular Holder, and counsel can express no opinion on factual matters such as these. A successful challenge by the CRA of such estimate would affect the tax consequences of the Arrangement for Holders, including the allocation of Holders’ adjusted cost base between the REIT Units and the Primaris REIT Units, Series A following completion of the Arrangement.

Taxation of the REIT

Dissolution of Primaris Master LP and Liquidation of PRR Investments

Pursuant to the Plan of Arrangement, Primaris Master LP will be liquidated and will distribute undivided interests in each of its assets to its partners on a pro rata basis. Counsel has been advised that the REIT intends to jointly elect with Old Primaris GP Trust under subsection 98(3) of the Tax Act for such dissolution to occur on a tax-deferred basis to the extent permitted under the Tax Act, but there can be no assurances in this regard.

The liquidation of PRR Investments is not expected to give rise to any material income or gain to the REIT.

Transfer of Properties to New Partnerships

Pursuant to the Plan of Arrangement, the REIT will transfer (i) the Legacy Retail Transferred Properties to Primaris LP in consideration for the assumption of liabilities associated with the Legacy Retail Transferred Properties and additional limited partnership interests in Primaris LP; and (ii) the Primaris Property to New Primaris Master LP in consideration for (a) the assumption by New Primaris Master LP of the PRR Trust Payables, (b) the New Primaris Master LP Note, and (c) additional limited partnership interests in New Primaris Master LP.

In each case, counsel has been advised that the REIT intends to jointly elect with the partners of the relevant partnership under subsection 97(2) of the Tax Act such that the transfer of assets to the applicable partnership will occur on a tax-deferred basis to the extent permitted under the Tax Act. While such transfers are not currently anticipated to result in any material taxable income or gain to the REIT, there can be no assurances in this regard.

Qualifying Disposition

The REIT's disposition of the Retail Segment Property to Primaris REIT pursuant to the Qualifying Disposition is intended to be a "qualifying disposition" as defined in section 107.4 of the Tax Act. Provided the Qualifying Disposition so qualifies, the REIT will, in accordance with the rules in the Tax Act applicable to qualifying dispositions (and provided the REIT does not elect under such rules to realize any gain on the dispositions), be deemed to dispose of such property for proceeds of disposition equal to the cost amount of such property to the REIT immediately before the Qualifying Disposition, such that no gain or loss will be realized by the REIT in connection with the Qualifying Disposition.

New Primaris Master LP Exchangeable Units

Under the Plan of Arrangement, the REIT will subscribe for New Primaris Master LP Exchangeable Units, the subscription price of which will be satisfied by way of set-off against the New Primaris Master LP Note. Provided the fair market value of such New Primaris Master LP Exchangeable Units does not exceed the principal amount of the New Primaris Master LP Note, the REIT should not recognize any gain as a consequence of such set-off. The REIT will be required to include (or deduct, subject to the "at-risk" rules in the Tax Act) in computing its income its share of the income or loss of New Primaris Master LP which is allocated to the REIT under the partnership agreement governing New Primaris Master LP, regardless of whether such income is distributed to the REIT.

Generally, distributions received by the REIT on its New Primaris Master LP Exchangeable Units in excess of the REIT's allocated share of New Primaris Master LP's income for a fiscal period will reduce the REIT's adjusted cost base in its New Primaris Master LP Exchangeable Units. If the adjusted cost base to the REIT of its New Primaris Master LP Exchangeable Units would otherwise be a negative amount at the end of a fiscal period of New Primaris Master LP, the REIT will be deemed to realize a capital gain equal to such negative amount and the adjusted cost base to the REIT in its New Primaris Master LP Exchangeable Units will be increased by the amount of such gain to zero.

If the REIT exercises its right to exchange all or a portion of its New Primaris Master LP Exchangeable Units for Primaris REIT Units following completion of the Arrangement, the REIT will generally realize a capital gain (or capital loss) to the extent that the fair market value of the Primaris REIT Units received is greater (or less) than the REIT's adjusted cost base in the New Primaris Master LP Exchangeable Units so exchanged.

Certain Other Matters

The REIT does not expect to realize any material taxable income or gain solely by virtue of the following transactions occurring pursuant to the Plan of Arrangement:

- the amendment of the Declarations of Trust;
- the dissolution of PRR Investments; and
- the sale of Primaris REIT Units, Series A to Unitholders.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Other than as disclosed in this Circular, none of the trustees or senior officers of the REIT, none of the persons who have been trustees or senior officers of the REIT since the commencement of the REIT's last completed financial year and no associate or affiliate of any of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed in this Circular, no informed person of the REIT, and no associate or affiliate of any of the foregoing, has had any material interest, direct or indirect, in any transaction or proposed transaction since the commencement of the REIT's financial year ended December 31, 2020 which has materially affected or would materially affect the REIT or any of the REIT's subsidiaries.

AUDITOR

The auditors of the REIT, the combined carve-out financial statements of the Primaris Spin-out Properties attached as Schedule F, and of the combined carve-out financial statements of the HOOPP Properties attached as Schedule G are KPMG LLP. The auditors of Primaris REIT will initially be KPMG LLP.

ADDITIONAL INFORMATION

Additional information relating to the REIT may be found on SEDAR at www.sedar.com or obtained from TSX Trust Company at www.meetingdocuments.com/astca/hr. Additional financial information is provided in the REIT's audited financial statements and management's discussion and analysis for its most recently completed financial year.

Copies of (i) the REIT's audited financial statements and management's discussion and analysis for the financial year ended December 31, 2020, (ii) this Circular, and (iii) the REIT's most recent annual information form may be obtained by writing to the Chief Financial Officer of the REIT.

APPROVAL OF THE TRUSTEES

The contents of this Circular and the sending of it to Unitholders, to the REIT Trustees, to the auditor of the REIT and to the appropriate governmental and regulatory agencies have been approved by the REIT Trustees.

DATED as of November 5th, 2021.

BY ORDER OF THE TRUSTEES OF
H&R REAL ESTATE INVESTMENT TRUST



ALEX AVERY
Executive Vice President, Asset Management & Strategic Initiatives
H&R Real Estate Investment Trust

CONSENT OF CIBC WORLD MARKETS INC.

To: The REIT Trustees

We hereby consent to the references to our firm name and to our Fairness Opinion, dated October 26th, 2021, contained under the headings “Reasons for the Arrangement”, “Background to the Transaction” and “Fairness Opinion” and the inclusion of the text of our Fairness Opinion as Schedule “E” to this Circular, dated November 5th, 2021. Our Fairness Opinion was given as at October 26th, 2021 and remains subject to the assumptions, qualifications and limitations contained therein. In providing our consent, we do not intend that any person other than the REIT Trustees shall be entitled to rely upon the Fairness Opinion.

All terms used but not defined herein have the meanings ascribed thereto in the Circular.

DATED at Toronto, Ontario, Canada this 5th day of November, 2021.

“CIBC World Markets Inc.”

CIBC World Markets Inc.

SCHEDULE A

ARRANGEMENT RESOLUTION

WHEREAS management has proposed to effect the plan of arrangement (the “**Plan of Arrangement**”) as described in the management information circular of H&R Real Estate Investment Trust (the “**REIT**”) dated November 5, 2021 (the “**Circular**”) with respect to the special meeting of unitholders and special voting unitholders of the REIT held on December 13, 2021;

AND WHEREAS the REIT has entered into a purchase and sale agreement with HOOPP (as defined in the Circular) pursuant to which, among other things, HOOPP will sell certain assets to Primaris Real Estate Investment Trust (“**Primaris REIT**”) and receive, among other things, units of Primaris REIT (“**Primaris REIT Units**”) as consideration;

AND WHEREAS the trustees of the REIT have determined that it is in the best interests of the REIT to effect the Plan of Arrangement;

NOW THEREFORE BE IT RESOLVED THAT:

1. the Plan of Arrangement, the full text of which is set out in Schedule D to the Circular (as the Plan of Arrangement may be amended, modified or supplemented in accordance with its terms), is hereby ratified, authorized, confirmed, approved and adopted;
2. the Arrangement Agreement (as defined in the Circular), as may be amended, modified or supplemented in accordance with its terms, is hereby ratified, authorized, confirmed, approved and adopted;
3. the trustees are hereby authorized to enter into an amended and restated REIT Declaration of Trust (as defined in the Circular), to give effect to the Plan of Arrangement and as a consequence of the Plan of Arrangement and otherwise as contemplated in the Circular, together with such minor or clerical amendments to the REIT Declaration of Trust as they, in their sole discretion, approve;
4. the trustees are hereby authorized to enter into an amended and restated REIT Option Plan and REIT Incentive Unit Plan (each, as defined in the Circular and collectively, the “**REIT Documents**”) as amended, supplemented or amended and restated in each case as may be necessary or desirable to give effect to the Plan of Arrangement or as are otherwise described in the Circular and such REIT Documents are hereby ratified, authorized, confirmed, approved and adopted;
5. the issuance of 25.68381% of the total number of Primaris REIT Units that would be issued and outstanding at the time of closing of the sale by HOOPP to Primaris REIT, as further described in the Circular, calculated assuming the exchange or conversion of all exchangeable units exchangeable for Primaris REIT Units and all restricted share units and performance units at such time), and representing up to 26,140,914 Primaris REIT Units as of the date hereof (assuming that the Primaris REIT Units are consolidated on a 4:1 basis pursuant to the Plan of Arrangement and assuming vesting at 100% in respect of any Primaris REIT Incentive Units that are performance units) is hereby ratified, authorized, confirmed and approved, in accordance with Section 604(a)(i) of the TSX Company Manual, which requires unitholder and special voting unitholder approval, as the issuance of Primaris REIT Units to HOOPP is deemed to materially affect control of Primaris REIT, and in accordance with Section 611(c) of the TSX Company Manual, which requires unitholder and special voting unitholder approval, as the issuance of Primaris REIT Units to HOOPP will exceed 25% of the voting units of Primaris REIT;
6. any trustee or officer of the REIT is hereby authorized to enter into, to execute or cause to be executed on behalf of the REIT or to prepare and deliver or cause to be prepared and delivered all such documents, agreements and instruments, including an amended or restated REIT Declaration of Trust, the REIT Documents and any other documents, agreements and instruments involving the REIT, in each case as may be amended, supplemented or amended and restated, and to cause to be done all such other acts and things as such trustee or officer shall determine to be necessary or desirable in order to carry out the intent of the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution or preparation and delivery of such document, agreement or instrument or the doing of any such act or thing; and
7. notwithstanding that this resolution has been passed by the holders of REIT Units (as defined in the Circular) and special voting units of the REIT, or that the Plan of Arrangement has been approved by the Court (as defined in the Plan of Arrangement), the trustees of the REIT are hereby authorized and empowered without further notice to or approval of the holders of REIT Units and special voting units of the REIT to:

- (a) modify the specific steps involved in the Plan of Arrangement, to the extent permitted by the Plan of Arrangement;
- (b) determine the timing and arrange for the implementation of the Plan of Arrangement, or to otherwise amend, modify or supplement the Plan of Arrangement, to the extent permitted by the Plan of Arrangement;
- (c) decide not to proceed with the Plan of Arrangement;
- (d) enter into or amend, both before and following the effective date of the Plan of Arrangement, any document, agreement or instrument (including the REIT Declaration of Trust and the REIT Documents) as is necessary or desirable to implement, effect, record, document, evidence or reflect the Plan Arrangement; and
- (e) revoke this special resolution before it is acted on.

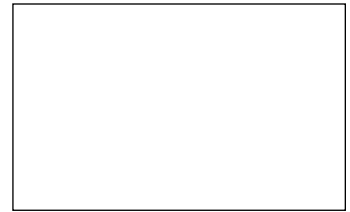
SCHEDULE B

EQUITY PLANS RESOLUTION

BE IT RESOLVED THAT:

1. The option plan (the “**Primaris REIT Option Plan**”) of Primaris Real Estate Investment Trust (“**Primaris REIT**”), substantially in the form described in Schedule L of the management information circular of H&R Real Estate Investment Trust (the “**REIT**”) dated November 5, 2021 (the “**Circular**”) accompanying the notice of this meeting is hereby authorized, approved and ratified, on behalf of Primaris REIT and the holders of Series A units of Primaris REIT, as the option plan for Primaris REIT pursuant to the plan of arrangement (the “**Plan of Arrangement**”) under section 193 of the *Business Corporations Act* (Alberta) included as Schedule D of the Circular, and all unallocated options under the Primaris REIT Option Plan, and the issuance of up to 3,000,000 Series A units of Primaris REIT thereunder, be and are hereby approved.
2. The incentive unit plan (the “**Primaris REIT Incentive Unit Plan**”) of Primaris REIT, substantially in the form described in Schedule L of the Circular accompanying the notice of this meeting is hereby authorized, approved and ratified, on behalf of Primaris REIT and the holders of Series A units of Primaris REIT, as the incentive unit plan for Primaris REIT pursuant to the Plan of Arrangement, and all unallocated incentive units under the Primaris REIT Incentive Unit Plan, and the issuance of up to 1,250,000 Series A units of Primaris REIT thereunder, be and are hereby approved.
3. Any one trustee or officer of Primaris REIT is hereby authorized and directed for and on behalf of Primaris REIT to execute and to deliver all documents and do all such other acts or things as such person determines to be necessary or desirable to give effect to this resolution, the Primaris REIT Option Plan and the Primaris REIT Incentive Unit Plan, the execution of any such document or the doing of any such other act or thing being conclusive evidence of such determination.

SCHEDULE C
INTERIM ORDER



COURT FILE NUMBER 2101-13382

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

IN THE MATTER OF SECTION 193 OF THE *BUSINESS CORPORATIONS ACT*, RSA 2000, c B-9, AS AMENDED

AND IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING H&R REAL ESTATE INVESTMENT TRUST, UNITHOLDERS OF H&R REAL ESTATE INVESTMENT TRUST, PRR INVESTMENTS INC., AND CERTAIN OTHER PERSONS

APPLICANTS H&R REAL ESTATE INVESTMENT TRUST AND PRR INVESTMENTS INC.

RESPONDENT NOT APPLICABLE

DOCUMENT **INTERIM ORDER**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT **BLAKE, CASSELS & GRAYDON LLP**
3500, 855 – 2 Street S.W.
Calgary, Alberta T2P 4J8

Attention: David Tupper
Sydni Kind

Telephone: 403-260-9722
403-260-9705

Facsimile: 403-260-9700

Email: david.tupper@blakes.com
sydni.kind@blakes.com

File: 71254/124

DATE ON WHICH ORDER WAS PRONOUNCED: November 5, 2021

NAME OF JUDGE WHO MADE THIS ORDER: Justice A. D. Grosse

LOCATION OF HEARING: Calgary Courts Centre

UPON the Originating Application (the "**Originating Application**") of H&R Real Estate Investment Trust (the "**REIT**") and PRR Investments Inc. ("**PRR Investments**");

AND UPON reading the Originating Application, the Affidavit of Alex Avery, sworn on November 3, 2021 (the "**Affidavit**"), and the documents referred to in it;

AND UPON HEARING from counsel for the REIT and PRR Investments;

FOR THE PURPOSES OF THIS ORDER:

- (a) the capitalized terms not defined in this Order (the "**Order**") shall have the meanings given to them in the draft management information circular of the REIT (the "**Information Circular**"), which is attached as Exhibit "A" to the Affidavit; and
- (b) all references to "**Arrangement**" used in this Order mean the arrangement pursuant to section 193 of the *Business Corporations Act*, RSA 2000, c B-9, as amended (the "**ABCA**"), as set out in the Plan of Arrangement attached as Schedule "D" to the Information Circular.

IT IS HEREBY ORDERED THAT:

General

- 1. As prescribed by this Order, the REIT shall seek approval of the Arrangement as described in the Information Circular by the Unitholders (as defined below).
- 2. The time for filing and service of the Originating Application and Affidavit is abridged and service is deemed good and sufficient.

The Meeting

- 3. The REIT shall call and conduct a special meeting (the "**Meeting**") of the holders (the "**Unitholders**") of units of the REIT and the holders of special voting units of the REIT (collectively, the "**Units**") at 10:30 a.m. (Toronto time) on December 13, 2021. At the Meeting, the Unitholders will consider and vote on (i) a special resolution to approve, among other things, the Arrangement Agreement, substantially in the form attached as Schedule "A" to the Information Circular (the "**Arrangement Resolution**"), and (ii) an ordinary resolution to approve the adoption of certain equity plans on behalf of Primaris Real Estate Investment Trust, substantially in the form attached as Schedule "B" to the Information Circular (the "**Equity Plans Resolution**"). The Unitholders shall also consider other business that is properly brought before the Meeting or any adjournment or postponement of it, all as more particularly described in the Information Circular.

4. A quorum at the Meeting shall be at least two persons in number, present in person or represented by proxy, and such persons holding or representing, in the aggregate, at least 25 percent of the Units entitled to be voted at the Meeting.
5. If within 30 minutes from the time appointed for the Meeting, a quorum is not present, the Meeting shall stand adjourned to a date and time determined by the Chair of the Meeting. No notice of the adjourned meeting shall be required if the Meeting is adjourned for less than 30 days. If at that adjourned meeting a quorum is not present, the Unitholders present at the adjourned meeting in person or represented by proxy shall constitute a quorum for all purposes.
6. Each Unit entitled to be voted at the Meeting will entitle the holder to one vote at the Meeting for the Arrangement Resolution, the Equity Plans Resolution and any other matter to be considered at the Meeting.
7. The record date for Unitholders shall be November 2, 2021 (the "**Record Date**"). Only Unitholders of record at the close of business on the Record Date will be entitled to receive notice of, and to vote at, the Meeting.
8. The Meeting shall be called, held, and conducted in accordance with the REIT's declaration of trust, the Information Circular, the rulings and directions of the Chair of the Meeting, this Order, and any further Order of this Court. If there is any inconsistency between this Order and the *ABCA* or the REIT's declaration of trust, the terms of this Order shall govern.

Conduct of the Meeting

9. The only persons entitled to attend the Meeting shall be Unitholders or their authorized proxy holders, the REIT's trustees, officers, auditors, and legal counsel, and other persons who are permitted to attend by the Chair of the Meeting.
10. The number of votes required to pass the Arrangement Resolution shall be at least two-thirds (66.67 per cent) of the votes cast by Unitholders, voting together, present in person or by proxy at the Meeting.
11. The number of votes required to pass the Equity Plans Resolution shall be a majority of the votes cast by Unitholders, voting together, present in person or by proxy at the Meeting.
12. To be valid, proxies must be deposited with the REIT or its service providers, including Broadridge Investor Communications Corporation or Broadridge Financial Solutions Inc. in the manner described in the Information Circular by 10:30 a.m. (Toronto time) on December 9, 2021, or the last business day preceding any adjournment or postponement of the Meeting. The REIT may waive,

in its discretion, the time limits set out in the Information Circular for the deposit and revocation of proxies by Unitholders, if the Chair of the Meeting determines that it is advisable to do so.

13. The accidental failure to give notice of the Meeting or a failure to receive that notice shall not invalidate any resolution passed or proceedings taken at the Meeting.
14. Subject to the terms of the Arrangement Agreement, the REIT is authorized to adjourn or postpone the Meeting on one or more occasions, whether or not a quorum is present, and for the period or periods of time as the REIT deems advisable, without the need to first convene the Meeting or to first obtain any vote of the Unitholders about the adjournment or postponement. Notice of such adjournment or postponement may be given by such method as the REIT determines is appropriate in the circumstances. If the Meeting is adjourned or postponed in accordance with this Order, the references to the Meeting in this Order shall be deemed to be to the Meeting as adjourned or postponed. The Record Date will not change as a result of any adjournments or postponements of the Meeting.

Amendments to the Plan

15. The REIT is authorized to make those amendments, revisions, or supplements to the Plan of Arrangement as it may determine are necessary or desirable. Those amendments, revisions, or supplements must be made in accordance with and in the way contemplated by the Plan of Arrangement and the Arrangement Agreement. The Plan of Arrangement as so amended, revised, or supplemented shall be deemed to be the Plan of Arrangement submitted to the Meeting and the subject of the Arrangement Resolution and Equity Plans Resolution, without any requirement to return to this Court to amend this Order.

Amendments to Meeting Materials

16. Subject to the terms of the Arrangement Agreement and the Purchase and Sale Agreement, the REIT is authorized to make amendments, revisions, or supplements ("**Additional Information**") to the Information Circular, form of proxy ("**Proxy**"), notice of the Meeting ("**Notice of Meeting**"), and notice of Originating Application ("**Notice of Originating Application**") as the REIT may determine. The REIT may disclose that Additional Information, including material changes, by the method that is most reasonably practicable in the circumstances as determined by the REIT, subject to the terms of the Arrangement Agreement. Without limiting the generality of this, if any material change or material fact arises between the date of this Order and the date of the Meeting, that, if known prior to the mailing of the Information Circular, would have been required to be disclosed in the Information Circular, then:

- (a) the REIT shall advise the Unitholders of the material change or material fact by issuing a

press release in accordance with applicable securities laws and the policies of the Toronto Stock Exchange; and

- (b) provided that that press release describes the applicable material change or material fact in reasonable detail, the REIT shall not be required to deliver an amendment to the Information Circular to the Unitholders or otherwise give notice to the Unitholders of the material change or material fact other than dissemination and filing of the press release as aforesaid.

Notice

- 17. Meeting materials (the "**Meeting Materials**") shall be sent to those Unitholders who, as of the Record Date, hold Units, and to the REIT's trustees and auditors. The Meeting Materials include the Information Circular, substantially in the form attached as Exhibit "A" to the Affidavit, and any amendments that counsel to the REIT determines are necessary or desirable, provided that those amendments are not inconsistent with the terms of this Order. The Meeting Materials also include the Notice of Meeting, the Proxy, the Notice of Originating Application, and this Order, and any other communications or documents determined by the REIT to be necessary or advisable. The Meeting Materials shall be sent by one or more of the following methods:
 - (a) In the case of registered and non-registered Unitholders, by way of the Canadian Securities Administrators' "notice-and-access" delivery model, addressed to each such holder at his, her, or its address, as shown on the books and records of the REIT as of the Record Date. The Meeting Materials shall be sent at least 21 days prior to the Meeting; and
 - (b) In the case of the trustees and auditors of the REIT, by email, pre-paid first class or ordinary mail, by courier, or by delivery in person, addressed to the individual trustees or firm of auditors, as applicable, at least 21 days prior to the date of the Meeting.
- 18. Delivery of the Meeting Materials in the way directed by this Order shall be deemed to be good and sufficient service on the Unitholders, the trustees, and the auditors of the REIT of:
 - (a) The Originating Application;
 - (b) This Order;
 - (c) The Notice of Meeting;
 - (d) The Notice of Originating Application; and
 - (e) The Information Circular and Proxy.

Final Application

19. Subject to any further order of this Court, and provided that the Unitholders have approved the Arrangement in the way directed by this Court and provided that the trustees of the REIT have not revoked their approval, the REIT may proceed with an application for a Final Order of the Court to approve the Arrangement (the "**Final Order**") on December 15, 2021 at 3:00 p.m. (Calgary time) or as soon as counsel may be heard. Subject to the Final Order and to the issuance of the proof of filing of the articles of arrangement, the REIT, all Unitholders, and all other persons affected will be bound by the Arrangement in accordance with its terms.

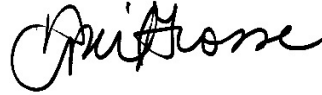
20. Any Unitholder or other interested party (each an "**Interested Party**") desiring to appear and make submissions at the application for the Final Order is required to file with this Court and serve on the REIT by 5:00 p.m. (Calgary time) on December 10, 2021, a notice of intention to appear ("**Notice of Intention to Appear**"). The Notice of Intention to Appear must include the Interested Party's address for service, or alternatively, a facsimile number for service by facsimile or an email address for service by electronic mail. The Notice of Intention to Appear must indicate whether the Interested Party intends to support or oppose the application or to make submissions at the application, and must provide a summary of the position that the Interested Party intends to advocate before the Court, and any evidence or materials that are to be presented to the Court. This notice must be served on the REIT by providing it to the solicitors for the REIT, Blake, Cassels & Graydon LLP, Suite 3500, 855 – 2nd Street S.W., Calgary, Alberta, T2P 4J8, Attention: David Tupper.

21. If the application for the Final Order is adjourned, only those parties appearing before this Court for the Final Order, and those Interested Parties who have served a Notice of Intention to Appear in accordance with paragraph 20 of this Order, shall receive notice of the adjourned date.

Leave to Vary Interim Order

22. The REIT is entitled at any time to seek leave to vary this Order on such terms and with such notice as this Court may direct.

23. The granting of this Interim Order is not a bar to any interested party, or the court of its own motion, raising any concern or issue about the jurisdiction of this Court over this matter or whether Alberta is the convenient forum. The Applicants have undertaken not to raise this Interim Order as binding the Court or any party on jurisdiction or forum. Any such issue may be raised at or before the hearing of the final order.



Justice of the Court of Queen's Bench of Alberta

SCHEDULE D

PLAN OF ARRANGEMENT

PLAN OF ARRANGEMENT MADE PURSUANT TO SECTION 193 OF THE *BUSINESS CORPORATIONS ACT* (ALBERTA) INVOLVING H&R REAL ESTATE INVESTMENT TRUST AND PRR INVESTMENTS INC.

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Plan of Arrangement, the following terms have the following respective meanings:

- (a) “**ABCA**” means the *Business Corporations Act* (Alberta), as amended, including the regulations promulgated thereunder;
- (b) “**Arrangement**”, “**herein**”, “**hereof**”, “**hereto**”, “**hereunder**” and similar expressions mean this arrangement under Section 193 of the ABCA on the terms and conditions set out in this Plan of Arrangement, and any amendments, modifications or supplements thereto made in accordance with Article 5 of this Plan of Arrangement;
- (c) “**Arrangement Agreement**” means the arrangement agreement dated as of October 26, 2021, among the REIT and PRR Investments, as amended, modified or supplemented from time to time;
- (d) “**Arrangement Resolution**” means the special resolutions of the holders of REIT Units and Special Voting Units authorizing and approving the Arrangement;
- (e) “**Articles of Arrangement**” means the articles of arrangement in respect of the Arrangement required under subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order has been made to give effect to the Arrangement;
- (f) “**Business Day**” means a day which is not a Saturday, Sunday or statutory holiday in the Province of Alberta or the Province of Ontario, on which the principal commercial banks in downtown Calgary and downtown Toronto are generally open for the transaction of commercial banking business;
- (g) “**Certificate**” means the certificate(s) or other confirmation(s) of filing to be issued by the Registrar pursuant to subsection 193(11) of the ABCA giving effect to the Arrangement;
- (h) “**Court**” means the Court of Queen’s Bench of Alberta;
- (i) “**Declaration of Trust**” means the declaration of trust of the REIT, as amended, modified or supplemented from time to time;
- (j) “**Depository**” means TSX Trust Company, in its capacity as depository for the Arrangement, or such other person chosen by the REIT to act as depository for the Arrangement;
- (k) “**Effective Date**” means the date shown on the Certificate issued by the Registrar giving effect to the Arrangement;
- (l) “**Effective Time**” means 12:01 a.m. (Toronto time) on the Effective Date or such other time on the Effective Date as may be specified in the Notice of Determination;
- (m) “**Existing REIT Option**” means a REIT Option outstanding as of the Effective Time;

- (n) “**Final Order**” means the final order to be made by the Court approving the Plan of Arrangement to be applied for following the Meeting pursuant to the provisions of Section 193 of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (o) “**H&R Class B Units**” means the HRMSLP Class B Units and the Portfolio LP Class B Units;
- (p) “**HRMSLP Class B Units**” means the Exchangeable GP Units of H&R REIT Management Services Limited Partnership, a limited partnership formed under the laws of the Province of Manitoba and a subsidiary partnership of the REIT entitling holders to cash distributions from H&R REIT Management Services Limited Partnership determined by reference to the cash distributions on a REIT Unit and which are exchangeable in accordance with their terms for REIT Units (as well as a nominal amount of cash);
- (q) “**Incentive Units**” means incentive units granted under the H&R Real Estate Investment Trust Incentive Unit Plan which are to be settled, upon vesting, in cash, REIT Units, or any combination thereof;
- (r) “**Initial Primaris REIT Unit**” means the Primaris REIT Unit to be issued to the REIT on formation of Primaris REIT;
- (s) “**Initial Primaris Subscription Note**” means a demand promissory note in the principal amount of \$10.00 to be issued by the REIT to Primaris REIT on the formation of Primaris REIT;
- (t) “**Initial Primaris Trustee**” means the CEO of the REIT, or such other person as may be appointed by the REIT in accordance with the Primaris REIT Declaration of Trust;
- (u) “**Interim Order**” means the interim order of the Court with respect to the Arrangement under subsection 193(4) of the ABCA confirming, among other things, the calling and holding of the Meeting and the voting thereat, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (v) “**Intermediary**” means an intermediary with whom a Non-Registered Holder deals in respect of REIT Units, such as, in each case, among others, banks, trust companies, securities dealers or brokers, and trustees or administrators of self-administered deferred income plans, as applicable and as the context may require;
- (w) “**Legacy PRR Limited Partnerships**” means the limited partnerships specified in the Notice of Determination in which PRR Trust holds a substantial interest immediately before the Qualifying Disposition and in which the REIT also directly holds a nominal limited partner interest;
- (x) “**Legacy Retail Liabilities**” means the liabilities of the REIT associated with the Legacy Retail Transferred Properties, if any, as set out in the Notice of Determination;
- (y) “**Legacy Retail Transferred Properties**” means the Canadian retail properties, if any, held directly by the REIT as of the Effective Time and identified as such in the Notice of Determination;
- (z) “**Legacy Retail Transferred Properties Consideration**” means the issuance of the limited partnership interests of Primaris LP specified as such in the Notice of Determination and the assumption by Primaris LP of the Legacy Retail Liabilities;
- (aa) “**Meeting**” means the special meeting of holders of REIT Units and Special Voting Units held on December 13, 2021 including any adjournment(s) or postponement(s) thereof, to consider and to vote upon the Arrangement Resolution;
- (bb) “**New Primaris Master GP Trust**” means New Primaris Master GP Trust, a unit trust to be formed under the laws of Ontario prior to the Effective Time, with the REIT as the sole beneficiary;

- (cc) “**New Primaris Master LP**” means New Primaris Master LP, a new limited partnership to be formed under the laws of Ontario, with the REIT as the sole limited partner and New Primaris Master GP Trust as the sole general partner;
- (dd) “**New Primaris Master LP Exchangeable Units**” means Class B exchangeable limited partnership units of New Primaris Master LP entitling holders to cash distributions from New Primaris Master LP determined by reference to the cash distributions on a Primaris REIT Unit and which are exchangeable in accordance with their terms for Primaris REIT Units;
- (ee) “**New Primaris Master LP Note**” means a non-interest bearing, demand promissory note, issued by New Primaris Master LP pursuant to Section 3.1(9) and having a principal amount equal to the fair market value of the New Primaris Master LP Exchangeable Units issued to the REIT pursuant to Section 3.1(23), as specified in the Notice of Determination;
- (ff) “**New REIT Option**” means a REIT Option issued on the exchange of the Existing REIT Options pursuant to Section 3.1(19);
- (gg) “**Nominee Corporations**” means the corporations that own bare legal title to the real properties indirectly held by the REIT through the Retail Segment Property as of immediately before the Qualifying Disposition, as specified for greater certainty in the Notice of Determination;
- (hh) “**Non-Registered Holder**” means a beneficial holder of REIT Units that holds its REIT Units through an intermediary, as applicable and as the context may require;
- (ii) “**Notice of Determination**” means a notice to be executed by the parties to the Arrangement two Business Days prior to the Effective Date specifying: (i) the Effective Time; (ii) the Legacy Retail Transferred Properties; (iii) the Legacy Retail Transferred Properties Consideration; (iv) the Legacy PRR Limited Partnerships; (v) the Legacy Retail Liabilities; (vi) the principal amount of the New Primaris Master LP Note; (vii) the Post-Plan Trustees; (viii) the Nominee Corporations; (ix) the Primaris Master LP Property; (x) the limited partnership units of Primaris LP included in the Primaris Property; (xi) the Primaris Redemption Price; (xii) the PRR Trust Payables; (xiii) the PRR Trust Receivables; (xiv) the Spin-out Primaris REIT Units; (xv) the Spin-out Primaris Subscription Amount; (xvi) the respective interests in Primaris Master LP held by the REIT and Old Primaris GP Trust immediately prior to subsection 3.1(3) of the Plan of Arrangement; (xvii) the amount of the distribution to be paid by PRR Trust in subsection 3.1(5) of the Plan of Arrangement; (xviii) the additional limited partnership interests in New Primaris Master LP to be issued to the REIT pursuant to subsection 3.1(9) of the Plan of Arrangement; (xix) the number of Primaris REIT Options for which each REIT Option held by an employee of Primaris REIT (or any of its subsidiaries) will be exchanged pursuant to subsection 3.1(19) of the Plan of Arrangement; (xx) the number of REIT Options for which each Primaris REIT Option held by an employee of the REIT (or any of its subsidiaries) will be exchanged pursuant to subsection 3.1(20) of the Plan of Arrangement; (xxi) the number of Primaris REIT Units to be receivable on the settlement of the Primaris REIT Incentive Units received in exchange for Incentive Units pursuant to subsection 3.1(21) of the Plan of Arrangement, for each REIT Unit and Primaris REIT Unit receivable on the settlement of such Incentive Units immediately before such exchange; (xxii) the number of New Primaris Master LP Exchangeable Units to be subscribed for by the REIT in subsection 3.1(23) of the Plan of Arrangement and the subscription price payable therefor; (xxiii) the ratio by which the Primaris REIT Units will be consolidated or split in subsection 3.1(25) of the Plan of Arrangement; and (xxiv) such other matters as may be agreed upon between the parties;
- (jj) “**Old Primaris GP Trust**” means Primaris Master GP Trust, an *inter vivos* trust formed under the laws of the Province of Ontario;
- (kk) “**Plan of Arrangement**” or “**Plan**” means this plan of arrangement under Section 193 of the ABCA and any amendment, modification or supplement made in accordance with the terms hereof;
- (ll) “**Portfolio LP**” means H&R Portfolio Limited Partnership, a limited partnership formed under the laws of the Province of Manitoba and indirect subsidiary partnership of the REIT;

- (mm) **“Portfolio LP Class B Units”** means Class B limited partnership units of Portfolio LP entitling holders to cash distributions from Portfolio LP determined by reference to the cash distributions on a REIT Unit and which are exchangeable in accordance with their terms for REIT Units (as well as a nominal amount of cash);
- (nn) **“Post-Plan Trustees”** means the individuals specified in the Notice of Determination to be the trustees of Primaris REIT following the completion of this Plan of Arrangement, which individuals must be permissible as trustees of Primaris REIT in accordance with the Primaris REIT Declaration of Trust;
- (oo) **“Primaris GP Trust”** means Primaris GP Trust, a unit trust to be formed under the laws of Ontario prior to the Effective Time, with the REIT as the sole beneficiary;
- (pp) **“Primaris LP”** means Primaris LP, a limited partnership to be formed under the laws of Ontario prior to the Effective Time, with the REIT as the sole limited partner and Primaris GP Trust as the sole general partner;
- (qq) **“Primaris Master LP”** means Primaris Master Limited Partnership, a limited partnership formed under the laws of the Province of Ontario, the sole general partner of which is Old Primaris GP Trust and the sole limited partner of which is the REIT;
- (rr) **“Primaris Master LP Property”** means all of the properties held by Primaris Master LP as of the Effective Time, as specified in the Notice of Determination;
- (ss) **“Primaris Property”** means (i) all of the limited partnership units of Primaris LP, other than a nominal interest, as specified in the Notice of Determination; (ii) all of the units of Primaris GP Trust; and (iii) the PRR Trust Receivables;
- (tt) **“Primaris Property Purchase Agreement”** means the purchase agreement to be entered into between the REIT and New Primaris Master LP for the acquisition of the Primaris Property by New Primaris Master LP at the time specified therein;
- (uu) **“Primaris Redemption Price”** means the redemption price payable for fractional units of Primaris REIT pursuant to Section 3.1(25), as specified in the Notice of Determination;
- (vv) **“Primaris REIT”** means Primaris REIT, an unincorporated open-ended unit trust to be established under the laws of the Province of Ontario and governed by the Primaris REIT Declaration of Trust;
- (ww) **“Primaris REIT Declaration of Trust”** means the amended and restated declaration of trust of Primaris REIT, as amended, modified or supplemented from time to time;
- (xx) **“Primaris REIT Incentive Unit”** means an incentive unit to be issued by Primaris REIT under the Primaris REIT Incentive Unit Plan;
- (yy) **“Primaris REIT Incentive Unit Plan”** means an incentive unit plan to be adopted by Primaris REIT providing for the granting of incentive units which may be settled, upon vesting, in cash, Primaris REIT Units, or a combination of the two;
- (zz) **“Primaris REIT Option Plan”** means a unit option plan to be adopted by Primaris REIT providing for the granting of options exercisable for Primaris REIT Units;
- (aaa) **“Primaris REIT Options”** means options to be issued by Primaris REIT under the Primaris REIT Option Plan which will be exercisable for Primaris REIT Units;
- (bbb) **“Primaris REIT Units”** means units of participating interest in Primaris REIT designated in the Primaris REIT Declaration of Trust as “Series A units”, each such unit representing an equal undivided beneficial interest in Primaris REIT;

- (ccc) **“Primaris Special Voting Units”** means non-participating special voting units of Primaris REIT, which will not entitle the holder to any distribution from, or property of, Primaris REIT and which may be created in accordance with the provisions of the Primaris REIT Declaration of Trust;
- (ddd) **“Primaris Trusteeeco”** means Primaris Trustee Inc., a corporation to be formed under the laws of Alberta prior to the Effective Time, with the REIT as the sole shareholder;
- (eee) **“PRR Investments”** means PRR Investments Inc., a corporation existing under the laws of Alberta;
- (fff) **“PRR Trust”** means PRR Trust, a unit trust formed under the laws of the Province of Ontario;
- (ggg) **“PRR Trust Payables”** means certain intercompany debts owing by the REIT to PRR Trust as described in the Notice of Determination;
- (hhh) **“PRR Trust Receivables”** means certain intercompany debts owing by PRR Trust to the REIT as described in the Notice of Determination;
- (iii) **“Qualifying Disposition”** has the meaning set out in Section 3.1(17);
- (jjj) **“Registered Unitholder”** means a registered holder of REIT Units as recorded in the unitholder register for REIT Units by the Transfer Agent, as applicable and as the context may require;
- (kkk) **“Registrar”** means the registrar appointed under Section 263 of the ABCA;
- (lll) **“REIT”** means H&R Real Estate Investment Trust, a unit trust formed under the laws of Ontario, or, where the context so requires, the trustees of H&R Real Estate Investment Trust acting in their capacity as trustees;
- (mmm) **“REIT Declaration of Trust”** means the declaration of trust dated November 4, 1996, as amended and restated as of August 8, 1997, May 27, 1999, May 24, 2001, July 21, 2005, June 23, 2006, May 18, 2007, October 1, 2008, May 15, 2009, August 12, 2010, August 11, 2011, June 25, 2012, June 28, 2013, July 10, 2014, June 24, 2016, June 27, 2017 and August 31, 2018, governed by the laws of the Province of Ontario, pursuant to which the REIT was created, as further amended, supplemented or amended and restated from time to time;
- (nnn) **“REIT Option Plan”** means the option plan of the REIT providing for the granting of options exercisable for REIT Units;
- (ooo) **“REIT Options”** means options issued by the REIT under the REIT Option Plan which are exercisable for REIT Units;
- (ppp) **“REIT Trustees”** means the individuals who act as trustees of the REIT in accordance with and subject to the provisions of the REIT Declaration of Trust;
- (qqq) **“REIT Unitholder”** means a holder of a REIT Unit;
- (rrr) **“REIT Units”** means units of participating interest in the REIT, each such unit representing an equal undivided beneficial interest in the REIT, but, for the avoidance of doubt, does not include Special Voting Units;
- (sss) **“Retail Segment Property”** means the following property held by the REIT immediately before the Qualifying Disposition:
 - (i) the REIT's limited partnership interest in New Primaris Master LP;
 - (ii) the units of New Primaris Master GP Trust;
 - (iii) the REIT's remaining limited partnership interest in Primaris LP;

- (iv) the units of PRR Trust;
 - (v) the REIT's remaining limited partnership interests in the Legacy PRR Limited Partnerships in which the REIT has a direct interest;
 - (vi) the shares of Primaris Management Inc.;
 - (vii) the shares of Primaris Trusteeco; and
 - (viii) the shares of any Nominee Corporations held by the REIT immediately before the Qualifying Disposition.
- (ttt) **“Special Voting Units”** means, collectively, the units of the REIT designated as “Special Voting Units” under the REIT Declaration of Trust, and **“Special Voting Unit”** means any one of them;
 - (uuu) **“Spin-out Primaris REIT Units”** means a number of Primaris REIT Units equal to the number of REIT Units outstanding as of the Effective Time as set out, for reference, in the Notice of Determination;
 - (vvv) **“Spin-out Primaris Subscription Amount”** means the amount set out as such in the Notice of Determination;
 - (www) **“Spin-out Primaris Subscription Note”** means the demand promissory note to be issued by the REIT to Primaris REIT pursuant to Section 3.1(10), in a principal amount equal to the Spin-out Primaris Subscription Amount;
 - (xxx) **“Tax Act”** means the *Income Tax Act* (Canada), as amended;
 - (yyy) **“Transfer Agent”** means TSX Trust Company, in its capacity as transfer agent for the REIT Units; and
 - (zzz) **“Voting Agreement”** means an agreement between the REIT and the holders of HRMSLP Class B Units, to be entered into in accordance with Section 3.1(24) hereof, providing for the REIT to exercise the voting rights with respect to Primaris Special Voting Units held by the REIT in accordance with directions from such holders, subject to the terms thereof.

1.2 Certain Rules of Interpretation

In this Plan of Arrangement:

- (a) *Currency* – Unless otherwise specified, all references to money amounts are to the lawful currency of Canada.
- (b) *Headings* – Headings of Articles and Sections are inserted for convenience of reference only and shall not affect the construction or interpretation of this Plan.
- (c) *Including* – Where the word “including” or “includes” is used, it means “including (or includes) without limitation”.
- (d) *Number and Gender* – Unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.
- (e) *Statutory References* – A reference to a statute includes all regulations made pursuant to such statute and, unless otherwise specified, the provisions of any statute or regulation which amends, supplements or supersedes any such statute or any such regulation.
- (f) *Time Periods* – Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and

including the day on which the period ends and by extending the period to the next Business Day following if the last day of the period is not a Business Day.

- (g) *Article and Section References* – Unless otherwise specified or the context otherwise requires, references to an “Article” or “Section” refer to an Article or Section of this Plan.

1.3 Governing Law

This Plan of Arrangement shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

ARTICLE 2 EFFECT OF THE ARRANGEMENT

2.1 Effectiveness

The Articles of Arrangement and Certificate shall be filed and issued, respectively, with respect to this Arrangement in its entirety. Furthermore, each of the events and steps listed in Section 3.1 shall be, without affecting the sequence set out in Section 3.1, mutually conditional, such that no event or step described in said Section 3.1 may occur without all events or steps occurring, and those events and steps shall effect the integrated transaction which constitutes the Arrangement. The Certificate shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of Section 3.1 has become effective in the sequence set out therein. This Plan of Arrangement will become effective on, and be binding on and after, the Effective Time on PRR Investments and all other persons, including: (i) the REIT; (ii) holders of REIT Units and Special Voting Units; (iii) Primaris REIT; (iv) the Depositary and (v) the other participants in this Plan.

2.2 Arrangement Agreement

This Plan of Arrangement is made pursuant to, is subject to the provisions of and forms part of the Arrangement Agreement.

ARTICLE 3 ARRANGEMENT

3.1 Events Occurring Within the Plan

On the Effective Date, commencing at the Effective Time, each of the events and steps set out below shall occur and shall be deemed to occur, except as otherwise expressly noted, in the following order with each event and step (after the first step) occurring five minutes after the immediately preceding one in sequence, without any further act or formality:

1. The REIT Declaration of Trust and the constating documents of each REIT subsidiary participating in the transactions below, including PRR Trust, will be amended to the extent necessary to facilitate the Plan of Arrangement and the steps and transactions contemplated herein. For greater certainty, such amendments shall not result in a termination or resettlement of the REIT or any REIT subsidiary;
2. The liabilities of Primaris Master LP, if any, will be assumed by the REIT as a contribution to the capital of Primaris Master LP;
3. Primaris Master LP will be liquidated and will distribute undivided interests in each Primaris Master LP Property *pro rata* to its partners, being the REIT and Old Primaris GP Trust, in proportion to their respective interests in Primaris Master LP as specified in the Notice of Determination;
4. Old Primaris GP Trust will be dissolved and distribute all of its property to the REIT;
5. PRR Trust will pay out, as a distribution in cash, the amount, set out in the Notice of Determination, that is determined by it prior to the Effective Time to be sufficient, together with prior distributions by PRR Trust in the year, to distribute all of the taxable income of PRR Trust for its then current taxation year that accrued prior to the Effective Date, provided for greater certainty that the amount of the distribution under this Section 3.1(5) may be zero;

6. PRR Investments will be removed as the sole trustee of PRR Trust and, simultaneously, Primaris TrusteeCo will become the sole trustee of PRR Trust;
7. PRR Investments will be liquidated and the remaining property and liabilities of PRR Investments will, upon liquidation, be distributed to, and assumed by, the REIT, the sole shareholder of PRR Investments, and upon filing of articles of dissolution and issuance of a certificate of dissolution by the Registrar under the ABCA (which, for greater certainty, may occur on a date after the Effective Date), PRR Investments will be dissolved;
8. The REIT will transfer the Legacy Retail Transferred Properties, if any, to Primaris LP in consideration for the Legacy Retail Transferred Properties Consideration;
9. Pursuant to and in accordance with the Primaris Property Purchase Agreement, the REIT will transfer the Primaris Property to New Primaris Master LP in consideration for (a) the assumption by New Primaris Master LP of the PRR Trust Payables, (b) the New Primaris Master LP Note, and (c) additional limited partnership interests in New Primaris Master LP as set forth in the Notice of Determination;
10. The REIT will subscribe for the Spin-out Primaris REIT Units for an aggregate subscription price equal to the Spin-out Primaris Subscription Amount, with such subscription price satisfied by the issuance by the REIT to Primaris REIT of the Spin-out Primaris Subscription Note;
11. The Initial Primaris REIT Unit will be redeemed for a redemption price of \$10.00, which will be paid by way of set-off against the amount owing under the Initial Primaris Subscription Note, in full and final satisfaction of each such obligation;
12. Primaris REIT will adopt the Primaris REIT Option Plan and the Primaris REIT Incentive Unit Plan;
13. The terms of the Incentive Units will be adjusted, amended or amended and restated as necessary to provide for the settlement, upon vesting, in cash, a number of REIT Units and Primaris REIT Units (in this Section 3.1(13), “**unit consideration**”) equal to the number of REIT Units issuable on settlement immediately prior to the step described in this Section 3.1(13), or any combination of cash and unit consideration;
14. The REIT will pay out, as a distribution of capital on the REIT Units, an aggregate cash amount equal to the Spin-out Primaris Subscription Amount. The full amount of such distribution will be paid from the amount held by the Depository as agent for and on behalf of the REIT pursuant to Section 3.3, which funds will thereupon be held by the Depository as agent for and on behalf of the REIT Unitholders *pro rata* based on the number of REIT Units held by each REIT Unitholder;
15. The REIT will sell and transfer the Spin-out Primaris REIT Units to the REIT Unitholders for an aggregate purchase price equal to the Spin-out Primaris Subscription Amount. Each REIT Unitholder will purchase a number of Spin-out Primaris REIT Units equal to their respective number of REIT Units, such that, following completion of the step described in this Section 3.1(15), each REIT Unitholder holds the same number of REIT Units and Primaris REIT Units. The purchase price payable by each REIT Unitholder will be equal to such REIT Unitholder’s share of the distribution paid in the step described in Section 3.1(14) and will be satisfied from the funds held by the Depository as agent for and on behalf of the REIT Unitholders as a result of the step described in Section 3.1(14), which funds will thereupon be held by the Depository as agent for and on behalf of the REIT, and in respect of the foregoing:
 - a. the REIT shall cease to be the holder of such Spin-out Primaris REIT Units and to have any rights as holder of such Spin-out Primaris REIT Units;
 - b. the REIT’s name shall be removed as holder of such Spin-out Primaris REIT Units from the registers of Primaris REIT Units maintained by or on behalf of Primaris REIT;
 - c. the REIT Unitholders shall be deemed to be the transferees of such Spin-out Primaris REIT Units (free and clear of all encumbrances) and shall be entered as holders of such Spin-out Primaris REIT Units in the registers of Primaris REIT Units maintained by or on behalf of Primaris REIT; and
 - d. the Spin-out Primaris REIT Units so acquired shall be non-transferrable, and no holder of Spin-out Primaris REIT Units shall be permitted to transfer such Spin-out Primaris REIT Units, until the conclusion of the steps contemplated herein.

16. Concurrently with the step described in Section 3.1(15), pursuant to and in accordance with the terms and conditions of the H&R Class B Units, the exchange rights under the H&R Class B Units will be adjusted to provide that on an exchange of such units, in addition to the REIT Units (and nominal amount of cash) for which such units are exchangeable, the holder thereof will be entitled to receive an equivalent number of Primaris REIT Units, subject to the terms and conditions of the H&R Class B Units;
17. The REIT will transfer all of the Retail Segment Property to Primaris REIT for no consideration by way of a “qualifying disposition” (as defined in subsection 107.4(1) of the Tax Act (the “**Qualifying Disposition**”));
18. Concurrently with the transfer described in Section 3.1(17), each Existing REIT Option will be exchanged for one New REIT Option and one Primaris REIT Option. The aggregate exercise price of the New REIT Option and the Primaris REIT Option immediately after the exchange will be equal to the exercise price of the Existing REIT Option immediately before the exchange. The exercise price of the Existing REIT Option will be apportioned between the New REIT Option and the Primaris REIT Option *pro rata* based on the post-Qualifying Disposition fair market values of the REIT Units and the Primaris REIT Units, as determined by the REIT Trustees in accordance with the REIT Option Plan and the Primaris REIT Option Plan;
19. Each REIT Option held by an employee of Primaris REIT (or any of its subsidiaries) will be exchanged for a number of Primaris REIT Options having equivalent value to the exchanged REIT Options as specified in the Notice of Determination, provided for greater certainty that (a) the amount, if any, by which the fair market value of the Primaris REIT Units receivable on the exercise of such Primaris REIT Options immediately after such exchange exceeds the total exercise price payable therefor shall not exceed (b) the amount, if any, by which the fair market value of the REIT Units receivable on the exercise of the exchanged REIT Option immediately before the exchange exceeds the total exercise price that was payable therefor under the exchanged REIT Option;
20. Each Primaris REIT Option held by an employee of the REIT (or any of its subsidiaries) will be exchanged for a number of REIT Options having equivalent value to the exchanged Primaris REIT Options as specified in the Notice of Determination, provided for greater certainty that (a) the amount, if any, by which the fair market value of the REIT Units receivable on the exercise of such REIT Options immediately after such exchange exceeds the total exercise price payable therefor shall not exceed (b) the amount, if any, by which the fair market value of the Primaris REIT Units receivable on the exercise of the exchanged Primaris REIT Option immediately before the exchange exceeds the total exercise price that was payable therefor under the exchanged Primaris REIT Option;
21. The Incentive Units held by employees of Primaris REIT (or any of its subsidiaries) will be exchanged for Primaris REIT Incentive Units having equivalent value to the exchanged Incentive Units as specified in the Notice of Determination, provided for greater certainty that (a) the fair market value of the Primaris REIT Units receivable on the settlement of such Primaris REIT Incentive Units immediately after such exchange (net of the amount payable for such Primaris REIT Units, if any) shall not exceed (b) the aggregate fair market value of the REIT Units and Primaris REIT Units receivable on the settlement of the Incentive Units immediately before the exchange;
22. The terms of the Incentive Units held by employees of the REIT (or any of its subsidiaries) will be further adjusted, amended or amended and restated as necessary to provide for the settlement, upon vesting, in cash, REIT Units, or any combination thereof;
23. The REIT will subscribe for a number of New Primaris Master LP Exchangeable Units equal to the aggregate number of Primaris REIT Units which would be required to be delivered to the holders of H&R Class B Units on the exchange of such units for REIT Units and Primaris REIT Units, which number shall be specified in the Notice of Determination. The subscription price payable by the REIT for such units shall be set-off against the amount owing to the REIT by New Primaris Master LP under the New Primaris Master LP Note, in full and final satisfaction of each such obligation;
24. Simultaneously with the step described in Section 3.1(23), Primaris REIT will issue an equal number of Primaris Special Voting Units to the REIT for no additional consideration, in accordance with the Primaris REIT Declaration of Trust, and the REIT will enter into the Voting Agreement with the holders of HRMSLP Class B Units;
25. The Primaris REIT Units shall be consolidated or split, if and as specified in the Notice of Determination. Any fractional Primaris REIT Units resulting from such a consolidation will be redeemed by Primaris REIT for an amount in cash equal to such fraction multiplied by the Primaris Redemption Price;

26. The REIT will pay the amount owing under the Spin-out Primaris Subscription Note, with such payment to be made from the funds held by the Depositary as a agent for and on behalf of the REIT as a result of the transaction described in Section 3.1(15), which funds will thereupon be held by the Depositary as agent for and on behalf of Primaris REIT, and the Spin-out Primaris Subscription Note will thereupon be cancelled; and
27. The Post-Plan Trustees will be appointed as trustees of Primaris REIT, in replacement of the Initial Primaris Trustee.

For greater certainty, none of the foregoing steps shall occur unless all the foregoing steps occur.

3.2 Determination of Certain Amounts

For greater certainty, (a) the REIT will make the determinations and calculations contemplated to be made in Section 3.1 and will complete and deliver to PRR Investments, at or prior to the Effective Time, the Notice of Determination, and (b) the REIT will determine the amount, if any, of any distribution of undistributed taxable income pursuant to subsection 3.1(5) and will notify PRR Investments of such amount.

3.3 Pre-Effective Time Procedures

Prior to the Effective Time, the REIT will deliver, or cause to be delivered, to the Depositary, an amount equal to the Spin-out Primaris Subscription Amount, to be held as agent for and on behalf of the REIT and applied in accordance with the steps set out in Section 3.1.

3.4 Post-Effective Time Procedures

- (a) The REIT will deliver or arrange to be delivered to the Depositary certificates representing Primaris REIT Units, which certificates will be held by the Depositary for distribution to Registered Unitholders in accordance with Article 4 hereof.
- (b) In accordance with the provisions of Article 4 hereof, Registered Unitholders will be entitled to receive delivery of the certificates representing Primaris REIT Units to which they are entitled hereunder.
- (c) PRR Investments will file articles of dissolution under the ABCA to effect its dissolution.

ARTICLE 4 DELIVERY OF SECURITIES

4.1 Transfers Free of Encumbrances

Any transfer of any securities pursuant to the Arrangement shall be free and clear of any liens, claims, encumbrances, charges, adverse interests or security interests.

4.2 Delivery of Primaris REIT Unit Certificates

The Depositary shall deliver to each REIT Unitholder following the Effective Time a certificate or instruments representing the Primaris REIT Units to which such holder is entitled to receive hereunder pursuant to Section 3.1.

4.3 Withholding Rights

The REIT, Primaris REIT, the Depositary and each Intermediary shall be entitled to deduct and withhold from any payment or distribution otherwise payable under this Plan of Arrangement, including any amounts payable or distributable to any holder of REIT Units, Primaris REIT Units, Special Voting Units, Primaris Special Voting Units, or H&R Class B Units, (or, where deduction or withholding is not practicable, to otherwise recover from the recipient of any such payment or distribution) such amounts as the REIT, Primaris REIT, the Depositary, or such Intermediary, is required or permitted to deduct and withhold with respect to such payment or distribution under the Tax Act or any provision of any applicable federal, provincial, state, local or foreign tax law, in each case, as amended. To the extent that amounts are so deducted or withheld, such deducted or withheld amounts shall be treated for all purposes hereof as having been paid to the applicable recipient in respect of which such deduction and withholding was made, provided that such deducted or withheld amounts are actually remitted to the appropriate taxing authority.

ARTICLE 5 AMENDMENTS

5.1 Amendments

The REIT and PRR Investments, in their sole discretion, reserve the right to amend, modify and/or supplement this Plan of Arrangement from time to time at any time prior to the Effective Time provided that any such amendment, modification or supplement must be (i) contained in a written document, (ii) agreed to by each of the REIT and PRR Investments, and (iii) filed with the Court and, if made following the Meeting, approved by the Court.

5.2 Effectiveness of Amendments Made Prior to or at the Meeting

Any amendment, modification or supplement to this Plan of Arrangement may be proposed by the REIT and PRR Investments at any time prior to or at the Meeting (provided that each of the REIT and PRR Investments shall have consented thereto) with or without any other prior notice or communication, and if so proposed and accepted by the holders of Special Voting Units and REIT Units voting at the Meeting, in the manner required by the Interim Order and subsequently approved by the Court, shall become part of this Plan of Arrangement for all purposes.

5.3 Effectiveness of Amendments Made Following the Meeting

Any amendment, modification or supplement to this Plan of Arrangement may be proposed by the REIT and PRR Investments after the Meeting but prior to the Effective Time (provided that each of the REIT and PRR Investments shall have consented thereto) and any such amendment, modification or supplement which is approved by the Court following the Meeting shall be effective and shall become part of the Plan of Arrangement.

ARTICLE 6 GENERAL

6.1 Further Assurances

Notwithstanding that the transactions, steps and events set out herein shall occur and be deemed to occur as provided in and in the order set out in this Plan of Arrangement, each of the parties to the Arrangement Agreement shall make, do and execute, or cause to be made, done and executed, all such further acts, filings, deeds, agreements, indentures, supplemental indentures, amendments, forms, transfers, assurances, instruments or documents as may reasonably be requested or required by any of them in order to implement, effect, record or further document or evidence any of the transactions, steps or events set out herein.

6.2 Obligations of the REIT and Primaris REIT

The obligations of the REIT and Primaris REIT hereunder are not personally binding upon any trustee of the REIT or Primaris REIT, any registered or beneficial holder of REIT Units, Special Voting Units or Primaris REIT Units or any annuitant under a plan of which a registered or beneficial holder of REIT Units, Special Voting Units or Primaris REIT Units acts as trustee or carrier, and resort shall not be had to, nor shall recourse or satisfaction be sought from, any of the foregoing, but the property of the REIT or Primaris REIT, as applicable, or a specific portion thereof only shall be bound by such obligations. Any obligation of the REIT set out herein shall to the extent necessary to give effect to such obligation be deemed to constitute, subject to the provisions of the first sentence of this Section 6.2, an obligation of the trustees of the REIT in their capacity as trustees of the REIT. Any obligation of Primaris REIT set out herein shall to the extent necessary to give effect to such obligation be deemed to constitute, subject to the provisions of the first sentence of this Section 6.2, an obligation of the trustees of Primaris REIT in their capacity as trustees of Primaris REIT.

SCHEDULE E
FAIRNESS OPINION



CIBC World Markets Inc.

Brookfield Place
161 Bay Street, 7th floor
Toronto, Ontario M5J 2S8

Tel: 416 594-7000

October 26, 2021

The Board of Trustees
of H&R REIT
3265 Dufferin St., Suite 500
Toronto, ON M3K 1N4

To the Board of Trustees:

CIBC World Markets Inc. ("CIBC", "we", "us" or "our") understands that H&R REIT ("H&R" or the "REIT") is proposing to:

- i) enter into an arrangement agreement (the "Arrangement Agreement") with PRR Investments Inc. providing for a plan of arrangement resulting in, among other things, a tax-free spin-off of H&R's Primaris assets and the receipt by holders of units of H&R ("H&R Units" and the holders of H&R Units, "H&R Unitholders") of Series A units ("Primaris REIT Series A Units") of a newly formed real estate investment trust expected to be called Primaris Real Estate Investment Trust ("Primaris REIT") (the "Arrangement"); and
- ii) enter into a purchase and sale agreement (the "Purchase and Sale Agreement") between Primaris REIT and HOOPP Realty Inc., Lansdowne Mall Inc. and Lansdowne Industrial Inc., affiliates of Healthcare of Ontario Pension Plan (collectively, "HOOPP") providing for, among other things, the acquisition by Primaris REIT of certain properties currently owned directly or indirectly by HOOPP and set out in the Purchase and Sale Agreement (the "HOOPP Properties") in exchange for the Consideration (as defined below) (such acquisition, the "Acquisition" and, together with the Arrangement, the "Proposed Transaction").

We understand that pursuant to the Arrangement:

- a) The Arrangement will be effected by way of a plan of arrangement under section 193 of the *Business Corporations Act* (Alberta);
- b) H&R's Primaris assets (comprising of 27 properties located across six provinces in Canada representing an aggregate GLA of 7.6 million square feet) (the "Primaris Properties") shall be transferred to Primaris REIT, and all of the then issued and outstanding Primaris REIT units, series A ("Primaris REIT Series A Units") shall be delivered to the H&R Unitholders (the "Distribution");
- c) H&R Unitholders will hold Primaris REIT Series A Units alongside their existing H&R Units or special voting units, as applicable. The H&R Units will continue to trade on the TSX under the ticker symbol "HR.UN" and Primaris REIT Series A Units will, subject to the approval of the TSX, trade on the TSX under the ticker symbol "PMZ.UN"; and
- d) the completion of the Arrangement will be conditional upon, among other things, approval by a two-thirds of the votes cast by the H&R Unitholders who are present in person or represented by proxy at the special meeting (the "Special Meeting") of such securityholders;

We understand that pursuant to the Purchase and Sale Agreement:

- a) Following the completion of the Arrangement, Primaris REIT shall purchase the HOOPP Properties in exchange for some combination (at the election of HOOPP) of Primaris REIT Series A Units and/or Primaris REIT Non-Voting Units, Series B (collectively, the "Primaris REIT Units"), collectively representing approximately 26% of the total issued and outstanding Primaris REIT Units (on a partially diluted basis) and a non-interest bearing promissory note in the principal amount of approximately \$200.21 million (such total amount payable, the "Consideration"); and
- b) the completion of the Acquisition will be conditional upon, among other things, the completion of the Arrangement.



The terms and conditions of the Proposed Transaction will be described in a management information circular of the REIT and related documents (collectively, the “Circular”) that will be mailed to the H&R Unitholders in connection with the Special Meeting.

Engagement of CIBC

By letter agreement, effective as of June 30, 2021, (the “Engagement Agreement”), the REIT retained CIBC to act as financial advisor to the REIT and its board of trustees (the “Board of Trustees”) in connection with the Proposed Transaction. Pursuant to the Engagement Agreement, the REIT has requested that we prepare and deliver to the Board of Trustees our written opinion (the “Opinion”) as to the fairness, from a financial point of view, of: (i) the distribution to H&R Unitholders pursuant to the Arrangement is fair, from a financial point of view, to the H&R Unitholders, and (ii) that the consideration to be paid to HOOPP by Primaris REIT is fair, from a financial point of view, to Primaris REIT.

The REIT has agreed to reimburse CIBC for its reasonable out-of-pocket expenses and to indemnify CIBC in respect of certain liabilities that might arise out of our engagement.

In the ordinary course of business and unrelated to the Proposed Transactions, Canadian Imperial Bank of Commerce, an affiliate of CIBC, is a lender to H&R REIT.

Credentials of CIBC

CIBC is one of Canada’s largest investment banking firms with operations in all facets of corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading and investment research. The Opinion expressed herein is the opinion of CIBC and the form and content herein have been approved for release by a committee of its managing directors and internal counsel, each of whom is experienced in merger, acquisition, divestiture and valuation matters.

Scope of Review

In connection with rendering our Opinion, we have reviewed and relied upon, among other things, the following:

- i) The annual reports, including the comparative audited financial statements and management’s discussion and analysis, of H&R for the fiscal years ended December 31, 2018, 2019 and 2020
- ii) The interim reports, including the comparative unaudited financial statements and management’s discussion and analysis, of H&R for the three months ended March 31 and June 30, 2021;
- iii) Drafts of: Arrangement Agreement, including the accompanying plan of arrangement and the Purchase and Sale Agreement;
- iv) Certain internal financial, operational, corporate and other information prepared or provided by the management of H&R including internal operating and financial budgets, business plans and projections;
- v) Draft and final appraisals prepared by Jones Lang LaSalle Incorporated with respect to each of the assets and the entire portfolio, with various dates ranging from August 11 to October 6, 2021;
- vi) Selected public market trading statistics and relevant financial information of comparable public entities;
- vii) Selected financial statistics and relevant financial information with respect to relevant precedent transactions;
- viii) Selected relevant reports published by equity research analysts and industry sources regarding comparable public entities;
- ix) A draft certificate addressed to CIBC, dated as of the date of the fairness opinion, from two senior officers of H&R as to the completeness and accuracy of information received and utilized by CIBC in the preparation of its opinion;
- x) Discussions with members of the senior management of H&R, regarding H&R’s past and current business operations, financial condition and future prospects;
- xi) A certificate addressed to us, dated as of the date hereof, from two senior officers of the REIT, as to the completeness and accuracy of the Information (as defined below); and
- xii) Such other information, analyses, investigations, and discussions as we considered necessary or appropriate in the circumstances.



We have also participated in discussions with Blake, Cassels & Graydon LLP, external legal counsel to the REIT, concerning the Proposed Transaction, the Arrangement Agreement, the Purchase and Sale Agreement and related matters.

Assumptions and Limitations

Our Opinion is subject to the assumptions, qualifications and limitations set forth below.

We have not been asked to prepare and have not prepared a formal valuation or appraisal of any of the assets or securities of the REIT, Primaris REIT, HOOPP or any of their respective affiliates and our Opinion should not be construed as such, nor have we been requested to identify, solicit, consider or develop any potential alternatives to the Proposed Transaction.

With your permission, we have relied upon, and have assumed the completeness, accuracy and fair presentation of all financial and other information, data, advice, opinions and representations obtained by us from public sources, or provided to us by the REIT, HOOPP or any of their affiliates or advisors or otherwise obtained by us pursuant to our engagement, and our Opinion is conditional upon such completeness, accuracy and fair presentation. We have not been requested to or attempted to verify independently the accuracy, completeness or fairness of presentation of any such information, data, advice, opinions and representations. We have not met separately with the independent auditors of the REIT, the Primaris Properties or the HOOPP Properties in connection with preparing this Opinion and with your permission, we have assumed the accuracy and fair presentation of, and relied upon, the REIT's audited financial statements and the reports of the auditors thereon and the REIT's interim unaudited financial statements.

With respect to the historical financial data, operating and financial forecasts and budgets provided to us concerning the REIT, the Primaris Properties and the HOOPP Properties and relied upon in our financial analyses, we have assumed that they have been reasonably prepared on bases reflecting the most reasonable assumptions, estimates and judgments of management of the REIT having regard to the REIT's business, plans, financial condition and prospects.

We have also assumed that all of the representations and warranties contained in the Arrangement Agreement and the Purchase and Sale Agreement are correct as of the date hereof and that the Proposed Transaction will be completed substantially in accordance with its terms and all applicable laws and that the Circular will disclose all material facts relating to the Proposed Transaction and will satisfy all applicable legal requirements.

The REIT has represented to us, in a certificate of two senior officers of the REIT dated the date hereof, among other things, that the information, data and other material (financial or otherwise) provided to us by or on behalf of the REIT, including the written information and discussions concerning the REIT referred to above under the heading "Scope of Review" (collectively, the "Information"), are complete and correct at the date the Information was provided to us and that, since the date on which the Information was provided to us, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the REIT or any of its affiliates and no material change has occurred in the Information or any part thereof which would have or which would reasonably be expected to have a material effect on the Opinion.

We are not legal, tax or accounting experts and we express no opinion concerning any legal, tax or accounting matters concerning the Proposed Transaction or the sufficiency of this letter for your purposes.

Our Opinion is rendered on the basis of securities markets, economic and general business and financial conditions prevailing as at the date hereof and the conditions and prospects, financial and otherwise, of the REIT, the Primaris Properties and the HOOPP Properties as they are reflected in the Information and as they were represented to us in our discussions with management of the REIT and its affiliates and advisors. In our analyses and in connection with the preparation of our Opinion, we made numerous assumptions with respect to industry performance, general business, markets and economic conditions and other matters, many of which are beyond the control of any party involved in the Proposed Transaction.

The Opinion is being provided to the Board of Trustees for its exclusive use only in considering the Proposed Transaction and may not be published, disclosed to any other person, relied upon by any other person, or used for any other purpose, without the prior written consent of CIBC. Our Opinion is not intended to be and does not constitute a recommendation to the Board of Trustees as to whether they should approve the Arrangement



Agreement nor as a recommendation to any H&R Unitholder as to how to vote or act at any corresponding special meeting or as an opinion concerning the trading price or value of any securities of H&R or Primaris REIT following the announcement or completion of the Proposed Transaction.

CIBC believes that its financial analyses must be considered as a whole and that selecting portions of its analyses and the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the Opinion. The preparation of a fairness opinion is complex and is not necessarily susceptible to partial analysis or summary description and any attempt to carry out such could lead to undue emphasis on any particular factor or analysis.

The Opinion is given as of the date hereof and, although we reserve the right to change or withdraw the Opinion if we learn that any of the information that we relied upon in preparing the Opinion was inaccurate, incomplete or misleading in any material respect, we disclaim any obligation to change or withdraw the Opinion, to advise any person of any change that may come to our attention or to update the Opinion after the date of this Opinion.

Opinion

Based upon and subject to the foregoing and such other matters as we considered relevant, it is our opinion, as of the date hereof, that:

- (i) the Distribution to H&R Unitholders, pursuant to the Arrangement Agreement, is fair, from a financial point of view, to the H&R Unitholders; and
- (ii) the Consideration to be paid to HOOPP by Primaris REIT, pursuant to the Purchase and Sale Agreement, is fair, from a financial point of view, to Primaris REIT.

Yours very truly,

CIBC World Markets Inc.

SCHEDULE F

COMBINED CARVE-OUT FINANCIAL STATEMENTS – PRIMARIS SPIN-OUT PROPERTIES

Unaudited condensed interim combined carve-out financial statements of

PRIMARIS RETAIL PROPERTIES

For the three and six months ended June 30, 2021 and 2020

PRIMARIS RETAIL PROPERTIES

Unaudited Condensed Interim Combined Carve-Out Statements of Financial Position
(In thousands of Canadian dollars)

		June 30	December 31
	<i>Note</i>	2021	2020
Assets			
Investment properties	3	\$ 2,208,541	\$ 2,103,675
Other assets	4	16,406	16,272
Cash and cash equivalents		7,816	15,008
		\$ 2,232,763	\$ 2,134,955
Liabilities			
Debt	5	\$ 785,562	\$ 609,900
Exchangeable units	6	-	19,244
Accounts payable and accrued liabilities	7	288,123	504,111
		1,073,685	1,133,255
Net assets		1,159,078	1,001,700
Commitments and contingencies	12		
Subsequent events	13		
		\$ 2,232,763	\$ 2,134,955

See accompanying notes to the unaudited condensed interim combined carve-out financial statements.

PRIMARIS RETAIL PROPERTIES

Unaudited Condensed Interim Combined Carve-Out Statements of Net Income (Loss)
(In thousands of Canadian dollars)

		Three months ended June 30		Six months ended June 30	
	<i>Note</i>	2021	2020	2021	2020
Property operating income:					
Rentals from investment properties	8	\$ 59,630	\$ 62,568	\$ 123,456	\$ 133,048
Property operating costs		(27,040)	(46,739)	(59,099)	(80,024)
		32,590	15,829	64,357	53,024
Finance cost - operations	9	(4,729)	(5,228)	(9,782)	(10,287)
Finance income	9	2	66	7	113
General and administrative (expenses) recoveries		(551)	453	(1,104)	(46)
Fair value adjustment on investment properties	3	(7,256)	(5,882)	84,656	(672,048)
Fair value adjustment on financial instruments	9	(3,127)	(1,562)	(4,532)	21,332
Net income (loss)		\$ 16,929	\$ 3,676	\$ 133,602	\$ (607,912)

See accompanying notes to the unaudited condensed interim combined carve-out financial statements.

PRIMARIS RETAIL PROPERTIES

Unaudited Condensed Interim Combined Carve-Out Statements of Changes in Net Assets
(In thousands of Canadian dollars)

NET ASSETS	Value of Net Assets	Accumulated net income	Accumulated distributions	Total
Net assets, January 1, 2020	\$ 1,511,716	\$ 60,225	\$ 3,962	\$ 1,575,903
Net loss	-	(607,912)	-	(607,912)
Distributions	-	-	249	249
Net assets, June 30, 2020	\$ 1,511,716	\$ (547,687)	\$ 4,211	\$ 968,240
Net income	-	33,434	-	33,434
Distributions	-	-	26	26
Net assets, December 31, 2020	\$ 1,511,716	\$ (514,253)	\$ 4,237	\$ 1,001,700
Conversion of exchangeable units	23,776	-	-	23,776
Net income	-	133,602	-	133,602
Net assets, June 30, 2021	\$ 1,535,492	\$ (380,651)	\$ 4,237	\$ 1,159,078

See accompanying notes to the unaudited condensed interim combined carve-out financial statements.

PRIMARIS RETAIL PROPERTIES

Unaudited Condensed Interim Combined Carve-Out Statements of Cash Flows
(In thousands of Canadian dollars)

	<i>Note</i>	Six months ended June 30	
		2021	2020
Cash provided by (used in):			
Operations:			
Net income (loss)		\$ 133,602	\$ (607,912)
Finance cost - operations	9	9,782	10,287
Interest paid		(12,017)	(11,683)
Items not affecting cash:			
Fair value adjustment on investment properties	3	(84,656)	672,048
Fair value adjustment on financial instruments	9	4,532	(21,332)
Change in other non-cash operating items	10	(216,355)	191,904
		(165,112)	233,312
Investing:			
Investment properties:			
Redevelopment	3, 10	(9,205)	(34,800)
Capital expenditures	3	(4,214)	(2,576)
Leasing expenses and tenant inducements	3	(4,882)	(2,182)
		(18,301)	(39,558)
Financing:			
Line of credit	5(b)	187,000	(172,700)
Mortgages payable:			
New mortgages payable	5(a)	230,557	-
Principal repayments	5(a)	(241,336)	(11,161)
Distributions		-	249
		176,221	(183,612)
Increase (decrease) in Cash and cash equivalents		(7,192)	10,142
Cash and cash equivalents, beginning of year		15,008	8,010
Cash and cash equivalents, end of period		\$ 7,816	\$ 18,152

See note on supplemental cash flow information (note 10).

See accompanying notes to the unaudited condensed interim combined carve-out financial statements.

PRIMARIS RETAIL PROPERTIES

Notes to Unaudited Condensed Interim Combined Carve-Out Financial Statements
(In thousands of Canadian dollars, except Unit and per Unit amounts)

For the three and six months ended June 30, 2021 and 2020

These unaudited condensed combined carve-out interim financial statements of Primaris Retail Properties (“PRP”) represent the combination of 27 retail properties, located throughout Canada, with 25 of the properties being owned by Primaris Retail REIT (the “REIT”) and 2 of the properties being owned directly by H&R REIT (the “Parent”). The unaudited condensed combined carve-out financial statements exclude properties sold by the Parent prior to June 30, 2021. The principal office and centre of administration of the REIT is located at 26 Wellington Street East, Suite 400, Toronto, Ontario, M5E 1S2.

Countries around the world have been affected by the COVID-19 virus, which was declared a pandemic by The World Health Organization on March 11, 2020. The outbreak of COVID-19 has resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The duration and full impact of the COVID-19 pandemic on PRP is unknown at this time, as is the efficacy of the government’s interventions. The extent of the effect of COVID-19 on PRP’s operational and financial performance will depend on numerous factors including the duration, spread, time frame and effectiveness of vaccination roll-out, all of which are uncertain and difficult to predict. As a result, it is not currently possible to ascertain the long-term impact of COVID-19 on PRP’s business and operations. Certain aspects of PRP’s business and operations that have been and will continue to be impacted include rental income, occupancy, tenant inducements and future demand for space. In the preparation of the unaudited condensed interim combined carve-out financial statements, PRP has incorporated the impact of COVID-19 into its estimates and assumptions that affect the carrying amounts of its assets. PRP has updated its future cash flows assumptions and its capitalization rates, terminal capitalization rates, and discount rates applied to these cash flows as well as updated its assumptions around the valuation of its accounts receivable.

1. Basis of preparation:

(a) Statement of compliance

These unaudited condensed interim combined carve-out financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed. The December 31, 2020 comparative financial information has been derived from the December 31, 2020 audited combined carve-out financial statements.

The unaudited condensed interim combined carve-out financial statements were approved by the Board of Trustees of the Parent on November 5, 2021.

(b) Functional currency and presentation

These unaudited condensed interim combined carve-out financial statements are presented in Canadian dollars, except where otherwise stated, which is PRP’s functional currency. All financial information has been rounded to the nearest thousand Canadian dollar.

PRP presents its unaudited condensed interim combined carve-out statements of financial position based on the liquidity method, where all assets and liabilities are presented in ascending order of liquidity.

(c) Basis of measurement

The unaudited condensed interim combined carve-out financial statements have been prepared on the historical cost basis except for the following items in the unaudited condensed interim combined carve-out statements of financial position which have been measured at fair value:

- (i) Investment properties; and
- (ii) Exchangeable units.

PRIMARIS RETAIL PROPERTIES

Notes to Unaudited Condensed Combined Carve-Out Financial Statements

(In thousands of Canadian dollars, except Unit and per Unit amounts)

For the three and six months ended June 30, 2021 and 2020

2. Significant accounting policies:

The accounting policies applied by PRP in these unaudited condensed interim combined carve-out financial statements are the same as those applied in the audited combined carve-out financial statements as at and for the year ended December 31, 2020.

3. Investment properties:

		June 30, 2021	December 31, 2020
	<i>Note</i>	Investment Properties	Investment Properties
Opening balance, beginning of year		\$ 2,103,675	\$ 2,708,260
Operating capital:			
Capital expenditures		4,214	11,304
Leasing expenses and tenant inducements		4,882	3,383
Development capital:			
Redevelopment (including capitalized interest)		10,509	69,127
Accrued rents receivable	10	605	3,637
Fair value adjustment on investment properties		84,656	(692,036)
Closing balance, end of period		\$ 2,208,541	\$ 2,103,675

Fair value disclosure:

The estimated fair values of PRP's investment properties are based on the following methods and significant assumptions:

- (i) Discounted cash flow analyses which are based upon, among other things, future cash inflows in respect of rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the reporting period, less future cash outflows in respect of such leases and capital expenditures for the property utilizing appropriate discount rates and terminal capitalization rates, generally over a minimum term of 10 years; and
- (ii) The direct capitalization method which calculates fair value by applying a capitalization rate to future cash flows based on stabilized net operating income.

When an external independent appraisal is obtained, PRP's internal valuation team assesses the significant assumptions used in the independent appraisal and holds discussions with the external independent appraiser on the reasonableness of their assumptions. No external independent appraisals were received in the six months ended June 30, 2021 and the year ended December 31, 2020.

PRP utilizes external industry sources to determine a range of capitalization, discount and terminal capitalization rates. To the extent that the ranges of these externally provided rates change from one reporting period to the next, the fair value of the investment properties is increased or decreased accordingly.

The following table highlights the significant assumptions used in determining the fair value of PRP's investment properties:

	Discount Rates	Terminal Capitalization Rates
June 30, 2021	8.10%	7.31%
December 31, 2020	8.40%	7.66%

PRIMARIS RETAIL PROPERTIES

Notes to Unaudited Condensed Combined Carve-Out Financial Statements

(In thousands of Canadian dollars, except Unit and per Unit amounts)

For the three and six months ended June 30, 2021 and 2020

3. Investment properties (continued):

PRP reviewed the assumptions used in determining the fair value of investment properties as at June 30, 2021. Although the retail portfolio continues to be impacted by the pandemic, there have been favourable outcomes partially increasing the fair value of PRP's portfolio for the six months ended June 30, 2021.

Fair value sensitivity:

PRP's investment properties are classified as level 3 under the fair value hierarchy, as the inputs in the valuations of these investment properties are not based on observable market data. The following table provides a sensitivity analysis for the weighted average capitalization rate which is representative of the discount rate and terminal capitalization rate applied as at June 30, 2021:

Capitalization Rate Sensitivity Increase (Decrease)	Capitalization Rate	Fair Value of Investment Properties	Fair Value Variance	% Change
(0.75%)	6.46%	\$ 2,464,951	\$ 256,410	11.61%
(0.50%)	6.71%	\$ 2,373,112	\$ 164,571	7.45%
(0.25%)	6.96%	\$ 2,287,871	\$ 79,330	3.59%
June 30, 2021	7.21%	\$ 2,208,541	\$ -	0.00%
0.25%	7.46%	\$ 2,134,528	\$ (74,013)	(3.35%)
0.50%	7.71%	\$ 2,065,315	\$ (143,226)	(6.49%)
0.75%	7.96%	\$ 2,000,450	\$ (208,091)	(9.42%)

4. Other assets:

	June 30 2021	December 31 2020
Current:		
Prepaid expenses and sundry assets	\$ 11,404	\$ 5,483
Accounts receivable ⁽¹⁾ - net of provision for expected credit loss of \$11,313 (2020 - \$12,945)	5,002	10,789
	\$ 16,406	\$ 16,272

(1) In determining the expected credit loss, PRP performed a tenant-by-tenant assessment considering the payment history and future expectations of default based on actual and expected insolvency filings. The following is a summary of the changes in the provision for expected credit loss impacted by COVID-19:

	June 30 2021	December 31 2020
Opening balance, beginning of year	\$ 12,945	\$ 602
Bad debt expense ⁽¹⁾	984	36,193
Accounts receivable write-off ⁽¹⁾	(2,616)	(23,850)
Closing balance, end of period	\$ 11,313	\$ 12,945

(1) Year ended December 31, 2020 includes \$5,357 of rent abatements granted under the Canada Emergency Commercial Rent Assistance (CECRA) program.

PRIMARIS RETAIL PROPERTIES

Notes to Unaudited Condensed Combined Carve-Out Financial Statements

(In thousands of Canadian dollars, except Unit and per Unit amounts)

For the three and six months ended June 30, 2021 and 2020

5. Debt:

PRP's debt consists of the following items:

	Note	June 30 2021	December 31 2020
Mortgages payable	5(a)	\$ 598,562	\$ 609,900
Line of credit	5(b)	187,000	-
		\$ 785,562	\$ 609,900

(a) Mortgages payable:

The mortgages payable are secured by nine investment properties with an aggregate fair value of \$1,187,700, bear interest at fixed rates with a contractual weighted average rate of 3.09% (December 31, 2020 - 3.89%) per annum and mature between 2021 and 2030 (December 31, 2020 - maturing between 2021 and 2030).

Mortgages payable related to certain properties are held by separate legal entities, where the rent received from each property is first used to satisfy the related debt obligations with any balance then available to satisfy the cash flow requirements of PRP.

Future principal mortgage payments are as follows:

	June 30 2021	December 31 2020
Years ending December 31:		
2021*	\$ 72,146	\$ 307,749
2022	362,814	137,433
2023	5,327	5,327
2024	41,223	41,223
2025	3,975	3,975
Thereafter	113,652	113,652
	599,137	609,359
Financing costs and mark-to-market adjustment arising on acquisitions	(575)	541
	\$ 598,562	\$ 609,900

* For the balance of the year.

The following is a summary of the changes in mortgages payable:

	June 30 2021	December 31 2020
Opening balance, beginning of year	\$ 609,900	\$ 631,612
Principal repayments:		
Scheduled amortization on mortgages	(10,982)	(22,622)
Mortgage repayments	(230,354)	(38,694)
New mortgages	230,557	41,795
Effective interest rate accretion on mortgages	(559)	(2,191)
Closing balance, end of period	\$ 598,562	\$ 609,900

PRIMARIS RETAIL PROPERTIES

Notes to Unaudited Condensed Combined Carve-Out Financial Statements
(In thousands of Canadian dollars, except Unit and per Unit amounts)

For the three and six months ended June 30, 2021 and 2020

5. Debt (continued):

(b) Line of credit:

PRP has the following line of credit:

	Maturity Date	Total Facility	Amount Drawn	PRP Guarantee ⁽²⁾	Available Balance
Revolving secured operating line of credit⁽¹⁾:					
June 30, 2021	December 31, 2021	\$ 300,000	\$ (187,000)	\$ (107,880)	\$ 5,120
December 31, 2020	December 31, 2021	\$ 300,000	\$ -	\$ (222,250)	\$ 77,750

⁽¹⁾ Secured by certain investment properties.

⁽²⁾ PRP provides guarantees on behalf of the Parent, a related party, on the U.S. dollar borrowings on the revolving secured operating line of credit (note 12(b)).

The line of credit can be drawn in either Canadian or U.S. dollars and bear interest at a rate approximating the prime rate of a Canadian chartered bank.

The following is a summary of the changes in the line of credit:

	June 30 2021	December 31 2020
Opening balance, beginning of year	\$ -	\$ 172,700
Net advances (repayments)	187,000	(172,700)
Closing balance, end of period	\$ 187,000	\$ -

6. Exchangeable units:

Certain of PRP's subsidiaries have in aggregate nil (December 31, 2020 - 1,447,994) exchangeable units outstanding which are puttable instruments where, upon redemption, PRP has a contractual obligation to issue Units of the Parent ("Units"). Holders of all exchangeable units are entitled to receive the economic equivalence of distributions on a per unit amount equal to a per Unit amount provided to holders of Units. These puttable instruments are classified as a liability under IFRS and are measured at fair value through profit or loss. At the end of each reporting period, the fair value is determined by using the quoted price of Units on the Toronto Stock Exchange ("TSX") as the exchangeable units are exchangeable into Units at the option of the holder. The quoted price as at June 30, 2021 was \$16.00 (December 31, 2020 - \$13.29) per Unit.

A summary of the carrying value of exchangeable units and the changes during the respective periods are as follows:

	June 30 2021	December 31 2020
Carrying value, beginning of year	\$ 19,244	\$ 39,693
Exchanged for Units	(23,776)	(4,228)
(Gain) loss on fair value of exchangeable units	4,532	(16,221)
Carrying value, end of period	\$ -	\$ 19,244

PRP has entered into various exchange agreements that provide, among other things, the mechanics whereby exchangeable units may be exchanged for Units.

PRIMARIS RETAIL PROPERTIES

Notes to Unaudited Condensed Combined Carve-Out Financial Statements

(In thousands of Canadian dollars, except Unit and per Unit amounts)

For the three and six months ended June 30, 2021 and 2020

7. Accounts payable and accrued liabilities:

	June 30 2021	December 31 2020
Current:		
Due to related party ⁽¹⁾	\$ 268,545	\$ 475,310
Other accounts payable and accrued liabilities	9,369	16,988
Debt interest payable	1,531	1,903
Prepaid rent	5,713	6,885
Non-current:		
Security deposits	2,965	3,025
	\$ 288,123	\$ 504,111

⁽¹⁾ PRP and the Parent have an unsecured, non interest bearing intercompany balance. The balance consists of funds advanced for operational activities and shared resources including key management personnel and common general and administration expenses.

8. Rentals from investment properties:

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Rental income	\$ 50,225	\$ 52,620	\$ 100,463	\$ 108,633
Revenue from services	10,062	9,706	22,388	24,101
Straight-lining of contractual rent	(657)	242	605	314
	\$ 59,630	\$ 62,568	\$ 123,456	\$ 133,048

9. Finance costs:

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Finance cost - operations				
Contractual interest on mortgages payable	\$ 4,897	\$ 6,186	\$ 10,737	\$ 12,430
Bank interest and charges on the line of credit	279	46	408	213
Effective interest rate accretion	(120)	(603)	(559)	(1,211)
Exchangeable unit distributions	250	433	500	1,081
	5,306	6,062	11,086	12,513
Capitalized interest ⁽¹⁾	(577)	(834)	(1,304)	(2,226)
	4,729	5,228	9,782	10,287
Finance income	(2)	(66)	(7)	(113)
Fair value adjustment on financial instruments	3,127	1,562	4,532	(21,332)
	\$ 7,854	\$ 6,724	\$ 14,307	\$ (11,158)

⁽¹⁾ The weighted average rate of borrowings for the capitalized interest is 3.60% (June 30, 2020 - 3.50%).

PRIMARIS RETAIL PROPERTIES

Notes to Unaudited Condensed Combined Carve-Out Financial Statements

(In thousands of Canadian dollars, except Unit and per Unit amounts)

For the three and six months ended June 30, 2021 and 2020

10. Supplemental cash flow information:

The following is a summary of changes in other non-cash operating items:

	Six months ended June 30	
	2021	2020
Accrued rents receivable	\$ (605)	\$ (534)
Prepaid expenses and sundry assets	(5,921)	1,154
Accounts receivable	5,787	(12,916)
Accounts payable and accrued liabilities	(215,616)	204,200
	\$ (216,355)	\$ 191,904

The following amounts have been excluded from operating, investing and financing activities in the unaudited condensed interim combined carve-out statements of cash flows:

		Six months ended June 30	
	Note	2021	2020
Non-cash items:			
Exchangeable units exchanged for Units	6	\$ 23,776	\$ -
Other items:			
Change in accounts payable included in finance cost - operations		372	(2,041)
Capitalized interest on redevelopment	9	(1,304)	(2,226)

PRIMARIS RETAIL PROPERTIES

Notes to Unaudited Condensed Combined Carve-Out Financial Statements

(In thousands of Canadian dollars, except Unit and per Unit amounts)

For the three and six months ended June 30, 2021 and 2020

11. Fair value measurement:

- (a) Financial assets and liabilities carried at amortized cost:

The fair values of PRP's accounts receivable, cash and cash equivalents, accounts payable and accrued liabilities approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments.

The fair value of mortgages payable and the line of credit have been determined by discounting the cash flows of these financial obligations using market rates for debt of similar terms and credit risks.

- (b) Fair value of assets and liabilities:

Assets and liabilities measured at fair value in the unaudited condensed interim combined carve-out statements of financial position, or disclosed in the notes to the unaudited condensed interim combined carve-out financial statements, are categorized using a fair value hierarchy that reflects the significance of the inputs used in determining the fair values:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

June 30, 2021	Note	Level 1	Level 2	Level 3	Total fair value	Carrying value
Assets measured at fair value						
Investment properties	3	\$ -	\$ -	\$ 2,208,541	\$ 2,208,541	\$ 2,208,541
Liabilities for which fair values are disclosed						
Mortgages payable	5(a)	-	(610,751)	-	(610,751)	(598,562)
Line of credit	5(b)	-	(187,199)	-	(187,199)	(187,000)
		-	(797,950)	-	(797,950)	(785,562)
		\$ -	\$ (797,950)	\$ 2,208,541	\$ 1,410,591	\$ 1,422,979

December 31, 2020	Note	Level 1	Level 2	Level 3	Total fair value	Carrying value
Assets measured at fair value						
Investment properties	3	\$ -	\$ -	\$ 2,103,675	\$ 2,103,675	\$ 2,103,675
Liabilities measured at fair value						
Exchangeable units	6	(19,244)	-	-	(19,244)	(19,244)
Liabilities for which fair values are disclosed						
Mortgages payable	5(a)	-	(628,427)	-	(628,427)	(609,900)
		(19,244)	(628,427)	-	(647,671)	(629,144)
		\$ (19,244)	\$ (628,427)	\$ 2,103,675	\$ 1,456,004	\$ 1,474,531

PRIMARIS RETAIL PROPERTIES

Notes to Unaudited Condensed Combined Carve-Out Financial Statements
(In thousands of Canadian dollars, except Unit and per Unit amounts)

For the three and six months ended June 30, 2021 and 2020

12. Commitments and contingencies:

- (a) In the normal course of operations, PRP has issued letters of credit in connection with developments, financings, operations and acquisitions. As at June 30, 2021, PRP has outstanding letters of credit totalling \$1,102 (December 31, 2020 - \$1,085).
- (b) PRP provides guarantees on behalf of third parties, including co-owners. As at June 30, 2021, PRP issued guarantees amounting to \$112,055 (December 31, 2020 - \$112,972), which expire between 2021 and 2027 (December 31, 2020 - expire between 2021 and 2027) relating to the co-owner's share of mortgage liability.

PRP provides guarantees on behalf of the Parent, a related party, on the U.S. dollar borrowings on the revolving secured operating line of credit. As at June 30, 2021, PRP issued guarantees amounting to U.S. \$87,000 (December 31, 2020 - U.S. \$175,000). The Canadian equivalent of these amounts is \$107,880 (December 31, 2020 - \$222,250).

Credit risks arise in the event that these parties default on repayment of their debt since they are guaranteed by PRP. These credit risks are mitigated as PRP has recourse under these guarantees in the event of a default by the borrowers, in which case PRP's claim would be against the underlying real estate investments.

- (c) PRP is obligated, under certain contract terms, to construct and develop investment properties.
- (d) PRP is involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the unaudited condensed interim combined carve-out financial statements.

13. Subsequent events:

- (a) In August 2021, PRP renewed a \$53,500 mortgage, at PRP's 50% ownership interest, secured by an enclosed shopping centre at an interest rate of 2.85% for a three-year term.
- (b) A Management Information Circular will be issued to unitholders of the Parent to approve a Plan of Arrangement (the "Arrangement") whereby the net assets of PRP will be transferred to a newly created unincorporated open-ended trust called Primaris Real Estate Investment Trust. Each existing Parent unitholder will receive one unit of Primaris Real Estate Investment Trust, for every one Parent unit held, subject to any consolidation or split of Primaris Real Estate Investment Trust units pursuant to the Arrangement.

In connection with the Arrangement, the Parent will apply to the Court of Queen's Bench of Alberta for an interim order confirming, among other things, the calling and holding of a meeting (the "Meeting") of the Parent's unitholders to be held in December 2021 to approve the Arrangement. In addition, the Parent has (i) applied to the Canada Revenue Agency for an advance income tax ruling confirming certain Canadian federal income tax consequences of the Arrangement, and (ii) applied for conditional approval from the TSX for the listing and posting for trading of the Primaris Real Estate Investment Trust units. Listing will be subject to the TSX's customary listing approval requirements. The Arrangement is subject to, among other things, the approval of the Parent's unitholders by way of the affirmative vote of at least two-thirds of the votes cast by the Parent's unitholders present in person or by proxy at the Meeting.



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of H&R REIT

Opinion

We have audited the combined carve-out financial statements of The Primaris Retail Properties ("the Entity"), which comprise:

- the combined carve-out statements of financial position as at December 31, 2018, 2019, and 2020
- the combined carve-out statements of net loss for the years then ended December 31, 2018, 2019, and 2020;
- the combined carve-out statements of changes in net assets for the years ended December 31, 2018, 2019, and 2020;
- the combined carve-out statements of cash flows for the years ended December 31, 2018, 2019, and 2020; and
- notes to the combined carve-out financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the combined carve-out financial position of the Entity as at December 31, 2018, 2019, and 2020, and its combined carve-out financial performance and its combined carve-out cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' 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 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.



Emphasis of Matter

We draw your attention to the preamble to the notes of the financial statements and Note 1 in the financial statements which describes the basis of preparation used in these financial statements.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises:

- the information other than the financial statements and the auditors' report thereon, included in the Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Management's Discussion and Analysis document as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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 International Financial Reporting Standards (IFRS), 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada
November 5, 2021

Combined Carve-Out Financial Statements of

PRIMARIS RETAIL PROPERTIES

Years ended December 31, 2020, 2019 and 2018

PRIMARIS RETAIL PROPERTIES

Combined Carve-Out Statements of Financial Position
(In thousands of Canadian dollars)

	<i>Note</i>	December 31 2020	December 31 2019	December 31 2018
Assets				
Investment properties	3	\$ 2,103,675	\$ 2,708,260	\$ 2,704,596
Other assets	4	16,272	16,443	12,798
Cash and cash equivalents		15,008	8,010	8,029
		<u>\$ 2,134,955</u>	<u>\$ 2,732,713</u>	<u>\$ 2,725,423</u>
Liabilities				
Debt	5	\$ 609,900	\$ 804,312	\$ 901,620
Exchangeable units	6	19,244	39,693	38,846
Accounts payable and accrued liabilities	7	504,111	312,805	165,202
		<u>1,133,255</u>	<u>1,156,810</u>	<u>1,105,668</u>
Net assets		1,001,700	1,575,903	1,619,755
Commitments and contingencies	14			
Subsequent events	16			
		<u>\$ 2,134,955</u>	<u>\$ 2,732,713</u>	<u>\$ 2,725,423</u>

See accompanying notes to the combined carve-out financial statements.

Approved on behalf of the Board of Trustees:

"Ronald Rutman" Trustee

"Thomas J. Hofstedter" Trustee

PRIMARIS RETAIL PROPERTIES

Combined Carve-Out Statements of Net Loss

(In thousands of Canadian dollars)

Years ended December 31, 2020, 2019 and 2018

	<i>Note</i>	2020	2019	2018
Property operating income:				
Rentals from investment properties	8	\$ 270,230	\$ 274,418	\$ 276,443
Property operating costs		(149,054)	(122,411)	(121,960)
		121,176	152,007	154,483
Finance cost - operations	9	(20,493)	(33,921)	(35,990)
Finance income	9	79	97	69
General and administrative (expenses) recoveries		575	(846)	(2,120)
Fair value adjustment on investment properties	3	(692,036)	(160,940)	(265,473)
Fair value adjustment on financial instruments	9	16,221	(847)	1,336
Net loss		\$ (574,478)	\$ (44,450)	\$ (147,695)

See accompanying notes to the combined carve-out financial statements.

PRIMARIS RETAIL PROPERTIES

Combined Carve-Out Statements of Changes in Net Assets

(In thousands of Canadian dollars)

Years ended December 31, 2020, 2019 and 2018

NET ASSETS	Value of Net Assets	Accumulated net income	Accumulated distributions	Total
Net assets, January 1, 2018	\$ 1,511,716	\$ 252,370	\$ 2,766	\$ 1,766,852
Net loss	-	(147,695)	-	(147,695)
Distributions	-	-	598	598
Net assets, December 31, 2018	1,511,716	104,675	3,364	1,619,755
Net loss	-	(44,450)	-	(44,450)
Distributions	-	-	598	598
Net assets, December 31, 2019	1,511,716	60,225	3,962	1,575,903
Net loss	-	(574,478)	-	(574,478)
Distributions	-	-	275	275
Net assets, December 31, 2020	\$ 1,511,716	\$ (514,253)	\$ 4,237	\$ 1,001,700

See accompanying notes to the combined carve-out financial statements.

PRIMARIS RETAIL PROPERTIES

Combined Carve-Out Statements of Cash Flows

(In thousands of Canadian dollars)

Years ended December 31, 2020, 2019 and 2018

	Note	2020	2019	2018
Cash provided by (used in):				
Operations:				
Net loss		\$ (574,478)	\$ (44,450)	\$ (147,695)
Finance cost - operations	9	20,493	33,921	35,990
Interest paid		(26,688)	(42,008)	(41,364)
Items not affecting cash:				
Fair value adjustment on investment properties	3	692,036	160,940	265,473
Fair value adjustment on financial instruments	9	(16,221)	847	(1,336)
Change in other non-cash operating items	10	183,704	143,996	(251,389)
		278,846	253,246	(140,321)
Investing:				
Investment properties:				
Redevelopment	3, 10	(65,215)	(117,843)	(39,182)
Capital expenditures	3	(11,304)	(27,389)	(22,520)
Leasing expenses and tenant inducements	3	(3,383)	(13,910)	(8,537)
		(79,902)	(159,142)	(70,239)
Financing:				
Line of credit	5(b)	(172,700)	(83,300)	236,000
Mortgages payable:				
New mortgages payable	5(a)	41,795	58,665	-
Principal repayments	5(a)	(61,316)	(70,086)	(21,490)
Distributions		275	598	598
		(191,946)	(94,123)	215,108
Increase (decrease) in cash and cash equivalents		6,998	(19)	4,548
Cash and cash equivalents, beginning of year		8,010	8,029	3,481
Cash and cash equivalents, end of year		\$ 15,008	\$ 8,010	\$ 8,029

See note on supplemental cash flow information (note 10).

See accompanying notes to the combined carve-out financial statements.

PRIMARIS RETAIL PROPERTIES

Notes to Combined Carve-Out Financial Statements

(In thousands of Canadian dollars, except Unit and per Unit amounts)

Years ended December 31, 2020, 2019 and 2018

These combined carve-out financial statements of Primaris Retail Properties (“PRP”) represent the combination of 27 retail properties, located throughout Canada, with 25 of the properties being owned by Primaris Retail REIT (“the “REIT”) and 2 of the properties being owned directly by H&R REIT (the “Parent”). The combined carve-out financial statements exclude properties sold by the Parent prior to December 31, 2020. The principal office and centre of administration of the REIT is located at 26 Wellington Street East, Suite 400, Toronto, Ontario, M5E 1S2.

Countries around the world have been affected by the COVID-19 virus, which was declared a pandemic by The World Health Organization on March 11, 2020. The outbreak of COVID-19 has resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The duration and full impact of the COVID-19 pandemic on PRP is unknown at this time, as is the efficacy of the government’s interventions. The extent of the effect of COVID-19 on PRP’s operational and financial performance will depend on numerous factors including the duration, spread, time frame and effectiveness of vaccination roll-out, all of which are uncertain and difficult to predict. As a result, it is not currently possible to ascertain the long-term impact of COVID-19 on PRP’s business and operations. Certain aspects of PRP’s business and operations that have been and will continue to be impacted include rental income, occupancy, tenant inducements and future demand for space. In the preparation of the combined carve-out financial statements, PRP has incorporated the impact of COVID-19 into its estimates and assumptions that affect the carrying amounts of its assets. PRP has updated its future cash flows assumptions and its capitalization rates, terminal capitalization rates, and discount rates applied to these cash flows as well as updated its assumptions around the valuation of its accounts receivable.

1. Basis of preparation:

(a) Statement of compliance

These combined carve-out financial statements have been prepared in accordance with IFRS as published by the International Accounting Standards Board and using accounting policies described herein.

The combined carve-out financial statements were approved by the Board of Trustees of the Parent on November 5, 2021.

(b) Functional currency and presentation

These combined carve-out financial statements are presented in Canadian dollars, except where otherwise stated, which is PRP’s functional currency. All financial information has been rounded to the nearest thousand Canadian dollar.

PRP presents its combined carve-out statements of financial position based on the liquidity method, where all assets and liabilities are presented in ascending order of liquidity.

(c) Basis of measurement

The combined carve-out financial statements have been prepared on the historical cost basis except for the following items in the combined carve-out statements of financial position which have been measured at fair value:

(i) Investment properties; and

(ii) Exchangeable units

(d) Use of estimates and judgements

The preparation of these combined carve-out financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates.

PRIMARIS RETAIL PROPERTIES

Notes to Combined Carve-Out Financial Statements

(In thousands of Canadian dollars, except Unit and per Unit amounts)

Years ended December 31, 2020, 2019 and 2018

1. Basis of preparation (continued):

(i) Use of 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. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the fair value of investment properties (note 3).

(ii) Use of judgements

The critical judgements made in applying accounting policies that have the most significant effect on the amounts recognized in these combined carve-out financial statements are as follows:

- Valuations of investment properties

Investment properties are carried on the combined carve-out statements of financial position at fair value, as determined by either external independent appraisers or by PRP's internal valuation team. The valuations are based on a number of methods and significant assumptions, such as capitalization rates, terminal capitalization rates, discount rates and estimates of future cash flows. Valuation of investment properties is one of the principal estimates and uncertainties of these combined carve-out financial statements. Refer to note 3 for further information on estimates and significant assumptions made in the determination of the fair value of investment properties. Judgement is applied in determining whether certain costs are additions to the carrying value of the investment properties, identifying the point at which practical completion of the property occurs and identifying the directly attributable borrowing costs to be included in the carrying value of the development properties.

- Leases

PRP makes judgements in determining whether certain leases, in particular those tenant leases with long contractual terms and long-term ground leases where PRP is the lessor, are operating or finance leases. PRP has determined that all of its leases, where PRP is the lessor, are operating leases.

- Business combinations

Accounting for business combinations under IFRS 3, *Business Combinations* ("IFRS 3") is only applicable if it is determined that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to PRP. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. In the absence of such criteria, a group of assets is deemed to have been acquired. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business. Judgement is used by management in determining whether the acquisition of an individual property, or group of properties, qualifies as a business combination in accordance with IFRS 3 or as an asset acquisition.

- Combined carve-out financial statements

There are significant judgements required when preparing combined carve-out financial statements. The inherent nature of the combined carve-out financial statements requires judgement in the separation of amounts from the Parent. There are a number of shared amounts that require judgement to separate for purposes of the combined carve-out statements which historically have not always been presented or tracked separately.

PRIMARIS RETAIL PROPERTIES

Notes to Combined Carve-Out Financial Statements

(In thousands of Canadian dollars, except Unit and per Unit amounts)

Years ended December 31, 2020, 2019 and 2018

2. Significant accounting policies:

The accounting policies set out below have been applied consistently for all periods presented in these combined carve-out financial statements.

(a) *Investment properties:*

PRP's investment properties are held to earn rental income or for capital appreciation, or both, but not for sale in the ordinary course of business. As such, investment properties are measured at fair value, under IAS 40, *Investment Property* ("IAS 40") using valuations prepared by either PRP's internal valuation team or external independent appraisers.

PRP performs an assessment of each investment property acquired to determine whether the acquisition is to be accounted for as an asset acquisition or a business combination. A transaction is considered to be a business combination if the acquired property meets the definition of a business under IFRS 3, as set out in note 1(d)(ii). PRP expenses transaction costs on business combinations and capitalizes transaction costs on asset acquisitions.

Upon acquisition, investment properties are initially recorded at cost, comprising its purchase price and any directly attributable expenditures. Subsequent to initial recognition, PRP uses the fair value model to account for investment properties. Under the fair value model, investment properties are recorded at fair value, determined based on available market evidence at each reporting date. The related gain or loss in fair value is recognized in net income in the year in which it arises.

Subsequent capital expenditures are capitalized to investment properties only when it is probable that future economic benefits of the expenditure will flow to PRP and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. Leasing costs, such as commissions incurred in negotiating tenant leases, are included in the carrying amount of the investment properties.

Gains or losses from the disposal of investment properties are determined as the difference between the net disposal proceeds and the carrying amount of the investment property and are recognized in net income in the year of disposal.

(b) *Cash and cash equivalents:*

Cash includes deposits in banks, certificate of deposit and short-term investments with original maturities of less than 90 days.

(c) *Joint operations:*

PRP considers investments in joint arrangements to be joint operations when the REIT makes operating, financial and strategic decisions over one or more investment properties jointly with another party and has direct rights to the assets and obligations for the liabilities relating to the arrangement. When the arrangement is considered to be a joint operation, PRP will include its share of the underlying assets, liabilities, revenue and expenses in its financial results.

(d) *Finance costs:*

Finance costs are comprised of interest expense on borrowings, distributions on exchangeable units classified as liabilities and gain (loss) on change in fair value of exchangeable units.

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

(e) *Revenue from contracts with customers:*

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") contains a single, control-based model that applies to contracts with customers and provides two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized.

PRIMARIS RETAIL PROPERTIES

Notes to Combined Carve-Out Financial Statements

(In thousands of Canadian dollars, except Unit and per Unit amounts)

Years ended December 31, 2020, 2019 and 2018

2. Significant accounting policies (continued):

PRP earns revenue from its tenants from various sources consisting of base rent for the use of space leased, recoveries of property tax and property insurance, and service revenue from utilities, cleaning and property maintenance costs.

Revenue from lease components is recognized on a straight-line basis over the lease term and includes the recovery of property taxes and insurance. Revenue recognition commences when a tenant has the right to use the premises.

Revenue related to the services component of PRP's leases is accounted for in accordance with IFRS 15. These services consist primarily of utilities, cleaning and property maintenance costs for which the revenue is recognized over time, typically as the costs are incurred, which is when the services are provided.

(f) Leases:

PRP, 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.

(g) Financial instruments:

IFRS 9, *Financial Instruments* ("IFRS 9") requires financial assets to be classified and measured based on the business model in which they are managed and the characteristics of their contractual cash flows. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at fair value through profit or loss ("FVTPL"):

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All of PRP's financial assets not classified as measured at amortized cost, as described above, are measured at FVTPL.

Under IFRS 9, the change in fair value of financial liabilities carried at FVTPL attributable to changes in the credit risk of the liability is presented in other comprehensive income, and the remaining amount of change in fair value is presented in profit or loss unless the treatment of the effects of the changes in the credit risk of the liability would create an accounting mismatch in profit or loss.

For impairment of financial assets, IFRS 9 has a forward-looking 'expected credit loss' ("ECL") model. A provision for ECL is recognized at each balance sheet date for all financial assets measured at amortized cost.

PRP applies the practical expedient to determine ECL on accounts receivable using a provision matrix based on historical credit loss experiences adjusted for current and forecasted future economic conditions to estimate lifetime ECL. The other ECL models applied to other financial assets also require judgement, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset.

Impairment losses are recorded in finance cost - operations in the combined carve-out statement of net loss with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts.

IFRS 9 also includes a general hedge accounting standard which aligns hedge accounting more closely with risk management. PRP's risk management strategy is disclosed in note 12.

PRIMARIS RETAIL PROPERTIES

Notes to Combined Carve-Out Financial Statements

(In thousands of Canadian dollars, except Unit and per Unit amounts)

Years ended December 31, 2020, 2019 and 2018

3. Investment properties:

		December 31, 2020	December 31, 2019	December 31, 2018
	Note	Investment Properties	Investment Properties	Investment Properties
Opening balance, beginning of year		\$ 2,708,260	\$ 2,704,596	\$ 2,896,100
Operating capital:				
Capital expenditures		11,304	27,389	22,520
Leasing expenses and tenant inducements		3,383	13,910	8,537
Development capital:				
Redevelopment (including capitalized interest)		69,127	123,192	41,962
Accrued rents receivable	10	3,637	113	950
Fair value adjustment on investment properties		(692,036)	(160,940)	(265,473)
Closing balance, end of year		\$ 2,103,675	\$ 2,708,260	\$ 2,704,596

Fair value disclosure:

The estimated fair values of PRP's investment properties are based on the following methods and significant assumptions:

- (i) Discounted cash flow analyses which are based upon, among other things, future cash inflows in respect of rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the reporting period, less future cash outflows in respect of such leases and capital expenditures for the property utilizing appropriate discount rates and terminal capitalization rates, generally over a minimum term of 10 years; and
- (ii) The direct capitalization method which calculates fair value by applying a capitalization rate to future cash flows based on stabilized net operating income.

During the years ended December 31, 2020, December 31, 2019 and December 31, 2018, certain properties were valued by professional external independent appraisers. When an external independent appraisal is obtained, PRP's internal valuation team assesses the significant assumptions used in the independent appraisal and holds discussions with the external independent appraiser on the reasonableness of their assumptions. External independent appraisals received throughout the year represent nil of the fair value of investment properties as at December 31, 2020 (year ended December 31, 2019 - 12.5%; year ended December 31, 2018 - 9.8%).

PRP utilizes external industry sources to determine a range of capitalization, discount and terminal capitalization rates. To the extent that the ranges of these externally provided rates change from one reporting period to the next, the fair value of the investment properties is increased or decreased accordingly.

The following table highlights the significant assumptions used in determining the fair value of PRP's investment properties:

	Discount Rates	Terminal Capitalization Rates
December 31, 2020	8.40%	7.66%
December 31, 2019	6.87%	6.11%
December 31, 2018	6.71%	5.99%

During the year ended 2020, in light of the COVID-19 pandemic, PRP updated its assumptions used in determining the fair value of investment properties. The retail industry (mainly PRP's enclosed shopping centres) has also experienced significant hardship with all non-essential stores being closed for a significant period of time. PRP applied higher discount and capitalization rates as well as revised leasing assumptions to its retail properties in enclosed shopping centres.

PRIMARIS RETAIL PROPERTIES

Notes to Combined Carve-Out Financial Statements
(In thousands of Canadian dollars, except Unit and per Unit amounts)

Years ended December 31, 2020, 2019 and 2018

3. Investment properties (continued):

Fair value sensitivity:

PRP's investment properties are classified as level 3 under the fair value hierarchy, as the inputs in the valuations of these investment properties are not based on observable market data. The following table provides a sensitivity analysis for the weighted average capitalization rate which is representative of the discount rate and terminal capitalization rate applied as at December 31, 2020, 2019 and 2018:

Capitalization Rate Sensitivity Increase (Decrease)	Capitalization Rate	Fair Value of Investment Properties	Fair Value Variance	% Change
(0.75%)	6.76%	\$ 2,337,071	\$ 233,396	11.09%
(0.50%)	7.01%	\$ 2,253,723	\$ 150,048	7.13%
(0.25%)	7.26%	\$ 2,176,116	\$ 72,441	3.44%
December 31, 2020	7.51%	\$ 2,103,675	\$ -	0.00%
0.25%	7.76%	\$ 2,035,902	\$ (67,773)	(3.22%)
0.50%	8.01%	\$ 1,972,359	\$ (131,316)	(6.24%)
0.75%	8.26%	\$ 1,912,663	\$ (191,012)	(9.08%)

Capitalization Rate Sensitivity Increase (Decrease)	Capitalization Rate	Fair Value of Investment Properties	Fair Value Variance	% Change
(0.75%)	5.36%	\$ 3,087,214	\$ 378,954	13.99%
(0.50%)	5.61%	\$ 2,949,638	\$ 241,378	8.91%
(0.25%)	5.86%	\$ 2,823,800	\$ 115,540	4.27%
December 31, 2019	6.11%	\$ 2,708,260	\$ -	0.00%
0.25%	6.36%	\$ 2,601,803	\$ (106,457)	(3.93%)
0.50%	6.61%	\$ 2,503,399	\$ (204,861)	(7.56%)
0.75%	6.86%	\$ 2,412,167	\$ (296,093)	(10.93%)

Capitalization Rate Sensitivity Increase (Decrease)	Capitalization Rate	Fair Value of Investment Properties	Fair Value Variance	% Change
(0.75%)	5.23%	\$ 3,092,444	\$ 387,848	14.34%
(0.50%)	5.48%	\$ 2,951,366	\$ 246,770	9.12%
(0.25%)	5.73%	\$ 2,822,598	\$ 118,002	4.36%
December 31, 2018	5.98%	\$ 2,704,596	\$ -	0.00%
0.25%	6.23%	\$ 2,596,065	\$ (108,531)	(4.01%)
0.50%	6.48%	\$ 2,495,908	\$ (208,688)	(7.72%)
0.75%	6.73%	\$ 2,403,192	\$ (301,404)	(11.14%)

PRIMARIS RETAIL PROPERTIES

Notes to Combined Carve-Out Financial Statements
(In thousands of Canadian dollars, except Unit and per Unit amounts)

Years ended December 31, 2020, 2019 and 2018

4. Other assets:

	December 31 2020	December 31 2019	December 31 2018
Current:			
Prepaid expenses and sundry assets	\$ 5,483	\$ 9,047	\$ 5,732
Accounts receivable ⁽¹⁾ - net of provision for expected credit loss of \$12,945 (2019 - \$602, 2018 - \$426)	10,789	7,396	7,066
	\$ 16,272	\$ 16,443	\$ 12,798

(1) In determining the expected credit loss, PRP performed a tenant-by-tenant assessment considering the payment history and future expectations of default based on actual and expected insolvency filings. The following is a summary of the changes in the provision for expected credit loss impacted by COVID-19:

	December 31 2020	December 31 2019	December 31 2018
Opening balance, beginning of year	\$ 602	\$ 426	\$ 658
Bad debt expense ⁽¹⁾	36,193	437	87
Accounts receivable write-off ⁽¹⁾	(23,850)	(261)	(319)
Closing balance, end of year	\$ 12,945	\$ 602	\$ 426

(1) Year ended December 31, 2020 includes \$5,357 of rent abatements granted under the Canada Emergency Commercial Rent Assistance (CECRA) program.

5. Debt:

PRP's debt consists of the following items:

	Note	December 31 2020	December 31 2019	December 31 2018
Mortgages payable	5(a)	\$ 609,900	\$ 631,612	\$ 645,620
Line of credit	5(b)	-	172,700	256,000
		\$ 609,900	\$ 804,312	\$ 901,620

(a) Mortgages payable:

As at December 31, 2020, the mortgages payable are secured by nine investment properties with an aggregate fair value of \$1,154,400, bear interest at fixed rates with a contractual weighted average rate of 3.89% per annum and mature between 2021 and 2030.

As at December 31, 2019, the mortgages payable are secured by nine investment properties with an aggregate fair value of \$1,370,900, bear interest at fixed rates with a contractual weighted average rate of 4.03% per annum and mature between 2020 and 2030.

As at December 31, 2018, the mortgages payable are secured by 10 investment properties with an aggregate fair value of \$1,418,350, bear interest at fixed rates with a contractual weighted average rate of 4.06% per annum and mature between 2019 and 2027.

Mortgages payable related to certain properties are held by separate legal entities, where the rent received from each property is first used to satisfy the related debt obligations with any balance then available to satisfy the cash flow requirements of PRP.

PRIMARIS RETAIL PROPERTIES

Notes to Combined Carve-Out Financial Statements
(In thousands of Canadian dollars, except Unit and per Unit amounts)

Years ended December 31, 2020, 2019 and 2018

5. Debt (continued):

Future principal mortgage payments are as follows:

	December 31 2020
Years ending December 31:	
2021	\$ 307,749
2022	137,433
2023	5,327
2024	41,223
2025	3,975
Thereafter	113,652
	609,359
Financing costs and mark-to-market adjustment arising on acquisitions	541
	\$ 609,900

The following is a summary of the changes in mortgages payable:

	December 31 2020	December 31 2019	December 31 2018
Opening balance, beginning of year	\$ 631,612	\$ 645,620	\$ 669,825
Principal repayments:			
Scheduled amortization on mortgages	(22,622)	(22,194)	(21,490)
Mortgage repayments	(38,694)	(47,892)	-
New mortgages	41,795	58,665	-
Effective interest rate accretion on mortgages	(2,191)	(2,587)	(2,715)
Closing balance, end of year	\$ 609,900	\$ 631,612	\$ 645,620

(b) Line of credit:

PRP has the following line of credit:

	Maturity Date	Total Facility	Amount Drawn	PRP Guarantee ⁽²⁾	Available Balance
Revolving secured operating line of credit⁽¹⁾:					
December 31, 2020	December 31, 2021	\$ 300,000	\$ -	\$ (222,250)	\$ 77,750
December 31, 2019	December 31, 2021	\$ 300,000	\$ (172,700)	\$ (120,900)	\$ 6,400
December 31, 2018	July 1, 2020	\$ 300,000	\$ (256,000)	\$ (17,680)	\$ 26,320

⁽¹⁾ Secured by certain investment properties.

⁽²⁾ PRP provides guarantees on behalf of the Parent, a related party, on the U.S. dollar borrowings on the revolving secured operating line of credit (note 14(b)).

The line of credit can be drawn in either Canadian or U.S. dollars and bears interest at a rate approximating the prime rate of a Canadian chartered bank.

PRIMARIS RETAIL PROPERTIES

Notes to Combined Carve-Out Financial Statements

(In thousands of Canadian dollars, except Unit and per Unit amounts)

Years ended December 31, 2020, 2019 and 2018

5. Debt (continued):

The following is a summary of the changes in the line of credit:

	December 31, 2020	December 31, 2019	December 31, 2018
Opening balance, beginning of year	\$ 172,700	\$ 256,000	\$ 20,000
Net advances (repayments)	(172,700)	(83,300)	236,000
Closing balance, end of year	\$ -	\$ 172,700	\$ 256,000

6. Exchangeable units:

Certain of PRP's subsidiaries have in aggregate 1,447,994 (December 31, 2019 and 2018 - 1,881,168) exchangeable units outstanding which are puttable instruments where, upon redemption, PRP has a contractual obligation to issue Units of the Parent ("Units"). In August 2020, 433,174 exchangeable units were exchanged for Units. As a subsidiary of PRP previously held 433,174 Units to mirror these exchangeable units, the number of outstanding Units did not increase as a result of this exchange. Holders of all exchangeable units are entitled to receive the economic equivalence of distributions on a per unit amount equal to a per Unit amount provided to holders of Units. These puttable instruments are classified as a liability under IFRS and are measured at fair value through profit or loss. At the end of each reporting period, the fair value is determined by using the quoted price of Units on the Toronto Stock Exchange ("TSX") as the exchangeable units are exchangeable into Units at the option of the holder. The quoted price as at December 31, 2020 was \$13.29 (December 31, 2019 - \$21.10; December 31, 2018 - \$20.65) per Unit.

A summary of the carrying value of exchangeable units and the changes during the respective years are as follows:

	December 31 2020	December 31 2019	December 31 2018
Carrying value, beginning of year	\$ 39,693	\$ 38,846	\$ 40,182
Exchanged for Units	(4,228)	-	-
(Gain) loss on fair value of exchangeable units	(16,221)	847	(1,336)
Carrying value, end of year	\$ 19,244	\$ 39,693	\$ 38,846

PRP has entered into various exchange agreements that provide, among other things, the mechanics whereby exchangeable units may be exchanged for Units.

7. Accounts payable and accrued liabilities:

	December 31 2020	December 31 2019	December 31 2018
Current:			
Due to related party ⁽¹⁾	\$ 475,310	\$ 275,101	\$ 130,577
Other accounts payable and accrued liabilities	16,988	25,519	21,882
Debt interest payable	1,903	1,995	2,146
Prepaid rent	6,885	7,293	7,041
Non-current:			
Security deposits	3,025	2,897	3,556
	\$ 504,111	\$ 312,805	\$ 165,202

(1) PRP and the Parent have an unsecured intercompany balance. The loan incurred interest of \$5,832 in 2019 and \$5,117 in 2018 and was non-interest bearing in 2020. The balance consists of funds advanced for operational activities and shared resources including key management personnel and common general and administration expenses.

PRIMARIS RETAIL PROPERTIES

Notes to Combined Carve-Out Financial Statements
(In thousands of Canadian dollars, except Unit and per Unit amounts)

Years ended December 31, 2020, 2019 and 2018

8. Rentals from investment properties:

	2020	2019	2018
Rental income	\$ 221,501	\$ 221,724	\$ 222,614
Revenue from services	48,377	52,618	52,893
Straight-lining of contractual rent	352	76	936
	\$ 270,230	\$ 274,418	\$ 276,443

Operating leases:

PRP leases its investment properties under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

	2020	2019	2018
Less than 1 year	\$ 141,811	\$ 151,017	\$ 146,552
Between 1 and 5 years	412,897	432,560	408,153
More than 5 years	247,338	270,057	252,855
	\$ 802,046	\$ 853,634	\$ 807,560

9. Finance costs:

	2020	2019	2018
Finance cost - operations			
Contractual interest on mortgages payable	\$ 24,608	\$ 25,434	\$ 26,156
Bank interest and charges on the line of credit	382	13,827	12,733
Effective interest rate accretion	(2,191)	(2,587)	(2,715)
Exchangeable unit distributions	1,606	2,596	2,596
	24,405	39,270	38,770
Capitalized interest ⁽¹⁾	(3,912)	(5,349)	(2,780)
	20,493	33,921	35,990
Finance income	(79)	(97)	(69)
Fair value adjustment on financial instruments	(16,221)	847	(1,336)
	\$ 4,193	\$ 34,671	\$ 34,585

⁽¹⁾ The weighted average rate of borrowings for the capitalized interest is 3.60% (December 31, 2019 - 3.90%; December 31, 2018 - 3.91%).

PRIMARIS RETAIL PROPERTIES

Notes to Combined Carve-Out Financial Statements
(In thousands of Canadian dollars, except Unit and per Unit amounts)

Years ended December 31, 2020, 2019 and 2018

10. Supplemental cash flow information:

The following is a summary of changes in other non-cash operating items:

	2020	2019	2018
Accrued rents receivable	\$ (3,637)	\$ (113)	\$ (950)
Prepaid expenses and sundry assets	3,564	(3,315)	1,079
Accounts receivable	(3,393)	(330)	(470)
Accounts payable and accrued liabilities	187,170	147,754	(251,048)
	\$ 183,704	\$ 143,996	\$ (251,389)

The following amounts have been excluded from operating, investing and financing activities in the combined carve-out statements of cash flows:

	Note	2020	2019	2018
Non-cash items:				
Exchangeable units exchanged for Units	6	\$ 4,228	\$ -	\$ -
Other items:				
Change in accounts payable included in finance cost - operations		92	151	(121)
Capitalized interest on redevelopment	9	(3,912)	(5,349)	(2,780)

11. Capital risk management:

PRP's primary objectives when managing capital are:

- to maximize net asset value through ongoing active management of PRP's assets, acquisition of additional properties and the development and construction of projects; and
- to provide owners with stable and growing cash distributions generated by the revenue it derives from a portfolio of income producing investment properties.

PRP considers its capital to be:

	December 31 2020	December 31 2019	December 31 2018
Debt	\$ 609,900	\$ 804,312	\$ 901,620
Exchangeable units	19,244	39,693	38,846
Net assets	1,001,700	1,575,903	1,619,755
	\$ 1,630,844	\$ 2,419,908	\$ 2,560,221

As long as PRP complies with its investment and debt restrictions set out in its Parent's Declaration of Trust, it is free to determine the appropriate level of capital in context with its cash flow requirements, overall business risks and potential business opportunities. As a result of this, PRP will make adjustments to its capital based on its investment strategies and changes in economic conditions.

PRP's level of indebtedness is subject to the limitations set out in its Parent's Declaration of Trust. PRP is limited to a total indebtedness to total assets ratio of 65%. As at December 31, 2020, this ratio was 28.6% (December 31, 2019 - 29.4%; December 31, 2018 - 33.1%). Management uses this ratio as a key indicator in managing PRP's capital.

In addition to the above key ratio, PRP's debt has various covenants calculated as defined within these agreements. PRP monitors these covenants and was in compliance as at December 31, 2020, December 31, 2019 and December 31, 2018.

PRIMARIS RETAIL PROPERTIES

Notes to Combined Carve-Out Financial Statements

(In thousands of Canadian dollars, except Unit and per Unit amounts)

Years ended December 31, 2020, 2019 and 2018

12. Risk management:

(a) Credit risk:

PRP is exposed to credit risk as an owner of investment properties in that tenants may become unable to pay the contracted rent. Management mitigates this risk by carrying out appropriate credit checks and related due diligence on significant tenants.

In addition, management ensures that no tenant or related group of tenants individually account for more than 5% of the rentals from investment properties of PRP.

The carrying amount of receivables represents the maximum credit exposure, therefore PRP's exposure to credit risk on receivables is as follows:

	Note	December 31 2020	December 31 2019	December 31 2018
Accounts receivable	4	\$ 10,789	\$ 7,396	\$ 7,066
		\$ 10,789	\$ 7,396	\$ 7,066

(b) Liquidity risk:

PRP is subject to liquidity risk whereby PRP may not be able to refinance or pay its debt obligations when they become due. Management took precautionary measures to further bolster PRP's liquidity as a result of the severity of the pandemic's impact on economic conditions.

PRP manages liquidity risk by:

- Ensuring an appropriate line of credit is available. As at December 31, 2020, the combined carve-out amount available under its line of credit was \$300,000 (December 31, 2019 - \$127,300; December 31, 2018 - \$44,000) (note 5(b));
- Maintaining a large unencumbered asset pool. As at December 31, 2020, there were 14 unencumbered properties (December 31, 2019 - 14 unencumbered properties; December 31, 2018 - 13 unencumbered properties) with a fair value of \$673,925 (December 31, 2019 - \$916,210; December 31, 2018 - \$855,296); and
- Structuring its financing so as to stagger the maturities of its debt, thereby minimizing exposure to liquidity risk in any one year (note 5).

Management monitors PRP's liquidity risk through review of financial covenants contained in bank credit facility agreements, debt agreements and compliance with PRP's Declaration of Trust.

PRP's obligations are as follows:

	Note	2021	Thereafter	Total
Debt ⁽¹⁾	5	\$ 307,749	\$ 301,610	\$ 609,359
Accounts payable and accrued liabilities	7	501,086	3,025	504,111
		\$ 808,835	\$ 304,635	\$ 1,113,470

⁽¹⁾ Amounts in the above table only include principal repayments.

PRIMARIS RETAIL PROPERTIES

Notes to Combined Carve-Out Financial Statements
(In thousands of Canadian dollars, except Unit and per Unit amounts)

Years ended December 31, 2020, 2019 and 2018

12. Risk management (continued):

(c) *Market risk:*

PRP is subject to interest rate risk. PRP's objective is to manage and control market risk exposure within acceptable parameters, while optimizing the return on risk.

Interest rate risk:

PRP is exposed to interest rate risk on its borrowings. It minimizes this risk by obtaining long-term fixed interest rate debt. At December 31, 2020, the percentage of fixed rate debt to total debt was 100.0% (December 31, 2019 - 78.5%; December 31, 2018 - 71.6%). Therefore, a change in interest rates at the reporting date would not have a material impact on net income as the majority of PRP's borrowings are through fixed rate instruments.

As at December 31, 2020, the line of credit of nil is subject to variable interest rates (December 31, 2019 - \$172,700; December 31, 2018 - \$256,000). An increase in interest rates of 100 basis points for the year ended December 31, 2020 would have decreased net income by approximately nil (December 31, 2019 - \$1,700; December 31, 2018 - \$2,600). This analysis assumes that all other variables remain constant.

As at December 31, 2020, there were no mortgages payable subject to variable interest rates (December 31, 2019 - nil; December 31, 2018 - nil).

(d) *Fair value measurement:*

(i) *Financial assets and liabilities carried at amortized cost:*

The fair values of PRP's accounts receivable, cash and cash equivalents, accounts payable and accrued liabilities approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments.

The fair value of mortgages payable and the line of credit have been determined by discounting the cash flows of these financial obligations using market rates for debt of similar terms and credit risks.

(ii) *Fair value of assets and liabilities:*

Assets and liabilities measured at fair value in the combined carve-out statements of financial position, or disclosed in the notes to the financial statements, are categorized using a fair value hierarchy that reflects the significance of the inputs used in determining the fair values:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

PRIMARIS RETAIL PROPERTIES

Notes to Combined Carve-Out Financial Statements
(In thousands of Canadian dollars, except Unit and per Unit amounts)

Years ended December 31, 2020, 2019 and 2018

12. Risk management (continued):

December 31, 2020	Note	Level 1	Level 2	Level 3	Total fair value	Carrying value
Assets measured at fair value						
Investment properties	3	\$ -	\$ -	\$ 2,103,675	\$ 2,103,675	\$ 2,103,675
Liabilities measured at fair value						
Exchangeable units	6	(19,244)	-	-	(19,244)	(19,244)
Liabilities for which fair values are disclosed						
Mortgages payable	5(a)	-	(628,427)	-	(628,427)	(609,900)
		(19,244)	(628,427)	-	(647,671)	(629,144)
		\$ (19,244)	\$ (628,427)	\$ 2,103,675	\$ 1,456,004	\$ 1,474,531

December 31, 2019	Note	Level 1	Level 2	Level 3	Total fair value	Carrying value
Assets measured at fair value						
Investment properties	3	\$ -	\$ -	\$ 2,708,260	\$ 2,708,260	\$ 2,708,260
Liabilities measured at fair value						
Exchangeable units	6	(39,693)	-	-	(39,693)	(39,693)
Liabilities for which fair values are disclosed						
Mortgages payable	5(a)	-	(639,741)	-	(639,741)	(631,612)
Line of credit	5(b)	-	(173,145)	-	(173,145)	(172,700)
		(39,693)	(812,886)	-	(852,579)	(844,005)
		\$ (39,693)	\$ (812,886)	\$ 2,708,260	\$ 1,855,681	\$ 1,864,255

December 31, 2018	Note	Level 1	Level 2	Level 3	Total fair value	Carrying value
Assets measured at fair value						
Investment properties	3	\$ -	\$ -	\$ 2,704,596	\$ 2,704,596	\$ 2,704,596
Liabilities measured at fair value						
Exchangeable units	6	(38,846)	-	-	(38,846)	(38,846)
Liabilities for which fair values are disclosed						
Mortgages payable	5(a)	-	(653,477)	-	(653,477)	(645,620)
Line of credit	5(b)	-	(256,715)	-	(256,715)	(256,000)
		(38,846)	(910,192)	-	(949,038)	(940,466)
		\$ (38,846)	\$ (910,192)	\$ 2,704,596	\$ 1,755,558	\$ 1,764,130

PRIMARIS RETAIL PROPERTIES

Notes to Combined Carve-Out Financial Statements
(In thousands of Canadian dollars, except Unit and per Unit amounts)

Years ended December 31, 2020, 2019 and 2018

13. Compensation of key management personnel:

Key management personnel are those individuals who have the authority and responsibility for planning, directing and controlling PRP's activities, directly or indirectly.

	2020	2019	2018
Salaries and short-term employee benefits	\$ 5,639	\$ 6,015	\$ 5,544
Unit-based compensation	(10,134)	6,912	1,720
	\$ (4,495)	\$ 12,927	\$ 7,264

14. Commitments and contingencies:

- (a) In the normal course of operations, PRP has issued letters of credit in connection with developments, financings, operations and acquisitions. As at December 31, 2020, PRP has outstanding letters of credit totalling \$1,085 (December 31, 2019 - \$1,055; December 31, 2018 - \$1,792).
- (b) PRP provides guarantees on behalf of third parties, including co-owners. As at December 31, 2020, PRP issued guarantees amounting to \$112,972 (December 31, 2019 - \$114,756; December 31, 2018 - \$126,713), which expire between 2021 and 2027 (December 31, 2019 - expire between 2021 and 2027; December 31, 2018 - expire between 2019 and 2027) relating to the co-owner's share of mortgage liability.

PRP provides guarantees on behalf of the Parent, a related party, on the U.S. dollar borrowings on the revolving secured operating line of credit. As at December 31, 2020, PRP issued guarantees amounting to U.S. \$175,000 (December 31, 2019 - U.S. \$93,000; December 31, 2018 - U.S. \$13,000). The Canadian equivalent of these amounts is \$222,250 (December 31, 2019 - \$120,900; December 31, 2018 - \$17,680).

PRP had previously guaranteed certain debt assumed by purchasers in connection with past dispositions of properties. At December 31, 2020, the estimated amount of debt subject to such guarantees, and therefore the maximum exposure to credit risk, is nil (December 31, 2019 - \$41,259; December 31, 2018 - \$43,963). There were no defaults by the primary obligor for debts on which PRP had provided its guarantees, and as a result, no contingent loss on these guarantees had been recognized in these combined carve-out financial statements.

Credit risks arise in the event that these parties default on repayment of their debt since they are guaranteed by PRP. These credit risks are mitigated as PRP has recourse under these guarantees in the event of a default by the borrowers, in which case PRP's claim would be against the underlying real estate investments.

- (c) PRP is obligated, under certain contract terms, to construct and develop investment properties.
- (d) PRP is involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the combined carve-out financial statements.

PRIMARIS RETAIL PROPERTIES

Notes to Combined Carve-Out Financial Statements
(In thousands of Canadian dollars, except Unit and per Unit amounts)

Years ended December 31, 2020, 2019 and 2018

15. Subsequent events:

- (a) Subsequent to December 31, 2020, PRP repaid three mortgages for an aggregate amount of \$292,959, with a weighted average interest rate of 4.17%.
- (b) Subsequent to December 31, 2020, PRP secured three new mortgages for an aggregate amount of \$283,854, with a weighted average interest rate of 2.21%.
- (c) A Management Information Circular will be issued to unitholders of the Parent to approve a Plan of Arrangement (the "Arrangement") whereby the net assets of PRP will be transferred to a newly created unincorporated open-ended trust called Primaris Real Estate Investment Trust. Each existing Parent unitholder will receive one unit of Primaris Real Estate Investment Trust, for every one Parent unit held, subject to any consolidation or split of Primaris Real Estate Investment Trust units pursuant to the Arrangement.

In connection with the Arrangement, the Parent will apply to the Court of Queen's Bench of Alberta for an interim order confirming, among other things, the calling and holding of a meeting (the "Meeting") of the Parent's unitholders to be held in December 2021 to approve the Arrangement. In addition, the Parent has (i) applied to the Canada Revenue Agency for an advance income tax ruling confirming certain Canadian federal income tax consequences of the Arrangement, and (ii) applied for conditional approval from the TSX for the listing and posting for trading of the Primaris Real Estate Investment Trust units. Listing will be subject to the TSX's customary listing approval requirements. The Arrangement is subject to, among other things, the approval of the Parent's unitholders by way of the affirmative vote of at least two-thirds of the votes cast by the Parent's unitholders present in person or by proxy at the Meeting.

SCHEDULE G

COMBINED CARVE-OUT FINANCIAL STATEMENTS – HOOPP PROPERTIES

Unaudited Condensed Combined Carve-out Interim Financial Statements of

HOOPP INVESTMENTS

For the three and six months ended June 30, 2021 and 2020

HOOPP INVESTMENTS

Unaudited Condensed Combined Carve-Out Interim Statements of Financial Position
(In thousands of Canadian dollars)

	<i>Note</i>	June 30 2021	December 31 2020
Assets			
Investment properties	3	\$ 765,400	\$ 818,200
		765,400	818,200
Other assets	4	17,557	17,835
Cash		8,303	9,384
		\$ 791,260	\$ 845,419
Liabilities:			
Debt	5	\$ 140,506	\$ 140,506
Accounts payable and accrued liabilities	6	27,375	29,908
		167,881	170,414
Net assets		623,379	675,005
Subsequent event	11		
		\$ 791,260	\$ 845,419

See accompanying notes to the unaudited condensed combined carve-out financial statements.

HOOPP INVESTMENTS

Unaudited Condensed Combined Carve-Out Interim Statements of Net Loss

(In thousands of Canadian dollars)

Three and Six months ended June 30, 2021 and 2020

		Three months ended		Six months ended	
		June 30		June 30	
	<i>Note</i>	2021	2020	2021	2020
Property operating income:					
Rentals from investment properties	7	\$ 23,831	\$ 25,076	\$ 48,704	\$ 56,199
Property operating costs		(16,357)	(16,691)	(30,934)	(35,464)
		7,474	8,385	17,770	20,735
Finance cost - operations	8	(1,519)	(1,519)	(3,038)	(3,038)
Finance income	8	6	8	12	36
Fair value adjustment on investment properties	3	(56,085)	(175,433)	(58,493)	(178,999)
Net loss		\$ (50,124)	\$ (168,559)	\$ (43,749)	\$ (161,266)

See accompanying notes to the unaudited condensed combined carve-out financial statements.

HOOPP INVESTMENTS

Unaudited Condensed Combined Carve-Out Interim Statements of Changes in Net Assets
(In thousands of Canadian dollars)
Six months ended June 30, 2021 and 2020

NET ASSETS	Accumulated contributions	Accumulated net income	Accumulated distributions	Total
Net assets, January 1, 2020	1,108,660	(98,760)	(93,135)	916,765
Contributions	2,534	-	-	2,534
Net loss	-	(161,266)	-	(161,266)
Net assets, June 30, 2020	1,111,194	(260,026)	(93,135)	758,033
Contributions	-	-	-	-
Net loss	16,356	(79,910)	-	(63,554)
Disitributions	-	-	(19,474)	(19,474)
Net assets, December 31, 2020	1,127,550	(339,936)	(112,609)	675,005
Contributions	2,244	-	-	2,244
Net loss	-	(43,749)	-	(43,749)
Disitributions	-	-	(10,121)	(10,121)
Net assets, June 30, 2021	1,129,794	(383,685)	(122,730)	623,379

See accompanying notes to the unaudited condensed combined carve-out financial statements.

HOOPP INVESTMENTS

Unaudited Condensed Combined Carve-Out Interim Statements of Cash
Flows (In thousands of Canadian dollars)
Six months ended June 30, 2021 and 2020

	<i>Note</i>	Six months ended June 30 2021	2020
Cash provided by (used in)			
Operations:			
Net loss and comprehensive loss		(43,749)	(161,266)
Finance cost - operations	8	3,038	3,038
Interest paid		(3,038)	(3,038)
Items not affecting cash:			
Fair value adjustment on real estate assets	3	58,493	178,999
Amortization of tenant allowances	3	302	1,657
Change in other non-cash operating items	9	(2,255)	(9,641)
		12,791	9,749
Investing:			
Investment properties:			
Capital expenditures	3	(3,147)	(5,463)
Leasing expenses and tenant inducements	3	(2,848)	(2,793)
		(5,995)	(8,256)
Financing:			
Distributions		(10,121)	-
Contributions		2,244	2,534
		(7,877)	2,534
Increase (decrease) in cash		(1,081)	4,027
Cash, beginning of year		9,384	7,589
Cash, end of year		8,303	11,616

See accompanying notes to the unaudited condensed combined carve-out financial statements.

HOOPP INVESTMENTS

Notes to the Unaudited Condensed Combined Carve-Out Interim Financial Statements

(In thousands of Canadian dollars)

For the three and six months ended June 30, 2021 and 2020

HOOPP Investments' (the "Entity") primary business is to invest in properties across Canada as an investment vehicle of the Healthcare of Ontario Pension Plan ("HOOPP") (formerly Hospitals of Ontario Pension Plan), the Entity's sole owner. The principal office and centre of administration of the Entity is located at 1 York Street, Suite 1900, Toronto, Ontario M5J 0B6.

Countries around the world have been affected by the COVID-19 virus, which was declared a pandemic by The World Health Organization on March 11, 2020. The outbreak of COVID-19 has resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The duration and full impact of the COVID-19 pandemic on the Entity is unknown at this time, as is the efficacy of the government's interventions. The extent of the effect of COVID-19 on the Entity's operational and financial performance will depend on numerous factors including the duration, spread, time frame and effectiveness of vaccination roll-out, all of which are uncertain and difficult to predict. As a result, it is not currently possible to ascertain the long-term impact of COVID-19 on the Entity's business and operations. Certain aspects of the Entity's business and operations that have been and will continue to be impacted include rental income, occupancy, tenant inducements and future demand for space. In the preparation of the unaudited condensed combined carve-out interim financial statements, the Entity has incorporated the impact of COVID-19 into its estimates and assumptions that affect the carrying amounts of its assets. The Entity has updated its future cash flows assumptions and its terminal capitalization rates and discount rates applied to these cash flows as well as updated its assumptions around the valuation of its accounts receivable.

1. Basis of preparation:

(a) Statement of compliance

These unaudited condensed combined carve-out interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. The December 31, 2020 comparative financial information has been derived from the December 31, 2020 audited annual combined carve-out financial statements of the Entity.

The unaudited condensed combined carve-out interim financial statements were approved by the board of directors (the "Board") of HOOPP Realty Inc., Lansdowne Mall Inc., and Lansdowne Industrial Inc. on November 5, 2021.

(b) Functional currency and presentation

These unaudited condensed combined carve-out interim financial statements are presented in Canadian dollars, which is the Entity's functional currency. All financial information has been rounded to the nearest thousand Canadian dollar.

HOOPP INVESTMENTS

Notes to the Unaudited Condensed Combined Carve-Out Interim Financial Statements

(In thousands of Canadian dollars)

For the three and six months ended June 30, 2021 and 2020

The Entity presents its unaudited condensed combined carve-out interim statements of financial position based on the liquidity method, where all assets and liabilities are presented in ascending order of liquidity.

(c) Basis of measurement

The unaudited condensed combined carve-out interim financial statements have been prepared on the historical cost basis except for investment properties, which have been measured at fair value.

2. Significant accounting policies:

The accounting policies applied by the Entity in these unaudited condensed combined carve-out interim financial statements are the same as those applied in the combined carve-out financial statements as at and for the year ended December 31, 2020.

3. Investment properties:

	June 30, 2021	December 31, 2020
Opening balance, beginning of period	\$ 818,200	\$ 1,060,200
Operating capital:		
Capital expenditures	3,147	18,658
Leasing expenses and tenant inducements	2,848	8,300
Amortization of tenant allowances	(302)	(3,228)
Fair value adjustment on investment properties	(58,493)	(265,730)
Closing balance, end of period	\$ 765,400	\$ 818,200

Fair value disclosure:

The estimated fair values of the Entity's investment properties are based on the use of the discounted cash flow method. The discounted cash flow analysis is based upon, among other things, future cash inflows in respect of rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the reporting period, less future cash outflows in respect of such leases and capital expenditures for the property utilizing appropriate discount rates and terminal capitalization rates, generally over a minimum term of 10 years.

During the period ended June 30, 2021, all properties were valued by professional external independent appraisers. The Entity's internal valuation team assesses the significant assumptions used in the independent appraisal and holds discussions with the external independent appraiser on the reasonableness of their assumptions.

The Entity utilizes external industry sources to determine a range of discount and terminal capitalization rates. To the extent that the ranges of these externally provided rates change from one reporting period to the next, the fair value of the investment properties is increased or decreased accordingly.

HOOPP INVESTMENTS

Notes to the Unaudited Condensed Combined Carve-Out Interim Financial Statements

(In thousands of Canadian dollars)

For the three and six months ended June 30, 2021 and 2020

The following table highlights the significant assumptions used in determining the fair values of the Entity's investment properties:

	Internal Rate of Return *	Terminal Capitalization Rate *
June 30, 2021	7.81%	6.73%
December 31, 2020	7.65%	6.49%

* Weighted based on income-producing property fair value.

The Entity reviewed the assumptions used in determining the fair value of investment properties as at June 30, 2021. The retail portfolio continued to be impacted by the COVID-19 pandemic during the six months ended June 30, 2021.

Fair value sensitivity:

The Entity's investment properties are classified as level 3 under the fair value hierarchy, as the inputs in the valuations of these investment properties are not based on observable market data. The following table provides a sensitivity analysis for the internal rate of return ("IRR") and terminal capitalization rate ("TCR") applied as at June 30, 2021 and December 31, 2020:

IRR Sensitivity Increase (Decrease)	IRR	Fair Value of Investment Properties	Fair Value Variance	% Change
(0.25%)	7.56%	\$780,400	\$15,000	1.96%
June 30, 2021	7.81%	\$765,400	\$0	0.00%
0.25%	8.06%	\$751,405	(\$13,995)	-1.83%
TCR Sensitivity Increase (Decrease)	TCR	Fair Value of Investment Properties	Fair Value Variance	% Change
(0.25%)	6.48%	\$783,134	\$17,734	2.32%
June 30, 2021	6.73%	\$765,400	\$0	0.00%
0.25%	6.98%	\$749,589	(\$15,811)	-2.07%

IRR Sensitivity Increase (Decrease)	IRR	Fair Value of Investment Properties	Fair Value Variance	% Change
(0.25%)	7.40%	\$835,024	\$16,824	2.06%
December 31, 2020	7.65%	\$818,200	\$0	0.00%
0.25%	7.90%	\$801,840	(\$16,360)	-2.00%
TCR Sensitivity Increase (Decrease)	TCR	Fair Value of Investment Properties	Fair Value Variance	% Change
(0.25%)	6.24%	\$838,381	\$20,181	2.47%
December 31, 2020	6.49%	\$818,200	\$0	0.00%
0.25%	6.74%	\$799,279	(\$18,921)	-2.31%

HOOPP INVESTMENTS

Notes to the Unaudited Condensed Combined Carve-Out Interim Financial Statements

(In thousands of Canadian dollars)

For the three and six months ended June 30, 2021 and 2020

4. Other assets:

	June 30, 2021	December 31, 2020
Current:		
Prepaid expenses and sundry assets	\$ 9,676	\$ 10,051
Accounts receivable ⁽¹⁾ - net provision for expected credit loss of \$9,592 (2020 - \$11,808)	7,881	7,784
	\$ 17,557	\$ 17,835

(1) In determining the expected credit loss, the Entity performed a tenant-by-tenant assessment considering the payment history and future expectations of default based on actual and expected insolvency filings. The following is a summary of the changes in the provision for expected credit loss:

	June 30, 2021	December 31, 2020
Opening balance, beginning of period	\$ 11,808	\$ 5,202
Bad debt expense	(1,349)	9,022
Accounts receivable write-off	(867)	(2,416)
	\$ 9,592	\$ 11,808

5. Debt:

	June 30, 2021	December 31, 2020
Mortgage payable is repayable in interest only payments and due on November 1, 2023. The loan bears interest at 4.34% per annum	\$ 140,000	\$ 140,000
Accrued interest	506	506
	\$ 140,506	\$ 140,506

The mortgage payable is secured by one investment property with a fair value of \$179,000 as of June 31, 2021 and \$214,000 as of December 31, 2020.

6. Accounts payable and accrued liabilities:

	June 30, 2021	December 31, 2020
Current:		
Other accounts payable and accrued liabilities	\$ 24,030	\$ 26,801
Prepaid rent	2,872	2,679
Non Current:		
Security deposits	473	428
	\$ 27,375	\$ 29,908

HOOPP INVESTMENTS

Notes to the Unaudited Condensed Combined Carve-Out Interim Financial Statements

(In thousands of Canadian dollars)

For the three and six months ended June 30, 2021 and 2020

7. Rentals from investment properties:

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Rental income	\$ 16,913	\$ 15,986	\$ 32,882	\$ 35,463
Revenue from services	6,918	9,090	15,581	20,736
Lease termination and close-out fee	-	-	241	-
	\$ 23,831	\$ 25,076	\$ 48,704	\$ 56,199

8. Finance costs:

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Finance cost - operations				
Contractual interest on mortgage payable	\$ 1,519	\$ 1,519	\$ 3,038	\$ 3,038
	1,519	1,519	3,038	3,038
Finance income	6	8	12	36
	\$ 1,525	\$ 1,527	\$ 3,050	\$ 3,074

9. Supplemental cash flow information:

The following is a summary of changes in other non-cash operating items:

	Six months ended June 30	
	2021	2020
Prepaid expenses and sundry assets	\$ 375	\$ 4,166
Accounts receivable	(97)	(15,846)
Accounts payable and accrued liabilities	(2,533)	2,039
	\$ (2,255)	\$ (9,641)

10. Fair value measurement:

(a) Financial assets and liabilities carried at amortized cost:

The fair values of the Entity's other assets, cash, and accounts payable and accrued liabilities approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments.

The fair value of debt has been determined by discounting the cash flows of these financial obligations using market rates for debt comprising similar terms and credit risks.

HOOPP INVESTMENTS

Notes to the Unaudited Condensed Combined Carve-Out Interim Financial Statements

(In thousands of Canadian dollars)

For the three and six months ended June 30, 2021 and 2020

(b) Fair value of assets and liabilities:

Assets and liabilities measured at fair value in the unaudited condensed combined carve-out interim statements of financial position, or disclosed in the notes to the financial statements, are categorized using a fair value hierarchy that reflects the significance of the inputs used in determining the fair values:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

June 30, 2021	Note	Level 1	Level 2	Level 3	Total fair value	Carrying value
Assets measured at fair value						
Investment properties	3	\$ -	\$ -	\$ 765,400	\$ 765,400	\$ 765,400
		-	-	765,400	765,400	765,400
Liabilities for which fair values are disclosed						
Debt	5	-	140,506	-	140,506	140,506
		-	140,506	-	140,506	140,506
		\$ -	\$ 140,506	\$ 765,400	\$ 905,906	\$ 905,906

December 31, 2020	Note	Level 1	Level 2	Level 3	Total fair value	Carrying value
Assets measured at fair value						
Investment properties	3	\$ -	\$ -	\$ 818,200	\$ 818,200	\$ 818,200
		-	-	818,200	818,200	818,200
Liabilities for which fair values are disclosed						
Debt	5	-	140,506	-	140,506	140,506
		-	140,506	-	140,506	140,506
		\$ -	\$ 140,506	\$ 818,200	\$ 958,706	\$ 958,706

HOOPP INVESTMENTS

Notes to the Unaudited Condensed Combined Carve-Out Interim Financial Statements

(In thousands of Canadian dollars)

For the three and six months ended June 30, 2021 and 2020

11. Subsequent event:

On October 26, 2021, HOOPP entered into a purchase and sale agreement with H&R Real Estate Investment Trust (the "REIT") pursuant to which the net assets of the Entity will be sold to Primaris Real Estate Investment Trust ("Primaris"), a newly created unincorporated open-ended trust. The consideration payable in respect of the Entity, in the aggregate amount of approximately \$800.8 million, will be satisfied by way of the issuance to HOOPP of (i) approximately \$600.6 million of trust units of Primaris and (ii) an approximately \$200.2 million demand promissory note. The purchase and sale is subject to certain representations including, among other things, the approval of the REIT's Plan of Arrangement by the Court of Queen's Bench of Alberta and the REIT's unitholders.



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of HOOP Realty Inc., Lansdowne Mall Inc., and Lansdowne Industrial Inc.

Opinion

We have audited the combined carve-out financial statements of HOOPP Investments ("the Entity"), which comprise:

- the combined carve-out statements of financial position as at December 31, 2018, 2019, and 2020
- the combined carve-out statements of net loss for the years ended December 31, 2018, 2019, and 2020;
- the combined carve-out statements of changes in net assets for the years ended December 31, 2018, 2019, and 2020;
- the combined carve-out statements of cash flows for the years ended December 31, 2018, 2019, and 2020; and
- notes to the combined carve-out financial statements, including a summary of significant accounting policies.

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the combined carve-out financial position of the Entity as at December 31, 2018, 2019, and 2020, and its combined carve-out financial performance and its combined carve-out cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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 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.

Emphasis of Matter

We draw your attention to the preamble to the notes of the financial statements and Note 1 in the financial statements which describes the basis of preparation used in these financial statements.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises:

- the information other than the financial statements and the auditors' report thereon, included in the Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Management's Discussion and Analysis document as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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 International Financial Reporting Standards (IFRS), 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.



Auditors' 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 auditors' 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 auditors' 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 auditors' report. However, future events or conditions may cause the Entity's 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.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity's to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada
November 5, 2021

Combined Carve-out Financial Statements of

HOOPP INVESTMENTS

Years ended December 31, 2020, 2019 and 2018

HOOPP INVESTMENTS

Combined Carve-Out Statements of Financial Position
(In thousands of Canadian dollars)

		December 31	December 31	December 31
	Note	2020	2019	2018
Assets				
Investment properties	3	\$ 818,200	\$ 1,060,200	\$ 1,155,200
		818,200	1,060,200	1,155,200
Other assets	4	17,835	10,593	3,320
Cash		9,384	7,590	6,980
		\$ 845,419	\$ 1,078,383	\$ 1,165,500
Liabilities:				
Debt	5	\$ 140,506	\$ 140,506	\$ 140,506
Accounts payable and accrued liabilities	6	29,908	21,112	16,522
		170,414	161,618	157,028
Net assets		675,005	916,765	1,008,472
Subsequent event	12			
		\$ 845,419	\$ 1,078,383	\$ 1,165,500

See accompanying notes to the combined carve-out financial statements.

HOOPP INVESTMENTS

Combined Carve-Out Statements of Net Loss

(In thousands of Canadian dollars)

Years ended December 31, 2020, 2019 and 2018

	<i>Note</i>	2020	2019	2018
Property operating income:				
Rentals from investment properties	7 \$	106,361 \$	127,199 \$	127,809
Property operating costs		(75,781)	(75,606)	(73,186)
		30,580	51,593	54,623
Finance cost - operations	8	(6,076)	(6,076)	(4,603)
Finance income	8	50	129	192
Fair value adjustment on investment properties	3	(265,730)	(109,224)	(148,857)
Net loss	\$	(241,176) \$	(63,578) \$	(98,645)

See accompanying notes to the combined carve-out financial statements.

HOOPP INVESTMENTS

Combined Carve-Out Statements of Changes in Net Assets

(In thousands of Canadian dollars)

Years ended December 31, 2020, 2019 and 2018

NET ASSETS	Accumulated contributions	Accumulated net income	Accumulated distributions	Total
Net assets, January 1, 2018	1,065,152	63,463	(24,970)	1,103,645
Contributions	42,219	-	-	42,219
Net loss	-	(98,645)	-	(98,645)
Disitributions	-	-	(38,747)	(38,747)
Net assets, December 31, 2018	1,107,371	(35,182)	(63,717)	1,008,472
Contributions	1,289	-	-	1,289
Net loss	-	(63,578)	-	(63,578)
Disitributions	-	-	(29,418)	(29,418)
Net assets, December 31, 2019	1,108,660	(98,760)	(93,135)	916,765
Contributions	18,890	-	-	18,890
Net loss	-	(241,176)	-	(241,176)
Disitributions	-	-	(19,474)	(19,474)
Net assets, December 31, 2020	1,127,550	(339,936)	(112,609)	675,005

See accompanying notes to the combined carve-out financial statements.

HOOPP INVESTMENTS

Combined Carve-Out Statements of Cash Flows

(In thousands of Canadian dollars)

Years ended December 31, 2020, 2019 and 2018

	<i>Note</i>	2020	2019	2018
Cash provided by (used in)				
Operations:				
Net loss and comprehensive loss		(241,176)	(63,578)	(98,645)
Finance cost - operations	8	6,076	6,076	4,603
Interest paid		(6,076)	(6,076)	(6,076)
Items not affecting cash:				
Fair value adjustment on real estate assets	3	265,730	109,224	148,857
Amortization of tenant allowances	3	3,228	2,844	1,477
Change in other non-cash operating items	9	1,554	(2,683)	927
		29,336	45,807	51,143
Investing:				
Investment properties:				
Capital expenditures	3	(18,658)	(2,700)	(51,828)
Leasing expenses and tenant inducements	3	(8,300)	(14,368)	(3,966)
		(26,958)	(17,068)	(55,794)
Financing:				
Distributions		(19,474)	(29,418)	(38,747)
Contributions		18,890	1,289	42,219
		(584)	(28,129)	3,472
Increase (decrease) in cash		1,794	610	(1,179)
Cash, beginning of year		7,590	6,980	8,159
Cash, end of year		9,384	7,590	6,980

See accompanying notes to the combined carve-out financial statements.

HOOPP INVESTMENTS

Notes to Combined Carve-Out Financial Statements

(In thousands of Canadian dollars)

Years ended December 31, 2020, 2019 and 2018

HOOPP Investments' (the "Entity") primary business is to invest in properties across Canada as an investment vehicle of the Healthcare of Ontario Pension Plan ("HOOPP") (formerly Hospitals of Ontario Pension Plan), the Entity's sole owner. The principal office and centre of administration of the Entity is located at 1 York Street, Suite 1900, Toronto, Ontario M5J 0B6.

The combined carve-out financial statements have been prepared on a "carve-out basis" from the HOOPP subsidiaries financial information for the purpose of presenting the financial position, results of operations and cash flows of the real estate assets contemplated for sale on a stand-alone basis.

Countries around the world have been affected by the COVID-19 virus, which was declared a pandemic by The World Health Organization on March 11, 2020. The outbreak of COVID-19 has resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The duration and full impact of the COVID-19 pandemic on the Entity is unknown at this time, as is the efficacy of the government's interventions. The extent of the effect of COVID-19 on the Entity's operational and financial performance will depend on numerous factors including the duration, spread, time frame and effectiveness of vaccination roll-out, all of which are uncertain and difficult to predict. As a result, it is not currently possible to ascertain the long-term impact of COVID-19 on the Entity's business and operations. Certain aspects of the Entity's business and operations that have been and will continue to be impacted include rental income, occupancy, tenant inducements and future demand for space. In the preparation of the combined carve-out financial statements, the Entity has incorporated the impact of COVID-19 into its estimates and assumptions that affect the carrying amounts of its assets. The Entity has updated its future cash flows assumptions and its terminal capitalization rates and discount rates applied to these cash flows as well as updated its assumptions around the valuation of its accounts receivable.

1. Basis of preparation:

(a) Statement of compliance

These combined carve-out financial statements have been prepared in accordance with IFRS as published by the International Accounting Standards Board and using accounting policies described herein.

The combined carve-out financial statements were approved by the board of directors (the "Board") of HOOPP Realty Inc., Lansdowne Mall Inc., and Lansdowne Industrial Inc. on November 5, 2021.

(b) Functional currency and presentation

These combined carve-out financial statements are presented in Canadian dollars, which is the Entity's functional currency. All financial information has been rounded to the nearest thousand Canadian dollar.

The Entity presents its combined carve-out statements of financial position based on the liquidity method, where all assets and liabilities are presented in ascending order of liquidity.

HOOPP INVESTMENTS

Notes to Combined Carve-Out Financial Statements

(In thousands of Canadian dollars)

Years ended December 31, 2020, 2019 and 2018

(c) Basis of measurement

The combined carve-out financial statements have been prepared on the historical cost basis except for investment properties, which have been measured at fair value.

(d) Use of estimates and judgements

The preparation of these combined carve-out financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates.

(i) Use of 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. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the fair value of investment properties (note 3).

(ii) Use of judgements

The critical judgements made in applying accounting policies that have the most significant effect on the amounts recognized in these combined carve-out financial statements are as follows:

- Valuations of investment properties

Investment properties are carried on the combined carve-out statements of financial position at fair value, as determined by external independent appraisers. The valuations are based on a number of methods and significant assumptions, such as terminal capitalization rates, discount rates and estimates of future cash flows. Valuation of investment properties is one of the principal estimates and uncertainties of these combined carve-out financial statements. Refer to note 3 for further information on estimates and significant assumptions made in the determination of the fair value of investment properties. Judgement is applied in determining whether certain costs are additions to the carrying value of the investment properties.

- Leases

The Entity makes judgements in determining whether certain leases, in particular those tenant leases with long contractual terms where the Entity is the lessor, are operating or finance leases. The Entity has determined that all of its leases, where the Entity is the lessor, are operating leases.

HOOPP INVESTMENTS

Notes to Combined Carve-Out Financial Statements

(In thousands of Canadian dollars)

Years ended December 31, 2020, 2019 and 2018

- Business combinations

Accounting for business combinations under IFRS 3, Business Combinations (“IFRS 3”) is only applicable if it is determined that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to the Entity. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. In the absence of such criteria, a group of assets is deemed to have been acquired. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business. Judgement is used by management in determining whether the acquisition of an individual property, or group of properties, qualifies as a business combination in accordance with IFRS 3 or as an asset acquisition.

- Combined carve-out financial statements

There are significant judgements required when preparing the combined carve-out financial statements. The inherent nature of the combined carve-out financial statements requires judgement in the separation of amounts from HOOPP. There are a number of shared amounts that require judgement to separate for the purposes of the combined carve-out financial statements which historically have not always been presented or tracked separately.

2. Significant accounting policies:

The accounting policies set out below have been applied consistently for all periods presented in these combined carve-out financial statements.

(a) Investment properties:

The Entity’s investment properties are held to earn rental income or for capital appreciation, or both, but not for sale in the ordinary course of business. As such, investment properties are measured at fair value, under IAS 40, Investment Property (“IAS 40”) using valuations prepared by external independent appraisers.

The Entity performs an assessment of each investment property acquired to determine whether the acquisition is to be accounted for as an asset acquisition or a business combination. A transaction is considered to be a business combination if the acquired property meets the definition of a business under IFRS 3, as set out in note 1(d)(ii). The Entity expenses transaction costs on business combinations and capitalizes transaction costs on asset acquisitions.

Upon acquisition, investment properties are initially recorded at cost, comprising its purchase price and any directly attributable expenditures. Subsequent to initial recognition, the Entity uses the fair value model to account for investment properties. Under the fair value model, investment properties are recorded at fair value, determined based on available market evidence at each reporting date. The related gain or loss in fair value is recognized in net income in the year in which it arises.

HOOPP INVESTMENTS

Notes to Combined Carve-Out Financial Statements

(In thousands of Canadian dollars)

Years ended December 31, 2020, 2019 and 2018

Subsequent capital expenditures are capitalized to investment properties only when it is probable that future economic benefits of the expenditure will flow to the Entity and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. Leasing costs, such as commissions incurred in negotiating tenant leases, are included in investment properties.

Gains or losses from the disposal of investment properties are determined as the difference between the net disposal proceeds and the carrying amount of the investment property and are recognized in net income in the year of disposal.

(b) Cash and cash equivalents:

Cash includes deposits in banks, certificates of deposit and short-term investments with original maturities of less than 90 days.

(c) Finance costs:

Finance costs are comprised of interest expense on borrowings.

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

(d) Business combinations:

The purchase method of accounting is used for acquisitions meeting the definition of a business. The consideration transferred in a business combination is measured at fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their acquisition date fair values. The excess of the cost of acquisition over the fair value of the Entity's share of the identifiable net assets acquired, if any, is recorded as goodwill. If the cost of acquisition is less than the fair value of the Entity's share of the net assets acquired, the difference is recognized directly in the combined carve-out statements of net loss for the year as an acquisition gain. Any transaction costs incurred with respect to the business combination are expensed in the period incurred.

(e) Revenue from contracts with customers:

IFRS 15, Revenue from Contracts with Customers ("IFRS 15") contains a single, control-based model that applies to contracts with customers and provides two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized.

HOOPP INVESTMENTS

Notes to Combined Carve-Out Financial Statements

(In thousands of Canadian dollars)

Years ended December 31, 2020, 2019 and 2018

The Entity earns revenue from its tenants from various sources consisting of base rent for the use of space leased, recoveries of property tax and property insurance, and service revenue from utilities, cleaning and property maintenance costs.

Revenue from lease components is recognized on a straight-line basis over the lease term and includes the recovery of property taxes and insurance. Revenue recognition commences when a tenant has the right to use the premises and is recognized pursuant to the terms of the lease agreement.

Revenue related to the services component of the Entity's leases is accounted for in accordance with IFRS 15. These services consist primarily of utilities, cleaning and property maintenance costs for which the revenue is recognized over time, typically as the costs are incurred, which is when the services are provided.

(f) Leases:

The Entity, 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.

(g) Financial instruments:

IFRS 9, Financial Instruments ("IFRS 9") requires financial assets to be classified and measured based on the business model in which they are managed and the characteristics of their contractual cash flows. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at fair value through profit or loss ("FVTPL"):

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All of the Entity's financial assets not classified as measured at amortized cost, as described above, are measured at FVTPL.

Under IFRS 9, the change in fair value of financial liabilities carried at FVTPL attributable to changes in the credit risk of the liability is presented in other comprehensive income, and the remaining amount of change in fair value is presented in profit or loss.

For impairment of financial assets, IFRS 9 has a forward-looking 'expected credit loss' ("ECL") model. A provision for ECL is recognized at each balance sheet date for all financial assets measured at amortized cost.

HOOPP INVESTMENTS

Notes to Combined Carve-Out Financial Statements

(In thousands of Canadian dollars)

Years ended December 31, 2020, 2019 and 2018

The Entity applies the practical expedient to determine ECL on accounts receivable using a provision matrix based on historical credit loss experiences adjusted for current and forecasted future economic conditions to estimate lifetime ECL. The other ECL models applied to other financial assets also require judgement, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset.

Impairment losses are recorded in finance cost - operations in the combined carve-out statements of net loss with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts.

3. Investment properties:

	December 31, 2020	December 31, 2019	December 31, 2018
Opening balance, beginning of year	\$ 1,060,200	\$ 1,155,200	\$ 1,248,266
Operating capital:			
Capital expenditures	18,658	2,700	51,828
Leasing expenses and tenant inducements	8,300	14,368	3,966
Amortization of tenant allowances	(3,228)	(2,844)	(1,477)
Fair value adjustment on investment properties	(265,730)	(109,224)	(148,857)
Other charges	-	-	1,474
Closing balance, end of year	\$ 818,200	\$ 1,060,200	\$ 1,155,200

Fair value disclosure:

The estimated fair values of the Entity's investment properties are based on the use of the discounted cash flow method. The discounted cash flow analysis is based upon, among other things, future cash inflows in respect of rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the reporting period, less future cash outflows in respect of such leases and capital expenditures for the property utilizing appropriate discount rates and terminal capitalization rates, generally over a minimum term of 10 years.

During the years ended December 31, 2020, 2019 and 2018, all properties were valued by professional external independent appraisers. The Entity's internal valuation team assesses the significant assumptions used in the independent appraisal and holds discussions with the external independent appraiser on the reasonableness of their assumptions.

The Entity utilizes external industry sources to determine a range of discount and terminal capitalization rates. To the extent that the ranges of these externally provided rates change from one reporting period to the next, the fair value of the investment properties is increased or decreased accordingly.

HOOPP INVESTMENTS

Notes to Combined Carve-Out Financial Statements

(In thousands of Canadian dollars)

Years ended December 31, 2020, 2019 and 2018

The following table highlights the significant assumptions used in determining the fair values of the Entity's investment properties:

	Internal Rate of Return *	Terminal Capitalization Rate *
December 31, 2020	7.65%	6.49%
December 31, 2019	7.15%	6.03%
December 31, 2018	6.85%	5.65%

* Weighted based on income-producing property fair value.

In light of the COVID-19 pandemic, in 2020 the Entity has updated its assumptions used in determining the fair value of investment properties. The retail industry has also experienced significant hardship with all non-essential stores being closed for a significant period of time. The Entity applied higher discount rates as well as revised leasing assumptions to its retail properties.

Fair value sensitivity:

The Entity's investment properties are classified as level 3 under the fair value hierarchy, as the inputs in the valuations of these investment properties are not based on observable market data. The following table provides a sensitivity analysis for the internal rate of return ("IRR") and terminal capitalization rate ("TCR") applied as at December 31, 2020, 2019 and 2018:

IRR Sensitivity Increase (Decrease)	Fair Value of Investment			
	IRR	Properties	Fair Value Variance	% Change
(0.25%)	7.40%	\$835,024	\$16,824	2.06%
December 31, 2020	7.65%	\$818,200	\$0	0.00%
0.25%	7.90%	\$801,840	(\$16,360)	-2.00%
TCR Sensitivity Increase (Decrease)	Fair Value of Investment			
	TCR	Properties	Fair Value Variance	% Change
(0.25%)	6.24%	\$838,381	\$20,181	2.47%
December 31, 2020	6.49%	\$818,200	\$0	0.00%
0.25%	6.74%	\$799,279	(\$18,921)	-2.31%

IRR Sensitivity Increase (Decrease)	Fair Value of Investment			
	IRR	Properties	Fair Value Variance	% Change
(0.25%)	6.90%	\$1,081,776	\$21,576	2.04%
December 31, 2019	7.15%	\$1,060,200	\$0	0.00%
0.25%	7.40%	\$1,039,166	(\$21,034)	-1.98%
TCR Sensitivity Increase (Decrease)	Fair Value of Investment			
	TCR	Properties	Fair Value Variance	% Change
(0.25%)	5.78%	\$1,089,976	\$29,776	2.81%
December 31, 2019	6.03%	\$1,060,200	\$0	0.00%
0.25%	6.28%	\$1,032,967	(\$27,233)	-2.57%

HOOPP INVESTMENTS

Notes to Combined Carve-Out Financial Statements

(In thousands of Canadian dollars)

Years ended December 31, 2020, 2019 and 2018

IRR Sensitivity Increase (Decrease)	IRR	Fair Value of Investment Properties	Fair Value Variance	% Change
(0.25%)	6.60%	\$1,178,612	\$23,412	2.03%
December 31, 2018	6.85%	\$1,155,200	\$0	0.00%
0.25%	7.10%	\$1,132,468	-\$22,732	-1.97%
TCR Sensitivity Increase (Decrease)				
(0.25%)	5.40%	\$1,190,692	\$35,492	3.07%
December 31, 2018	5.65%	\$1,155,200	\$0	0.00%
0.25%	5.90%	\$1,122,921	(\$32,279)	-2.79%

4. Other assets:

	December 31, 2020	December 31, 2019	December 31, 2018
Current:			
Prepaid expenses and sundry assets	\$ 10,051	\$ 7,515	\$ 1,337
Accounts receivable ⁽¹⁾ - net provision for expected credit loss of \$11,808 (2019 - \$5,202, 2018 - \$2,015)	7,784	3,078	1,983
	\$ 17,835	\$ 10,593	\$ 3,320

(1) In determining the expected credit loss, the Entity performed a tenant-by-tenant assessment considering the payment history and future expectations of default based on actual and expected insolvency filings. The following is a summary of the changes in the provision for expected credit loss:

	December 31, 2020	December 31, 2019	December 31, 2018
Opening balance, beginning of year	\$ 5,202	\$ 2,015	\$ 600
Bad debt expense	9,022	3,520	1,458
Accounts receivable write-off	(2,416)	(333)	(43)
	\$ 11,808	\$ 5,202	\$ 2,015

5. Debt:

	December 31, 2020	December 31, 2019	December 31, 2018
Mortgage payable is repayable in interest only payments and due on November 1, 2023. The loan bears interest at 4.34% per annum	\$ 140,000	\$ 140,000	\$ 140,000
Accrued interest	506	506	506
	\$ 140,506	\$ 140,506	\$ 140,506

The mortgage payable is secured by one investment property with a fair value of \$214,000 as of December 31, 2020, \$250,400 as of December 31, 2019, and \$272,000 as of December 31, 2018.

HOOPP INVESTMENTS

Notes to Combined Carve-Out Financial Statements

(In thousands of Canadian dollars)

Years ended December 31, 2020, 2019 and 2018

6. Accounts payable and accrued liabilities:

	December 31, 2020	December 31, 2019	December 31, 2018
Current:			
Other accounts payable and accrued liabilities	\$ 26,801	\$ 18,815	\$ 14,873
Prepaid rent	2,679	1,685	1,269
Non Current:			
Security deposits	428	612	380
	\$ 29,908	\$ 21,112	\$ 16,522

7. Rentals from investment properties:

	2020	2019	2018
Rental income	\$ 69,395	\$ 82,183	\$ 82,697
Revenue from services	36,966	44,436	45,112
Lease termination and close-out fee	-	580	-
	\$ 106,361	\$ 127,199	\$ 127,809

Operating leases:

The Entity leases its investment properties under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

	2020	2019	2018
Less than 1 year	\$ 54,664	\$ 62,899	\$ 64,568
Between 1 and 5 years	151,969	174,016	188,432
More than 5 years	92,461	112,172	133,624
	\$ 299,094	\$ 349,087	\$ 386,624

8. Finance costs:

	2020	2019	2018
Finance cost - operations			
Contractual interest on mortgage payable	\$ 6,076	\$ 6,076	\$ 6,076
Other interest	-	-	(1,473)
	6,076	6,076	4,603
Finance income	(50)	(129)	(192)
	\$ 6,026	\$ 5,947	\$ 4,411

HOOPP INVESTMENTS

Notes to Combined Carve-Out Financial Statements

(In thousands of Canadian dollars)

Years ended December 31, 2020, 2019 and 2018

9. Supplemental cash flow information:

The following is a summary of changes in other non-cash operating items:

	2020	2019	2018
Prepaid expenses and sundry assets	\$ (2,536)	\$ (6,178)	\$ 18
Accounts receivable	(4,706)	(1,095)	2,953
Accounts payable and accrued liabilities	8,796	4,590	(2,044)
	\$ 1,554	\$ (2,683)	\$ 927

10. Capital risk management:

The Entity's primary objectives when managing capital are:

- (a) to maximize value through ongoing active management of the Entity's assets and acquisition of additional investment properties; and
- (b) to provide HOOPP with stable and growing cash distributions generated by revenue it derives from a portfolio of investment properties.

The Entity considers its capital to be:

	December 31, 2020
Debt	\$ 140,506
Net assets	675,005
	\$ 815,511

As long as the Entity complies with its investments and debt restrictions as stipulated by the Board in the Investment Policies and Guidelines ("IP&G"), it is free to determine the appropriate level of capital in context with its cash flow requirements, overall business risks and potential business opportunities. As a result of this, the Entity will make adjustments to its capital based on its investment strategies and changes in economic conditions.

The Entity's level of indebtedness is subject to the limitations set out by the Board in the IP&G. The entity is limited to a total indebtedness to net assets ratio of 35%. As at December 31, 2020, this ratio was 21% (December 31, 2019 – 16%, December 31, 2018 – 14%). Management uses this ratio as a key indicator in managing the Entity's capital.

HOOPP INVESTMENTS

Notes to Combined Carve-Out Financial Statements

(In thousands of Canadian dollars)

Years ended December 31, 2020, 2019 and 2018

11. Risk Management:

(a) Credit risk:

The Entity is exposed to credit risk as an owner of investment properties in that tenants may be unable to pay rent when due. Management mitigates this risk by carrying out appropriate credit checks and related due diligence on significant tenants.

In addition, management ensures that no tenant or related group of tenants, other than investment grade tenants, account for a significant portion of the Entity's cash flow. For 2018, 2019 and 2020, the Entity had one tenant, Walmart Inc., which individually accounted for more than 5% of the rentals from investment properties. This company has a public debt rating of AA by a recognized rating agency.

The carrying amount of receivables represents the maximum credit exposure. Accordingly, the Entity's exposure to credit risk on receivables is as follows:

	Note	December 31, 2020	December 31, 2019	December 31, 2018
Accounts receivable	4	\$ 7,784	\$ 3,078	\$ 1,983
		\$ 7,784	\$ 3,078	\$ 1,983

(b) Liquidity risk:

The Entity is subject to liquidity risk whereby the Entity may not be able to refinance or pay its debt obligations and other financial obligations when they become due.

Management monitors the Entity's liquidity risk through a review of working capital requirements, debt repayment obligations, planned funding of capital expenditures and leasing costs and maintaining an unencumbered asset pool (December 31, 2020 – 6 properties with a fair value of \$604,200, December 31, 2019 – 6 properties with a fair value of \$809,800, December 31, 2018 – 6 properties with a fair value of \$883,200). The liquidity needs of the Entity are funded by cash flows from operating the investment properties.

The Entity's obligations are as follows:

	Note	2021	Thereafter	Total
Debt ⁽¹⁾	5	\$ -	\$ 140,000	\$ 140,000
Accounts payable and accrued liabilities	6	26,801	-	26,801
Security deposits	6	-	428	428
		\$ 26,801	\$ 140,428	\$ 167,229

(1) Amounts in the above table only include principal repayments.

HOOPP INVESTMENTS

Notes to Combined Carve-Out Financial Statements

(In thousands of Canadian dollars)

Years ended December 31, 2020, 2019 and 2018

(c) Interest rate risk:

The Entity is exposed to interest rate risk on its borrowings. As at December 31, 2018, 2019 and 2020, there was no debt subject to variable interest rates.

(d) Fair value measurement:

(i) Financial assets and liabilities carried at amortized cost:

The fair values of the Entity's other assets, cash, and accounts payable and accrued liabilities approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments.

The fair value of debt has been determined by discounting the cash flows of these financial obligations using market rates for debt comprising similar terms and credit risks.

(ii) Fair value of assets and liabilities:

Assets and liabilities measured at fair value in the combined carve-out statements of financial position, or disclosed in the notes to the financial statements, are categorized using a fair value hierarchy that reflects the significance of the inputs used in determining the fair values:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2020	Note	Level 1	Level 2	Level 3	Total fair value	Carrying value
Assets measured at fair value						
Investment properties	3	\$ -	\$ -	\$ 818,200	\$ 818,200	\$ 818,200
		-	-	818,200	818,200	818,200
Liabilities for which fair values are disclosed						
Debt	5	-	140,506	-	140,506	140,506
		-	140,506	-	140,506	140,506
		\$ -	\$ 140,506	\$ 818,200	\$ 958,706	\$ 958,706

HOOPP INVESTMENTS

Notes to Combined Carve-Out Financial Statements

(In thousands of Canadian dollars)

Years ended December 31, 2020, 2019 and 2018

December 31, 2019	Note	Level 1	Level 2	Level 3	Total fair value	Carrying value
Assets measured at fair value						
Investment properties	3	\$ -	\$ -	\$ 1,060,200	\$ 1,060,200	\$ 1,060,200
		-	-	1,060,200	1,060,200	1,060,200
Liabilities for which fair values are disclosed						
Debt	5	-	140,506	-	140,506	140,506
		-	140,506	-	140,506	140,506
		\$ -	\$ 140,506	\$ 1,060,200	\$ 1,200,706	\$ 1,200,706

December 31, 2018	Note	Level 1	Level 2	Level 3	Total fair value	Carrying value
Assets measured at fair value						
Investment properties	3	\$ -	\$ -	\$ 1,155,200	\$ 1,155,200	\$ 1,155,200
		-	-	1,155,200	1,155,200	1,155,200
Liabilities for which fair values are disclosed						
Debt	5	-	140,506	-	140,506	140,506
		-	140,506	-	140,506	140,506
		\$ -	\$ 140,506	\$ 1,155,200	\$ 1,295,706	\$ 1,295,706

12. Subsequent event:

On October 26, 2021, HOOPP entered into a purchase and sale agreement with H&R Real Estate Investment Trust (the "REIT") pursuant to which the net assets of the Entity will be sold to Primaris Real Estate Investment Trust ("Primaris"), a newly created unincorporated open-ended trust. The consideration payable in respect of the Entity, in the aggregate amount of approximately \$800.8 million, will be satisfied by way of the issuance to HOOPP of (i) approximately \$600.6 million of trust units of Primaris and (ii) an approximately \$200.2 million demand promissory note. The purchase and sale is subject to certain representations including, among other things, the approval of the REIT's Plan of Arrangement by the Court of Queen's Bench of Alberta and the REIT's unitholders.

SCHEDULE H

MANAGEMENT DISCUSSION & ANALYSIS – PRIMARIS SPIN-OUT PROPERTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF PRIMARIS RETAIL PROPERTIES

For the three and six months ended June 30, 2021

Dated: November 5, 2021

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SECTION I

BASIS OF PRESENTATION

Management's Discussion and Analysis ("MD&A") of the results of operations and financial position of Primaris Retail Properties ("PRP") for the three and six months ended June 30, 2021 includes material information up to November 5, 2021. Financial data for the three and six months ended June 30, 2021 have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. This MD&A should be read in conjunction with the unaudited condensed interim combined carve-out financial statements of PRP and related notes for the three and six months ended June 30, 2021 ("PRP's Financial Statements"), together with the combined carve-out financial statements of PRP and related notes and MD&A for the year ended December 31, 2020. PRP's Financial Statements are defined to refer to the financial statements for PRP for the applicable period. All amounts in this MD&A are in thousands of Canadian dollars, except where otherwise stated. Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

Countries around the world have been affected by the COVID-19 virus, which was declared a pandemic by The World Health Organization on March 11, 2020. The outbreak of COVID-19 has resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The duration and full impact of the COVID-19 pandemic on PRP is unknown at this time, as is the efficacy of the governments' interventions. The extent of the effect of COVID-19 on PRP's operational and financial performance will depend on numerous factors including the duration, spread, time frame and effectiveness of vaccination roll-out, all of which are uncertain and difficult to predict. As a result, it is not currently possible to ascertain the long-term impact of COVID-19 on PRP's business and operations. Certain aspects of PRP's business and operations that have been and will continue to be impacted include rental income, occupancy, tenant inducements and future demand for space. In the preparation of PRP's Financial Statements and MD&A, PRP has incorporated the impact of COVID-19 into its estimates and assumptions that affect the carrying amounts of its assets. PRP has updated its future cash flows assumptions and its capitalization rates, terminal capitalization rates, and discount rates applied to these cash flows as well as updated its assumptions around the valuation of its accounts receivable.

FORWARD-LOOKING DISCLAIMER

Certain information in this MD&A contains forward-looking information within the meaning of applicable securities laws (also known as forward-looking statements) including, among others, statements made or implied under the headings "Assets", "Segmented Information", "Liquidity and Capital Resources", "Risks and Uncertainties" and "Subsequent Events" relating to PRP's objectives, beliefs, plans, estimates, projections and intentions and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts, including the statements made under the headings "Business Update" and "Summary of Significant Q2 2021 Activity" including with respect to PRP's future plans, including significant development projects, PRP's expectation with respect to the activities of its development properties, including the building of new properties, the expected yield on cost from PRP's development properties, the timing of construction, the timing of transfer from properties under development to investment properties, the timing of occupancy, the timing of lease-up and the expected total cost from development properties, management's expectations regarding future intensification opportunities including the timing of approvals for re-zoning and site plan applications, the impact of the COVID-19 virus on PRP and PRP's tenants, management's expectations regarding abatement expenses and recoveries including tenants participation in the Canada Emergency Rent Subsidy, PRP's bad debt expense and expected credit loss, expectations regarding tenant retention and closures, the expected rental revenues from leases with replacement tenants, including any offset of a reduction in gross revenues relating to store closures, and the significant revenue opportunity represented by percentage rent participation, the state of the retail market, expected capital and tenant expenditures, capitalization rates and cash flow models used to estimate fair values, management's expectations regarding PRP's leverage and portfolio quality, management's expectation to be able to meet all of its ongoing obligations and management's belief that PRP satisfies the test to quality for PRP exemption. Forward-looking statements generally can be identified by words such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans", "project", "budget" or "continue" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect PRP's current beliefs and are based on information currently available to management.

Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements are not guarantees of future performance and are based on PRP's estimates and assumptions that are subject to risks, uncertainties and other factors including those risks and uncertainties described below under "Risks and Uncertainties" and those discussed in the Management Information Circular (the "Circular") to which this MDA is attached. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking statements include that the general economy is currently volatile and in an economic downturn as a result of the COVID-19 pandemic and low oil and gas prices, the extent and duration of which is unknown; interest rates are volatile as a result of general economic conditions; and debt markets continue to provide access to capital at a reasonable cost, notwithstanding the ongoing economic downturn. Additional risks and uncertainties include, among other things, risks related to: real property ownership; the current economic environment; COVID-19; credit risk and tenant concentration; lease rollover risk; interest and other debt-related risk; construction risks; currency risk; liquidity risk; financing credit risk; cyber security risk; environmental and climate change risk; co-ownership

interest in properties; joint arrangement and investment risks; H&R REIT ("the Parent") Unit price risk; availability of cash for distributions; ability to access capital markets; dilution; the Parent's unitholder liability; redemption right risk; tax risk, and additional tax risk applicable to the Parent's unitholders. PRP cautions that these lists of factors, risks and uncertainties are not exhaustive. Although the forward-looking statements contained in this MD&A are based upon what PRP believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements.

Readers are also urged to examine PRP's materials filed with the Canadian securities regulatory authorities from time to time as they may contain discussions on risks and uncertainties which could cause the actual results and performance of PRP to differ materially from the forward-looking statements contained in this MD&A. All forward-looking statements in this MD&A are qualified by these cautionary statements. These forward-looking statements are made as of November 5, 2021 and PRP, except as required by applicable Canadian law, assumes no obligation to update or revise them to reflect new information or the occurrence of future events or circumstances.

OVERVIEW

This combined carve-out MD&A of PRP represents the combination of 27 retail properties, located throughout Canada, with 25 of the properties being owned by Primaris REIT ("the REIT") and 2 of the properties being owned directly by the Parent.

PRP's strategy is to focus on maximizing rental income from its portfolio by actively managing the merchandising mix of each property to effectively align with its consumer market, lease vacant space at competitive market rates and the lowest possible transaction costs, and maintain good relationships with retailers, working with them to increase their sales. PRP has always recognized the highly competitive nature of the retail industry and has maintained a strong focus on cost management to support retailer margins.

SECTION II

FINANCIAL HIGHLIGHTS

(in thousands of Canadian dollars)	June 30, 2021	December 31, 2020
Total assets	\$2,232,763	\$2,134,955
Net assets	1,159,078	1,001,700

	Three months ended June 30			Six months ended June 30		
	2021	2020	% Change	2021	2020	% Change
Rentals from investment properties	\$59,630	\$62,568	(4.7%)	\$123,456	\$133,048	(7.2%)
Property operating income ⁽¹⁾	32,590	15,829	105.9%	64,357	53,024	21.4%
Fair value adjustment on investment properties	(7,256)	(5,882)	23.4%	84,656	(672,048)	(112.6%)
Net income (loss)	16,929	3,676	360.5%	133,602	(607,912)	(122.0%)

⁽¹⁾ Property operating income consists of rentals from investment properties less property operating costs.

The fair value adjustment on investment properties is further discussed on page 3 of this MD&A.

KEY PERFORMANCE DRIVERS

	June 30 2021	December 31 2020
OPERATIONS		
Occupancy	87.3%	88.2%
Average contractual rent per sq.ft.	\$23.16	\$24.87
Average remaining term to maturity of leases (in years)	5.0	5.1
Average remaining term to maturity of mortgages payable (in years)	2.3	2.4

BUSINESS UPDATE

PRP is pleased to report financial and operating results from Q2 2021 that demonstrate the resilient nature of PRP's portfolio, and also reflect the prudent actions taken by management in response to the extraordinary events that followed the arrival of the COVID-19 pandemic. Prior to the pandemic, PRP had made significant progress leasing Sears premises vacated in 2018 and that work, coupled with our efforts to work collaboratively with tenants throughout the pandemic, has resulted in our occupancy rate remaining relatively stable despite the turbulence of 2020. With COVID-19 restrictions being reduced nationally throughout 2021, leasing activity has improved. Occupancy, including committed tenants not yet open for business, has risen from 90.7% as at December 31, 2020 to 91.8% as at the end of June 30, 2021.

Fair Value Adjustment on Investment properties**Fair Value Adjustment on Investment Properties
(in thousands of Canadian dollars)**

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
	(\$7,256)	(\$5,882)	\$84,656	(\$672,049)

The financial results for the three and six months ended June 30, 2021 include significant fair value adjustments primarily recorded in Q1 2021. These adjustments were a result of PRP's regular quarterly IFRS fair value process, and reflect the improving conditions in the retail landscape resulting from stronger than expected rent collections and the expected reopening of the overall economy as part of the accelerating COVID-19 vaccine rollout.

The financial results for the three and six months ended June 30, 2020 included fair value adjustments primarily recorded in Q1 2020 that were more significant than previous periods. These adjustments were a result of PRP's regular quarterly IFRS fair value process and included the impact of COVID-19 accelerating challenging conditions in the retail landscape, which impacted the valuation assumptions of retail properties.

Provision for expected Credit Loss and Bad Debt Expense

Bad debt expense is classified as an expense and is grouped together with other expenses in property operating costs. The following table discloses PRP's provision for expected credit loss and bad debt expense including the impact of COVID-19. In determining these amounts, PRP performed a tenant-by-tenant assessment considering the payment history and future expectations of default based on actual and expected insolvency filings. PRP was impacted more than other industries due to government mandated closures of enclosed shopping centres. However, our primary goal has been to maintain occupancy, as such, we have worked together with our tenants on a case-by-case basis to find sensible solutions to support their businesses while protecting our own rights and financial position. In limited circumstances where abatement was provided in favour of a tenant other than in the case of the Canada Emergency Commercial Rent Assistance ("CECRA") program, PRP typically received concessions of value in exchange, such as development rights, lease term extensions or the waiver of exclusivity provisions.

	June 30 2021	December 31 2020
Provision for expected credit loss (in thousands of Canadian dollars)		
Opening balance, beginning of year	\$12,945	\$602
Bad debt expense ⁽¹⁾	984	36,193
Accounts receivable write-off ⁽¹⁾	(2,616)	(23,850)
Closing balance, end of period	\$11,313	\$12,945

⁽¹⁾ Year ended December 31, 2020 includes \$5.4 million of rent abatements granted under the CECRA program.

Q2 2021 and July 2021 rent collection was negatively impacted by the extended closure of enclosed malls in Ontario. All PRP Ontario enclosed malls are now open and operating and we expect rental collections to improve accordingly.

Liquidity

As at June 30, 2021, PRP had \$5.1 million of cash available under its line of credit, after taking into account the guarantee of \$107.9 million, \$7.8 million of cash on hand and an unencumbered asset pool of approximately \$613.0 million.

SUMMARY OF SIGNIFICANT Q2 2021 ACTIVITYFuture Intensification Opportunities

PRP has many intensification opportunities embedded in its portfolio. The fair market value that management ascribes to these properties excludes the value that may be unlocked as these projects progress.

PRP continues to advance its intensification pipeline of projects within its existing portfolio. PRP's flagship project, Dufferin Grove Village at Dufferin Mall, which will include 1,135 residential rental units and 75,000 square feet of retail space, is expected to receive re-zoning and site plan approval in Q4 2021.

Debt Highlights

The weighted average interest rate of PRP's debt as at June 30, 2021 was 3.1% with an average term to maturity of 2.4 years.

Mortgages:

During Q2 2021, PRP secured two mortgages totalling \$230.6 million at a weighted average interest rate of 2.1% for a term of 0.8 years and repaid two mortgages totalling \$230.4 million at a weighted average interest rate of 4.15%.

SECTION III**FINANCIAL POSITION**

<u>(in thousands of Canadian dollars)</u>	June 30,	December 31,
	2021	2020
Assets		
Investment properties	\$2,208,541	\$2,103,675
Other assets	16,406	16,272
Cash and cash equivalents	7,816	15,008
	\$2,232,763	\$2,134,955
Liabilities		
Debt	\$785,562	\$609,900
Exchangeable units	-	19,244
Accounts payable and accrued liabilities	288,123	504,111
	1,073,685	1,133,255
Net assets	1,159,078	1,001,700
	\$2,232,763	\$2,134,955

ASSETS

Change in Investment Properties (in thousands of Canadian dollars)	June 30, 2021	December 31, 2020
Opening balance, beginning of year	\$2,103,675	\$2,708,260
Operating capital:		
Capital expenditures	4,214	11,304
Leasing expenses and tenant inducements	4,882	3,383
Development capital:		
Redevelopment (including capitalized interest)	10,509	69,127
Accrued rents receivable	605	3,637
Fair value adjustment on investment properties (page 3)	84,656	(692,036)
Closing balance, end of period	\$2,208,541	\$2,103,675

Investment Properties:

The following tables disclose the fair values of the investment properties by geographic location:

Geographic Location (in thousands of Canadian dollars)	June 30, 2021	December 31, 2020
Ontario	\$658,110	\$635,800
Alberta	897,501	838,025
Other	652,930	629,850
Total	\$2,208,541	\$2,103,675

Capitalization Rates:

	June 30, 2021	December 31, 2020
	7.21%	7.51%

In light of the COVID-19 pandemic, PRP has updated its assumptions used in determining the fair value of investment properties. Refer to page 3 of this MD&A for further discussion on IFRS fair value adjustments included in the Business Update.

Other Assets

(in thousands of Canadian dollars)	June 30, 2021	December 31, 2020
Prepaid expenses and sundry assets	\$11,404	\$5,483
Accounts receivable - net of provision for expected credit loss of \$11,313 (2020 - \$12,945)	5,002	10,789
	\$16,406	\$16,272

Accounts receivable decreased by \$5.8 million from approximately \$10.8 million as at December 31, 2020 to approximately \$5.0 million as at June 30, 2021, primarily due to collection from tenants who were impacted by COVID-19. As at June 30, 2021, accounts receivable amounted to 4.1% of annual rentals from investment properties compared to 4.0% as at December 31, 2020. Refer to page 3 of this MD&A for further discussion on PRP's bad debt expense.

LIABILITIES AND NET ASSETS

	June 30, 2021	December 31, 2020
Unencumbered assets ⁽¹⁾ (in thousands of Canadian dollars)	\$613,001	\$673,925
Weighted average interest rate of debt ⁽²⁾	3.1%	3.9%
Weighted average term to maturity of debt (in years) ⁽²⁾	2.4	2.4

⁽¹⁾ Unencumbered assets are investment properties without encumbrances for mortgages or the line of credit.

⁽²⁾ Debt includes mortgages payable and the line of credit.

Debt

PRP's debt consists of the following items:

(in thousands of Canadian dollars)	June 30, 2021	December 31, 2020
Mortgages payable	\$598,562	\$609,900
Line of credit	187,000	-
	\$785,562	\$609,900

The following is a summary of the changes in mortgages payable:

(in thousands of Canadian dollars)	June 30, 2021	December 31, 2020
Opening balance, beginning of year	\$609,900	\$631,612
Principal repayments:		
Scheduled amortization payments	(10,982)	(22,622)
Mortgage repayments	(230,354)	(38,694)
New mortgages	230,557	41,795
Effective interest rate accretion on mortgages	(559)	(2,191)
Closing balance, end of period	\$598,562	\$609,900

The following is a summary of the changes in the line of credit:

	Maturity Date	Total Facility	Amount Drawn	PRP Guarantee ⁽²⁾	Available Balance
Revolving secured operating line of credit⁽¹⁾:					
June 30, 2021	December 31, 2021	\$ 300,000	\$ (187,000)	\$ (107,880)	\$ 5,120
December 31, 2020	December 31, 2021	\$ 300,000	\$ -	\$ (222,250)	\$ 77,750

⁽¹⁾ Secured by certain investment properties.

⁽²⁾ PRP provides guarantees on behalf of the Parent, a related party, on the U.S. dollar borrowings on the revolving secured operating line of credit.

Mortgages Payable	Periodic Amortized Principal (\$000's)	Principal on Maturity (\$000's)	Total Principal (\$000's)	% of Total Principal	Weighted Average Interest Rate on Maturity
Future Mortgage Principal Payments					
2021 ⁽¹⁾	\$9,421	\$62,726	\$72,147	12.0	3.5%
2022	12,263	350,551	362,814	60.6	2.8%
2023	5,327		5,327	0.9	
2024	3,834	37,389	41,223	6.9	3.2%
2025	3,975		3,975	0.7	
Thereafter	11,382	102,269	113,651	18.9	3.6%
			599,137	100%	
Financing costs and mark-to-market adjustments arising on acquisitions ⁽²⁾			(575)		
Total balance outstanding as at June 30, 2021			\$598,562		

(1) For the balance of the year.

(2) Mark-to-market adjustment represents the difference between the actual mortgages assumed on property acquisitions and the fair value of the mortgages at the date of purchase and is recognized in finance costs over the life of the applicable mortgage using the effective interest rate method. Financing costs are deducted from PRP's mortgages payable balances and are recognized in finance costs over the life of the applicable mortgage.

The mortgages outstanding as at June 30, 2021 bear interest at a weighted average rate of 3.1% (December 31, 2020 - 3.9%) and mature between 2021 and 2030 (December 31, 2020 – maturing between 2021 and 2030). The weighted average term to maturity of PRP's mortgages is 2.4 years (December 31, 2020 - 2.4 years). For a further discussion of liquidity refer to the "Funding of Future Commitments" section of this MD&A. For a further discussion of interest rate risk, refer to the "Risks and Uncertainties" section of this MD&A.

Line of Credit (in thousands of Canadian Dollars)	Maturity Date	Total Facility	Amount Drawn	PRP Guarantee ⁽²⁾	Available Balance
Revolving secured operating line of credit ⁽¹⁾ :					
June 30, 2021	December 31, 2021	\$300,000	(\$187,000)	(\$107,880)	\$5,120
December 31, 2020	December 31, 2021	\$300,000	\$ -	(\$222,500)	\$77,500

(1) Secured by certain investment properties.

(2) PRP provides guarantees on behalf of the Parent, a related party, on the U.S. dollar borrowings on the revolving secured operating line of credit.

The line of credit can be drawn in either Canadian or U.S. dollars and bears interest at a rate approximating the prime rate of a Canadian chartered bank.

Exchangeable Units

Certain of the Parent's subsidiaries have exchangeable units outstanding which are puttable instruments where the Parent has a contractual obligation to issue Units of the Parent ("Units") to participating vendors upon redemption. These puttable instruments are classified as a liability under IFRS and are measured at fair value through profit or loss.

At the end of each period the fair value is determined by using the quoted price of the Parent's Units on the Toronto Stock Exchange ("TSX") as the exchangeable units are exchangeable into Units at the option of the holder. Holders of all exchangeable units are entitled to receive the economic equivalent of distributions on a per unit amount equal to a per Unit amount provided to holders of Units.

The following number of exchangeable units are issued and outstanding:	Number of Exchangeable Units	Quoted Price of Units	Total
As at June 30, 2021	-	\$16.00	-
As at December 31, 2020	1,447,994	\$13.29	\$19,244

Net Assets

Net assets increased by \$157.4 million from approximately \$1.0 billion as at December 31, 2020 to approximately \$1.2 billion as at June 30, 2021. The increase is primarily due to net income.

RESULTS OF OPERATIONS

(in thousands of Canadian dollars)	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Property operating income:				
Rentals from investment properties	\$59,630	\$62,568	\$123,456	\$133,048
Property operating costs	(27,040)	(46,739)	(59,099)	(80,024)
	32,590	15,829	64,357	53,024
Finance cost - operations	(4,729)	(5,228)	(9,782)	(10,287)
Finance income	2	66	7	113
General and administrative expenses (recoveries)	(551)	453	(1,104)	(46)
Fair value adjustment on investment properties	(7,256)	(5,882)	84,656	(672,048)
Fair value adjustment on financial instruments	(3,127)	(1,562)	(4,532)	21,332
Net income (loss)	\$16,929	\$3,676	\$133,602	(\$607,912)

Property operating income increased by \$16.8 million and \$11.3 million, respectively, for the three and six months ended June 30, 2021 compared to the respective 2020 periods, primarily due to higher bad debt expenses recorded during the onset of COVID-19 in Q2 2020 and a reduction in property operating costs resulting from the closure of Ontario enclosed malls for the majority of the first half of 2021.

Net income (loss) increased by \$13.3 million and \$741.5 million, respectively, for the three and six months ended June 30, 2021 compared to the respective 2020 periods primarily due to the following: (i) fair value adjustments of investment properties further discussed on page 3 of this MD&A; and (ii) an increase in property operating income discussed above.

PROPERTY OPERATING INCOME

Property operating income consists of rentals from investment properties less property operating costs. Management believes that property operating income is a useful measure for investors in assessing the performance of PRP's properties before financing costs and other sources of income and expenditures which are not directly related to the day-to-day operations of a property.

(in thousands of Canadian dollars)	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Rentals	\$59,630	\$62,568	\$123,456	\$133,048
Property operating costs (excluding bad debt expense)	(26,423)	(24,559)	(58,115)	(57,761)
Property operating income (excluding bad debt expense)	33,207	38,009	65,341	75,287
Bad debt expense	(617)	(22,180)	(984)	(22,263)
Property operating income	\$32,590	\$15,829	\$64,357	\$53,024

Property operating income increased by \$16.8 million and \$11.3 million, respectively, for the three and six months ended June 30, 2021 compared to the respective 2020 periods, primarily due to higher bad debt expenses recorded during the onset of COVID-19 in Q2 2020 and an increase in property operating costs resulting from the closure of Ontario enclosed malls for the majority of the first half of 2021.

INCOME AND EXPENSE ITEMS

The income and expense items section of this MD&A provides management's commentary on the Results of Operations per PRP's Financial Statements.

Finance Costs (in thousands of Canadian dollars)	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Finance cost – operations:				
Contractual interest on mortgages payable	(\$4,897)	(\$6,186)	(\$10,737)	(\$12,430)
Bank interest and charges on the line of credit	(279)	(46)	(408)	(213)
Effective interest rate accretion	120	603	559	1,211
Exchangeable unit distributions	(250)	(433)	(500)	(1,081)
	(5,306)	(6,062)	(11,086)	(12,513)
Capitalized interest	577	834	1,304	2,226
	(4,729)	(5,228)	(9,782)	(10,287)
Finance income	2	66	7	113
Fair value adjustment on financial instruments	(3,127)	(1,562)	(4,532)	21,332
	(\$7,854)	(\$6,724)	(\$14,307)	\$11,158

The decrease in contractual interest on mortgages payable of \$1.3 million and \$1.7 million, respectively, for the three and six months ended June 30, 2021 compared to the respective 2020 periods is primarily due to mortgages repaid upon maturity.

The decrease in exchangeable unit distributions of \$0.2 million and \$0.6 million, respectively, for the three and six months ended June 30, 2021 compared to the respective 2020 periods is primarily due to the Parent decreasing its monthly distributions from \$0.115 per Parent's Unit to \$0.0575 per Parent's Unit effective May 2020.

The decrease in capitalized interest of \$0.3 million and \$0.9 million, respectively, for the three and six months ended June 30, 2021 compared to the respective 2020 periods is primarily due to a decrease in capitalized interest from the re-development of the former Target and Sears space.

The fair value adjustment on financial instruments of \$3.1 million and \$4.5 million, respectively, for the three and six months ended June 30, 2021 is primarily due to the loss on the fair value of exchangeable units, which are fair valued at the end of each reporting period based on the quoted price of the Parent's Units on the TSX. The loss on fair value of exchangeable units is due to the Parent's Unit price increasing from \$13.29 as at December 31, 2020 to \$16.00 as at June 30, 2021.

General and Administrative (Expenses) Recoveries (in thousands of Canadian dollars)	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Other expenses	(\$551)	\$453	(\$1,104)	(\$46)

Other expenses increased by \$1.0 million and \$1.1 million, respectively, for the three and six months ended June 30, 2021 compared to the respective 2020 periods, primarily due to lower expenses due to COVID-19.

Fair Value Adjustment on Investment Properties (in thousands of Canadian dollars)	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Fair value adjustment on investment properties	(\$7,256)	(\$5,882)	\$84,656	(\$672,048)

PRP records its investment properties at fair value. Fair value adjustments on investment properties are determined based on the movement of various parameters, including changes in capitalization rates, discount rates, terminal capitalization rates and future cash flow projections. The improving impact of COVID-19 has caused a change in assumptions used in determining the fair value of investment properties for the six months ended June 30, 2021. Refer to page 3 of this MD&A for further discussion on IFRS fair value adjustments included in the Business Update.

Capital and Tenant Expenditures

The following is a breakdown of PRP's capital expenditures and tenant expenditures (leasing expenditures and tenant inducements):

	June 30	December 31
<u>(in thousands of Canadian dollars)</u>	<u>2021</u>	<u>2020</u>
Capital expenditures	\$4,214	\$11,304
Leasing expenditures and tenant inducements	4,882	3,383
Total	\$9,096	\$14,687

The largest capital expenditure for the six months ended June 30, 2021 was a food court renovation at a Guelph, ON retail property totaling \$1.9 million.

Tenant expenditures for the six months ended June 30, 2021 included a \$1.9 million tenant allowance paid as part of a lease renewal and expansion of an anchor tenant at an Alberta enclosed shopping centre.

LIQUIDITY AND CAPITAL RESOURCES**Major Cash Flow Components**

	Three months ended June 30		Six months ended June 30	
<u>(in thousands of Canadian dollars)</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Cash and cash equivalents, beginning of period	\$8,832	\$5,256	\$15,008	\$8,010
Cash flows from operations	(169,149)	34,923	(165,112)	233,312
Cash flows used for investing	(10,719)	(16,483)	(18,301)	(39,558)
Cash flows from (used for) financing	178,852	(5,544)	176,221	(183,612)
Cash and cash equivalents, end of period	\$7,816	\$18,152	\$7,816	\$18,152

Cash flows from operations decreased by \$204.1 million and \$398.4 million, respectively, for the three and six months ended June 30, 2021 compared to the respective 2020 periods, primarily due to a decrease in non-cash working capital. This was partially offset by the bad debt expense as a result of COVID-19.

Cash flows used for investing increased by \$5.8 million and \$21.3 million, respectively, for the three and six months ended June 30, 2021 compared to the respective 2020 periods, primarily due to less cash spent on redevelopment.

Cash flows from (used for) financing increased by \$184.4 million and \$359.8 million, respectively, for the three and six months ended June 30, 2021 compared to the respective 2020 periods, primarily due to increased borrowing on the operating line of credit.

Capital Resources

As at June 30, 2021, PRP had cash on hand of \$7.8 million and amounts available under its line of credit totalling \$5.1 million. Subject to market conditions, management expects to be able to meet all of PRP's ongoing contractual obligations. As at June 30, 2021, PRP is not in default or arrears on any of its obligations including interest or principal payments on debt and any debt covenant.

As at June 30, 2021, PRP had 13 unencumbered properties, with a fair value of approximately \$613.0 million.

Funding of Future Commitments

As at June 30, 2021, PRP had cash on hand of \$7.8 million, cash available under its line of credit, after taking into account PRP's guarantee of \$107.9 million, is \$5.1 million and an unencumbered property pool of approximately \$613.0 million.

The following summarizes the estimated loan to value ratios on properties for which mortgages mature over the next five years:

Year	Number of Properties	Mortgage Debt due on Maturity (\$000's)	Weighted Average Interest Rate on Maturity	Fair Value Investment Properties (\$000's)	Loan to Value
2021	1	\$62,726	3.5%	\$56,867	110%
2022	4	350,551	2.8%	937,820	37%
2023	-	-	-%	-	-%
2024	1	37,389	3.2%	62,163	60%
2025	-	-	-%	-	-%
	6	\$450,666	2.9%	\$1,056,850	43%

OFF-BALANCE SHEET ITEMS

In the normal course of operations, PRP has issued letters of credit in connection with developments, financings, operations and acquisitions. As at June 30, 2021, PRP has outstanding letters of credit totaling \$1.1 million (December 31, 2020 - \$1.1 million).

PRP has co-owners and partners in various projects. As a rule, PRP does not provide guarantees or indemnities for these co-owners and partners pursuant to property acquisitions because should such guarantees be provided, recourse would be available against PRP in the event of a default of the co-owners and partners. In such case, PRP would have a claim against the underlying real estate investment. However, in certain circumstances, subject to compliance with the Parent's Declaration of Trust and the determination by management that the fair value of the co-owners' or partners' investment is greater than the mortgages payable for which PRP has provided guarantees, such guarantees will be provided. As at June 30, 2021, such guarantees amounted to \$112.1 million (December 31, 2020 - \$113.0 million) which expire between 2021 and 2027 (December 31, 2020 - expire between 2021 and 2027).

PRP provides guarantees on behalf of the Parent, a related party, on the U.S. dollar borrowings on the revolving secured operating line of credit. As at June 30, 2021, PRP issued guarantees amounting to U.S. \$87.0 million (December 31, 2020 - U.S. \$175.0 million). The Canadian equivalent of these amounts is \$107.9 million (December 31, 2019 - \$222.2 million).

PRP had previously guaranteed certain debt assumed by purchasers in connection with past dispositions of properties. As at June 30, 2021, the estimated amount of debt subject to such guarantees, and therefore the maximum exposure to credit risk is nil (December 31, 2020 - nil). There were no defaults by the primary obligors for debts on which PRP had provided its guarantees, and as a result, no contingent loss on these guarantees had been recognized in PRP's Financial Statements.

SECTION IV**PORTFOLIO OVERVIEW**

The geographic diversification of the portfolio of properties in which PRP has an interest and the related square footage is disclosed at PRP's proportionate share as at June 30, 2021 in the tables below:

Number of Properties	Ontario	Alberta	Other Provinces	Total
Enclosed Shopping Centres	4	7	6	17
Other	1	8	1	10
Total	5	15	7	27

Square Feet (in thousands)	Ontario	Alberta	Other Provinces	Total
June 30, 2021	1,864	3,707	2,012	7,583
December 31, 2020	1,863	3,714	2,012	7,589

LEASE MATURITY PROFILE

The following table discloses PRP's leases expiring at PRP's proportionate share.

LEASE EXPIRIES	Sq.ft.	Rent per sq.ft. (\$) on expiry
2021 ⁽¹⁾	295,973	27.81
2022	922,432	22.50
2023	528,998	34.90
2024	703,495	28.32
2025	430,264	36.41
	2,881,162	28.82

⁽¹⁾ For the balance of the year.

TOP TWENTY SOURCES OF REVENUE BY TENANT

The following table disclosing PRP's top twenty tenants at PRP's proportionate share:

Tenant	% of Revenues	Number of Locations	Owned sq.ft. (in 000's)	Average Lease Term to Maturity (in years) ⁽²⁾	Credit Ratings (S&P)
1. Canadian Tire	6.31%	16	572,579	5.81	BBB
2. TJX	3.72%	13	380,965	5.94	A
3. Loblaws	3.49%	12	192,342	7.32	BBB
4. Walmart	2.57%	4	429,865	9.39	AA
5. Bell Canada	2.43%	16	50,983	1.80	BBB+
6. HBC	2.21%	6	589,428	6.05	Not rated
7. YM	2.20%	14	216,323	4.64	Not rated
8. Best Buy	1.69%	8	141,925	4.21	BBB+
9. Gap	1.56%	8	106,188	3.40	BB
10. Indigo Books & Music	1.56%	11	111,862	5.50	Not rated
11. Cineplex	1.50%	5	145,514	6.18	Not rated
12. Comark	1.46%	12	79,890	3.79	Not rated
13. Rogers	1.46%	17	22,400	2.86	BBB+
14. Ardene	1.38%	15	97,911	5.61	Not rated
15. Telus	1.35%	16	22,747	4.78	BBB+
16. Sobeys	1.33%	5	161,233	9.69	BBB-
17. Foot Locker	1.30%	9	38,003	3.54	BB+
18. MTY Group	1.13%	16	15,860	3.28	Not rated
19. La Vie en Rose Inc.	1.13%	14	36,085	6.18	Not rated
20. GoodLife Fitness Centres Inc.	1.13%	6	113,664	6.85	Not rated

SECTION V

RISKS AND UNCERTAINTIES

All investment properties are subject to a degree of risk and uncertainty. They are affected by various factors including general market conditions and local market circumstances. An example of general market conditions would be the availability of long-term mortgage financing whereas local conditions would relate to factors affecting specific properties such as an oversupply of space or a reduction in demand for real estate in a particular area. Management attempts to manage these risks through geographic, type of asset and tenant diversification in PRP's portfolio. The major risk factors including detailed descriptions are outlined below.

Risks Associated with COVID-19

The ongoing COVID-19 pandemic and the restrictive measures taken in response by various governments have resulted in additional risks and uncertainties to PRP's business, operations and financial performance as discussed throughout the MD&A.

The duration and impact of the COVID-19 pandemic on PRP continues to remain unknown at this time, as is the efficacy of the government's interventions. However, disruptions caused by COVID-19 have negatively impacted the market price for the equity securities of PRP and may, in the short or long term, materially adversely impact PRP's tenants and/or the debt and equity markets, both of which could materially adversely affect PRP's operations and financial performance and ability to pay distributions. PRP has experienced and continues to expect COVID-19 related delays with its current and future development projects. PRP expects near-term delay to ongoing projects in terms of construction spending and expected completion dates, as well as delays to the commencement of construction for new development projects.

The extent of the effect of the ongoing COVID-19 pandemic on PRP's operational and financial performance will depend numerous factors, including the duration, spread and intensity of the pandemic, the actions by governments and others taken to contain the pandemic or mitigate its impact, changes in the preferences of tenants and prospective tenants, and the direct and indirect economic effects of the pandemic and containment measures, all of which are uncertain and difficult to predict considering that the situation continues to evolve rapidly. As a result, it is not currently possible to ascertain the long term impact of COVID-19 on PRP's business and operations. Certain aspects of PRP's business and operations that have been or could potentially continue to be impacted include rental income, occupancy, tenant inducements, future demand for space and market rents, as well as increased costs resulting from PRP's efforts to mitigate the impact of COVID-19, longer-term stoppage of development projects, temporary or long-term labour shortages or disruptions, temporary or long-term impacts on domestic and global supply chains, increased risks to IT systems and networks, further impairments and/or write-downs of assets, and the deterioration of worldwide credit and financial markets that could limit PRP's ability to access capital and financing on acceptable terms or at all.

Even after the COVID-19 pandemic has subsided, PRP may continue to experience material adverse impacts to its business as a result of the global economy, including any related recession, as well as lingering effects on PRP's employees, suppliers, third-party service providers and/or tenants.

Management continues to actively assess and respond where possible, to the effects of the COVID-19 pandemic on PRP's employees, tenants, suppliers, and service providers, and evaluating governmental actions being taken to curtail its spread. PRP is continuing to review its future cash flow projections and the valuation of its properties in light of the COVID-19 pandemic, and intends to follow health and safety guidelines as they continue to evolve.

SUBSEQUENT EVENTS

- (a) In August 2021, PRP renewed a \$53.5 million mortgage, at PRP's 50% ownership interest, secured by an enclosed shopping centre at an interest rate of 2.85% for a three-year term.
- (b) A Circular will be issued to unitholders of the Parent to approve a Plan of Arrangement (the "Arrangement") whereby the net assets of PRP will be transferred to a newly created unincorporated open-ended trust called Primaris Real Estate Investment Trust. Each existing Parent unitholder will receive one unit of Primaris Real Estate Investment Trust, for every one Parent unit held, subject to any consolidation or split of Primaris Real Estate Investment Trust units pursuant to the Arrangement.

In connection with the Arrangement, the Parent will apply to the Court of Queen's Bench of Alberta for an interim order confirming, among other things, the calling and holding of a meeting (the "Meeting") of the Parent's unitholders to be held in December 2021 to approve the Arrangement. In addition, the Parent has (i) applied to the Canada Revenue Agency for an advance income tax ruling confirming certain Canadian federal income tax consequences of the Arrangement, and (ii) applied for conditional approval from the TSX for the listing and posting for trading of the Primaris Real Estate Investment Trust units. Listing will be subject to the TSX's customary listing approval requirements. The Arrangement is subject to, among other things, the approval of the Parent's unitholders by way of the affirmative vote of at least two-thirds of the votes cast by the Parent's unitholders present in person or by proxy at the Meeting.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF PRIMARIS RETAIL PROPERTIES

For the year ended December 31, 2020

Dated: November 5, 2021

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SECTION I

BASIS OF PRESENTATION

Management's Discussion and Analysis ("MD&A") of the results of operations and financial position of Primaris Retail Properties ("PRP") for the year ended December 31, 2020 includes material information up to November 5, 2021. Financial data for the years ended December 31, 2020, 2019 and 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. This MD&A should be read in conjunction with the combined carve-out financial statements of PRP and appended notes for the year ended December 31, 2020 ("PRP's Financial Statements"). PRP's Financial Statements are defined to refer to the financial statements for PRP for the applicable period. All amounts in this MD&A are in thousands of Canadian dollars, except where otherwise stated. Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

Countries around the world have been affected by the COVID-19 virus, which was declared a pandemic by The World Health Organization on March 11, 2020. The outbreak of COVID-19 has resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The duration and full impact of the COVID-19 pandemic on PRP is unknown at this time, as is the efficacy of the governments' interventions. The extent of the effect of COVID-19 on PRP's operational and financial performance will depend on numerous factors including the duration, spread, time frame and effectiveness of vaccination roll-out, all of which are uncertain and difficult to predict. As a result, it is not currently possible to ascertain the long-term impact of COVID-19 on PRP's business and operations. Certain aspects of PRP's business and operations that have been and will continue to be impacted include rental income, occupancy, tenant inducements and future demand for space. In the preparation of PRP's Financial Statements and MD&A, PRP has incorporated the impact of COVID-19 into its estimates and assumptions that affect the carrying amounts of its assets. PRP has updated its future cash flows assumptions and its capitalization rates, terminal capitalization rates, and discount rates applied to these cash flows as well as updated its assumptions around the valuation of its accounts receivable.

FORWARD-LOOKING DISCLAIMER

Certain information in this MD&A contains forward-looking information within the meaning of applicable securities laws (also known as forward-looking statements) including, among others, statements made or implied under the headings "Assets", "Segmented Information", "Liquidity and Capital Resources", "Risks and Uncertainties" and "Subsequent Events" relating to PRP's objectives, beliefs, plans, estimates, projections and intentions and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts, including the statements made under the headings "Business Update" and "Summary of Significant 2020 Activity" including with respect to PRP's future plans, including significant development projects, PRP's expectation with respect to the activities of its development properties, including the building of new properties, the expected yield on cost from PRP's development properties, the timing of construction, the timing of transfer from properties under development to investment properties, the timing of occupancy, the timing of lease-up and the expected total cost from development properties, management's expectations regarding future intensification opportunities including the timing of approvals for re-zoning and site plan applications, the impact of the COVID-19 virus on PRP and PRP's tenants, management's expectations regarding abatement expenses and recoveries including tenants participation in the Canada Emergency Rent Subsidy, PRP's bad debt expense and expected credit loss, expectations regarding tenant retention and closures, the expected rental revenues from leases with replacement tenants, including any offset of a reduction in gross revenues relating to store closures, and the significant revenue opportunity represented by percentage rent participation, the state of the retail market, expected capital and tenant expenditures, capitalization rates and cash flow models used to estimate fair values, management's expectations regarding PRP's leverage and portfolio quality, management's expectations regarding future distributions, management's belief that PRP has sufficient funds and liquidity for future commitments, management's expectation to be able to meet all of its ongoing obligations and management's belief that PRP satisfies the test to qualify for PRP exemption. Forward-looking statements generally can be identified by words such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans", "project", "budget" or "continue" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect PRP's current beliefs and are based on information currently available to management.

Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements are not guarantees of future performance and are based on PRP's estimates and assumptions that are subject to risks, uncertainties and other factors including those risks and uncertainties described below under "Risks and Uncertainties" and those discussed in the Management Information Circular (the "Circular") to which this MD&A is attached. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking statements include that the general economy is currently volatile and in an economic downturn as a result of the COVID-19 pandemic and low oil and gas prices, the extent and duration of which is unknown; interest rates are volatile as a result of general economic conditions; and debt markets continue to provide access to capital at a reasonable cost, notwithstanding the ongoing economic downturn. Additional risks and uncertainties include, among other things, risks related to: real property ownership; the current economic environment; COVID-19; credit risk and tenant concentration; lease rollover risk; interest and other debt-related risk; construction risks; currency risk; liquidity risk; financing credit risk; cyber security risk; environmental and climate change risk; co-ownership interest in

properties; joint arrangement and investment risks; H&R REIT (“the Parent”) Unit price risk; availability of cash for distributions; ability to access capital markets; dilution; the Parent’s unitholder liability; redemption right risk; tax risk, and additional tax risk applicable to the Parent’s unitholders. PRP cautions that these lists of factors, risks and uncertainties are not exhaustive. Although the forward-looking statements contained in this MD&A are based upon what PRP believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements.

Readers are also urged to examine PRP’s materials filed with the Canadian securities regulatory authorities from time to time as they may contain discussions on risks and uncertainties which could cause the actual results and performance of PRP to differ materially from the forward-looking statements contained in this MD&A. All forward-looking statements in this MD&A are qualified by these cautionary statements. These forward-looking statements are made as of November 5, 2021 and PRP, except as required by applicable Canadian law, assumes no obligation to update or revise them to reflect new information or the occurrence of future events or circumstances.

OVERVIEW

This combined carve-out MD&A of PRP represents the combination of 27 retail properties, located throughout Canada, with 25 of the properties being owned by Primaris REIT (“the REIT”) and 2 of the properties being owned directly by the Parent.

PRP’s strategy is to focus on maximizing rental income from its portfolio by actively managing the merchandising mix of each property to effectively align with its consumer market, lease vacant space at competitive market rates and the lowest possible transaction costs, and maintain good relationships with retailers, working with them to increase their sales. PRP has always recognized the highly competitive nature of the retail industry and has maintained a strong focus on cost management to support retailer margins.

SECTION II

FINANCIAL HIGHLIGHTS

(in thousands of Canadian dollars)	December 31, 2020	December 31, 2019	December 31, 2018
Total assets	\$2,134,955	\$2,732,713	\$2,725,423
Net assets	1,001,700	1,575,903	1,619,755

	Year ended December 31		
	2020	2019	2018
Rentals from investment properties	\$270,230	\$274,418	\$276,443
Property operating income ⁽¹⁾	121,176	152,007	154,483
Fair value adjustment on investment properties	(692,036)	(160,940)	(265,473)
Net loss	(574,478)	(44,450)	(147,695)

⁽¹⁾ Property operating income consists of rentals from investment properties less property operating costs.

The fair value adjustment on investment properties is further discussed on page 3 of this MD&A.

KEY PERFORMANCE DRIVERS

OPERATIONS	2020	2019	2018
Occupancy as at December 31	88.2%	87.5%	84.8%
Average contractual rent per sq.ft. for the year ended December 31	\$24.87	\$25.33	\$25.62
Average remaining term to maturity of leases as at December 31 (in years)	5.1	5.1	4.8
Average remaining term to maturity of mortgages payable as at December 31 (in years)	2.4	3.2	3.3

BUSINESS UPDATE

PRP is pleased to report financial and operating results from 2020 that demonstrate the resilient nature of PRP's portfolio, and also reflect the prudent actions taken by management in response to the extraordinary events that followed the arrival of the COVID-19 pandemic. Prior to the pandemic, PRP had made significant progress leasing Sears premises vacated in 2018 and that work, coupled with our efforts to work collaboratively with tenants throughout the pandemic, has resulted in our occupancy rate growing despite the turbulence of 2020.

Fair Value Adjustment on Investment properties

Fair Value Adjustment on Investment properties (in thousands of Canadian dollars)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Year ended December 31, 2020
	(\$666,167)	(\$5,882)	(\$8,239)	(\$11,748)	(\$692,036)

The financial results for the year ended December 31, 2020 include significant fair value adjustments recorded in Q1 2020. These adjustments are a result of PRP's regular quarterly IFRS fair value process, and reflect an acceleration of challenging conditions in the retail landscape impacting the valuation assumptions of retail properties.

During the year ended 2020, in light of the COVID-19 pandemic, PRP updated its assumptions used in determining the fair value of investment properties. The retail industry (mainly PRP's enclosed shopping centres) has also experienced significant hardship with all non-essential stores being closed for a significant period of time. PRP applied higher discount and capitalization rates as well as revised leasing assumptions to its retail properties in enclosed shopping centres.

Provision for expected Credit Loss and Bad Debt Expense

Bad debt expense is classified as an expense and is grouped together with other expenses in property operating costs. The following table discloses PRP's provision for expected credit loss and bad debt expense including the impact of COVID-19 in 2020. In determining these amounts, PRP performed a tenant-by-tenant assessment considering the payment history and future expectations of default based on actual and expected insolvency filings. PRP was impacted more than other industries due to government mandated closures of enclosed shopping centres. However, our primary goal has been to maintain occupancy, as such, we have worked together with our tenants on a case-by-case basis to find sensible solutions to support their businesses while protecting our own rights and financial position. In limited circumstances where abatement was provided in favour of a tenant other than in the case of the Canada Emergency Commercial Rent Assistance ("CECRA") program, PRP typically received concessions of value in exchange, such as development rights, lease term extensions or the waiver of exclusivity provisions.

Provision for expected credit loss (in thousands of Canadian dollars)	December 31 2020	December 31 2019	December 31 2018
Opening balance, beginning of year	\$602	\$426	\$658
Bad debt expense ⁽¹⁾	36,193	437	87
Accounts receivable write-off ⁽¹⁾	(23,850)	(261)	(319)
Closing balance, end of year	\$12,945	\$602	\$426

⁽¹⁾ Year ended December 31, 2020 includes \$5.4 million of rent abatements granted under the CECRA program.

Tenant Closures

Many retailers have faced very challenging conditions in 2020. Several filed for *Canada Companies' Creditors Arrangement Act* ("CCAA") creditor protection and several have announced store closures. PRP's focus on maintaining affordable cost structures for its mall-based retailers has resulted in above-average rent collections and high retention of store locations by tenants planning store closures elsewhere. The following table summarizes the tenant groups that have filed for creditor protection under the CCAA:

Tenant Group	CCAA	-----Current-----		-----Expected to be Retained-----	
	Filing Date	Square footage ⁽¹⁾	Number of Stores	Square footage ⁽¹⁾	Number of Stores
Pier One	February 29, 2020	28,583	3	-	-
Aldo	May 7, 2020	27,715	19	23,724	15
Reitmans	May 19, 2020	43,917	17	38,544	14
Comark	June 3, 2020	79,890	26	79,890	26
General Nutrition Centres	June 24, 2020	6,868	8	4,586	6
David's Tea	July 8, 2020	9,158	16	-	-
Tristan	July 21, 2020	2,500	1	2,500	1
Ascena	July 23, 2020	19,187	7	2,199	1
Laura's Group	August 4, 2020	9,047	3	9,047	3
Moores	August 5, 2020	5,004	1	5,004	1
Lilianne Lingerie	August 10, 2020	524	1	524	1
Cazza	August 13, 2020	4,944	3	4,944	3
Manteaux Manteaux	August 14, 2020	2,419	2	2,419	2
Dynamite	September 8, 2020	45,132	15	45,132	15
Ernest	September 14, 2020	1,011	1	1,011	1
Le Chateau	October 23, 2020	42,767	13	-	-
Vivah Jewellery	October 30, 2020	426	2	-	-
Total subject to CCAA		329,092	138	219,524	89
Total Portfolio		3,704,000	2,658		

⁽¹⁾ At PRP's ownership interest.

PRP continues to work collaboratively with its tenants that have been affected by the pandemic. Retailers undergoing CCAA restructuring has been an area of particular focus for management, where retention of stores has exceeded 64%. Management expects no closures from GAP, H&M, or L Brands in PRP's portfolio, and PRP does not have any locations with Brooks Brothers, Lucky Brands, J. Crew, Mendocino, Frank & Oak, Lole or Microsoft Corporation, each of which has announced plans for store closures.

In relation to PRP's initial 2020 budget of approximately \$285 million of gross revenue, approximately \$21.2 million of gross rent was attributable to tenants undergoing restructurings or liquidations. Annualized rental revenue has been reduced by approximately \$12.3 million at PRP's share as a result of both store closures and lease amendments. Store closures, which provide the opportunity to re-lease space to new tenants, account for \$6.1 million of this amount, while temporary lease amendments to rental rates for retained tenancies accounts for the remaining \$6.2 million of this amount.

Among the 49 store closures for tenants that have filed for creditor protection under the CCAA aggregating 108,568 square feet across PRP's 13,304,000 square foot retail portfolio, leases have been signed with replacement tenants for 23 stores for 35,672 square feet, with many having commenced occupancy. The rental revenues from these new tenancies are expected to partially offset the annualized \$6.1 million reduction in gross revenues relating to store closures in 2021, though the magnitude of that offset depends significantly on tenant sales and percentage rent participation. Similarly, the annualized \$6.2 million of gross revenue reduction due to temporary lease amendments assumes no percentage rent is collected under the temporary lease terms.

Liquidity

As at December 31, 2020, PRP had \$77.8 million of cash available under its line of credit, after taking into account the guarantee of \$222.2 million, \$15.0 million of cash on hand and an unencumbered asset pool of approximately \$673.9 million.

SUMMARY OF SIGNIFICANT 2020 ACTIVITYFuture Intensification Opportunities

PRP has many intensification opportunities embedded in its portfolio. The fair market value that management ascribes to these properties excludes the value that may be unlocked as these projects progress.

PRP continues to advance its intensification pipeline of projects within its existing portfolio. PRP's flagship project, Dufferin Grove Village at Dufferin Mall, which will include 1,135 residential rental units and 75,000 square feet of retail space, is expected to receive re-zoning and site plan approval in Q4 2021.

Debt Highlights

The weighted average interest rate of PRP's debt as at December 31, 2020 was 3.9% with an average term to maturity of 2.4 years.

Mortgages:

During the year ended December 31, 2020, PRP secured a new mortgage of approximately \$41.8 million at an interest rate of 3.2% for a term of 3.0 years and repaid a mortgage of approximately \$40.4 million at an interest rate of 5.3%.

SECTION III**FINANCIAL POSITION**

<u>(in thousands of Canadian dollars)</u>	December 31, 2020	December 31, 2019	December 31, 2018
Assets			
Investment properties	\$2,103,675	\$2,708,260	\$2,704,596
Other assets	16,272	16,443	12,798
Cash and cash equivalents	15,008	8,010	8,029
	<u>\$2,134,955</u>	<u>\$2,732,713</u>	<u>\$2,725,423</u>
Liabilities			
Debt	\$609,900	\$804,312	\$901,620
Exchangeable units	19,244	39,693	38,846
Accounts payable and accrued liabilities	504,111	312,805	165,202
	<u>1,133,255</u>	<u>1,156,810</u>	<u>1,105,668</u>
Net assets	<u>1,001,700</u>	<u>1,575,903</u>	<u>1,619,755</u>
	<u>\$2,134,955</u>	<u>\$2,732,713</u>	<u>\$2,725,423</u>

ASSETS

Change in Investment Properties (in thousands of Canadian dollars)	2020	2019	2018
Opening balance, beginning of year	\$2,708,260	\$2,704,596	\$2,896,100
Operating capital:			
Capital expenditures	11,304	27,389	22,520
Leasing expenses and tenant inducements	3,383	13,910	8,537
Development capital:			
Redevelopment (including capitalized interest)	69,127	123,192	41,962
Accrued rents receivable	3,637	113	950
Fair value adjustment on investment properties (page 3)	(692,036)	(160,940)	(265,473)
Closing balance, end of year	\$2,103,675	\$2,708,260	\$2,704,596

Investment Properties:

The following tables disclose the fair values of the investment properties by geographic location:

Geographic Location (in thousands of Canadian dollars)	December 31, 2020	December 31, 2019	December 31, 2018
Ontario	\$635,800	\$770,800	\$799,150
Alberta	838,025	1,185,210	1,152,296
Other	629,850	752,250	753,150
Total	\$2,103,675	\$2,708,260	\$2,704,596

Capitalization Rates:

	December 31, 2020	December 31, 2019	December 31, 2018
	7.51%	6.11%	5.98%

In light of the COVID-19 pandemic, PRP has updated its assumptions used in determining the fair value of investment properties. Refer to page 3 of this MD&A for further discussion on IFRS fair value adjustments included in the Business Update.

Other Assets

(in thousands of Canadian dollars)	December 31, 2020	December 31, 2019	December 31, 2018
Prepaid expenses and sundry assets	\$5,483	\$9,047	\$5,732
Accounts receivable - net of provision for expected credit loss of \$12,945 (2019 - \$602, 2018 - \$426)	10,789	7,396	7,066
	\$16,272	\$16,443	\$12,798

Accounts receivable increased by \$3.4 million to \$10.8 million as at December 31, 2020, primarily due to retail tenants who were impacted by COVID-19. As at December 31, 2020, accounts receivable amounted to 4.0% of annual rentals from investment properties compared to 2.7% as at December 31, 2019. Refer to page 3 of this MD&A for further discussion on PRP's bad debt expense.

LIABILITIES AND NET ASSETS

	December 31, 2020	December 31, 2019	December 31, 2018
Unencumbered assets ⁽¹⁾ (in thousands of Canadian dollars)	\$673,925	\$916,210	\$855,296
Weighted average interest rate of debt ⁽²⁾	3.9%	4.0%	4.1%
Weighted average term to maturity of debt (in years) ⁽²⁾	2.4	3.2	3.3

⁽¹⁾ Unencumbered assets are investment properties without encumbrances for mortgages or the line of credit.

⁽²⁾ Debt includes mortgages payable and the line of credit.

Debt

PRP's debt consists of the following items:

(in thousands of Canadian dollars)	December 31, 2020	December 31, 2019	December 31, 2018
Mortgages payable	\$609,900	\$631,612	\$645,620
Line of credit	-	172,700	256,000
	\$609,900	\$804,312	\$901,620

The following is a summary of the changes in mortgages payable:

(in thousands of Canadian dollars)	December 31, 2020	December 31, 2019	December 31, 2018
Opening balance, beginning of year	\$631,612	\$645,620	\$669,825
Principal repayments:			
Scheduled amortization payments	(22,622)	(\$22,194)	(21,490)
Mortgage repayments	(38,694)	(\$47,892)	-
New mortgages	41,795	\$58,665	-
Effective interest rate accretion on mortgages	(2,191)	(\$2,587)	(2,715)
Closing balance, end of year	\$609,900	\$631,612	\$645,620

The following is a summary of the changes in the line of credit:

(in thousands of Canadian dollars)	December 31, 2020	December 31, 2019	December 31, 2018
Opening balance, beginning of year	\$ 172,700	\$ 256,000	\$ 20,000
Net advances (repayments)	(172,700)	(83,300)	236,000
Closing balance, end of year	\$ -	\$ 172,700	\$ 256,000

Mortgages Payable	Periodic Amortized Principal (\$000's)	Principal on Maturity (\$000's)	Total Principal (\$000's)	% of Total Principal	Weighted Average Interest Rate on Maturity
Future Mortgage Principal Payments at December 31, 2020					
2021	\$14,075	\$293,674	\$307,749	50.5	3.9%
2022	10,311	127,122	137,433	22.6	3.9%
2023	5,327		5,327	0.9	3.9%
2024	3,834	37,389	41,223	6.8	3.2%
2025	3,975		3,975	0.7	3.9%
Thereafter	11,383	102,269	113,652	18.5	
			609,359	100%	
Financing costs and mark-to-market adjustments arising on acquisitions ⁽¹⁾			541		
Total balance outstanding as at December 31, 2020			\$609,900		

⁽¹⁾ Mark-to-market adjustment represents the difference between the actual mortgages assumed on property acquisitions and the fair value of the mortgages at the date of purchase and is recognized in finance costs over the life of the applicable mortgage using the effective interest rate method. Financing costs are deducted from PRP's mortgages payable balances and are recognized in finance costs over the life of the applicable mortgage.

The mortgages outstanding as at December 31, 2020 bear interest at a weighted average rate of 3.9% (December 31, 2019 - 4.0%; December 31, 2018 - 4.1%) and mature between 2021 and 2030 (December 31, 2019 – maturing between 2020 and 2030; December 31, 2018 - maturing between 2019 and 2027). The weighted average term to maturity of PRP's mortgages is 2.4 years (December 31, 2019 - 3.1 years). For a further discussion of liquidity refer to the "Funding of Future Commitments" section of this MD&A. For a further discussion of interest rate risk, refer to the "Risks and Uncertainties" section of this MD&A.

Line of Credit (in thousands of Canadian Dollars)	Maturity Date	Total Facility	Amount Drawn	PRP Guarantee ⁽²⁾	Available Balance
Revolving secured operating line of credit ⁽¹⁾ :					
December 31, 2020	December 31, 2021	\$300,000	-	(\$222,250)	\$77,750
December 31, 2019	December 31, 2021	\$300,000	(\$172,700)	(\$120,900)	\$6,400
December 31, 2018	July 1, 2020	\$300,000	(\$256,000)	(\$17,680)	\$26,320

⁽¹⁾ Secured by certain investment properties.

⁽²⁾ PRP provides guarantees on behalf of the Parent, a related party, on the U.S. dollar borrowings on the revolving secured operating line of credit.

The line of credit can be drawn in either Canadian or U.S. dollars and bears interest at a rate approximating the prime rate of a Canadian chartered bank.

Exchangeable Units

Certain of the Parent's subsidiaries have exchangeable units outstanding which are puttable instruments where the Parent has a contractual obligation to issue Units of the Parent ("Units") to participating vendors upon redemption. These puttable instruments are classified as a liability under IFRS and are measured at fair value through profit or loss.

At the end of each period the fair value is determined by using the quoted price of the Parent's Units on the Toronto Stock Exchange ("TSX") as the exchangeable units are exchangeable into Units at the option of the holder. Holders of all exchangeable units are entitled to receive the economic equivalent of distributions on a per unit amount equal to a per Unit amount provided to holders of Units.

The following number of exchangeable units are issued and outstanding:	Number of Exchangeable Units	Quoted Price of Units	Total
As at December 31, 2020	1,447,994	\$13.29	\$19,244
As at December 31, 2019	1,881,168	\$21.10	\$39,693
As at December 31, 2018	1,881,168	\$20.65	\$38,846

Net Assets

Net assets decreased by \$574.2 million from approximately \$1.6 billion as at December 31, 2019 to approximately \$1.0 billion as at December 31, 2020. The decrease is primarily due to the negative fair value adjustments on investment properties discussed on page 3 of this MD&A.

RESULTS OF OPERATIONS

(in thousands of Canadian dollars)	Year ended December 31		
	2020	2019	2018
Property operating income:			
Rentals from investment properties	\$270,230	\$274,418	\$276,443
Property operating costs	(149,054)	(122,411)	(121,960)
	121,176	152,007	154,483
Finance cost - operations	(20,493)	(33,921)	(35,990)
Finance income	79	97	69
General and administrative (expenses) recoveries	575	(846)	(2,120)
Fair value adjustment on investment properties	(692,036)	(160,940)	(265,473)
Fair value adjustment on financial instruments	16,221	(847)	1,336
Net loss	(\$574,478)	(\$44,450)	(\$147,695)

Property operating income decreased for year ended December 31, 2020 compared to the respective 2019 and 2018 periods due to bad debt expense as a result of the impact of COVID-19 further discussed on page 3 of this MD&A.

Net loss increased by approximately \$530.0 million and \$426.8 million for the year ended December 31, 2020 compared to the respective 2019 and 2018 periods primarily due to the following: (i) fair value adjustments of investment properties further discussed on page 3 of this MD&A; and (ii) a decrease in property operating income discussed above.

PROPERTY OPERATING INCOME

Property operating income consists of rentals from investment properties less property operating costs. Management believes that property operating income is a useful measure for investors in assessing the performance of PRP's properties before financing costs and other sources of income and expenditures which are not directly related to the day-to-day operations of a property.

(in thousands of Canadian dollars)	Year ended December 31		
	2020	2019	2018
Rentals	\$270,230	\$274,418	\$276,443
Property operating costs (excluding bad debt expense)	(112,861)	(121,974)	(121,873)
Property operating income (excluding bad debt expense)	157,369	152,444	154,570
Bad debt expense	(36,193)	(437)	(87)
Property operating income	\$121,176	\$152,007	\$154,483

Property operating income decreased by \$30.8 million and \$33.3 million for the year ended December 31, 2020 compared to the respective 2019 and 2018 periods primarily due to the following: (i) an increase in bad debt expense as a result of the impact of COVID-19; and (ii) a decrease in lease termination fees. This was partially offset by a decrease in operating expenses as a result of the impact of properties being closed or partially closed due to COVID-19.

Refer to page 3 of this MD&A for a further breakdown of PRP's bad debt expense.

INCOME AND EXPENSE ITEMS

The income and expense items section of this MD&A provides management's commentary on the Results of Operations per PRP's Financial Statements.

Finance Costs

(in thousands of Canadian dollars)	2020	2019	2018
Finance cost – operations			
Contractual interest on mortgages payable	(\$24,608)	(\$25,434)	(\$26,156)
Bank interest and charges on the line of credit	(382)	(13,827)	(12,733)
Effective interest rate accretion	2,191	2,587	2,715
Exchangeable unit distributions	(1,606)	(2,596)	(2,596)
	(24,405)	(39,270)	(38,770)
Capitalized interest	3,912	5,349	2,780
	(20,493)	(33,921)	(35,990)
Finance income	79	97	69
Fair value adjustment on financial instruments	16,221	(847)	1,336
	(\$4,193)	(\$34,671)	(\$34,585)

The decrease in contractual interest on mortgages payable of \$0.8 million and \$1.5 million for the year ended December 31, 2020 compared to the respective 2019 and 2018 periods is primarily due to mortgages repaid upon maturity totalling \$38.7 million partially offset by the issuance of new mortgages totalling \$41.8 million since January 1, 2020.

The decrease in bank interest and charges on the line of credit of \$13.4 million and \$12.4 million for the year ended December 31, 2020 compared to the respective 2019 and 2018 period is primarily due to lower variable interest rates on borrowings and repaying the line of credit of \$172.7 million during 2020.

The decrease in exchangeable unit distributions of \$1.0 million for the year ended December 31, 2020 compared to the 2019 and 2018 periods is primarily due to the Parent decreasing its monthly distributions from \$0.115 per Unit to \$0.0575 per Unit effective May 2020.

The decrease in capitalized interest of \$1.4 million and \$1.1 million for the year ended December 31, 2020 compared to the respective 2019 and 2018 periods is primarily due to a decrease in capitalized interest from the re-development of the former Target and Sears space.

The fair value adjustment on financial instruments of \$16.2 million for the year ended December 31, 2020 is primarily due to the gain on the fair value of exchangeable units, which are fair valued at the end of each reporting period based on the quoted price of the Parent's Units on the TSX. The gain on fair value of exchangeable units is due to the Parent's Unit price decreasing from \$21.10 as at December 31, 2019 to \$13.29 as at December 31, 2020.

General and Administrative (Expenses) Recoveries

(in thousands of Canadian dollars)	Year ended December 31		
	2020	2019	2018
Other (expenses) recoveries	\$575	(\$846)	(\$2,120)

Other expenses decreased by \$1.4 million and \$2.7 million for year ended December 31, 2020 compared to the respective 2019 and 2018 periods, primarily due to lower expenses due to COVID-19.

Fair Value Adjustment on Investment properties

(in thousands of Canadian dollars)	Year ended December 31		
	2020	2019	2018
Fair value adjustment on investment properties	(\$692,036)	(\$160,940)	(\$265,473)

PRP records its investment properties at fair value. Fair value adjustments on investment properties are determined based on the movement of various parameters, including changes in capitalization rates, discount rates, terminal capitalization rates and future cash flow projections. The impact of COVID-19 has caused a change in assumptions used in determining the fair value of investment properties for the year ended December 31, 2020. Refer to page 3 of this MD&A for further discussion on IFRS fair value adjustments included in the Business Update.

Capital and Tenant Expenditures

The following is a breakdown of PRP's capital expenditures and tenant expenditures (leasing expenditures and tenant inducements):

(in thousands of Canadian dollars)	Year ended December 31		
	2020	2019	2018
Capital expenditures	11,304	27,389	22,520
Leasing expenditures and tenant inducements	3,383	13,910	8,537
Total	\$14,687	\$41,299	\$31,057

The largest capital expenditures for the year ended December 31, 2020 included a food court renovation at a Guelph, ON retail property totalling \$7.0 million (including \$2.1 million spent in Q4 2020). The largest capital expenditures from the Retail segment for the year ended December 31, 2019 included: (i) backfilling a former Future Shop location with a new Best Buy store at a Calgary, AB retail property totalling \$10.2 million; (ii) a food court relocation at a retail property in Orleans, ON totalling \$5.1 million; and (iii) backfilling a former Safeway location with a new Marshalls store at a Winnipeg, MB retail property totalling \$4.8 million.

LIQUIDITY AND CAPITAL RESOURCES**Major Cash Flow Components**

(in thousands of Canadian dollars)	Year ended December 31		
	2020	2019	2018
Cash and cash equivalents, beginning of year	\$8,010	\$8,029	\$3,481
Cash flows from operations	278,846	253,246	(140,321)
Cash flows used for investing	(79,902)	(159,142)	(70,239)
Cash flows from (used for) financing	(191,946)	(94,123)	215,108
Cash and cash equivalents, end of year	\$15,008	\$8,010	\$8,029

Cash flows from operations increased by \$25.6 million and \$419.2 million for the year ended December 31, 2020 compared to the respective 2019 and 2018 periods, primarily due to an increase in non-cash working capital, lower finance costs and higher finance income. This was partially offset by the bad debt expense and costs incurred for abandoned transactions both as a result of COVID-19.

Cash flows used for investing decreased by \$79.2 million and increased by \$9.7 million for the year ended December 31, 2020 compared to the respective 2019 and 2018 periods, primarily due to less cash spent on redevelopment.

Cash flows from (used for) financing decreased by \$97.8 million and \$407.1 million for the year ended December 31, 2020 compared to the respective 2019 and 2018 periods, primarily due to repayment of the operating line of credit in 2020.

Capital Resources

As at December 31, 2020, PRP had cash on hand of \$15.0 million and amounts available under its line of credit totalling \$77.8 million. Subject to market conditions, management expects to be able to meet all of PRP's ongoing contractual obligations. As at December 31, 2020, PRP is not in default or arrears on any of its obligations including interest or principal payments on debt and any debt covenant.

As at December 31, 2020, PRP had 14 unencumbered properties, with a fair value of approximately \$673.9 million.

Funding of Future Commitments

As at December 31, 2020, PRP had cash on hand of \$15.0 million, cash available under its line of credit, after taking into account PRP's guarantee of \$222.2 million, is \$77.8 million and an unencumbered property pool of approximately \$673.9 million.

The following summarizes the estimated loan to value ratios on properties for which mortgages mature over the next five years:

Year	Number of Properties	Mortgage Debt due on Maturity (\$000's)	Weighted Average Interest Rate on Maturity	Fair Value Investment Properties (\$000's)	Loan to Value
2021	3	\$ 293,674	4.0%	\$ 741,250	40%
2022	2	127,122	4.1%	233,350	54%
2023	-	-	-%	-	-%
2024	1	37,389	3.2%	55,450	67%
2025	-	-	-%	-	-%
	6	\$ 458,185	4.0%	\$ 1,030,050	44%

OFF-BALANCE SHEET ITEMS

In the normal course of operations, PRP has issued letters of credit in connection with developments, financings, operations and acquisitions. As at December 31, 2020, PRP has outstanding letters of credit totaling \$1.1 million (December 31, 2019 - \$1.1 million, December 31, 2018 - \$1.8 million).

PRP has co-owners and partners in various projects. As a rule, PRP does not provide guarantees or indemnities for these co-owners and partners pursuant to property acquisitions because should such guarantees be provided, recourse would be available against PRP in the event of a default of the co-owners and partners. In such case, PRP would have a claim against the underlying real estate investment. However, in certain circumstances, subject to compliance with the Parent's Declaration of Trust and the determination by management that the fair value of the co-owners' or partners' investment is greater than the mortgages payable for which PRP has provided guarantees, such guarantees will be provided. As at December 31, 2020, such guarantees amounted to \$113.0 million (December 31, 2019 - \$114.8 million; December 31, 2018 - \$126.7 million) which expire between 2021 and 2027 (December 31, 2019 - expire between 2021 and 2027; December 31, 2018 - expire between 2019 and 2027).

PRP provides guarantees on behalf of the Parent, a related party, on the U.S. dollar borrowings on the revolving secured operating line of credit. As at December 31, 2020, PRP issued guarantees amounting to U.S. \$175.0 million (December 31, 2019 - U.S. \$93.0 million; December 31, 2018 - U.S. \$13.0 million). The Canadian equivalent of these amounts is \$222.2 million (December 31, 2019 - \$120.9 million; December 31, 2018 - \$17.7 million).

PRP had previously guaranteed certain debt assumed by purchasers in connection with past dispositions of properties. As at December 31, 2020, the estimated amount of debt subject to such guarantees, and therefore the maximum exposure to credit risk is nil (December 31, 2019 - \$41.3 million; December 31, 2018 - \$44.0 million). There were no defaults by the primary obligors for debts on which PRP had provided its guarantees, and as a result, no contingent loss on these guarantees had been recognized in PRP's Financial Statements.

SECTION IV

SELECTED FINANCIAL INFORMATION

Summary of Annual Information

The following tables summarize certain financial information for the years indicated below:

(in thousands of Canadian dollars)	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
Rentals from investment properties	\$270,230	\$274,418	\$276,443
Finance income	79	97	69
Net loss	(574,478)	(44,450)	(147,695)
Total assets	2,134,955	2,732,713	2,725,423
Total liabilities	1,133,255	1,156,810	1,105,668

PORTFOLIO OVERVIEW

The geographic diversification of the portfolio of properties in which PRP has an interest and the related square footage is disclosed at PRP's proportionate share as at December 31, 2020, 2019 and 2018 in the tables below:

Number of Properties⁽¹⁾	Ontario	Alberta	Other Provinces	Total
Enclosed Shopping Centres	4	7	6	17
Other	1	8	1	10
Total	5	15	7	27

Square Feet (in thousands)⁽¹⁾	Ontario	Alberta	Other Provinces	Total
2020	1,863	3,714	2,012	7,589
2019	1,910	3,729	2,050	7,689
2018	1,911	3,780	2,091	7,782

LEASE MATURITY PROFILE

The following table discloses PRP's leases expiring at PRP's proportionate share.

LEASE EXPIRIES	Sq.ft.	Rent per sq.ft. (\$) on expiry
2021	672,863	26.74
2022	855,955	23.42
2023	488,026	34.99
2024	693,681	28.76
2025	448,911	36.73
	3,159,434	28.98

TOP TWENTY SOURCES OF REVENUE BY TENANT

The following table disclosing PRP's top twenty tenants at PRP's proportionate share:

Tenant	% of Revenues	Number of Locations	Owned sq.ft. (in 000's)	Average Lease Term to Maturity (in years)	Credit Ratings (S&P)
1. Canadian Tire Corporation	6.22%	16	571	5.90	BBB
2. The TJX Company Inc.	3.57%	13	381	6.43	A
3. Loblaws Companies Inc.	3.36%	12	192	7.80	BBB
4. Bell Canada	2.41%	16	51	2.07	BBB+
5. Walmart Inc.	2.23%	4	430	8.03	AA
6. YM Inc.	2.22%	14	214	5.65	Not rated
7. Hudson's Bay Company	2.09%	6	589	6.54	Not rated
8. Best Buy Co. Inc.	1.65%	9	142	4.77	BBB+
9. Indigo Books & Music	1.51%	11	112	5.94	Not rated
10. Gap Inc.	1.51%	8	106	3.85	BB
11. Arden Holdings Inc.	1.44%	15	98	5.51	Not rated
12. Cineplex Entertainment Corp.	1.43%	5	146	6.59	Not rated
13. Rogers Communications Inc.	1.42%	17	22	3.08	BBB+
14. Comark Inc.	1.40%	12	80	4.30	Not rated
15. Foot Locker Inc.	1.34%	10	39	3.58	BB+
16. Telus Communications Inc.	1.31%	16	22	4.84	BBB+
17. Sobeys Inc.	1.28%	5	161	10.18	BBB-
18. Groupe Dynamite Inc.	1.27%	9	41	1.08	Not rated
19. H&M Hennes & Mauritz Inc.	1.12%	7	86	4.31	BBB
20. MTY Group	1.10%	16	16	3.69	Not rated

SECTION V

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Preparation of PRP's Financial Statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of PRP's Financial Statements and reported amounts of revenue and expenses during the reporting period.

For a description of the accounting policies that management believes are subject to greater estimation and judgement, as well as other accounting policies, refer to notes 1 and 2 of PRP's Financial Statements.

Use of Estimates

Information about assumption and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the fair value of investment properties.

Use of Judgements

- Valuations of investment properties

Investment properties are carried on the combined carve-out statements of financial position at fair value, as determined by either external independent appraisers or by PRP's internal valuation team. The valuations are based on a number of methods and significant assumptions, such as capitalization rates, terminal capitalization rates, discount rates and estimates of future cash flows. Valuation of investment properties is one of the principal estimates and uncertainties in PRP's Financial Statements and this MD&A. Refer to note 3 of PRP's Financial Statements for further information on estimates and significant assumptions made in the determination of the fair value of investment properties. Judgement is applied in determining whether certain costs are additions to the carrying value of the investment properties, identifying the point at which practical completion of the property occurs and identifying the directly attributable borrowing costs to be included in the carrying value of the development properties.

- Leases

PRP makes judgements in determining whether certain leases, in particular those tenant leases with long contractual terms and long-term ground leases where PRP is the lessor, are operating or finance leases. PRP has determined that all of its leases, where PRP is the lessor, are operating leases.

- Business combinations

Accounting for business combinations under IFRS 3, *Business Combinations* ("IFRS 3") is only applicable if it is determined that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to PRP. A business generally consists of inputs, processes applied to those inputs and resulting outputs that are, or will be, used to generate revenues. In the absence of such criteria, a group of assets is deemed to have been acquired. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business. Judgement is used by management in determining whether the acquisition of an individual property, or a group of properties, qualifies as a business combination in accordance with IFRS 3 or as an asset acquisition.

SECTION VI

RISKS AND UNCERTAINTIES

All investment properties are subject to a degree of risk and uncertainty. They are affected by various factors including general market conditions and local market circumstances. An example of general market conditions would be the availability of long-term mortgage financing whereas local conditions would relate to factors affecting specific properties such as an oversupply of space or a reduction in demand for real estate in a particular area. Management attempts to manage these risks through geographic, type of asset and tenant diversification in PRP's portfolio. The major risk factors including detailed descriptions are outlined below.

Risks Associated with COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic, which has resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus, including travel bans, quarantine periods, social distancing and significant monetary and fiscal interventions. Given the success in mitigating the initial spread of COVID-19, the governments in Canada and in many other countries eased the containment measures in late Q2 2020 and rolled out reopening of non-essential businesses on a staged regional approach for most of Q3 2020. This led

to a recovery of economic activities and the employment rate in Canada and in many parts of the world. Following Q3 2020, the rise in the number of COVID-19 cases globally indicated the start of the second wave of the pandemic. In response, regional and provincial governments in Canada and internationally, including the U.S., introduced, or restored, restrictive measures for certain non-essential businesses such as theatres, gyms and sit-down restaurants. In Q4 2020, many governments began to implement more restrictive measures and some governments imposed lockdowns, closing all businesses other those deemed "essential". These emergency measures have resulted in additional risks and uncertainties to PRP's business, operations and financial performance as discussed throughout the MD&A.

The duration and impact of the COVID-19 pandemic on PRP continues to remain unknown at this time, as is the efficacy of the government's interventions. However, disruptions caused by COVID-19 have negatively impacted the market price for the equity securities of PRP and may, in the short or long term, materially adversely impact PRP's tenants and/or the debt and equity markets, both of which could materially adversely affect PRP's operations and financial performance and ability to pay distributions. PRP has experienced and continues to expect COVID-19 related delays with its current and future development projects. PRP expects near-term delay to ongoing projects in terms of construction spending and expected completion dates, as well as delays to the commencement of construction for new development projects.

The extent of the effect of the ongoing COVID-19 pandemic on PRP's operational and financial performance will depend numerous factors, including the duration, spread and intensity of the pandemic, the actions by governments and others taken to contain the pandemic or mitigate its impact, changes in the preferences of tenants and prospective tenants, and the direct and indirect economic effects of the pandemic and containment measures, all of which are uncertain and difficult to predict considering that the situation continues to evolve rapidly. As a result, it is not currently possible to ascertain the long-term impact of COVID-19 on PRP's business and operations. Certain aspects of PRP's business and operations that have been or could potentially continue to be impacted include rental income, occupancy, tenant inducements, future demand for space and market rents, as well as increased costs resulting from PRP's efforts to mitigate the impact of COVID-19, longer-term stoppage of development projects, temporary or long-term labour shortages or disruptions, temporary or long-term impacts on domestic and global supply chains, increased risks to IT systems and networks, further impairments and/or write-downs of assets, and the deterioration of worldwide credit and financial markets that could limit PRP's ability to access capital and financing on acceptable terms or at all.

Even after the COVID-19 pandemic has subsided, PRP may continue to experience material adverse impacts to its business as a result of the global economy, including any related recession, as well as lingering effects on PRP's employees, suppliers, third-party service providers and/or tenants.

Management continues to actively assess and respond where possible, to the effects of the COVID-19 pandemic on PRP's employees, tenants, suppliers, and service providers, and evaluating governmental actions being taken to curtail its spread. PRP is continuing to review its future cash flow projections and the valuation of its properties in light of the COVID-19 pandemic, and intends to follow health and safety guidelines as they continue to evolve.

Real Property Ownership

All real property investments are subject to a degree of risk and uncertainty. Such investments are affected by various factors including general economic conditions, local real estate markets, the impact of COVID-19, demand for leased premises, competition from other available premises and various other factors.

The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants. Distributable cash and PRP's income would be adversely affected if one or more major tenants or a significant number of tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the properties in which PRP has an interest is not able to be leased on economically favourable lease terms. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting PRP's investment may be incurred. Furthermore, at any time, a tenant of any of the properties in which PRP has an interest may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and thereby cause a reduction in the cash flow available to PRP.

Retail shopping centres have traditionally relied on there being a number of anchor tenants (department stores, discount department stores and grocery stores) in the centre, and therefore they are subject to the risk of such anchor tenants either moving out of the property or going out of business. Within the Retail segment, certain of the major tenants are permitted to cease operating from their leased premises at any time at their option, however, they remain liable to pay all remaining rent in accordance with their leases. Other major tenants are permitted to cease operating from their leased premises or to terminate their leases if certain events occur. Some commercial retail unit tenants have a right to cease operating from their premises if certain major tenants cease operating from their premises. The exercise of such rights by a tenant may have a negative effect on a property. There can be no assurance that such rights will not be exercised in the future.

The ability to rent unleased space in the properties in which PRP has an interest will be affected by many factors, and costs may be incurred in making improvements or repairs to property required by a new tenant. 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 PRP's financial condition.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing any income. If PRP is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.

PRP may, in the future, be exposed to a general decline of demand by tenants for space in properties. As well, certain of the leases of the properties held by PRP have early termination provisions and such termination rights are generally exercisable at a cost to the tenant only. The amount of space in PRP's portfolio which could be affected is not significant.

A mortgage on any one property may, from time to time, exceed the estimated current market value of the related property. The cash flow from such a property may not be sufficient to cover debt servicing for that property. The cash flow from PRP's portfolio is, however, expected by management to be sufficient to cover any cash flow shortfalls on such a property.

Credit Risk and Tenant Concentration

PRP is exposed to credit risk in the event that borrowers default on the repayment of the amounts owing to PRP. Management mitigates this risk by ensuring adequate security has been provided in support of mortgages receivable.

PRP is exposed to credit risk as an owner of real estate in that tenants may become unable to pay the contracted rents. Management mitigates this risk by carrying out appropriate credit checks and related due diligence on the significant tenants. Management has diversified PRP's holdings so that it owns several categories of properties (office, retail, industrial and residential) and acquires properties throughout Canada and the United States. In addition, management ensures that no tenant or related group of tenants, other than investment grade tenants, account for a significant portion of the cash flow. The only tenant which individually accounts for more than 5% of the rentals from investment properties of PRP is Canadian Tire Corporation. This company has a public debt rating that is rated a BBB Stable rating by a recognized rating agency.

Lease Rollover Risk

Lease rollover risk arises from the possibility that PRP may experience difficulty renewing leases as they expire. Management attempts to enter into long-term leases to mitigate this risk. Management attempts to mitigate the risk by having staggered lease maturities and entering into longer term leases with built-in rental escalations. The leases for 41.6% of PRP's total commercial leasable area will expire in the next 5 years.

Interest and Other Debt-Related Risk

PRP has been able to leverage off the low interest rate environment that the Canadian and U.S. economy has experienced in recent years. A reversal of this trend, however, may lead to PRP's debt being refinanced at higher rates, thereby reducing net income and cash flows which could ultimately affect the level of distributions. In order to minimize this risk, PRP negotiates fixed rate term debt with staggered maturities on the portfolio. In addition, the Parent's Declaration of Trust restricts total indebtedness permitted on the portfolio.

Construction Risks

It is likely that, subject to compliance with the Parent's Declaration of Trust, PRP will be involved in various development projects. PRP's obligations in respect of properties under construction, or which are to be constructed, are subject to risks which include (i) the potential insolvency of a third party developer (where PRP is not the developer); (ii) a third party developer's failure to use advanced funds in payment of construction costs; (iii) construction or other unforeseeable delays including the impact of COVID-19; (iv) cost overruns; (v) the failure of tenants to occupy and pay rent in accordance with existing lease agreements, some of which are conditional; (vi) the incurring of construction costs before ensuring rental revenues will be earned from the project; and (vii) increases in interest rates during the period of the development. Management strives to mitigate these risks where possible by entering into fixed price construction contracts with general contractors (and to the extent possible, on a bonded basis) and by attempting to obtain long-term financing as early as possible during construction.

Liquidity Risk

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relationship with demand for and the perceived desirability of such investments. Such illiquidity will tend to limit PRP's ability to vary its portfolio promptly in response to changing economic or investment conditions. If for whatever reason, liquidation of assets is required, there is a risk that sale proceeds realized might be less than the previously estimated market value of PRP's investments or that market conditions, including the impact of COVID-19, would prevent prompt disposition of assets.

Cyber Security Risk

Cyber security has become an increasingly problematic issue for issuers and businesses in Canada and around the world, including PRP. Cyber attacks against large organizations are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use or

disrupting business operations. A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of PRP's information resources. More specifically, a cyber-incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information. As PRP's reliance on technology has increased, so have the risks posed to its systems. PRP's primary risks that could directly result from the occurrence of a cyber-incident include operational interruption, damage to its reputation, damage to PRP's business relationships with its tenants, disclosure of confidential information regarding its tenants, employees and third parties with whom PRP interacts, and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny and litigation. PRP has implemented processes, procedures and controls to help mitigate these risks, but these measures, as well as its increased awareness of a risk of a cyber-incident, do not guarantee that its financial results will not be negatively impacted by such an incident.

Financing Credit Risk

PRP is also exposed to credit risk as a lender on the security of real estate in the event that a borrower is unable to make the contracted payments. Such risk is mitigated through credit checks and related due diligence of the borrowers and through careful evaluation of the worth of the underlying assets.

Environmental and Climate Change Risk

As an owner and manager of investment properties in Canada and the United States, PRP is subject to various laws relating to environmental matters. These laws impose a liability for the cost of removal and remediation of certain hazardous materials released or deposited on properties owned by PRP or on adjacent properties.

In accordance with best management practices, Phase I environmental audits are completed on all properties prior to acquisition. Further investigation is conducted if Phase I tests indicate a potential problem. PRP has operating policies to monitor and manage risk. In addition, the standard lease utilized requires tenants to comply with environmental laws and regulations, and restricts tenants from carrying on environmentally hazardous activities or having environmentally hazardous substances on site.

Natural disasters and severe weather such as floods, ice storms, blizzards and rising temperatures may result in damage to the Properties. The extent of PRP's casualty losses and loss in property operating income in connection with such events is a function of the severity of the event and the total amount of exposure in the affected area. PRP is also exposed to risks associated with inclement winter weather, including increased need for maintenance and repair of PRP's buildings. In addition, climate change, to the extent it causes changes in weather patterns, could have effects on PRP's business by increasing the cost to recover and repair Properties and by increasing property insurance costs to insure a Property against natural disasters and severe weather events.

PRP has taken proactive steps to mitigate the risk of climate change on PRP and its properties and to address PRP's environmental impact.

Co-Ownership Interest in Properties

In certain situations, PRP may be adversely affected by a default by a co-owner of a property under the terms of a mortgage, lease or other agreement. Although all co-owners' agreements entered into by PRP provide for remedies to PRP in such circumstances, such remedies may not be exercisable in all circumstances, or may be insufficient or delayed, and may not cure a default in the event that such default by a co-owner is deemed to be a default of PRP.

Joint Arrangement Risks

PRP is subject to risks associated with the management and performance of joint arrangements. Such risks include any disagreements with its partners relating to the development or operations of a property, as well as differences with respect to strategic decision making. Other risks include partners not meeting their financial or operational obligations. PRP attempts to mitigate these risks by maintaining good working relationships with its partners, and conducting due diligence on their partners to ensure there is a similar alignment of strategy prior to creating a joint arrangement.

Ability to Access Capital Markets

As PRP distributes a substantial portion of its income to the Parent's unitholders, PRP may need to obtain additional capital through capital markets and PRP's ability to access the capital markets through equity issues and forms of secured or unsecured debt financing may affect the operations of PRP as such financing may be available only on disadvantageous terms, if at all. If financing is not available on acceptable terms, further acquisitions or ongoing development projects may be curtailed and cash available for distributions or to fund future commitments may be adversely affected.

SUBSEQUENT EVENTS

- (a) Subsequent to December 31, 2020, PRP repaid three mortgages for an aggregate amount of \$293.0 million, with a weighted average interest rate of 4.17%.
- (b) Subsequent to December 31, 2020, PRP secured three new mortgages for an aggregate amount of \$283.9 million, with a weighted average interest rate of 2.21%.
- (c) A Circular will be issued to unitholders of the Parent to approve a Plan of Arrangement (the "Arrangement") whereby the net assets of PRP will be transferred to a newly created unincorporated open-ended trust called Primaris Real Estate Investment Trust. Each existing Parent unitholder will receive one unit of Primaris Real Estate Investment Trust, for every one Parent unit held, subject to any consolidation or split of Primaris Real Estate Investment Trust units pursuant to the Arrangement.

In connection with the Arrangement, the Parent will apply to the Court of Queen's Bench of Alberta for an interim order confirming, among other things, the calling and holding of a meeting (the "Meeting") of the Parent's unitholders to be held in December 2021 to approve the Arrangement. In addition, the Parent has (i) applied to the Canada Revenue Agency for an advance income tax ruling confirming certain Canadian federal income tax consequences of the Arrangement (the "CRA Ruling"), and (ii) applied for conditional approval from the TSX for the listing and posting for trading of the Primaris Real Estate Investment Trust units. Listing will be subject to the TSX's customary listing approval requirements. The Arrangement is subject to, among other things, the approval of the Parent's unitholders by way of the affirmative vote of at least two-thirds of the votes cast by the Parent's unitholders present in person or by proxy at the Meeting.

SCHEDULE I

MANAGEMENT DISCUSSION & ANALYSIS – HOOPP PROPERTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS – HOOPP PROPERTIES

**For the three and six months ended June 30, 2021 and 2020 and
years ended December 31, 2020, 2019 and 2018**

Dated: November 5, 2021

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SECTION I

OVERVIEW

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("**MD&A**") discusses the financial condition and results of operations and changes thereto of the seven retail properties and one industrial property which are located in the Provinces of British Columbia, Alberta and Ontario, Canada owned by HOOPP (as defined below) (collectively, the "**HOOPP Properties**" or the "**Portfolio**") and should be read in conjunction with the combined carve-out financial statements of the Portfolio and accompanying notes included elsewhere in the Circular. This MD&A is being prepared for inclusion in the Circular of H&R Real Estate Investment Trust ("**H&R REIT**") prepared in connection with the Plan of Arrangement pursuant to which, among other things, Primaris Real Estate Investment Trust ("**Primaris REIT**" or the "**REIT**"), through a series of transactions, would indirectly acquire the Primaris retail assets and business of H&R REIT. In addition to the Plan of Arrangement and related Arrangement Agreement, H&R REIT has entered into a purchase and sale agreement with HOOPP (the "**Purchase and Sale Agreement**") pursuant to which Primaris REIT will, indirectly, acquire the Portfolio if the Plan of Arrangement becomes effective and the other conditions in the Purchase and Sale Agreement are satisfied (the "**Transaction**"). This MD&A is dated as of, and has been prepared based on information available to, HOOPP management as of the date of the Circular.

The combined unaudited carve-out financial statements and accompanying notes for the three and six months ended June 30, 2021 and 2020 and combined audited carve-out financial statements and accompanying notes for years ended December 31, 2020, 2019 and 2018 of the Portfolio (collectively, the "**combined carve-out financial statements**") have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board. All amounts in this MD&A are in thousands of Canadian dollars, except where otherwise stated or the context otherwise requires. Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

The combined carve-out financial statements discussed in this MD&A have been prepared on a carve-out basis from the financial statements of HOOPP Realty Inc., Lansdowne Mall Inc. and Lansdowne Industrial Inc. (collectively, "**HOOPP**") and present the financial position, financial performance and cash flows of the Portfolio for the periods presented, as if the HOOPP Properties had been accounted for on a stand-alone basis, with estimates used, when necessary, for certain allocations. Because the Portfolio was part of a larger portfolio and was not operating within a separate legal entity, these combined carve-out financial statements depict the net assets representing the amount associated specifically with the Portfolio. All Portfolio transactions and balances between properties within the Portfolio have been eliminated upon combination.

Healthcare of Ontario Pension Plan ("**HOOPP Trust**") is a trust that owns, acquires and manages commercial retail properties across Canada and has operated the Portfolio since 2004. The Portfolio consists of seven retail properties and one industrial property, comprising an aggregate of 4.0 million square feet of gross leaseable area ("**GLA**") located in the Provinces of British Columbia, Alberta and Ontario.

MD&A – HOOPP PROPERTIES

Three and six months ended June 30, 2021 and 2020 and years ended December 31, 2020, 2019 and 2018

The objective of this MD&A is to provide prospective owners of trust unit (“Units”) of Primaris REIT with an analysis of the historical assets, liabilities, revenues and operating expenses, including mortgage interest, of the HOOPP Properties for the periods referenced. Less emphasis has been placed on analyzing the impact of income taxes and the historical capital structure of the HOOPP Properties, as the historical financial information contained in this MD&A does not reflect Primaris REIT’s proposed capital structure and income tax status, which will be significantly different. The unaudited “pro forma” combined financial statements of Primaris REIT contained elsewhere in the Circular reflect the impact of financial leverage, tax status of Primaris REIT and its proposed capital structure on a going forward basis.

All references in this MD&A to “**Q2 2021**” are to our fiscal quarter for the three months ended June 30, 2021 and all references to “**Q2 2020**” are to our fiscal quarter for the three months ended June 30, 2020. All references in this MD&A to “**YTD 2021**” are to the six months ended June 30, 2021 and all references to “**YTD 2020**” are to the six months ended June 30, 2020. All references in this MD&A to “**Fiscal 2020**” are to our fiscal year ended December 31, 2020, all references in this MD&A to “**Fiscal 2019**” are to our fiscal year ended December 31, 2019 and all references in this MD&A to “**Fiscal 2018**” are to our fiscal year ended December 31, 2018.

FORWARD-LOOKING DISCLAIMER

Certain information in this MD&A contains forward-looking information within the meaning of applicable securities laws (also known as forward-looking statements) including, among others, statements made or implied under the headings “Assets”, “Liquidity and Capital Resources”, “Risks and Uncertainties” and “Subsequent Events” relating to the Portfolio’s objectives, beliefs, plans, estimates, projections and intentions and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts, including the statements made under the headings “Business Update” and “Summary of Significant 2021 Activity” including with respect to HOOPP’s future plans, including redevelopment projects, future intensification opportunities including the timing of approvals for re-zoning and site plan applications, the impact of the COVID-19 pandemic on the Portfolio and the Portfolio’s tenants, management’s expectations regarding revenues and expenses, the Portfolio’s bad debt expense and expected credit loss, expectations regarding tenant retention and closures, the expected rental revenues from leases with replacement tenants, including any offset of a reduction in gross revenues relating to store closures, and the revenue opportunity represented by percentage rent participation, the state of the retail market, expected capital and tenant expenditures, capitalization rates and cash flow models used to estimate fair values, management’s expectations regarding the Portfolio’s leverage and portfolio quality, management’s expectations regarding future operating fundamentals, management’s belief that the Portfolio has sufficient funds and liquidity for future commitments and management’s expectation to be able to meet all of its ongoing obligations. Forward-looking statements generally can be identified by words such as “outlook”, “objective”, “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “should”, “plans”, “project”, “budget” or “continue” or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect the Portfolio’s current beliefs and are based on information currently available to management. Forward-looking statements are provided for the purpose of presenting information about management’s current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements are not guarantees of future performance and are based on the Portfolio’s estimates and assumptions that are subject to risks, uncertainties and other factors including those risks and uncertainties described below under “Risks and Uncertainties”, which could cause the actual results, performance or achievements of the Portfolio to differ materially from the forward-looking statements contained in this MD&A. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking statements include that the general economy is currently volatile and in an economic downturn as a result of the COVID-19 pandemic and low oil and gas prices, the extent and duration of which is unknown; interest rates are volatile as a result of general economic conditions; and debt markets continue to provide access to capital at a reasonable cost, notwithstanding the ongoing economic downturn. Additional risks and uncertainties include, among other things, risks related to: COVID-19; real property ownership; credit risk and tenant concentration; lease rollover risk; construction risks; retail concentration risk; competition; liquidity risk; cyber security risk; and environmental and climate change risk. HOOPP cautions that these lists of factors, risks and uncertainties are not exhaustive. Although the forward-looking statements contained in this MD&A are based upon what the Portfolio believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. All forward-looking statements in this MD&A are qualified by these cautionary statements. These forward-looking statements are made as of November 5, 2021 and HOOPP, except as required by applicable Canadian securities laws,

MD&A – HOOPP PROPERTIES

Three and six months ended June 30, 2021 and 2020 and years ended December 31, 2020, 2019 and 2018

assumes no obligation to update or revise them to reflect new information or the occurrence of future events or circumstances.

NON-IFRS FINANCIAL MEASURES

The Portfolio's Financial Statements are prepared in accordance with IFRS. However, in this MD&A, certain measures are presented that are not measures under generally accepted accounting principles in accordance with IFRS. These measures, as well as the reasons why management believes these measures are useful to investors, are described below.

None of these non-IFRS financial measures should be construed as an alternative to financial measures calculated in accordance with IFRS. Furthermore, the Portfolio's method of calculating these supplemental non-IFRS financial measures may differ from the methods of other real estate investment trusts or other issuers, and accordingly may not be comparable.

Interest coverage ratio

The interest coverage ratio is a non-IFRS measure that is calculated by dividing the total of: (i) property operating income (excluding straight-lining of contractual rent); and (ii) finance income by finance costs from operations. This excludes gain (loss) on sale of investments and unrealized gains (losses) that may be taken into account under IFRS. Management uses this ratio and believes it is useful for investors as it is an operational measure used to evaluate the Portfolio's ability to service the interest requirements of its outstanding debt. Interest coverage ratio is presented in the "Liabilities and Net Assets" section of this MD&A.

SECTION II

FINANCIAL HIGHLIGHTS

The following table includes highlights of selected operating and financial information for the Portfolio for the periods presented:

(in thousands of Canadian dollars)	June 30, 2021	June 30, 2020	December 31, 2020	December 31, 2019	December 31, 2018
Total assets	791,260	921,686	845,419	1,078,383	1,165,500
Net assets	623,379	758,031	675,005	916,765	1,008,472

	3 months ended June 30, 2021	3 months ended June 30, 2020	6 months ended June 30, 2021	6 months ended June 30, 2020	Year ended December 31		
					2020	2019	2018
Rentals from investment properties	23,831	25,076	48,704	56,199	106,361	127,199	127,809
Property operating income	7,474	8,385	17,770	20,735	30,580	51,593	54,623
Fair value adjustment on investment properties	(56,085)	(175,433)	(58,493)	(178,999)	(265,730)	(109,224)	(148,857)
Net income (loss)	(50,124)	(168,559)	(43,749)	(161,266)	(241,176)	(63,578)	(98,645)

Property operating income and the fair value adjustment on investment properties is discussed in Section III "Property Operating Income" and Section II "Key Performance Drivers" in this MD&A.

MD&A – HOOPP PROPERTIES

Three and six months ended June 30, 2021 and 2020 and years ended December 31, 2020, 2019 and 2018

KEY PERFORMANCE DRIVERS

The following table details key performance drivers for the below respective periods including occupancy, average contractual rents, remaining lease term and remaining term to maturity of mortgages.

OPERATIONS

<i>Occupancy as at June 30</i>	2021	83.5%
<i>Occupancy as at December 31</i>	2020	79.9%
	2019	79.3%
	2018	79.1%
<i>Average contractual rent per sq.ft. as at June 30</i>	2021	\$18.43
<i>Average contractual rent per sq.ft. as at December 31</i>	2020	\$18.93
	2019	\$20.78
	2018	\$20.41
<i>Average remaining term to maturity of leases as at June 30</i>	2021	3.97
<i>Average remaining term to maturity of leases as at December 31</i>	2020	3.87
<i>(in years)</i>	2019	4.46
	2018	4.77
<i>Average remaining term to maturity of mortgages as at June 30¹</i>	2021	2.4
<i>Average remaining term to maturity of mortgages as at December 31¹</i>	2020	2.9
<i>(in years)</i>	2019	3.9
	2018	4.9

¹ In accordance with the Purchase and Sale Agreement, the Portfolio is being contributed to Primaris REIT on a debt-free basis.

The Portfolio has demonstrated resiliency in these operating metrics to-date during the COVID-19 pandemic, with occupancy and base rental rates remaining stable in 2020 and the first six months of 2021. Management's focus was on retaining occupancy, positioning the Portfolio well to benefit from economic recovery.

The Portfolio's financial and operating results for the three and six months ended June 30, 2021 and 2020 and the years ended December 31, 2020, 2019 and 2018 are provided herein.

Fair Value Adjustment on Investment Properties

The financial results for YTD 2021 and the years ended 2020, 2019 and 2018 included fair value adjustments recorded in Q2 2021 and in the fourth quarter of 2020, 2019 and 2018. These adjustments are a result of HOOPP Trust's regular semi-annual IFRS fair value process.

Fair value adjustments for YTD 2021 compared to YTD 2020, which were recorded in Q2 2021 and the three months ended March 31, 2021 ("Q1 2021"), respectively, reflect the continued impact of COVID-19 on the Portfolio's retail properties and the general economy. Declared a pandemic by the World Health Organization on March 11, 2020, the outbreak of COVID-19 resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus, which included travel bans, the closure of non-essential businesses, self-imposed quarantining periods and social distancing, all of which caused material disruption to businesses globally resulting in an economic slowdown.

A successful vaccine rollout has allowed most businesses to reopen with restrictions, but the duration and full impact of the COVID-19 pandemic remains to be seen in terms of rental income, occupancy, tenant

MD&A – HOOPP PROPERTIES

Three and six months ended June 30, 2021 and 2020 and years ended December 31, 2020, 2019 and 2018

inducements and demand for space. The potential impacts are incorporated into the fair value adjustments through assumptions around future cash flows, capitalization rates, terminal capitalization rates and discount rates applied to these cash flows.

Fair value adjustments in Fiscal 2020 compared to Fiscal 2019 reflected the impact of COVID-19 on the Portfolio's retail properties including impacts on tenancy, rental income, downtime and on valuation assumptions. Fair value adjustments in Fiscal 2019 compared to Fiscal 2018 largely reflected the impact of select store closures, in particular Sears closures at Marlborough Mall, Devonshire Mall, New Sudbury Centre, Quinte Mall and Lansdowne Mall, including impacts to revenue and additional costs associated with repositioning the resulting vacant space. Challenging conditions concerning anchors in the enclosed retail landscape also impacted valuation assumptions. These impacts were partially offset by an increase in market rental rates at Lansdowne Industrial and a new lease for the vacant Sears space at Marlborough Mall to MaKami College, a provincially licensed private vocational college.

Provision for Expected Credit Loss and Bad Debt Expense

Bad debt expense is classified as an expense and is combined with other expenses in property operating costs. The following table describes HOOPP's provision for expected credit loss and bad debt expense including as a result of the impact of COVID-19. In determining these amounts, HOOPP performed a tenant-by-tenant assessment considering the payment history and future expectations of default based on actual and expected insolvency filings. Credit loss and bad debt expense were higher in Fiscal 2020 and in YTD 2021 as compared to Fiscal 2019, Fiscal 2018 and YTD 2020, primarily due to government mandated store closures affecting enclosed shopping centres as a result of the COVID-19 pandemic.

Provision for expected credit loss (in thousands of Canadian dollars)	June 30, 2021	June 30, 2020	December 31, 2020	December 31, 2019	December 31, 2018
Opening balance, beginning of period	11,808	5,202	5,202	2,015	600
Bad debt expense	(1,349)	2,110	9,022	3,520	1,458
Accounts receivable write-off	(867)	(1,271)	(2,416)	(333)	(43)
Closing balance, end of period	9,592	6,041	11,808	5,202	2,015

The provision for expected credit loss during YTD 2021 declined from \$11,808 as at December 31, 2020 to \$9,592 as at June 30, 2021. Bad debt expense for YTD 2021 of (\$1,349) compares favourably to YTD 2020 of \$2,110 due to higher than expected collections in YTD 2021 as compared to YTD 2020. The Portfolio recorded a bad debt expense for the year ended December 31, 2020 of \$9,022, an increase from \$3,520 in Fiscal 2019 and \$1,458 in Fiscal 2018, primarily as a result of COVID-19 store closures in Fiscal 2020 and tenant CCAA (as defined below) filings in Fiscal 2019. Management is committed to working together with tenants on settling past arrears which have been reduced significantly as a result of store reopenings.

Tenant Closures

Many retailers faced challenging conditions in Fiscal 2020. Several retailers filed for *Canada Companies' Creditors Arrangement Act* ("CCAA") creditor protection and several retailers have announced store closures. The following table summarizes the tenant groups that have filed for creditor protection under the CCAA:

MD&A – HOOPP PROPERTIES

Three and six months ended June 30, 2021 and 2020 and years ended December 31, 2020, 2019 and 2018

Tenant Group	CCAA Filing Date	-----Initial-----		-----Retained-----	
		Square Footage	Number of Stores	Square Footage	Number of Stores
Nygaard	10-Mar-20	11,467	4	0	0
Steve Nash Fitness	24-Apr-20	16,116	1	0	0
Aldo	7-May-20	16,971	5	14,983	4
Reitmans	19-May-20	29,942	4	8,061	2
Comark	3-Jun-20	32,155	4	32,155	4
GNC	29-Jun-20	1,421	1	0	0
Davids Tea	13-Jul-20	3,622	4	0	0
Stokes	31-Jul-20	2,895	2	1,446	1
Laura's	31-Jul-20	10,433	1	10,433	1
Groupe Dynamite	8-Sep-20	22,367	4	22,367	4
Le Chateau	23-Oct-20	19,180	4	0	0
Vivah Jewellery	30-Oct-20	796	4	0	0
Total		167,365	38	89,445	16
Total HOOPP Properties		3,511,948	582		

HOOPP, through its property managers, focused on property occupancy and tenant retention, working with tenants to restructure leases where possible, or in certain instances to re-lease space to new tenants on an accretive basis.

SUMMARY OF SIGNIFICANT 2021 ACTIVITY

Redevelopments

The major redevelopment project currently underway with respect to the Portfolio is the reconfiguration and remerchandising of the former Sears premises at Lansdowne Mall. In addition, a major redevelopment project in respect of the former Sears premises at New Sudbury Centre was completed in the fourth quarter of fiscal 2021 (“Q4 2021”).

At Lansdowne Mall, the former Sears premises was owned by Sears and purchased through the CCAA process in Fiscal 2018, subsequently demolished and a redevelopment is currently underway. While still in the leasing stages, HOOPP is replacing the former Sears premises with two major spaces (totaling 42,000 square feet) and a freestanding component (5,500 square feet). Pre-leasing the new units has been delayed due to the COVID-19 pandemic, but completion is targeted for year end 2022 with occupancy commencing in 2023. Tenant negotiations are well underway. The project is expected to be completed at a cost of approximately \$28,000 and will create a new mall entrance, improving visibility and increasing overall traffic to the shopping centre.

At New Sudbury Centre, redevelopment of the former Sears premises was completed in Q4 2021 including adding two new market major tenants (H&M and Linen Chest), a relocated and expanded Sport Chek and a Canadian chartered bank in an exterior facing unit. The redevelopment was completed on budget at approximately \$18,500. Tenants have taken occupancy with full rent commencement in Q4 2021. Property operating income is expected to increase from \$5,700 in 2021 to \$7,900 in 2022 after accounting for a full year of new rental income from this redevelopment.

MD&A – HOOPP PROPERTIES

Three and six months ended June 30, 2021 and 2020 and years ended December 31, 2020, 2019 and 2018

Future Intensification Opportunities

In addition to the above-noted projects, HOOPP is in negotiation with tenants to redevelop and lease the former Quinte Mall Sears location, and is pursuing entitlements for a new 9,171 square foot pad on the one-acre excess land parcel at New Sudbury Centre. The land is located on the western edge of the property along LaSalle Boulevard. The initial plan calls for two buildings, a quick service restaurant (including a drive thru) and a multi-tenant building as well as 61 parking stalls. While still subject to approval by the City of Sudbury, development would be prioritized after the remerchandising of the former Sears premises.

Retail

Property operating income from retail properties of \$51,593 in Fiscal 2020 decreased by \$21,013 (or 41%) as compared to \$51,593 in Fiscal 2019, primarily due to elevated rental abatements, an increase in non-standard lease deals (including gross and percentage rent leases), and bad debt expense, all primarily as a result of COVID-19.

Property operating income from retail properties during Q2 2021 decreased by \$884 (or 10.9%) as compared to Q2 2020, and by \$2,965 (or 14.3%) during YTD 2021 as compared to YTD 2020, primarily as a result of a decrease in rental abatements and bad debt expense largely a result of Ontario retail closures not experienced during YTD 2020. Incremental improvements in occupancy continue to be made throughout the Portfolio.

SECTION III

FINANCIAL POSITION

(in thousands of Canadian dollars)	June 30, 2021	June 30, 2020	December 31, 2020	December 31, 2019	December 31, 2018
Assets					
Investment properties	765,400	887,800	818,200	1,060,200	1,155,200
	765,400	887,800	818,200	1,060,200	1,155,200
Other assets	17,557	22,270	17,835	10,593	3,320
Cash	8,303	11,616	9,384	7,590	6,980
	791,260	921,686	845,419	1,078,383	1,165,500
Liabilities and Shareholders' Equity					
Liabilities					
Debt	140,506	140,506	140,506	140,506	140,506
Accounts payable and accrued liabilities	27,375	23,149	29,908	21,112	16,522
	167,881	163,655	170,414	161,618	157,028
Net assets	623,379	758,031	675,005	916,765	1,008,472
	791,260	921,686	845,419	1,078,383	1,165,500

ASSETS

Investment Properties by Region

Geographic Location (in thousands of Canadian dollars)	June 30, 2021	June 30, 2020	December 31, 2020	December 31, 2019	December 31, 2018
Ontario	519,000	591,600	536,500	717,600	793,800
Alberta	67,400	83,000	67,700	92,200	89,400
British Columbia	179,000	213,200	214,000	250,400	272,000
Total	765,400	887,800	818,200	1,060,200	1,155,200

MD&A – HOOPP PROPERTIES

Three and six months ended June 30, 2021 and 2020 and years ended December 31, 2020, 2019 and 2018

Terminal Capitalization Rates

	June 30, 2021	June 30, 2020	December 31, 2020	December 31, 2019	December 31, 2018
Canada	6.73%	6.39%	6.49%	6.03%	5.65%

HOOPP, through its third party appraisers, updates its assumptions used in determining the fair value of its investment properties, as a result of changes due to COVID-19 and general operating and investment market conditions. See Section II “Key Performance Drivers” in this MD&A for a further discussion regarding IFRS fair value adjustments.

Other Assets

(in thousands of Canadian dollars)	June 30, 2021	June 30, 2020	December 31, 2020	December 31, 2019	December 31, 2018
Prepaid expenses and sundry assets	9,676	3,346	10,051	7,515	1,337
Accounts receivable - net of provision for expected credit loss of \$11,808 (2019 - \$5,202, 2018 - \$2,015)	7,881	18,924	7,784	3,078	1,983
	17,557	22,270	17,835	10,593	3,320

Prepaid expenses and sundry assets increased by \$6,330 in YTD 2021 as compared to YTD 2020, primarily as a result of prepaid realty taxes at Devonshire Mall and recoverable HST at New Sudbury Centre due to the timing of the development.

Prepaid expenses and sundry assets was \$10,051 in Fiscal 2020, an increase of \$2,536 as compared to \$7,515 in Fiscal 2019. The increase is primarily due to an increase in recoverable HST at New Sudbury Centre related to the redevelopment of the former Sears premises. Fiscal 2019 prepaid expenses and sundry assets increased by \$6,178 as compared to Fiscal 2018, primarily as a result of an increase in recoverable HST at New Sudbury Centre related to the redevelopment of the former Sears premises.

Accounts receivable (net of provisions for expected credit losses) decreased by \$11,043 as at June 30, 2021 as compared to June 30, 2020, primarily due to a combination of improved rent collections and increased bad debt expense.

Accounts receivable (net of provisions for expected credit losses) of \$7,784 in Fiscal 2020 increased by \$4,706 from \$3,078 in Fiscal 2019 as a result of the COVID-19 pandemic and related store closures, particularly at Devonshire Mall and New Sudbury Centre. Accounts receivable (net of provisions for expected credit losses) in Fiscal 2019 increased by \$1,095 as compared to \$1,983 in Fiscal 2018. This increase was primarily the result of slower rent collections and CCAA filings across the Portfolio. Accounts receivable is shown net of expected credit loss, totaling \$11,808 in Fiscal 2020, up from \$5,202 in Fiscal 2019 and \$2,015 in Fiscal 2018. See Section II “Key Performance Drivers” for additional information regarding the Portfolio’s bad debt expense.

Cash

In Fiscal 2020 and YTD 2021, HOOPP participated in the federal Canada Emergency Commercial Rent Assistance (CECRA) program which provided forgivable loans to qualifying commercial property owners to cover a portion of monthly rent payments payable by eligible small business tenants experiencing hardship during the COVID-19 pandemic. A condition of the program was that the forgivable loan could

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not be part of any funds being paid out of the property as a dividend, return of capital, or other distribution to shareholders. As a result, HOOPP requested that property managers not make any distributions for the balance of the year after the loans were received in August and September of 2020. As a result, cash balances were elevated at the end of Fiscal 2020. The loans were forgiven as at December 31, 2020 and distributions re-commenced in 2021.

LIABILITIES AND NET ASSETS

	June 30, 2021	June 30, 2020	December 31, 2020	December 31, 2019	December 31, 2018
Debt to total assets	17.8%	15.2%	16.6%	13.0%	12.1%
Unencumbered assets (in thousands of Canadian dollars)	586,400	674,600	604,200	809,800	883,200
Interest coverage ratio ⁽¹⁾	5.85	6.83	5.04	8.51	11.91
Interest rate of debt	4.34%	4.34%	4.34%	4.34%	4.34%
Term to maturity of debt (in years)	2.4	3.4	2.9	3.9	4.9

⁽¹⁾ Interest coverage ratio is a non-IFRS measure. See Section I "Non-IFRS Financial Measures" in this MD&A.

Debt

(in thousands of Canadian dollars)	June 30, 2021	June 30, 2020	December 31, 2020	December 31, 2019	December 31, 2018
Mortgage payable	140,000	140,000	140,000	140,000	140,000
Accrued interest	506	506	506	506	506
	140,506	140,506	140,506	140,506	140,506

The Portfolio's debt consists of a first mortgage on Highstreet Shopping Centre in the original principal amount of \$140 million at an interest rate of 4.34% per annum, on an interest only basis, maturing November 1, 2023. The loan will be discharged from the property as part of the transactions contemplated in the Purchase and Sale Agreement.

Net Assets

Net assets decreased by \$134,652 as of June 30, 2021 as compared to June 30, 2020 by \$241,760 as of December 31, 2020 as compared to December 31, 2019, and by \$91,707 as of December 31, 2019 as compared to December 31, 2018. These decreases are primarily a result of the net loss which was primarily attributable to the negative fair value adjustments on investment properties discussed in Section II "Key Performance Drivers" in this MD&A.

RESULTS OF OPERATIONS

(in thousands of Canadian dollars)	3 months ended June 30, 2021	3 months ended June 30, 2020	6 months ended June 30, 2021	6 months ended June 30, 2020	Year ended December 31		
	2021	2020	2021	2020	2020	2019	2018
Property operating income:							
Rentals from investment properties	23,831	25,076	48,704	56,199	106,361	127,199	127,809
Property operating costs	(16,357)	(16,691)	(30,934)	(35,464)	(75,781)	(75,606)	(73,186)
	7,474	8,385	17,770	20,735	30,580	51,593	54,623
Finance cost - operations	(1,519)	(1,519)	(3,038)	(3,038)	(6,076)	(6,076)	(4,603)
Finance income	6	8	12	36	50	129	192
Fair value adjustment on investment properties	(56,085)	(175,433)	(58,493)	(178,999)	(265,730)	(109,224)	(148,857)
Net loss and total comprehensive loss	(50,124)	(168,559)	(43,749)	(161,266)	(241,176)	(63,578)	(98,645)

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PROPERTY OPERATING INCOME

Property operating income consists of rentals from investment properties less property operating costs. Management believes that property operating income is a useful measure for investors in assessing the performance of the Portfolio before financing costs and other sources of income and expenditures which are not directly related to the day-to-day operations of a property. It is also used as a key input in determining the value of investment properties.

(in thousands of Canadian dollars)	3 months ended June 30,		Change	6 months ended June 30,		Change	Year ended December 31				
	2021	2020		2021	2020		2020	2019	Change	2018	Change
Rentals from investment properties	23,831	25,076	(1,245)	48,704	56,199	(7,495)	106,361	127,199	(20,838)	127,809	(610)
Property operating costs (excluding bad debt expense)	(15,331)	(15,003)	(328)	(32,283)	(33,354)	1,071	(66,759)	(72,086)	5,327	(71,728)	(358)
Property operating income (excluding bad debt expense)	8,500	10,073	(1,573)	16,421	22,845	(6,424)	39,602	55,113	(15,511)	56,081	(968)
Bad debt expense	(1,026)	(1,688)	662	1,349	(2,110)	3,459	(9,022)	(3,520)	(5,502)	(1,458)	(2,062)
Property operating income	7,474	8,385	(911)	17,770	20,735	(2,965)	30,580	51,593	(21,013)	54,623	(3,030)

Property operating income of \$7,474 in Q2 2021 decreased by \$911 from \$8,385 in Q2 2020, and by \$2,965 from \$17,770 in YTD 2021 as compared to \$20,735 in YTD 2020. The decreases in property operating income in Q2 2021 and YTD 2021 as compared to Q2 2020 and YTD 2020, respectively, was primarily the result of asset closures, rent abatements and higher bad debt driven by the COVID-19 pandemic in 2021 as compared to 2020.

Property operating income of \$30,580 in Fiscal 2020 decreased by \$21,013 from \$51,593 in Fiscal 2019, primarily driven by asset closures, rent abatements and higher bad debt as a result of the COVID-19 pandemic. Property operating income decreased by \$3,030 in Fiscal 2019 as compared to \$54,623 in Fiscal 2018 predominantly due to higher bad debt expense. See Section II “Key Performance Drivers” in this MD&A for a further discussion regarding bad debt expense in respect of the Portfolio.

HOOPP believes that the decline in property operating income is temporary and expects operating fundamentals to improve in the second half of 2021, furthering occupancy improvements demonstrated during YTD 2021, where occupancy increased by 3.6% due to improved leasing throughout the Portfolio.

Property Operating Income by Geographic Location

Geographic Location (in thousands of Canadian dollars)	3 months ended June 30,		Change	6 months ended June 30,		Change	Year ended December 31				
	2021	2020		2021	2020		2020	2019	Change	2018	Change
Ontario	4,313	4,892	(579)	11,190	13,406	(2,216)	18,532	37,027	(18,495)	40,319	(3,292)
Alberta	1,276	1,286	(10)	2,379	2,766	(387)	3,789	5,674	(1,885)	5,987	(313)
British Columbia	1,885	2,207	(322)	4,201	4,563	(362)	8,259	8,892	(633)	8,317	575
Total	7,474	8,385	(911)	17,770	20,735	(2,965)	30,580	51,593	(21,013)	54,623	(3,030)

The HOOPP Properties are comprised of retail properties and a single industrial property (Lansdowne Industrial) in three geographic locations (British Columbia, Alberta and Ontario). The Portfolio derives its income primarily from rental income on leases.

The decreases in property operating income for Q2 2021, YTD 2021, and Fiscal 2020, in each case as compared to the comparative period in the prior fiscal year, were primarily due to the impact of the COVID-19 pandemic where partial rent abatements were provided to certain retail tenants during periods of store closure. The decrease in property operating income in the retail properties for Fiscal 2019 as compared to Fiscal 2018 was largely due to an increase in bad debt expense and was otherwise relatively stable. Property operating income at the Lansdowne industrial asset increased by \$21 (9.5%) and \$33 (7.8%) for Q2 2021 and YTD 2021, respectively, as compared to Q2 2020 and YTD 2020, respectively, and by \$18 (2.1%) and \$116 (15.6%) for Fiscal 2020 and Fiscal 2019, respectively, as compared to Fiscal 2019

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and Fiscal 2018, respectively, reflecting the strong market fundamentals experienced by the industrial asset class in those periods.

INCOME AND EXPENSE ITEMS

Finance Costs

Finance Costs (in thousands of Canadian dollars)	3 months	3 months	Change	6 months	6 months	Change	Year ended December 31					
	ended June 30, 2021	ended June 30, 2020		ended June 30, 2021	ended June 30, 2020		2020	2019	Change	2018	Change	
Finance costs - operations												
Contractual interest on mortgage payable	(1,519)	(1,519)	-	(3,038)	(3,038)	-	(6,076)	(6,076)	-	(4,603)	(1,473)	
Other	-	-	-	-	-	-	-	-	-	-	-	-
Finance income	6	8	(2)	12	36	(24)	50	129	(79)	192	(62)	
	(1,513)	(1,511)	(2)	(3,026)	(3,002)	(24)	(6,026)	(5,947)	(79)	(4,411)	(1,535)	

Finance Costs (in thousands of Canadian dollars)	3 months	3 months	Change	6 months	6 months	Change	Year ended December 31					
	ended June 30, 2021	ended June 30, 2020		ended June 30, 2021	ended June 30, 2020		2020	2019	Change	2018	Change	
Finance costs - operations												
Contractual interest on mortgage payable	(1,519)	(1,519)	-	(3,038)	(3,038)	-	(6,076)	(6,076)	-	(4,603)	(1,473)	
Other	-	-	-	-	-	-	-	-	-	-	-	-
Finance income	6	8	(2)	12	36	(24)	50	129	(79)	192	(62)	
	(1,513)	(1,511)	(2)	(3,026)	(3,002)	(24)	(6,026)	(5,947)	(79)	(4,411)	(1,535)	

Contractual interest on mortgage payable in Q2 2021, YTD 2021, Fiscal 2020 and Fiscal 2019 reflects the first mortgage on Highstreet Shopping Centre. The interest on the loan in Fiscal 2018 was partially offset by the final year of imputed interest income of \$1,535 recorded during the redevelopment of Devonshire Mall.

Fair Value Adjustment on Investment Properties

Fair Value Adjustment on Real Estate Assets (in thousands of Canadian dollars)	3 months	3 months	Change	6 months	6 months	Change	Year ended December 31					
	ended June 30, 2021	ended June 30, 2020		ended June 30, 2021	ended June 30, 2020		2020	2019	Change	2018	Change	
Fair value adjustment on real estate assets	(56,085)	(175,433)	119,348	(58,493)	(178,999)	120,506	(265,730)	(109,224)	(156,506)	(148,857)	39,633	

HOOPP records its investment properties at fair value. Fair value adjustments on investment properties are determined based on the movement of various parameters, including changes in capitalization rates, discount rates, terminal capitalization rates and future cash flow projections. The impact of COVID-19 has caused a change in assumptions used in determining the fair value of investment properties for Q2 2020, YTD 2021 and Fiscal 2020, with general retail sentiment and leasing conditions impacting Fiscal 2019 as compared to Fiscal 2018. See Section II “Key Performance Metrics” in this MD&A for a further discussion on IFRS fair value adjustments.

Leasing Expenses and Tenant Inducements

The following is a breakdown of the Portfolio’s capital expenditures and tenant expenditures, which includes leasing expenditures and tenant inducements.

(in thousands of Canadian dollars)	6 months	6 months	Change	Year ended December 31					
	ended June 30, 2021	ended June 30, 2020		2020	2019	Change	2018	Change	
Retail:									
Capital expenditures	3,147	5,463	(2,316)	18,658	2,670	15,988	51,793	(49,123)	
Leasing expenses and tenant inducements	2,809	2,793	16	8,300	14,368	(6,068)	3,951	10,417	
Industrial:									
Capital expenditures	-	-	-	-	30	(30)	35	(5)	
Leasing expenses and tenant inducements	39	-	39	-	-	-	15	(15)	
Total per the Financial Statements	5,995	8,256	(2,261)	26,958	17,068	9,890	55,794	(38,726)	

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The largest capital expenditure for the retail properties for Fiscal 2018 was the full redevelopment of Devonshire Mall for a total cost of \$42,600 including re-merchandizing the former Target premises to incorporate a new Metro grocery store, Shoppers Drug Mart and a new food court. Other improvements included repairs to Devonshire Mall's roadways, guest services centre, a new Mandarin restaurant and a complete interior refresh, including new ceiling and floor treatments, the renovation of four existing entrances and the addition of a new entrance. In Fiscal 2019, capital expenditures decreased by \$49,123 compared to Fiscal 2018 due to less cash spent on redevelopment activities.

Capital expenditures for the retail properties in Fiscal 2020 are primarily driven by the redevelopments of the former Sears premises at Lansdowne Mall and New Sudbury Centre, as discussed in Section II "Key Performance Drivers" in this MD&A. Capital expenditures in YTD 2021 as compared to YTD 2020 were the result of less cash spent on redevelopment.

Leasing expenditures and tenant inducements for the retail properties for Fiscal 2018, Fiscal 2019, Fiscal 2020 and YTD 2021 include tenant allowances paid as part of new leases at Highstreet Shopping Centre in Fiscal 2018 (PetSmart, Lululemon, Gap Factory), Devonshire Mall in 2019 (Metro, Shoppers Drug Mart) and Marlborough Mall in 2020 (MaKami College). YTD 2021 tenant expenditures include tenant inducements for new leasing across the Portfolio, including Sport Chek, H&M and Linen Chest at New Sudbury Centre, and CEFA and American Eagle at Highstreet Shopping Centre.

LIQUIDITY AND CAPITAL RESOURCES

Major Cash Flow Components

(in thousands of Canadian dollars)	6 months ended June 30,	6 months ended June 30,	Change	Year ended December 31				
	2021	2020		2020	2019	Change	2018	Change
Cash, beginning of period	9,384	7,590	1,794	7,590	6,980	610	8,159	(1,179)
Cash flows from operations	12,791	9,749	3,042	29,336	45,807	(16,471)	51,143	(5,336)
Cash flows used for investing	(5,995)	(8,256)	2,261	(26,958)	(17,068)	(9,890)	(55,794)	38,726
Cash flows from (used for) financing	(7,877)	2,534	(10,411)	(584)	(28,129)	27,545	3,472	(31,601)
Cash, end of period	8,303	11,617	(3,314)	9,384	7,590	1,794	6,980	610

Cash flows from operations increased by \$3,042 in YTD 2021 as compared to YTD 2020, primarily due to improved tenant rent collections. Cash flows from operations decreased by \$16,471 in Fiscal 2020 as compared to Fiscal 2019, primarily due to uncollected rents resulting from COVID-19 retail operating restrictions, and decreased by \$5,336 in Fiscal 2019 as compared to Fiscal 2018, mainly due to higher bad debt expense in Fiscal 2019.

Cash flows used for investing activities decreased by \$2,261 in YTD 2021 as compared to YTD 2020, primarily due to less cash spent on redevelopment. Cash flows used for investing activities increased by \$9,890 in Fiscal 2020 as compared to Fiscal 2019, primarily due to cash spent on redevelopment at New Sudbury Centre and Lansdowne Mall in Fiscal 2020, and decreased by \$38,726 in Fiscal 2019 as compared to Fiscal 2018, primarily due to the Devonshire Mall redevelopment being substantially completed in Fiscal 2018. Cash flows used for investing activities in YTD 2021, Fiscal 2020, Fiscal 2019 and Fiscal 2018 include significant redevelopment capital related to the reconfiguration and remerchandising of the former Sears premises at New Sudbury Centre and Lansdowne Mall, the redevelopment of Devonshire Mall as well as new leasing at Highstreet Shopping Centre.

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Cash flows from (used for) financing activities decreased \$10,411 from cash flows used for financing activities of (\$7,877) in YTD 2021 as compared to cash flows generated from financing activities of \$2,534 in YTD 2020. The decrease was primarily the result of distributions being put on hold in YTD 2020 to meet conditions of the CECRA program. See Section II “Assets” for additional information regarding the Portfolio’s participation in the CECRA program. Cash flows used from financing activities decreased from (\$584) in Fiscal 2020 to (\$28,129) in Fiscal 2019. The decrease is primarily due to higher contributions related to redevelopment in Fiscal 2020 and lower distributions given the Portfolio’s participation in the CECRA program. In Fiscal 2019, cash flows from (used for) financing activities increased as compared to cash flows generated from financing activities of \$3,472 in Fiscal 2018. The change was predominantly as result of higher distributions in Fiscal 2019 given less cash spent on redevelopment.

Capital Resources

Management expects to be able to meet all of its ongoing contractual obligations. As at June 30, 2021, the Portfolio is not in default or in arrears on any of its obligations, including interest or principal payments on debt and debt covenants.

As at June 30, 2021, the Portfolio had five unencumbered properties with a fair value of approximately \$586 million. The total loan to asset value was 17.8% with a weighted average remaining term to maturity of approximately 2.4 years. The only loan on the Portfolio will be discharged as part of the transactions contemplated in the Purchase and Sale Agreement and the Portfolio will therefore be unencumbered following completion of such transactions.

OFF-BALANCE SHEET ITEMS

In the normal course of operations, the Portfolio has issued letters of credit in connection with redevelopments, financings, operations and acquisitions. There were no letters of credit outstanding as at June 30, 2021.

SECTION IV

SELECTED FINANCIAL INFORMATION

Summary of Annual Results

	3 months ended June 30, 2021	3 months ended June 30, 2020	6 months ended June 30, 2021	6 months ended June 30, 2020	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
(in thousands of Canadian dollars)							
Rentals from investment properties	23,831	25,076	48,704	56,199	106,361	127,199	127,809
Finance income	6	8	12	36	50	129	192
Net loss	(50,124)	(168,559)	(43,749)	(33,966)	(241,176)	(63,578)	(98,645)
Total assets	791,260	921,686	791,260	1,048,987	845,419	1,078,383	1,165,500
Total liabilities	167,881	163,655	167,881	163,656	170,414	161,618	157,028

Rentals from investment properties decreased by \$1,245 in Q2 2021, \$7,495 YTD 2021, and \$20,838 in Fiscal 2020 as compared to their respective prior periods, primarily as a result of rent abatements provided to certain tenants due to property closures as a result of the COVID-19 pandemic. Rentals from investment properties remained relatively stable in Fiscal 2019 as compared to Fiscal 2018.

Net loss decreased by \$118,435 in Q2 2021 as compared to Q2 2020, and increased by \$9,783 in YTD 2021 as compared to YTD 2020. The changes are primarily a result of fair value adjustments on investment

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properties. Net loss increased by \$177,598 in Fiscal 2020 as compared to Fiscal 2019 and decreased by \$35,067 in Fiscal 2019 as compared to Fiscal 2018, primarily due to fair value adjustments on investment properties.

PORTFOLIO OVERVIEW

The following table details the geographic diversification of the Portfolio.

GEOGRAPHIC DIVERSIFICATION

	Ontario	Alberta	British Columbia	Total
Number of Properties	4	1	1	6
Square Feet (thousands)	2,831	593	546	3,970
<i>% of total area (sq.ft.)</i>	<i>71%</i>	<i>15%</i>	<i>14%</i>	<i>100%</i>

LEASE MATURITY PROFILE

The following table discloses the Portfolio leases expiring through to 2025.

	Sq.ft.	Base Rent per sq.ft. (\$) on expiry
2021	366,388	22.53
2022	234,785	25.40
2023	675,170	15.92
2024	295,176	23.37
2025	432,119	15.13
Total/Weighted Average	2,003,638	19.17

TOP 20 SOURCES OF REVENUE BY TENANT

The following table discloses the Portfolio's top 20 tenants, demonstrating significant tenant diversification with the largest tenant, Walmart, accounting for only 11.9% of GLA. The top 20 tenants only account for 34.9% of total GLA.

#	Tenant	# of Locations	Investment Grade? (Y/N)	GLA (000s SF)	% GLA	% Base Rent	WALT (years)
1	Walmart	1	Y	474	11.9%	8.2%	6.0
2	Shoppers Drug Mart	1	Y	67	1.7%	3.5%	6.4
3	Cineplex	3	N	149	3.8%	3.4%	6.4
4	Sport Chek	1	Y	121	3.0%	2.3%	5.2
5	Dollarama	1	Y	38	1.0%	1.6%	5.4
6	London Drugs	1	N	38	1.0%	1.5%	11.9
7	Old Navy	1	N	70	1.8%	1.5%	1.6
8	H&M	2	Y	76	1.9%	1.5%	8.4
9	Bank of Montreal	3	Y	22	0.6%	1.5%	2.6
10	Telus Mobility	3	Y	11	0.3%	1.4%	4.6
11	American Eagle Outfitters	2	N	29	0.7%	1.3%	4.6
12	Rogers	4	Y	7	0.2%	1.2%	2.9
13	Indigo	2	N	43	1.1%	1.1%	6.0
14	Loblaws	1	Y	104	2.6%	1.1%	2.6
15	Peoples Jewellers	2	N	7	0.2%	1.0%	1.3
16	Ardene	1	N	29	0.7%	0.9%	3.3
17	Charm Diamond Centres	3	N	6	0.2%	0.9%	1.9
18	Goodlife Fitness	1	N	48	1.2%	0.9%	5.4
19	Marshalls	1	Y	28	0.7%	0.9%	1.9
20	Sephora	2	Y	17	0.4%	0.8%	6.1
Total - Top 20 Tenants (by Base Rent %)				1,384	34.9%	36.5%	5.5

SECTION V

CRITICAL ACCOUNTING ADJUSTMENTS AND JUDGEMENTS

Preparation of the combined carve-out financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the combined carve-out financial statements and reported amounts of revenue and expenses during the reporting period. For a description of the accounting policies that management believes are subject to greater estimation and judgement, as well as other accounting policies, refer to the accompanying notes contained in the combined carve-out financial statements.

Use of Estimates

Information about assumption and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the fair value of investment properties.

Use of Judgements

- Valuations of investment properties

Investment properties are carried on the consolidated statements of financial position at fair value, as determined by either external independent appraisers or by HOOPP's internal valuation team. The valuations are based on several methods and significant assumptions, such as capitalization rates, terminal capitalization rates, discount rates and estimates of future cash flows. Valuation of investment properties is one of the principal estimates and uncertainties in the combined carve-out financial statements and in this MD&A. Refer to notes 2(a) and 3 of the combined carve-out financial statements for further information on estimates and significant assumptions made in the determination of the fair value of investment properties. Judgement is applied in determining whether certain costs are additions to the carrying value of the investment properties.

- Leases

HOOPP makes judgements in determining whether certain leases, in particular those tenant leases with long contractual terms, are operating or finance leases. HOOPP has determined that all of its leases, where HOOPP is the lessor, are operating leases.

SECTION VI

RISKS AND UNCERTAINTIES

All investment properties are subject to a degree of risk and uncertainty. They are affected by various factors including general market conditions and local market circumstances. An example of general market conditions would be the availability of long-term mortgage financing whereas local conditions would relate to factors affecting specific markets such as an oversupply of space or a reduction in demand

for real estate in a particular area. Management attempts to manage these risks through geographic and tenant diversification in the Portfolio. The major risk factors are outlined below.

Risks Associated with COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic, which has resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus, including travel bans, quarantine periods, social distancing and significant monetary and fiscal interventions. Given the success in mitigating the initial spread of COVID-19, the governments in Canada and in many other countries, eased the containment measures in late Q2 2020 and rolled out reopening of non-essential businesses on a staged regional approach for most of the third quarter of Fiscal 2020 (“Q3 2020”). This led to a recovery of economic activities and the employment rate in Canada and in many parts of the world. Following Q3 2020, the rise in the number of COVID-19 cases globally indicated the start of the second wave of the pandemic. In response, regional and provincial governments in Canada and internationally introduced, or restored, restrictive measures for certain non-essential businesses such as theatres, gyms, and sit-down restaurants. In the fourth quarter of Fiscal 2020, many governments began to implement more restrictive measures and some governments-imposed lockdowns, closing all businesses other than those deemed “essential”. These emergency measures have resulted in additional risks and uncertainties to the Portfolio’s business, operations and financial performance as discussed throughout this MD&A.

The duration and impact of the COVID-19 pandemic on the Portfolio continues to remain unknown at this time, as is the efficacy of the government’s interventions. However, disruptions caused by COVID-19 have negatively impacted the fair market value of the assets of the Portfolio and may, in the short or long term, materially adversely impact its tenants and/or the debt and equity markets, both of which could materially adversely affect the Portfolio’s operations and financial performance. The Portfolio has experienced and continues to expect COVID-19 related delays with its current and future redevelopment projects.

The extent of the effect of the ongoing COVID-19 pandemic on the Portfolio’s operational and financial performance will depend on numerous factors, including the duration, spread and intensity of the pandemic, the actions by governments and others taken to contain the pandemic or mitigate its impact, changes in the preferences of tenants and prospective tenants, and the direct and indirect economic effects of the pandemic and containment measures, all of which are uncertain and difficult to predict considering that the situation continues to evolve rapidly. As a result, it is not currently possible to ascertain the long-term impact of COVID-19 on the Portfolio’s business and operations. Certain aspects of the Portfolio’s business and operations that have been or could potentially continue to be impacted include rental income, occupancy, tenant inducements, future demand for space and market rents, as well as increased costs resulting from management’s efforts to mitigate the impact of COVID-19, longer-term stoppage of redevelopment projects, temporary or long-term labour shortages or disruptions, temporary or long-term impacts on domestic and global supply chains, increased risks to information technology systems and networks, further impairments and/or write-downs of assets, and the deterioration of worldwide credit and financial markets that could limit the Portfolio’s ability to access capital and financing on acceptable terms or at all.

Even after the COVID-19 pandemic has subsided, the Portfolio may continue to experience material adverse impacts to its business as a result of the global economy, including any related recession, as well as lingering effects on the Portfolio's employees, suppliers, third-party service providers and/or tenants.

Management continues to actively assess and respond where possible, to the effects of the COVID-19 pandemic on the Portfolio's employees, tenants, suppliers, and service providers, and evaluating governmental actions being taken to curtail its spread. Management is continuing to review its future cash flow projections and the valuation of the Portfolio's properties considering the COVID-19 pandemic and intends to follow health and safety guidelines as they continue to evolve.

Real Property Ownership

All real property investments are subject to a degree of risk and uncertainty. Such investments are affected by various factors including general economic conditions, local real estate markets, the impact of COVID-19, demand for leased premises, competition from other available premises and various other factors.

The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants. Distributable cash and the Portfolio's income would be adversely affected if one or more major tenants or a significant number of tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the Portfolio is not able to be leased on economically favourable lease terms. 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 Portfolio's investment may be incurred. Furthermore, at any time, a tenant of any of the HOOPP Properties may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and thereby cause a reduction in the cash flow available to the Portfolio.

Given the prominence of the oil and gas industry in the province of Alberta, the economy of this province can be significantly impacted by commodity prices. As at June 30, 2021, approximately 8.8% of asset value is accounted for by Marlborough Mall, located in Alberta. Accordingly, any continuing decline or prolonged weakness in commodity prices, could adversely affect those tenants located in Alberta, thereby increasing the credit risk of such tenants to the Portfolio which in turn may adversely affect the Portfolio's operating results.

With respect to the retail properties, retail shopping centres have traditionally relied on there being a number of anchor tenants (department stores, discount department stores and grocery stores) in the centre, and therefore they are subject to the risk of such anchor tenants either moving out of the property or going out of business. Within the Portfolio's retail properties, certain of the major tenants are permitted to cease operating from their leased premises at any time at their option, however, they remain liable to pay all remaining rent in accordance with their leases. Other major tenants are permitted to cease operating from their leased premises or to terminate their leases if certain events occur. Some commercial retail unit tenants have a right to cease operating from their premises if certain major tenants cease operating from their premises. The exercise of such rights by a tenant may have a negative effect on a property. There can be no assurance that such rights will not be exercised in the future.

The ability to rent unleased space in the HOOPP Properties will be affected by many factors, and costs may be incurred in making improvements or repairs to property required by a new tenant. 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 Portfolio's financial condition.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing any income. If the Portfolio is unable to meet mortgage payments on any property, losses could be sustained because of the mortgagee's exercise of its rights of foreclosure or sale.

The Portfolio may, in the future, be exposed to a general decline of demand by tenants for space in properties. As well, certain of the leases in the Portfolio have early termination provisions and such termination rights are generally exercisable at a cost to the tenant only. The amount of space in the Portfolio which could be affected is not significant.

Credit Risk & Tenant Concentration

The Portfolio is exposed to credit risk as an owner of real estate in that tenants may become unable to pay the contracted rents. Management mitigates this risk by carrying out appropriate credit checks and related due diligence on the significant tenants. Management has diversified the Portfolio's holdings so that it owns properties throughout Canada. In addition, management ensures that no tenant or related group of tenants, other than investment grade tenants, account for a significant portion of the cash flow. The only tenant which individually accounts for more than 5% of the rentals from the Portfolio is Walmart which has an investment grade credit rating.

Lease Rollover Risk

Lease rollover risk arises from the possibility that the Portfolio may experience difficulty renewing leases as they expire. Management attempts to mitigate the risk by having staggered lease maturities and entering into longer term leases with built-in rental escalations. The leases for 50.5% of the Portfolio's total leasable area will expire by year end 2025.

Construction Risks

The Portfolio has been, and may continue to be, involved in various redevelopment projects. The Portfolio's obligations in respect of properties under development, or which are to be re-developed, are subject to risks which include (i) the potential insolvency of a third party developer; (ii) a third party developer's failure to use funds advanced by the Portfolio in payment of construction costs; (iii) construction or other unforeseeable delays, including as a result of the impact of COVID-19; (iv) cost overruns; (v) the failure of tenants to occupy and pay rent in accordance with existing lease agreements, some of which may be conditional; (vi) the incurring of construction costs before ensuring rental revenues will be earned from the project; and (vii) increases in interest rates during the period of the development. Management strives to mitigate these risks where possible by entering into fixed price construction contracts with general contractors (and to the extent possible, on a bonded basis).

Retail Concentration

All but one of the properties in the Portfolio are Canadian retail properties. Consequently, the market value of the Portfolio and the income generated from them could be negatively affected by changes in the domestic retail environment or a change in consumer shopping habits.

Competition

The real estate business is competitive. Numerous other developers, managers and owners of retail properties compete with the Portfolio in seeking tenants. Some of the properties located in the same markets as the Portfolio's properties may be newer, better located and/or have stronger anchor tenants than the Portfolio's properties. The existence of developers, managers and owners in the markets in which the Portfolio operates, or any increase in supply of available space in such markets (due to new construction, tenant insolvencies or other vacancy) and competition for the Portfolio's tenants could adversely affect the Portfolio's ability to lease space in its properties in such markets and on the rents charged or concessions granted. In addition, the internet and other technologies increasingly play a more significant role in consumer preferences and shopping patterns, which presents an evolving competitive risk to the Portfolio that is not easily assessed. Any of the aforementioned factors could have an adverse effect on the Portfolio's financial position and results of operations.

Liquidity Risk

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relationship with demand for and the perceived desirability of such investments. Such illiquidity will tend to limit the Portfolio's ability to vary its portfolio promptly in response to changing economic or investment conditions. If for whatever reason, liquidation of assets is required, there is a risk that sale proceeds realized might be less than the previously estimated market value of the Portfolio's investments or that market conditions, including the impact of COVID-19, would prevent prompt disposition of assets.

Cyber Security Risk

Cyber security has become an increasingly problematic issue for businesses in Canada and around the world, including the Portfolio. Cyber-attacks against large organizations are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use, or disrupting business operations. A cyber incident is any adverse event that threatens the confidentiality, integrity or availability of the Portfolio's information resources. More specifically, a cyber-incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information. As the Portfolio's reliance on technology has increased, so have the risks posed to its systems. The Portfolio's primary risks that could directly result from the occurrence of a cyber-incident include operational interruption, damage to its reputation, damage to the Portfolio's business relationships with its tenants, disclosure of confidential information regarding its tenants, employees and third parties with whom the Portfolio interacts, and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny and litigation. The Portfolio has implemented processes, procedures and controls to help mitigate these risks, but these measures, as well as its increased awareness of a risk of a cyber-incident, do not guarantee that its financial results will not be negatively impacted by such an incident.

Environmental and Climate Change Risk

As an owner and manager of investment properties in Canada, the Portfolio is subject to various laws relating to environmental matters. These laws impose a liability for the cost of removal and remediation of certain hazardous materials released or deposited on the HOOPP Properties or on adjacent properties.

Phase I environmental audits are completed on all properties prior to acquisition. Further investigation is conducted if Phase I tests indicate a potential problem. The Portfolio has operating policies to monitor and manage risk. In addition, the standard lease utilized requires tenants to comply with environmental laws and regulations and restricts tenants from carrying on environmentally hazardous activities or having environmentally hazardous substances on site.

Natural disasters and severe weather such as floods, ice storms, blizzards and rising temperatures may result in damage to the HOOPP Properties. The extent of the Portfolio's casualty losses and loss in property operating income in connection with such events is a function of the severity of the event and the total amount of exposure in the affected area. The Portfolio is also exposed to risks associated with inclement winter weather, including increased need for maintenance and repair of the Portfolio's buildings. In addition, climate change, to the extent it causes changes in weather patterns, could have effects on the Portfolio's business by increasing the cost to recover and repair properties and by increasing property insurance costs to insure a property against natural disasters and severe weather events.

SUBSEQUENT EVENTS

On October 26, 2021, HOOPP entered into a purchase and sale agreement with H&R Real Estate Investment Trust (the "REIT") pursuant to which the Portfolio will be sold to Primaris Real Estate Investment Trust ("Primaris"), a newly created unincorporated open-ended trust. The consideration payable in respect of the Portfolio, in the aggregate amount of approximately \$800.8 million, will be satisfied by way of the issuance to HOOPP of (i) approximately \$600.6 million of trust units of Primaris and (ii) an approximately \$200.2 million demand promissory note. The purchase and sale is subject to

MD&A – HOOPP PROPERTIES

Three and six months ended June 30, 2021 and 2020 and years ended December 31, 2020, 2019 and 2018

certain representations including, among other things, the approval of the REIT's Plan of Arrangement by the Court of Queen's Bench of Alberta and the REIT's unitholders.

SCHEDULE J
PRO FORMA FINANCIAL STATEMENTS

Pro forma combined financial statements of

PRIMARIS REIT

As at and for the six month period ended June 30, 2021 and for the year ended December 31, 2020

PRIMARIS REIT

Pro Forma Combined Financial Position

As at June 30, 2021

(In thousands of Canadian dollars)

	PRP Combined Carve-Out	HOOPP Combined Carve-Out	Note 3	Pro forma adjustments	Total
Assets					
Investment properties	\$ 2,208,541	\$ 765,400	(a)	\$ 229,509	\$ 3,203,450
Other assets	16,406	17,557	(b)	-	33,963
Cash and cash equivalents	7,816	8,303	(b)	(16,119)	-
	<u>\$ 2,232,763</u>	<u>\$ 791,260</u>		<u>\$ 213,390</u>	<u>\$ 3,237,413</u>
Liabilities					
Debt	\$ 785,562	\$ 140,506	(c)	\$ 27,683	\$ 953,751
Class B exchangeable units	-	-	(d)	73,392	73,392
Accounts payable and accrued liabilities	288,123	27,375	(b)	(268,545)	46,953
	<u>1,073,685</u>	<u>167,881</u>		<u>(167,470)</u>	<u>1,074,096</u>
Net assets	1,159,078	623,379	(a) - (e)	380,860	2,163,317
Commitments and contingencies					
	<u>\$ 2,232,763</u>	<u>\$ 791,260</u>		<u>\$ 213,390</u>	<u>\$ 3,237,413</u>

See accompanying notes to the pro forma combined financial statements.

PRIMARIS REIT

Pro Forma Combined Statements of Net Income (Loss)

Six month period ended June 30, 2021

(In thousands of Canadian dollars)

	PRP Combined Carve-Out	HOOPP Combined Carve-Out	Note 3	Pro forma Adjustments	Total
Property operating income:					
Rentals from investment properties	\$ 123,456	\$ 48,704		\$ -	\$ 172,160
Property operating costs	(59,099)	(30,934)		-	(90,033)
	64,357	17,770		-	82,127
Finance cost - operations	(9,782)	(3,038)	(c)	2,400	(10,420)
Finance income	7	12		-	19
General and administrative (expenses) recoveries	(1,104)	-		-	(1,104)
Fair value adjustment on investment properties	84,656	(58,493)	(a)	(26,163)	-
Fair value adjustment on financial instruments	(4,532)	-		-	(4,532)
Net income (loss)	\$ 133,602	\$ (43,749)		\$ (23,763)	\$ 66,090

See accompanying notes to the pro forma combined financial statements.

PRIMARIS REIT

Pro Forma Combined Statements of Net Income (Loss)

Year ended December 31, 2020

(In thousands of Canadian dollars, except Unit and per Unit amounts)

	PRP Combined Carve-Out	HOOPP Combined Carve-Out	Note 3	Pro forma Adjustments	Total
Property operating income:					
Rentals from investment properties	\$ 270,230	\$ 106,361		\$ -	\$ 376,591
Property operating costs	(149,054)	(75,781)		-	(224,835)
	121,176	30,580		-	151,756
Finance cost - operations	(20,493)	(6,076)	(c)	4,500	(22,069)
Finance income	79	50		-	129
General and administrative (expenses) recoveries	575	-		-	575
Fair value adjustment on investment properties	(692,036)	(265,730)	(a)	957,766	-
Fair value adjustment on financial instruments	16,221	-		-	16,221
Net income (loss)	\$ (574,478)	\$ (241,176)		\$ 962,266	\$ 146,612

See accompanying notes to the pro forma combined financial statements.

PRIMARIS REIT

Notes to Pro Forma Combined Financial Statements
(In thousands of Canadian dollars, except Unit and per Unit amounts)

As at and for the six month period ended June 30, 2021 and for the year ended December 31, 2020

1. Basis of preparation:

H&R Real Estate Investment Trust (“H&R”) will form Primaris REIT prior to the implementation of the Plan of Arrangement (the “Arrangement”) and satisfaction of all other closing conditions as described fully elsewhere in the Management Information Circular (the “Circular”) into which these pro forma combined financial statements are attached. These pro forma combined financial statements should be read in conjunction with the Arrangement and the Circular.

H&R has entered into a purchase and sale agreement whereby following the implementation of the Arrangement, Primaris REIT will acquire certain real estate assets from Healthcare of Ontario Pension Plan’s (“HOOPP”) subsidiaries. In addition, H&R will spin out to Primaris REIT certain retail real estate assets.

Primaris REIT will own, operate and develop retail properties across Canada. The principal office and centre of administration of Primaris REIT will be located at 26 Wellington Street East, Suite 400, Toronto, Ontario M5E 1S2. Unitholders of Primaris REIT will participate pro rata in distributions and, in the event of termination of Primaris REIT, will participate pro rata in the net assets remaining after satisfaction of all liabilities.

As such, these pro forma combined financial statements have been prepared from the unaudited condensed interim combined carve-out statement of financial position of the Primaris Retail Properties (“PRP”) and HOOPP Investments as at June 30, 2021, the audited combined carve-out statements of net income (loss) of the PRP and HOOPP Investments for the year ended December 31, 2020 and the unaudited condensed interim combined carve-out statement of net income (loss) for the six month period ended June 30, 2021. These financial statements are included elsewhere in the Circular.

These pro forma combined financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and as if Primaris REIT has been formed and the Arrangement has been completed. They incorporate the significant accounting principles expected to be used to prepare Primaris REIT’s combined financial statements.

These pro forma combined financial statements are presented in thousands of Canadian dollars, which will be the functional currency of Primaris REIT.

The pro forma combined statement of financial position gives effect to the transactions in Note 3 as if they had occurred on June 30, 2021. The pro forma combined statements of net income (loss) give effect to the transactions in Note 3 for the year ended December 31, 2020 and the six month period ended June 30, 2021 as if they had occurred on January 1, 2020 and January 1, 2021, respectively.

These pro forma combined financial statements are not necessarily indicative of the results that would have actually occurred had the transactions been consummated at the dates indicated, nor are they necessarily indicative of future operating results or the financial position of Primaris REIT.

The pro forma financial information has been prepared based upon available information and certain assumptions that H&R believes are reasonable in the circumstances.

2. Significant accounting policies:

The accounting policies set out below have been applied consistently for all periods presented in the combined carve-out financial statements of PRP.

(a) *Basis of combination:*

These pro forma combined financial statements comprise the financial statements of PRP and HOOPP Investments. The financial statements of the combined carve-out properties are prepared for the same reporting periods as H&R using consistent accounting policies.

(b) *Investment properties:*

Primaris REIT’s investment properties are held to earn rental income or for capital appreciation, or both, but not for sale in the ordinary course of business. As such, investment properties are measured at fair value, under IAS 40, *Investment Property* (“IAS 40”) using valuations prepared by either Primaris REIT’s internal valuation team or external independent appraisers.

PRIMARIS REIT

Notes to Pro Forma Combined Financial Statements
(In thousands of Canadian dollars, except Unit and per Unit amounts)

As at and for the six month period ended June 30, 2021 and for the year ended December 31, 2020

2. Significant accounting policies (continued):

Primaris REIT performs an assessment of each investment property acquired to determine whether the acquisition is to be accounted for as an asset acquisition or a business combination. A transaction is considered to be a business combination if the acquired property meets the definition of a business under IFRS 3. Primaris REIT expenses transaction costs on business combinations and capitalizes transaction costs on asset acquisitions.

Upon acquisition, investment properties are initially recorded at cost, comprising its purchase price and any directly attributable expenditures. Subsequent to initial recognition, Primaris REIT uses the fair value model to account for investment properties. Under the fair value model, investment properties are recorded at fair value, determined based on available market evidence at each reporting date. The related gain or loss in fair value is recognized in net income in the period in which it arises.

Subsequent capital expenditures are capitalized to investment properties only when it is probable that future economic benefits of the expenditure will flow to Primaris REIT and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. Leasing costs, such as commissions incurred in negotiating tenant leases, are included in the carrying amount of the investment properties.

Gains or losses from the disposal of investment properties are determined as the difference between the net disposal proceeds and the carrying amount of the investment property and are recognized in net income in the year of disposal.

(c) *Cash and cash equivalents:*

Cash and cash equivalents include deposits in banks, certificates of deposit and short-term investments with original maturities of less than 90 days.

(d) *Units:*

Under IAS 32, *Financial Instruments: Presentation* ("IAS 32"), puttable instruments, such as the Units are generally classified as financial liabilities unless the exemption criteria are met for equity classification. Primaris REIT's Declaration of Trust leaves distributions to the discretion of the trustees and the ability of the trustees to fund distributions by way of issuing additional Units. As such, Primaris REIT met the exemption criteria under IAS 32 for equity classification. Nevertheless, the Units are not considered ordinary Units under IAS 33, *Earnings Per Share*, and therefore an income per unit calculation is not presented.

(e) *Exchangeable units:*

Exchangeable units outstanding are puttable instruments where Primaris REIT has a contractual obligation to issue Units to participating unitholders upon redemption. These puttable instruments are classified as a liability under IFRS and are measured at fair value through profit or loss.

At the end of each period the fair value is determined by using the quoted price of the Units on the TSX as the exchangeable units are exchangeable into Units at the option of the holder. Holders of all exchangeable units are entitled to receive the economic equivalent of distributions on a per unit amount equal to a per Unit amount provided to holders of Units.

(f) *Finance costs:*

Finance costs are comprised of interest expense on borrowings, distributions on exchangeable units classified as liabilities and gain (loss) on change in fair value of exchangeable units.

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

PRIMARIS REIT

Notes to Pro Forma Combined Financial Statements
(In thousands of Canadian dollars, except Unit and per Unit amounts)

As at and for the six month period ended June 30, 2021 and for the year ended December 31, 2020

2. Significant accounting policies (continued):

(g) Revenue from contracts with customers:

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") contains a single, control-based model that applies to contracts with customers and provides two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized.

Primaris REIT earns revenue from its tenants from various sources consisting of base rent for the use of space leased, recoveries of property tax and property insurance, and service revenue from utilities, cleaning and property maintenance costs.

Revenue from lease components is recognized on a straight-line basis over the lease term and includes the recovery of property taxes and insurance. Revenue recognition commences when a tenant has the right to use the premises.

Revenue related to the services component of Primaris REIT's leases is accounted for in accordance with IFRS 15. These services consist primarily of utilities, cleaning and property maintenance costs for which the revenue is recognized over time, typically as the costs are incurred, which is when the services are provided.

(h) Leases:

Primaris REIT, 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.

(i) Financial instruments:

IFRS 9, *Financial Instruments* ("IFRS 9") requires financial assets to be classified and measured based on the business model in which they are managed and the characteristics of their contractual cash flows. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at fair value through profit or loss ("FVTPL"):

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All of Primaris REIT's financial assets not classified as measured at amortized cost, as described above, are measured at FVTPL.

Under IFRS 9, the change in fair value of financial liabilities carried at FVTPL attributable to changes in the credit risk of the liability is presented in other comprehensive income, and the remaining amount of change in fair value is presented in profit or loss unless the treatment of the effects of the changes in the credit risk of the liability would create an accounting mismatch in profit or loss.

For impairment of financial assets, IFRS 9 has a forward-looking 'expected credit loss' ("ECL") model. A provision for ECL is recognized at each balance sheet date for all financial assets measured at amortized cost.

Primaris REIT applies the practical expedient to determine ECL on accounts receivable using a provision matrix based on historical credit loss experiences adjusted for current and forecasted future economic conditions to estimate lifetime ECL. The other ECL models applied to other financial assets also require judgement, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset.

Impairment losses are recorded in finance cost - operations in the combined carve-out statement of net income (loss) with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts.

PRIMARIS REIT

Notes to Pro Forma Combined Financial Statements
(In thousands of Canadian dollars, except Unit and per Unit amounts)

As at and for the six month period ended June 30, 2021 and for the year ended December 31, 2020

3. Pro forma adjustments:

The pro forma adjustments to the pro forma combined financial statements have been prepared to account for the impact of the acquisition transaction contemplated in the Circular as described below:

The Arrangement contemplates the transfer of PRP to Primaris REIT. The following table summarizes the details of the contemplated transaction.

	Balances as at June 30, 2021	Note 3	Adjustments	Plan of Arrangement Transaction
Investment properties	\$ 2,208,541	(a)	\$ 194,809	\$ 2,403,350
Other assets	16,406	(b)	-	16,406
Cash and cash equivalents	7,816	(b)	(7,816)	-
Debt:				
Assumed mortgages	(598,562)	(c)	(12,189)	(610,751)
Line of credit	(187,000)	(c)	44,000	(143,000)
Accounts payable and accrued liabilities	(288,123)	(b)	268,545	(19,578)
			*	\$ 1,646,427

The Purchase and Sale Agreement between H&R and subsidiaries of HOOPP contemplates the sale of HOOPP Investments to Primaris REIT for Primaris REIT Series A Units as follows:

	Balances as at June 30, 2021	Note 3	Adjustments	Adjusted Balances
Investment properties	\$ 765,400	(a)	\$ 34,700	\$ 800,100
Other assets	17,557	(b)	-	17,557
Cash and cash equivalents	8,303	(b)	(8,303)	-
Debt:				
Assumed mortgages	(140,506)	(c)	(59,494)	(200,000)
Accounts payable and accrued liabilities	(27,375)	(b)	-	(27,375)
			*	\$ 590,282

* Total equals \$2,236,709.

The following is a summary of the settlement of the above transaction:

Settled by issuance of Series A units	(e)	\$ 2,163,317
Settled by issuance of Class B exchangeable units	(d) (e)	73,392
		\$ 2,236,709

PRIMARIS REIT

Notes to Pro Forma Combined Financial Statements

(In thousands of Canadian dollars, except Unit and per Unit amounts)

As at and for the six month period ended June 30, 2021 and for the year ended December 31, 2020

3. Pro forma adjustments (continued):

(a) *Fair value of investment properties:*

The retail real estate assets of HOOPP Investments and PRP were fair valued for the purposes of the transaction by an external appraiser. The aggregate fair value of the investment properties determined and agreed to by each party was \$3,182,450. This fair value adjustment has been reflected in the pro forma combined financial position as shown in the tables above. In addition, land transfer tax of approximately \$21,000 has been included in the fair value. The sum of the adjustments is \$229,509.

The fair value changes in the combined carve-out statement of net income (loss) for the year ended December 31, 2020 and for the six months ended June 30, 2021 have been reduced to nil as the fair value of the investment properties on June 30, 2021 is assumed to have occurred at January 1, 2020 and January 1, 2021, respectively.

(b) *Net working capital:*

The working capital adjustments such as other assets and accounts payable and accrued liabilities will be adjusted on the closing date of the transaction resulting in an adjustment to Primaris REIT Series A Units to be issued to unitholders of Primaris REIT pursuant to the Arrangement. For the purposes of the pro forma, the amounts reported are equal to the June 30, 2021 balances.

The cash and cash equivalents will be distributed prior to closing and has been netted to nil.

There is an adjustment of \$125,545 to accounts payable for an intercompany balance between PRP and H&R. The remaining intercompany payable of \$143,000 to H&R will be repaid, prior to the completion of the Arrangement, with the line of credit.

Under the Arrangement, Primaris REIT will make a distribution equal to its taxable income for its then current taxation year. This adjustment has not been made in these pro forma combined financial statements as this amount is not determinable.

(c) *Debt:*

HOOPP Investments will repay the mortgage of approximately \$140,000 prior to closing of the transaction and will receive a promissory note payable of approximately \$200,000 as partial settlement for sale of real estate assets to Primaris REIT to be paid within 3 business days of closing. On closing, Primaris REIT is expected to assume debt of approximately \$598,000, and a mark-to-market adjustment of \$12,189. Subsequent to June 30, 2021, the line of credit was fully repaid by H&R totaling \$187,000. Prior to the completion of the Arrangement, PRP will utilize their line of credit to repay the intercompany payable to H&R for \$143,000.

(d) *Class B exchangeable units:*

Pursuant to and in accordance with the terms and conditions of Primaris REIT Class B exchangeable units, the exchange rights under these units provide that on an exchange of such units, the holder thereof will be entitled to receive an equivalent number of Primaris REIT Series A Units, subject to the terms and conditions of the Declaration of Trust.

(e) *Net assets:*

- (i) As of June 30, 2021, there were 288,340,251 H&R units along with 13,435,071 H&R exchangeable units outstanding. On closing, Primaris REIT will acquire the PRP and HOOPP carve-out portfolios at an aggregate fair value of \$3,182,450. The Primaris REIT Series A Units will be distributed to H&R unitholders on a 4 for 1 basis. Subsequent to June 30, 2021, 91,000 H&R exchangeable units were converted. For the purpose of this pro forma, the units have been adjusted accordingly.

Prior to consolidation, 13,344,071 Class B exchangeable units of Primaris REIT will be distributed to H&R in order to satisfy H&R's obligation to its existing exchangeable unitholders.

After consolidation (assuming a 4 for 1 consolidation of Primaris REIT units), there will be 3,336,016 Primaris REIT Class B exchangeable units outstanding, along with 72,107,812 Primaris REIT Series A Units distributed to H&R's unitholders.

PRIMARIS REIT

Notes to Pro Forma Combined Financial Statements

(In thousands of Canadian dollars, except Unit and per Unit amounts)

As at and for the six month period ended June 30, 2021 and for the year ended December 31, 2020

3. Pro forma adjustments (continued):

- (ii) The HOOPP contribution will result in consideration of 104,563,656 Units pre consolidation and, assuming a 4 for 1 consolidation (subject to any different election to be made by HOOPP), this will result in 26,140,914 Series A Units in Primaris REIT to be issued to HOOPP.

4. Commitments and contingencies:

- (a) In the normal course of operations, Primaris REIT has issued letters of credit in connection with developments, financings, operations and acquisitions. As at June 30, 2021, Primaris REIT has outstanding letters of credit totalling \$1,102 (December 31, 2020 - \$1,085).
- (b) Primaris REIT provides guarantees on behalf of third parties, including co-owners. As at June 30, 2021, Primaris REIT issued guarantees amounting to \$112,055 (December 31, 2020 - \$112,972), which expire between 2021 and 2027 (December 31, 2020 - expire between 2021 and 2027) relating to the co-owner's share of mortgage liability.

Primaris REIT provides guarantees on behalf of H&R, a related party, on the U.S. dollar borrowings on the revolving secured operating line of credit. As at June 30, 2021, Primaris REIT issued guarantees amounting to U.S. \$87,000 (December 31, 2020 - U.S. \$175,000). The Canadian equivalent of these amounts is \$107,880 (December 31, 2020 - \$222,250).

Credit risks arise in the event that these parties default on repayment of their debt since they are guaranteed by Primaris REIT. These credit risks are mitigated as Primaris REIT has recourse under these guarantees in the event of a default by the borrowers, in which case Primaris REIT's claim would be against the underlying real estate investments.

- (c) Primaris REIT is obligated, under certain contract terms, to construct and develop investment properties.
- (d) Primaris REIT is involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the unaudited condensed interim combined carve-out financial statements.

SCHEDULE K
FORECAST FINANCIAL STATEMENTS

FINANCIAL FORECAST

The following financial forecast was prepared by management of H&R Real Estate Investment Trust (“H&R”), using assumptions with an effective date of November 3, 2021. Pursuant to applicable securities policies, Primaris REIT is required to update the financial forecast during the Forecasted Period by identifying any material changes from the financial forecast resulting from events that have occurred since it was issued and by comparing such financial forecast with annual audited actual results and interim unaudited actual results for the periods covered. The results of this comparison will accompany the annual or interim financial statements of Primaris REIT for the relevant period.

The forecasted net income has been prepared in accordance with the significant accounting policies expected to be applied by Primaris REIT. The financial forecast has been prepared using assumptions that reflect management’s intended course of action for Primaris REIT for the periods covered, given management’s judgement as to the most probable set of economic conditions. The financial forecast has been prepared after giving effect to the Plan of Arrangement (the “Arrangement”) and the other transactions contemplated in this prospectus to be completed before or concurrently with closing (“Closing”).

The assumptions used in the preparation of a forecast, although considered reasonable by management at the time of preparation, may not materialize as unanticipated events and circumstances may occur subsequent to the date of the financial forecast. Accordingly, there is a significant risk that actual results achieved for the financial forecast period will vary from the forecast results and that such variations may be material. See “Forward-Looking Statements” and “Financial Forecast”.

The financial forecast should be read in conjunction with the unaudited pro forma combined financial statements of Primaris REIT, as well as the audited combined carve-out financial statements of Primaris Retail Properties (“PRP”) and Healthcare of Ontario Pension Plan (“HOOPP”) Investments that are contained in this Management Information Circular.

PRIMARIS REIT

Consolidated Statement of Forecasted Net Income

For the year ending December 31, 2022

(in thousands of Canadian dollars)

	Year ending December 31, 2022
Property operating income:	
Rentals from investment properties	\$361,926
Property operating costs	(181,926)
	180,000
Finance costs - operations	(35,100)
General and administrative expenses	(7,355)
Fair value adjustment on investment properties	-
Net income	\$137,545

See accompanying notes to the consolidated statement of forecasted net income.

PRIMARIS REIT

Notes to the Consolidated Statement of Forecasted Net Income

For the year ending December 31, 2022

(In thousands of Canadian dollars, except Unit and per Unit amounts)

1. Purpose of the consolidated financial forecast

This consolidated financial forecast has been prepared by management of H&R on behalf of Primaris REIT for use by prospective investors in their evaluation of potential investments in Primaris REIT and may not be appropriate for any other purpose.

2. Basis of presentation of financial forecast

H&R will form Primaris REIT prior to the implementation of the Arrangement and satisfaction of all other closing conditions described fully elsewhere in the Management Information Circular (the "Circular") into which this consolidated financial forecast is attached. This consolidated financial forecast should be read in conjunction with the Arrangement and the Circular.

H&R has entered into a purchase and sale agreement whereby following the approval of the Arrangement, Primaris REIT will acquire certain real estate assets from HOOPP's subsidiaries. In addition, H&R will spin out to Primaris REIT certain retail real estate assets.

Primaris REIT will own, operate and develop retail properties across Canada. The principal office and centre of administration of Primaris REIT will be located at 26 Wellington Street East, Suite 400, Toronto, Ontario, M5E 1S2. In connection with the completion of the Arrangement, Primaris REIT will own interests in 35 retail properties ("the Portfolio"). Unitholders of Primaris REIT will participate pro rata in distributions and, in the event of termination of Primaris REIT, will participate pro rata in the net assets remaining after satisfaction of all liabilities.

The financial forecast consists of the consolidated statement of forecasted net income and comprehensive income of Primaris REIT for the year ending December 31, 2022 (the "consolidated financial forecast"). The consolidated financial forecast has been prepared using assumptions with an effective date of November 3, 2021, and reflects the assumptions described in Note 4.

The consolidated financial forecast has been prepared using assumptions that reflect Primaris REIT's intended course of action for the periods presented, given management's judgement as to the most probable set of economic conditions. The consolidated financial forecast will be compared with the reported results for the financial forecast period and any significant differences will be disclosed. The actual results achieved during the financial forecast period (being for the year ending December 31, 2022) will vary from the forecasted results, and these variations may be material.

3. Summary of significant accounting policies

The consolidated financial forecast has been prepared using the following policies which incorporates the principal accounting policies expected to be used to prepare Primaris REIT's consolidated financial statements.

(a) Basis of consolidation

The consolidated financial forecast includes the forecasted accounts of Primaris REIT and the other entities that the REIT controls in accordance with IFRS 10, "Consolidated Financial Statements". Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee. All forecasted intercompany transactions and balances have been eliminated on consolidation.

(b) Investment properties

Primaris REIT's investment properties are held to earn rental income or for capital appreciation, or both, but not for sale in the ordinary course of business. As such, investment properties are measured at fair value, under IAS 40, Investment Property ("IAS 40") using valuations prepared by either Primaris REIT's internal valuation team or external independent appraisers.

PRIMARIS REIT

Notes to the Consolidated Statement of Forecasted Net Income

For the year ending December 31, 2022

(In thousands of Canadian dollars, except Unit and per Unit amounts)

3. Summary of significant accounting policies (continued):

Primaris REIT performs an assessment of each investment property acquired to determine whether the acquisition is to be accounted for as an asset acquisition or a business combination. A transaction is considered to be a business combination if the acquired property meets the definition of a business under IFRS 3, as set out in note 3(c). Primaris REIT expenses transaction costs on business combinations and capitalizes transaction costs on asset acquisitions.

Upon acquisition, investment properties are initially recorded at cost, comprising its purchase price and any directly attributable expenditures. Subsequent to initial recognition, Primaris REIT uses the fair value model to account for investment properties. Under the fair value model, investment properties are recorded at fair value, determined based on available market evidence at each reporting date. The related gain or loss in fair value is recognized in net income in the year in which it arises.

Subsequent capital expenditures are capitalized to investment properties only when it is probable that future economic benefits of the expenditure will flow to Primaris REIT and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. Leasing costs, such as commissions incurred in negotiating tenant leases, are included in the carrying amount of the investment properties.

Gains or losses from the disposal of investment properties are determined as the difference between the net disposal proceeds and the carrying amount of the investment property and are recognized in net income in the year of disposal.

(c) Business Combinations:

Accounting for business combinations under IFRS 3, Business Combinations ("IFRS 3") is only applicable if it is determined that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to Primaris REIT. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. In the absence of such criteria, a group of assets is deemed to have been acquired. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business. Judgement is used by management in determining whether the acquisition of an individual property, or group of properties, qualifies as a business combination in accordance with IFRS 3 or as an asset acquisition.

(d) Cash and cash equivalents:

Cash includes deposits in banks, certificates of deposit and short-term investments with original maturities of less than 90 days.

(e) Joint operations:

Primaris REIT considers investments in joint arrangements to be joint operations when the REIT makes operating, financial and strategic decisions over one or more investment properties jointly with another party and has direct rights to the assets and obligations for the liabilities relating to the arrangement. When the arrangement is considered to be a joint operation, Primaris REIT will include its share of the underlying assets, liabilities, revenue and expenses in its financial results.

(f) Units:

Under IAS 32, *Financial Instruments: Presentation* ("IAS 32"), puttable instruments, such as the Units are generally classified as financial liabilities unless the exemption criteria are met for equity classification. Primaris REIT's Declaration of Trust leaves distributions to the discretion of the trustees and the ability of the trustees to fund distributions by way of issuing additional Units. As such, Primaris REIT met the exemption criteria under IAS 32 for equity classification. Nevertheless, the Units are not considered ordinary Units under IAS 33, *Earnings Per Share*, and therefore an income per unit calculation is not presented.

PRIMARIS REIT

Notes to the Consolidated Statement of Forecasted Net Income

For the year ending December 31, 2022

(In thousands of Canadian dollars, except Unit and per Unit amounts)

3. Summary of significant accounting policies (continued):

(g) Exchangeable units:

Exchangeable units outstanding are puttable instruments where Primaris REIT has a contractual obligation to issue Units to participating unitholders upon redemption. These puttable instruments are classified as a liability under IFRS and are measured at fair value through profit or loss.

At the end of each period the fair value is determined by using the quoted price of the Units on the TSX as the exchangeable units are exchangeable into Units at the option of the holder. Holders of all exchangeable units are entitled to receive the economic equivalent of distributions on a per unit amount equal to a per Unit amount provided to holders of Units.

(h) Finance costs:

Finance costs are comprised of interest expense on borrowings, distributions on exchangeable units classified as liabilities and gain (loss) on change in fair value of exchangeable units.

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

(i) Revenue from contracts with customers:

IFRS 15, Revenue from Contracts with Customers ("IFRS 15") contains a single, control-based model that applies to contracts with customers and provides two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized.

Primaris REIT earns revenue from its tenants from various sources consisting of base rent for the use of space leased, recoveries of property tax and property insurance, and service revenue from utilities, cleaning and property maintenance costs.

Revenue from lease components is recognized on a straight-line basis over the lease term and includes the recovery of property taxes and insurance. Revenue recognition commences when a tenant has the right to use the premises.

Revenue related to the services component of Primaris REIT's leases is accounted for in accordance with IFRS 15. These services consist primarily of utilities, cleaning and property maintenance costs for which the revenue is recognized over time, typically as the costs are incurred, which is when the services are provided.

(j) Leases:

Primaris REIT, 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.

(k) Financial instruments:

IFRS 9, Financial Instruments ("IFRS 9") requires financial assets to be classified and measured based on the business model in which they are managed and the characteristics of their contractual cash flows. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss.

PRIMARIS REIT

Notes to the Consolidated Statement of Forecasted Net Income

For the year ending December 31, 2022

(In thousands of Canadian dollars, except Unit and per Unit amounts)

3. Summary of significant accounting policies (continued):

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at fair value through profit or loss ("FVTPL"):

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All of Primaris REIT's financial assets not classified as measured at amortized cost, as described above, are measured at FVTPL.

Under IFRS 9, the change in fair value of financial liabilities carried at FVTPL attributable to changes in the credit risk of the liability is presented in other comprehensive income, and the remaining amount of change in fair value is presented in profit or loss unless the treatment of the effects of the changes in the credit risk of the liability would create an accounting mismatch in profit or loss.

For impairment of financial assets, IFRS 9 has a forward-looking 'expected credit loss' ("ECL") model. A provision for ECL is recognized at each balance sheet date for all financial assets measured at amortized cost.

Primaris REIT applies the practical expedient to determine ECL on accounts receivable using a provision matrix based on historical credit loss experiences adjusted for current and forecasted future economic conditions to estimate lifetime ECL. The other ECL models applied to other financial assets also require judgement, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset.

Impairment losses are recorded in finance cost - operations in the combined carve-out statement of net income (loss) with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts.

Primaris REIT intends to qualify as a "mutual fund trust" under the Income Tax Act (Canada). The Trustees intend to distribute all taxable income directly earned by Primaris REIT to Unitholders and to deduct such distributions for income tax purposes. Canadian tax legislation relating to the federal income taxation of Specified Investment Flow Through trusts or partnerships ("SIFT") provide that certain distributions from a SIFT will not be deductible in computing the SIFT's taxable income and that the SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations.

However, distributions paid by a SIFT as return of capital should generally not be subject to tax. Under the SIFT rules, the taxation regime will not apply to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Exception"). Primaris REIT has reviewed the SIFT rules and has assessed their interpretation and application to Primaris REIT's assets and revenue. While there are uncertainties in the interpretation and application of the SIFT rules, Primaris REIT believes that it will meet the REIT Exception and accordingly no net current or deferred income tax expense or deferred income tax assets or liabilities have been recorded in the consolidated statement of forecasted net income.

PRIMARIS REIT

Notes to the Consolidated Statement of Forecasted Net Income
For the year ending December 31, 2022
(In thousands of Canadian dollars, except Unit and per Unit amounts)

4. Significant assumptions

The Arrangement contemplates the transfer of PRP to Primaris REIT. The following table summarizes the details of the contemplated transaction.

	Plan of Arrangement Transaction
Investment properties	\$ 2,403,350
Other assets	16,406
Debt:	
Assumed mortgages	(610,751)
Line of credit	(143,000)
Accounts payable and accrued liabilities	(19,578)
	\$ 1,646,427

The Purchase and Sale Agreement between H&R and subsidiaries of HOOPP contemplates the sale of HOOPP Investments to Primaris REIT for Primaris REIT Series A Units:

	Purchase and Sale Agreement
Investment properties	\$ 800,100
Other assets	17,557
Debt:	
Assumed mortgages	(200,000)
Accounts payable and accrued liabilities	(27,375)
	\$ 590,282

* Total net assets of \$2,236,709.

The following is a summary of the settlement of the above transaction:

Settled by issuance of Series A Units	(e)	\$ 2,163,317
Settled by issuance of Class B exchangeable units	(d), (e)	73,392
		\$ 2,236,709

The assumptions related to the property operating income have been based on the budgets utilized for the appraisal process and approved by management.

PRIMARIS REIT

Notes to the Consolidated Statement of Forecasted Net Income For the year ending December 31, 2022 (In thousands of Canadian dollars, except Unit and per Unit amounts)

4. Significant assumptions (continued):

(a) Revenue

Forecast rental revenue from investment properties is based on rents from existing leases, as well as expected income from the lease-up of space that are vacant or anticipated to become vacant due to lease expiry. Existing tenants are assumed to fulfil their current contractual lease obligations and remain in occupancy and pay rent for the term of their leases.

Revenue related to the service component of the REIT's leases is accounted for in accordance with IFRS 15. These services consist primarily of the recovery of common area costs including but not limited to repairs and maintenance, utilities, and cleaning costs.

(b) Property operating costs

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

(c) Finance costs

Finance costs comprise of interest expense on credit facility, amortization of financing costs, amortization of net mark-to-market adjustments and distributions on Class B exchangeable units.

in thousands of Canadian dollars	Year ending December 31, 2022
Interest expense on mortgages ⁽¹⁾	\$ (14,600)
Interest expense on credit facility ⁽¹⁾	(18,900)
Amortization of financing fees and mark-to-market adjustments	1,100
Distribution on Class B exchangeable units ⁽²⁾	(2,700)
Finance costs	\$ (35,100)

(1) Primaris REIT expects to establish a new unsecured revolving credit facility (the "Unsecured Credit Facility"). This assumption is based on a term sheet contemplating an Unsecured Credit Facility for an amount up to \$950.0 million. Management intends to use the Unsecured Credit Facility to repay (i) certain mortgages totaling \$225.0 million, (ii) the existing line of credit balance of \$143.0 million; and (iii) the promissory note payable to HOOPP of approximately \$200.0 million. The consolidated financial forecast reflects this debt structure when calculating finance costs for the year ending December 31, 2022.

(2) The consolidated financial forecast assumes that distributions will be declared by Primaris REIT in respect of the units on a monthly basis with an annual distribution of approximately \$0.80 per unit, assuming one unit of Primaris REIT for every four units of H&R REIT. The consolidated financial forecast does not reflect any change in the fair value of the Class B exchangeable units as any such change cannot be forecasted.

(d) General and administrative

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

PRIMARIS REIT

Notes to the Consolidated Statement of Forecasted Net Income For the year ending December 31, 2022

(In thousands of Canadian dollars, except Unit and per Unit amounts)

4. Significant assumptions (continued):

(e) Acquisitions and dispositions of investment properties

This consolidated financial forecast does not reflect any potential sales of the Portfolio or acquisitions of retail properties. However, it is possible that Primaris REIT could make purchases and sales of properties during the financial forecast period which will only be undertaken on a basis considered by management to be advantageous to Primaris REIT and as approved by the Trustees of Primaris REIT.

(f) Fair value adjustment on investment properties

The consolidated financial forecast does not reflect any change in the fair value of the Portfolio as any such change is impacted by many variables that cannot be forecasted.

(g) Unit incentive Plan

The REIT plans to adopt an Incentive Unit Plan. Under the terms of the Incentive Unit Plan, the Board of Trustees may from time to time, at its discretion, grant Trustees, officers, and employees restricted units, performance units, deferred units or other awards. The restricted units, performance units and deferred units are notional units with a fair value based on the closing trading price of the Units. For the purpose of the consolidated statement of forecasted net income, no compensation expense is included as no units under the incentive plan have been awarded or are expected to be awarded at this time.

(h) Income taxes

The consolidated financial forecast assumes that the REIT will on Closing and throughout its 2022 taxation years meet the REIT Exception as described in note 3(k), and distribute all of its taxable income to Unitholders. Accordingly, no provision for current or deferred income taxes has been recorded in the consolidated statement of forecasted net income.

5. Commitments and contingencies

(a) In the normal course of operations, Primaris REIT has issued letters of credit in connection with developments, financings, operations and acquisitions.

(b) Primaris REIT provides guarantees on behalf of third parties, including co-owners. As at November 3, 2021, PRP issued guarantees amounting to \$111.4 million, which expire between 2022 and 2027 relating to the co-owner's share of mortgage liability.

Credit risks arise in the event that these parties default on repayment of their debt since they are guaranteed by Primaris REIT. These credit risks are mitigated as Primaris REIT will have recourse under these guarantees in the event of a default by the borrowers, in which case Primaris REIT's claim would be against the underlying real estate investments.

(c) Primaris REIT is obligated, under certain contract terms, to construct and develop investment properties.

(d) Primaris REIT may be subject to claims and legal actions that arise in the ordinary course of business. It is the opinion of management that any ultimate liability that may arise from such matters would not have a significant adverse effect on the consolidated statement of forecasted net income.

SCHEDULE L
INFORMATION CONCERNING PRIMARIS REIT
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NOTICE TO READER

The following information about Primaris REIT should be read in conjunction with the information concerning Primaris REIT elsewhere in the Circular. Unless otherwise indicated, the disclosure in this Schedule assumes that the Arrangement and the HOOPP Contribution have been completed in accordance with the terms and conditions otherwise disclosed in the Circular. Historical references to Primaris REIT and/or its predecessors refer to the entities within H&R REIT's corporate structure that have, since H&R REIT's acquisition of Primaris Retail Real Estate Investment Trust in 2013, carried on the businesses expected to be conducted by Primaris REIT following completion of the Arrangement and the HOOPP Contribution as at the applicable time or for the applicable period on or prior to the date of the Circular, and forward-looking references to Primaris REIT refer to Primaris REIT as it is expected to exist following the Arrangement and the HOOPP Contribution, as the context may require.

No securities regulatory authority has expressed an opinion about the Arrangement or the Units to be issued pursuant to the Arrangement and it is an offense to claim otherwise.

Primaris REIT will be formed for the sole purpose of participating in the Arrangement and has not carried on any business other than in connection with the Arrangement and related matters.

There is currently no market through which the Series A Units received by Unitholders may be sold and such a market may not develop, and Unitholders may not be able to resell Series A Units received under the Arrangement. This may affect the pricing and liquidity of the Series A Units in the secondary market, the transparency and availability of trading prices, the liquidity of the Series A Units, and the extent of issuer regulation. H&R REIT has applied to have the Series A Units listed on the TSX under the symbol "PMZ.UN". Listing is subject to the approval of the TSX in accordance with its original listing requirements. The TSX has not conditionally approved Primaris REIT's listing application and there is no assurance that the TSX will approve the listing application. If listing approval is ultimately obtained prior to the Effective Time, trading on the TSX in the Series A Units is expected to commence on the Effective Date. See "Risk Factors" in this Schedule.

References to "management" in this Schedule L mean the persons that will be acting in the capacities of Primaris REIT's Chief Executive Officer and President and Chief Operating Officer. Any statements in this Schedule L made by or on behalf of management are made in such persons' capacities as officers and not in their personal capacities.

FORWARD-LOOKING STATEMENTS

Certain information in this Schedule L contains forward-looking information within the meaning of applicable securities laws (also known as forward-looking statements) including, among others, statements relating to the completion of the Arrangement and HOOPP Contribution, Primaris REIT's strategy, including internal and external growth and development and intensification opportunities, Primaris REIT's capital structure and debt, liquidity and financial strategies, Primaris REIT's governance framework and the potential adoption of a Green Bond Framework, Primaris REIT's pro forma portfolio metrics, the listing of the Series A Units on the TSX, the intention of Primaris REIT to qualify for the REIT Exception, the forecasted financial information for Primaris REIT included as Schedule K to the Circular and Primaris REIT's pro forma consolidated capitalization.

Forward-looking statements generally can be identified by words such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans", "project", "budget" or "continue" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.

Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements are not guarantees of future performance and are based on management's estimates and assumptions that are subject to risks and uncertainties, including those described herein under "Risk Factors", which could cause the actual results and performance of Primaris REIT to differ materially from the forward-looking statements contained in this Schedule L. Those risks and uncertainties include, among other things, risks related to: Primaris REIT needing to obtain financing on a stand-alone basis, Primaris REIT as an independent entity, the combined carve-out financial statements and the financial forecast; the business of Primaris REIT (COVID-19; real property ownership; current economic environment; integration of the HOOPP Properties; valuations; land leases; retail concentration; credit risk and tenant concentration; lease rollovers; interest rates and debt; construction; capital expenditures; liquidity; competition; anchor tenants or tenant bankruptcies; cyber-security; environmental and climate change matters; co-ownership interest in properties; joint venture

arrangements and investments; dependence on key personnel; failure to complete acquisitions; potential undisclosed liabilities associated with acquisitions; and potential conflicts of interest) and securities of Primaris REIT (prices of Primaris REIT's securities; availability of cash for distributions; ability to access capital markets; tax; tax applicable to holders of Units; dilution; liability of Unitholders; the right to redeem Units; investment eligibility of Units; statutory remedies available to Unitholders and holders of Primaris REIT Units).

Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking statements include the completion of the Arrangement and the HOOP Contribution on their current terms, that the general economy is gradually recovering as a result of the COVID-19 pandemic, the extent and duration of which is unknown; debt markets continue to provide access to capital at a reasonable cost, notwithstanding the ongoing economic downturn, the assumptions made in connection with the anticipated benefits of the Arrangement; the anticipated approval of the Arrangement by unitholders of H&R REIT and the Court; the anticipated receipt of any required consents, exemptions, approvals and rulings; the expectation that the parties to the Arrangement Agreement and the Purchase and Sale Agreement will comply with its terms and conditions; the expectation that no event, change or other circumstance will occur that could give rise to the termination of the Arrangement Agreement or the Purchase and Sale Agreement; and assumptions concerning currency exchange and interest rates. Management cautions that this list of factors is not exhaustive. Although the forward-looking statements contained in this Schedule L are based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements.

Readers are also urged to examine Primaris REIT's materials filed with the Canadian securities regulatory authorities from time to time as they may contain discussions on risks and uncertainties which could cause the actual results and performance of Primaris REIT to differ materially from the forward-looking statements contained in this Schedule L.

All forward-looking statements in this Schedule L are qualified by these cautionary statements. These forward-looking statements are made only as of November 5, 2021, and neither H&R REIT nor Primaris REIT, except as required by applicable Canadian law, assumes any obligation to update or revise them to reflect new information or the occurrence of future events or circumstances.

GLOSSARY OF TERMS

The following lists certain terms that shall have the meanings set forth below when used in this Schedule L to the Circular. These defined terms are not always used in, and may not conform exactly to, the defined terms used in other parts of or schedules to the Circular or any agreements referred to herein or therein. Capitalized terms used but not otherwise defined in this Schedule shall have the meaning ascribed to them in the Circular.

“**affiliate**” with relation to any person means an associate or an affiliated, controlled or subsidiary company of such person, all such terms (except person) having the meaning ascribed thereto by National Instrument 45-106 – *Prospectus Exemptions* of the Canadian Securities Administrators, as replaced or amended from time to time (including any successor rule or policy thereto);

“**annuitant**” means the annuitant or beneficiary of an Exempt Plan or any other plan of which a Unitholder acts as trustee or carrier;

“**associate**” has the meaning ascribed thereto by the CBCA, as amended from time to time;

“**Audit Committee**” has the meaning set out under the heading “Corporate Governance – Committees of the Board – Audit Committee” in this Schedule;

“**CBCA**” means the *Canada Business Corporations Act*, as amended, including the regulations promulgated thereunder;

“**CG&N Committee**” has the meaning set out under the heading “Corporate Governance – Committees of the Board – CG&N Committee” in this Schedule.

“**Declaration of Trust**” means the initial declaration of trust of Primaris REIT, as amended, supplemented or amended and restated from time to time, including as described herein, as more particularly described under “Declaration of Trust and Description of Capital Structure” in this Schedule;

“**DRS Advice**” means a direct registration system advice or similar document evidencing the electronic registration of ownership of Units or Exchangeable Securities;

“**Exchange Ratio**” has the meaning as set out under the heading “Declaration of Trust and Description of Capital Structure – Conversion of Series B Units” in this Schedule;

“**Exchangeable Securities**” means securities of any trust, limited partnership or corporation other than Primaris REIT that are convertible or exchangeable directly for Units without the payment of additional consideration therefor;

“**Exempt Plans**” means, collectively, registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free saving accounts, each as defined in the Tax Act;

“**FFO**” has the meaning set out under the heading “Distribution Policy” in this Schedule;

“**going-private transaction**” means an arrangement, consolidation or other transaction involving Primaris REIT, other than an acquisition pursuant to section 5.26 of the Declaration of Trust that results in the interest of a holder of participating securities of Primaris REIT being terminated without the consent of the holder and without the substitution of an interest of equivalent value in participating securities of Primaris REIT or of a person that succeeds to the business of Primaris REIT, which participating securities have rights and privileges that are equal to or greater than the affected participating securities;

“**H&R REIT**” means H&R Real Estate Investment Trust, a trust established under the laws of the Province of Ontario on November 4, 1996;

“**IFRS**” means International Financial Reporting Standards as issued by the International Accounting Standards Board, and as adopted by the Chartered Professional Accountants of Canada in Part I of the CPA Canada Handbook – Accounting, as amended from time to time;

“**Incentive Units**” has the meaning as set out under the heading “Incentive Plan Descriptions – Primaris REIT Incentive Unit Plan” in this Schedule;

“**Initial Subscription Note**” has the meaning ascribed thereto in the Declaration of Trust;

“**mortgage**” means any mortgage, charge, hypothec, bond, debenture, note or other evidence of indebtedness, in each case which is directly or indirectly secured by real property;

“**Nominating Unitholder**” has the meaning as set out under the heading “Declaration of Trust and Description of Capital Structure – Meetings of Unitholders and Special Voting Unitholders” in this Schedule;

“**Non-Resident**” means 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;

“**offeror**” means a person, other than an agent, who makes a take-over bid, and includes two or more persons who, directly or indirectly, make a take-over bid jointly or in concert; or intend to exercise jointly or in concert voting rights attached to the Units for which a take-over bid is made;

“**participating securities**” means securities that give the holder of the securities a right to share in the earnings of the person that issued the securities and after the liquidation, dissolution, or winding up of the person that issued the securities or, in the case of Primaris REIT, upon the termination of Primaris REIT, a right to share in its assets. For greater certainty, participating securities includes the Units;

“**person**” means and includes individuals, corporations, limited partnerships, limited liability partnerships, general partnerships, joint stock companies, joint ventures, associations, companies, trusts, banks, trust companies, pension funds, land trusts, business trusts or other organizations, whether or not legal entities and governments and agencies and political subdivisions thereof;

“Primaris REIT Board” means the board of trustees of Primaris REIT;

“Primaris REIT Trustees” means, as at any particular time, the trustees holding office under the Declaration of Trust at such time, and **“Primaris REIT Trustee”** means any one of them;

“real property” means property which in law is real property and includes, whether or not the same would in law be real property, leaseholds, mortgages, undivided joint interests in real property (whether by way of tenancy-in-common, joint tenancy, co-ownership, partnership, joint venture or otherwise), any interests in any of the foregoing and securities of corporations, trusts, or partnerships whose sole or principal purpose and activity is to invest in, hold and deal in real property;

“Redemption Date” has the meaning as set out under the heading “Declaration of Trust and Description of Capital Structure – Redemption Price and Payment” in this Schedule;

“Redemption Notes” means the unsecured subordinated promissory notes of Primaris REIT or a Subsidiary of Primaris REIT having a maturity date and interest rate to be determined at the time of issuance by the Primaris REIT Trustees, such promissory notes to provide that Primaris REIT or such Subsidiary, as the case may be, shall at any time be allowed to prepay all or any part of the outstanding principal without notice or bonus;

“Redemption Notice” has the meaning as set out under the heading “Declaration of Trust and Description of Capital Structure – Redemption of Units” in this Schedule;

“Redemption Price” has the meaning as set out under the heading “Declaration of Trust and Description of Capital Structure – Redemption Price and Payment” in this Schedule;

“related party” means, with respect to any person, a person who is a “related party” as that term is defined in Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* of the Canadian Securities Administrators, as replaced or amended from time to time (including any successor rule or policy thereto);

“resident Canadian” means an individual (including a trust) or corporation who is a resident of Canada for purposes of the Tax Act, or a partnership that is a “Canadian partnership” for purposes of the Tax Act;

“Securityholder” has the meaning set out under the heading “Risk Factors – Risks Relating to Securities of Primaris REIT – Statutory Remedies” in this Schedule;

“Series A Units” means units of participating interest in Primaris REIT designated in the Declaration of Trust as “Series A Units”, each such unit representing an equal undivided beneficial interest, together with the Series B Units, in Primaris REIT;

“Series B Units” means non-voting units of participating interest in Primaris REIT designated in the Declaration of Trust as “Series B Units”, each such unit representing an equal undivided beneficial interest, together with the Series A Units, in Primaris REIT;

“SIFT Rules” has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations – Status of Primaris REIT – SIFT Rules” in this Schedule;

“SIFT Tax” means the tax payable by a SIFT trust pursuant to paragraph 122(1)(b) of the Tax Act or by a SIFT partnership pursuant to section 197 of the Tax Act;

“SIFT trust” has the meaning ascribed thereto in subsection 122.1(1) of the Tax Act;

“Special Voting Unit” means a non-participating special voting unit of Primaris REIT issued in accordance with the provisions of the Declaration of Trust from time to time and includes a fraction of a Special Voting Unit;

“Special Voting Unitholder” has the meaning ascribed thereto in the Declaration of Trust;

“**Subsidiary**” and “**Subsidiaries**” with relation to any person have the meanings ascribed thereto by National Instrument 45-106 – *Prospectus Exemptions* of the Canadian Securities Administrators, as replaced or amended from time to time (including any successor rule or policy thereto);

“**take-over bid**” has the meaning ascribed to such term in the *Securities Act* (Ontario), as amended from time to time;

“**Total Assets**” means, at any time, the sum of the assets as recorded on the most recent balance sheet of Primaris REIT, prepared on a consolidated basis in accordance with IFRS;

“**Unitholder**” or “**holder of Units**” has the meaning ascribed thereto in the Declaration of Trust;

“**Units**” means the Series A Units and the Series B Units, or any of them as the context may require, but for the avoidance of doubt does not include Special Voting Units; and

“**Voting Units**” means, collectively, the Series A Units and Special Voting Units.

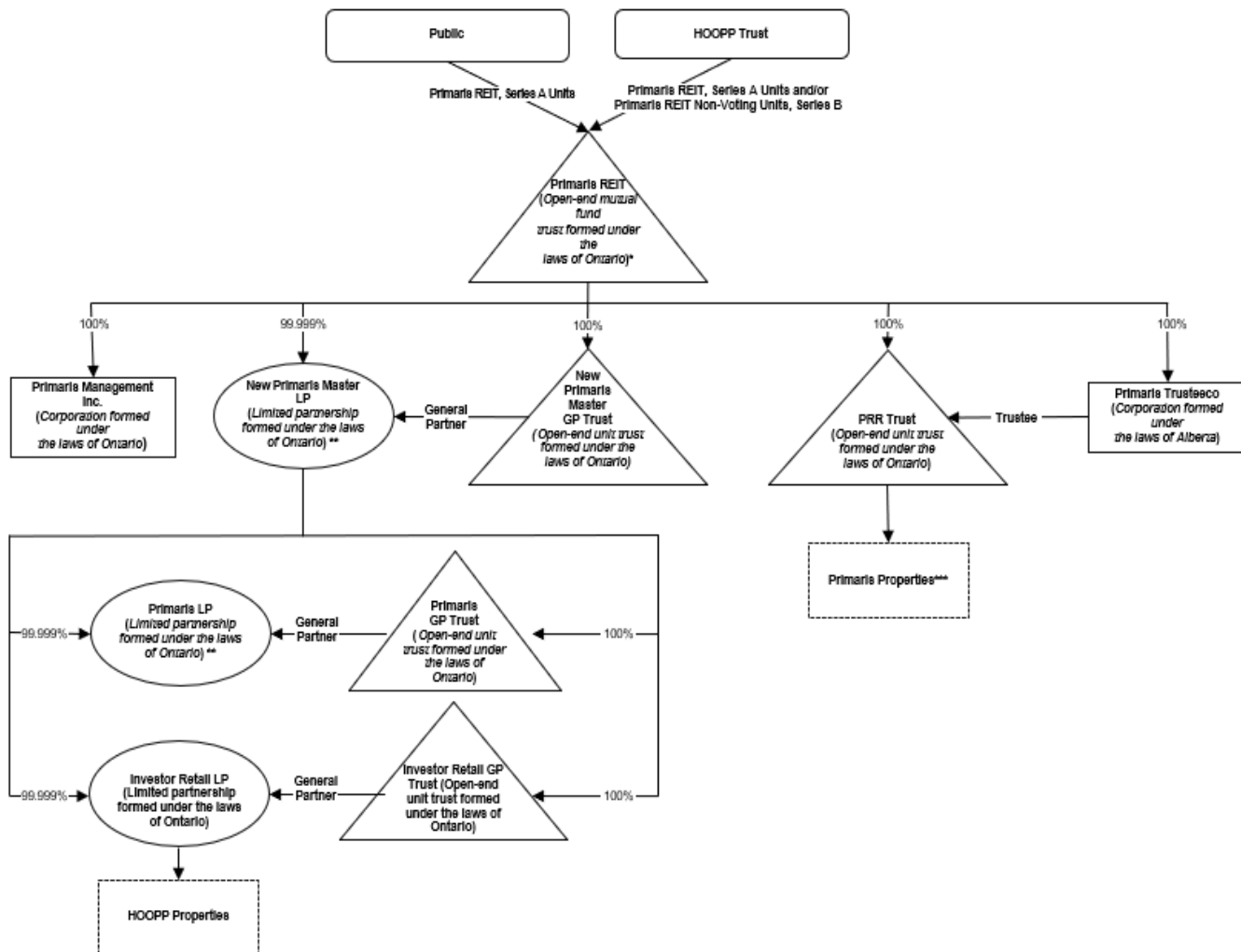
OVERVIEW

Primaris REIT will be an open-ended real estate investment trust formed under the laws of the Province of Ontario pursuant to the Declaration of Trust. The principal office and centre of administration of Primaris REIT will be located at Suite 400, 26 Wellington Street East, Toronto, Ontario, M5E 1S2.

Primaris REIT will own interests in 35 retail properties aggregating approximately 11.4 million square feet, including 22 enclosed shopping centres aggregating approximately 9.8 million square feet and 13 unenclosed shopping centre and mixed-use properties aggregating approximately 1.6 million square feet, at Primaris REIT’s ownership share. Primaris REIT will be one of the three largest owners and managers of enclosed shopping centres in Canada, and one of the largest owners and operators of retail property of all formats across Canada.

Organizational Chart

The following chart summarizes the corporate structure of Primaris REIT following completion of the Arrangement and the HOOPP Contribution:



Notes:

* Primaris REIT will also hold a nominal limited partnership interest in each subsidiary limited partnership under New Primaris Master LP and PRR Trust (not depicted).

** H&R REIT will hold a number of New Primaris Master LP Exchangeable Units equal to the number of Units which would be required to be delivered to the holders of H&R Class B Units on the exchange of such units for REIT Units and Units, and an equal number of Special Voting Units.

*** PRR Trust will hold the Primaris Properties directly and through subsidiary partnerships.

GENERAL DEVELOPMENT OF THE BUSINESS

General

Since the formation of its predecessor in 2003, Primaris REIT's retail property operating strategy has been to focus on maximizing rental income from its portfolio by actively managing the merchandising mix of each property to effectively align with its consumer market, lease vacant space at competitive market rates and the lowest possible transaction costs, and maintain good relationships with retailers, working with them to increase their sales. Primaris REIT has always recognized the highly competitive nature of the retailing industry, and has maintained a strong focus on cost management to support retailer margins.

Since the acquisition by H&R REIT of certain assets of Primaris Retail Real Estate Investment Trust in April 2013, the business of Primaris REIT has been operated by H&R REIT as part of its retail segment. On October 27, 2021, H&R REIT announced that its board of trustees approved the spin-out of its Primaris division to a new stand-alone real estate investment trust pursuant to the Plan of Arrangement. See “The Arrangement” in the Circular. Primaris REIT will be an open-ended, internally managed unit trust established under the laws of the Province of Ontario in connection with the Plan of Arrangement. Primaris REIT’s head office will be located at Suite 400, 26 Wellington Street East, Toronto, Ontario, M5E 1S2.

COVID-19 Pandemic

COVID-19 and the resulting government restrictive measures continue to have a significant impact on the global and domestic economy since the onset of the pandemic in March 2020. During the first and second waves of the pandemic, some regional and provincial governments in Canada introduced new or restored restrictive measures that resulted in many businesses closing or reducing their hours of operation of their own volition or to comply with government mandates.

In continuous support of its small and independent tenants, Primaris REIT actively participated in the federal government’s Canada Emergency Commercial Rent Assistance (CECRA) program for eligible tenants at all of its properties which was in effect from April to September 2020. CECRA provided eligible tenants with the benefit of a 75% gross rent reduction whereby the federal government funded 50% and landlords funded 25% through rent abatement. For eligible tenants in Québec, the provincial government offered another 12.5% in funding, which reduced the landlord’s net rent abatement to 12.5%. In the fourth quarter of 2020, the CECRA program was replaced by the Canada Emergency Rent Subsidy (CERS) program which provides funding directly to tenants without any mandate for landlord rent abatement. Under CERS, a qualifying business could potentially receive up to 90% of their eligible expenses including gross rents subject to certain per store location and/or per affiliated entity limits, dependent on the percentage of revenue declines and whether the business is subject to lock down measures under a public health order. The CERS program was in effect until October 2021.

Primaris REIT has strategically managed its rent collection process during the pandemic and tailored its approach in recognition of the challenges that some of its tenants faced or continue to face as restrictions remain in flux. Primaris REIT’s primary focus since the beginning of the pandemic has been to maintain occupancy by supporting its retail partners. On a case-by-case basis, Primaris REIT has worked with its tenants to find sensible solutions to support their businesses while protecting its own rights and financial position. In limited circumstances where abatement was provided in favour of a tenant other than in the case of the CECRA program, Primaris REIT typically received concessions of value in exchange, such as development rights, lease term extensions or the waiver of exclusivity provisions. Primaris REIT’s approach during the pandemic has been acknowledged and appreciated by its retail partners. Since the start of the pandemic, Primaris REIT has collected approximately 88% of gross rent while increasing occupancy to almost 89% as at September 30, 2021, from 86.5% at the end of March 2020. Occupied and committed occupancy has increased to just under 92% as at September 30, 2021, from 90.9% at the end of March 2020.

BUSINESS OF PRIMARIS REIT

Overview

Primaris REIT’s portfolio is expected to include interests in 35 retail properties aggregating approximately 11.4 million square feet, at Primaris REIT’s ownership share, including 22 enclosed shopping centres aggregating approximately 9.8 million square feet and 13 unenclosed shopping centre and mixed-use properties aggregating approximately 1.6 million square feet. Primaris REIT will be one of the three largest owners and managers of enclosed shopping centres in Canada, and one of the largest owners and operators of retail property of all formats across Canada.

Strategy

Canadian Primary and Secondary Market Focus

Retail centres that are well located in their respective markets present an attractive long-term investment opportunity given their characteristics, which include multi-year tenant relationships defined by leases, and the stable cash flow provided by such arrangements. Such retail centres typically provide growth opportunities through the lease-up of vacant space and the upward trend in rental rates through contractual escalations. Further, retail centres are typically located on large parcels of land with broad zoning and are proximate to both main thoroughfares and transit. Management believes it can implement an investment strategy of acquiring properties with these characteristics to provide additional cash flow and further enhance long-term portfolio value. Primaris REIT will be focused primarily on dominant enclosed shopping centre properties in primary and secondary Canadian markets.

Internal Growth

Primaris REIT's internal growth strategy focuses on increasing rental income from its properties. Primaris REIT actively manages the merchandising mix of each property to keep each property effectively aligned with its consumer market. Primaris REIT leases vacant space at competitive market rates at the lowest possible transaction cost, maintains good relations with retailers and works with tenants to increase their sales. Unique to enclosed malls is that the majority of tenants report sales enabling Primaris REIT to identify tenant productivity trends. Primaris REIT uses sales reports to guide leasing activity in the adjustment of the merchandising mix of the properties to wean out poor performing tenants in favour of higher productivity ones capable of paying higher rents. Most tenant leases include a percentage rent provision which provides for potential additional rent payable to Primaris REIT in the event the tenant's sales exceed a specified threshold. Rental income can also be improved through judicious investments in renovations and expansions. The properties are well-located, and typically the dominant retail property in their respective trade area, resulting in high tenant retention and a steady demand for space from prospective tenants. Rental income from properties with currently vacant space may be increased through active strategies for the leasing of such space to temporary tenants and "pop up" stores.

Unlocking Value Through Development and Intensification

Primaris REIT's portfolio will also include several urban properties with significant intensification potential, including Dufferin Grove – a four acre parcel representing approximately 20% of Dufferin Mall's overall site that is in the final stages of receiving zoning approval for the development of over 1,000 residential units. Primaris REIT's enclosed malls are situated on almost 900 acres of land and provide for additional significant intensification opportunities, including Orchard Park in Kelowna, Place d'Orleans in Ottawa, Kildonan Place in Winnipeg, Sherwood Park in Edmonton and Sunridge Mall and Marlborough Mall in Calgary, among others. Further, the ownership of large, well located properties proximate to transit, provides Primaris REIT the opportunity to explore the potential for development or redevelopment of its properties to capitalize on the evolution and convergence of retail and industrial property type uses. These internal development, intensification and adaptive reuse projects will be considered over time, subject to alternative investment opportunities.

Strategic Acquisitions and Dispositions

Primaris REIT's external growth strategy is driven by acquisitions of primarily mid-market retail centres in major cities and dominant shopping malls in secondary cities. Primaris REIT's seasoned senior management team is experienced in identifying opportunities that arise when owners choose to divest enclosed mall properties for strategic or other reasons. As a large, well capitalized and sophisticated manager of enclosed shopping centres, Primaris REIT will be well positioned to take advantage of investment opportunities. Primaris REIT intends to continue seeking acquisition opportunities, including through relationships with institutional investors and other real estate investment trusts, in addition to the HOOPP Contribution. As Canada's only publicly-traded real estate investment trust focused primarily on enclosed shopping centre properties, with limited institutional competition and a well-capitalized, scalable management platform, management believes there are consolidation opportunities within the sector.

Differentiated Capital Structure and Financial Strategy

Primaris REIT intends to prudently manage its balance sheet and capital structure. Primaris REIT intends to target and maintain low leverage of under 30%, have a 6.4x ratio of debt to EBITDA, stagger its debt maturities and limit its variable rate debt to reduce interest rate and refinancing risk, maintain an optimal mix of unsecured and secured debt to provide continued financial flexibility and liquidity, balance between line of credit utilization and, in the future, potential unsecured debenture issuances, build on established lender relationships and continue to utilize multiple sources of capital. Initially, Primaris REIT will target a payout ratio of 45% to 50% of FFO, which is expected to initially provide significant retained annual cash flow to fund investments, significantly reducing reliance on external capital resources.

Primaris Platform

Primaris REIT has an internalized, full-service retail management platform, and includes internal management capabilities spanning leasing, legal, finance, lease administration, human resources, information technology, accounting, operations, asset management and development. Primaris REIT will have over 430 employees based at 22 properties and three regional offices in Toronto, Montreal and Calgary. With nearly 20 years as a stand-alone management platform, the average tenure of Primaris REIT's employees is 10 years, while select employees have worked at Primaris REIT properties for over 40 years, predating the management platform's formation.

E-Commerce and Innovation Strategy

Primaris REIT has launched an e-commerce market place, PRIMARCHÉ, in partnership with Dropit, offering customers a one-stop destination to shop multiple participation mall and direct-to-consumer brands anywhere in Canada at anytime, while providing customers a wider range of options than shopping directly with individual retailers. Utilizing real-time inventory and converting store shelf into a distribution point, PRIMARCHÉ will offer expedited same day/next day shipping, one cart checkout and single shipment delivery from multiple retailers. The initial rollout commenced in November 2021 with five participating malls with plans to add additional centres in 2022.

Competition

The real estate business in which Primaris REIT will operate is competitive. Numerous other developers, managers and owners of properties compete with Primaris REIT in seeking tenants. Please refer to “Risk Factors – Risks Related to the Business of Primaris REIT – Real Property Ownership” and “Risk Factors – Risks Related to the Business of Primaris REIT – Competition”.

Intellectual Property

Primaris REIT will have various trademarks that it will use in its operations. None of these trademarks are expected to be material to Primaris REIT’s operation of the business.

Employees

Primaris REIT employed a total of 314 employees as at September 30, 2021. The employees are located across 17 properties and three regional offices in Toronto, Montreal and Calgary. Following completion of the HOOPP Contribution, Primaris REIT is expected to employ an additional 120 employees comprised of both head office and site specific employees.

Environmental and Social Leadership and Sustainability

Primaris REIT has established a strong industry leadership position on environmental, social and governance (“ESG”) initiatives, demonstrating corporate responsibility and leadership in the communities in which it operates. Primaris REIT is committed to being a good corporate citizen and recognizes the responsibility Primaris REIT will have, as an owner, developer and manager of a large real estate portfolio in the local markets in which it operates.

Managers of Primaris REIT properties are encouraged to pursue opportunities that align with overall ESG activities and goals, while meeting the needs of the local community. Existing initiatives of Primaris REIT that align with their BOMA BEST certifications include increasing electric car charging stations, creating rooftop gardening, collecting rainwater for reuse, utilizing wind energy collection to supplement hydro electric energy use, as well as broad based recycling of cardboard, organics, cooking oil, coffee grounds, electronics and light bulbs, and construction material diversion, among other items.

Many of the shopping centres function as the centre of their communities, providing more than retail shopping opportunities. Long standing community partnerships include Orchard Park Mall hosting local golf fundraisers for the Canadian Mental Health Association (CMHA) since 2015, raising over \$450,000 to date; Place du Royaume’s educational foundation, which has provided over \$880,000 of bursaries to University of Québec students since inception over 30 years ago; and Park Place Shopping Centre, 2019 ICSC BOMA International building of the year, utilizing food court compost in a rooftop garden to generate over 80 lbs of vegetables annually since 2010, which are donated to Harbour House, a 24-bed local crisis unit for abused women and children.

Primaris REIT will implement a sustainability policy and will strive to, among other things, increase Primaris REIT’s monitoring and data collection with a focus on sustainability. In addition, management intends to continue to pursue further ESG initiatives, including a Green Bond Framework and using the publication of an annual ESG report both as a tool of measurement and as a process to share and adopt best practices across the platform.

PRIMARIS REIT PROPERTIES

Overview

Primaris REIT's properties will comprise an aggregate of approximately 11.4 million square feet, at Primaris REIT's ownership share, within six provinces. The properties are well-located within their respective markets, and will provide an attractive platform from which to grow given their stable characteristics. In addition, the geographic diversification within the portfolio of properties will mitigate concentration risk and support the stability of Primaris REIT's cash flows.

Geographic Composition

The following table illustrates the geographic distribution of and other information about the properties to be owned, directly or indirectly, by Primaris REIT following completion of the Arrangement and the HOOPP Contribution.

Retail Properties	Ownership Interest	Year Built /Renovated	Gross Leasable Area (at Share) (Square Feet)	Occupancy (as at September 30, 2021)	Major Tenants
<i>Alberta</i>					
Sunridge Mall Calgary, Alberta	100.0%	1981 / 2019	825,100	89%	Hudson's Bay, Alberta Health Services, Sport Chek, Best Buy, Winners
Marlborough Mall Calgary, Alberta ⁽¹⁾	100.0%	1971/2020	528,446	95%	Walmart, MaKami College, Shoppers Drug Mart
Northland Village Mall Calgary, Alberta	100.0%	1971 / 2005	521,042	76%	Walmart, Best Buy, Winners
Medicine Hat Mall Medicine Hat, Alberta	100.0%	1980 / 2019	502,727	88%	Hudson's Bay, Safeway, Cineplex, Marshalls, Home Sense, Best Buy
Park Place Shopping Centre Lethbridge, Alberta	100.0%	1988 / 2017	480,927	73%	Cineplex, Winners, Sport Chek
Sherwood Park Mall Sherwood Park, Alberta	100.0%	1972 / 2017	390,974	87%	Sobeys, Cineplex, Goodlife Fitness, Indigo, Urban Planet
St. Albert Centre St. Albert, Alberta	100.0%	1980 / 2017	355,915	92%	Hudson's Bay, Sport Chek, London Drugs, Winners
Peter Pond Mall Fort McMurray, Alberta	100.0%	1978 / 2013	209,006	85%	Rivers Casino, Sport Chek
Northpointe Town Centre Calgary, Alberta	100.0%	2000	200,582	100%	Landmark Cinemas, Canadian Tire
Marlborough Professional Centre Calgary, Alberta	100.0%	1974	71,683	66%	Calgary Housing Co., Government of Alberta
Northland Professional Centre Calgary, Alberta	100.0%	1978	52,344	81%	Dentistry, Medical, Chiropractic
Park Plaza Medicine Hat, Alberta	100.0%	1981	35,479	84%	Dollarama, Olympia Liquor

Retail Properties	Ownership Interest	Year Built /Renovated	Gross Leasable Area (at Share) (Square Feet)	Occupancy (as at September 30, 2021)	Major Tenants
Sunridge Plaza Calgary, Alberta	100.0%	2000	35,252	100%	CIBC, Petland
Dunmore Plaza Medicine Hat, Alberta	100.0%	1989 / 1999	31,829	88%	EasyHome, Lammle's
Park Place Professional Centre Sherwood Park, Alberta	100.0%	1972 / 2012	30,704	58%	Sherwood Dental Inc.
Carry Drive Plaza Medicine Hat, Alberta	100.0%	1989 / 2004	30,086	81%	Bank of Montreal, Original Joe's
Scotia Plaza Medicine Hat, Alberta	100.0%	1996	11,440	100%	Scotiabank, Pet Valu
<i>British Columbia</i>					
Orchard Park Shopping Centre Kelowna, British Columbia	100.0%	1971 / 2021	667,329	92%	Hudson's Bay, Sport Chek, Best Buy, Mark's, Leon's, Indigo
Highstreet Shopping Centre Abbotsford, British Columbia ⁽¹⁾	100.0%	2011	545,582	83%	Walmart, Cineplex, Marshalls, London Drugs
<i>Manitoba</i>					
Kildonan Place Winnipeg, Manitoba	50.0%	1980 / 2021	225,640	79%	Save On Foods, Marshalls, Cineplex, H&M, Urban Planet
Grant Park Shopping Centre Winnipeg, Manitoba	50.0%	1962 / 2017	202,891	99%	Canadian Tire, Red River Co-Op, Goodlife Fitness, Landmark Cinemas
Garden City Square/Annex Winnipeg, Manitoba	100.0%	1976 / 2004	160,811	92%	Staples, Mark's, Marshalls, Planet Fitness
<i>Ontario</i>					
Devonshire Mall Windsor, Ontario ⁽¹⁾	100.0%	1970 / 2019	875,458	71%	Hudson's Bay, Sport Chek, Metro, Cineplex, Indigo, Goodlife Fitness
Quinte Mall Belleville, Ontario ⁽¹⁾	100.0%	1971 / 2019	628,988	83%	Sport Chek, Winners, Home Sense, Goodlife Fitness, Toys "R" Us, Famous Players
Dufferin Mall Toronto, Ontario	100.0%	1956 / 2016	588,539	93%	Walmart, No Frills, Marshalls, Winners

Retail Properties	Ownership Interest	Year Built /Renovated	Gross Leasable Area (at Share) (Square Feet)	Occupancy (as at September 30, 2021)	Major Tenants
New Sudbury Centre Sudbury, Ontario ⁽¹⁾	100.0%	1956 / 2020	560,030	77%	Walmart, Sport Chek, H&M, Shoppers Drug Mart
Stone Road Mall Guelph, Ontario	100.0%	1975 / 2020	516,924	85%	Sport Chek, Home Sense, Marshalls, Mark's, Toys "R" Us
Place d'Orleans Orleans, Ontario	50.0%	1979 / 2019	350,448	87%	Hudson's Bay, Sport Chek, Public Works and Government Services Canada
Lansdowne Place Peterborough, Ontario ⁽¹⁾	100.0%	1980 / 2018	349,273	91%	Loblaws, Sport Chek, Old Navy, Urban Planet
Catarauqui Centre Kingston, Ontario	50.0%	1982 / 2018	301,390	70%	Hudson's Bay, Sport Chek, Marshalls, Indigo, Dollarama, Urban Planet
Lansdowne Industrial Peterborough, Ontario ⁽¹⁾	100.0%	1948 / 1988	269,959	100%	Crayola Canada, Covia Canada Ltd. Capella Telecommunications
Edinburgh Marketplace Guelph, Ontario	100.0%	1996	113,468	84%	Metro, Staples
<i>Québec</i>					
Place du Royaume Chicoutimi, Québec	50.0%	1973 / 2008	306,953	95%	Walmart, Winners, Sports Experts, Best Buy, Cinéma Odyssee
<i>New Brunswick</i>					
Regent Mall Fredericton, New Brunswick	50.0%	1976 / 2020	245,169	98%	Walmart, Cineplex, Sport Chek, Old Navy, The Brick
McAllister Place Saint John, New Brunswick	50.0%	1978 / 2020	203,226	96%	Sport Chek, Toys "R" Us, Goodlife Fitness, Marshalls, The Brick, Mark's
Primaris REIT Total⁽²⁾			11,425,614	86%	

Notes:

(1) To be acquired from HOOPP pursuant to the Purchase and Sale Agreement.

(2) After giving effect to the actual percentage ownership interest of Primaris REIT in the properties.

Description of Primaris REIT Properties

Below is a more detailed description of the properties that will be owned by Primaris REIT that have a net rentable area of more than 400,000 square feet.

Cataraqui Centre

Cataraqui Centre is located at the intersection of Gardiners Road and Princess Street in Kingston, Ontario which has a population of 167,000 people. The total trade area population of the mall in 2020 was approximately 200,000 people and it is expected to grow 3.9% by 2025. Cataraqui Centre is an approximately 603,000 square foot two-level shopping centre anchored by Hudson's Bay, Sport Chek, Marshalls, Indigo, Dollarama and Urban Planet. The average commercial rental units ("CRU") sales performance was \$540 per square foot for the year ended December 31, 2019. The Centre was built in 1982 and underwent extensive renovations in 1999, 2000, and 2005/2006 and 2018. The total site area is approximately 39 acres. Cataraqui Centre had 70% occupancy as of September 30, 2021, which includes a vacant Sears store encompassing 125,000 square feet. Excluding the Sears vacancy, occupancy, including committed tenants not yet open, was 93.5% as of September 30, 2021.

Devonshire Mall

Devonshire Mall is a super-regional mall located in Windsor, Ontario located proximate to the United States border. Windsor has a population of 336,000 people. The trade area population of the mall in 2020 was approximately 513,000 people and it is expected to grow 2.5% by 2025. Devonshire Mall is an approximately 875,000 square foot regional shopping centre anchored by Sport Chek, Metro, Cineplex, Indigo and Goodlife Fitness. Hudson's Bay is a shadow anchor of the property and has direct interior access into the mall. The average CRU sales productivity was \$604 per square foot for the year ended December 31, 2019. The mall is situated on 64 acres and was initially developed in 1970 and most recently renovated in 2019. Devonshire Mall had 71% occupancy as of September 30, 2021, which includes approximately 205,000 square feet of space vacated by Sears. Excluding the Sears vacancy, occupancy would be 92.8% as of September 30, 2021.

Dufferin Mall

Dufferin Mall is located on Dufferin Street just south of Bloor Street West in a high-density urban neighbourhood in central Toronto, Ontario. The Greater Toronto Area (GTA) has a population of 6.7 million people. The total trade area population of the mall in 2020 was approximately 500,000 people and it is expected to grow 7% by 2025. Dufferin Mall is an approximately 589,000 square foot enclosed shopping centre anchored by Walmart, No Frills, Marshalls and Winners. Dufferin Mall is situated on 21.3 acres and was originally developed over several phases between 1956 and 1976, with a number of renovations and expansions occurring since, including the most recent being a renovation of the food court in 2016. Approximately four acres of land is in the final stages of a development permit application that will allow for the construction of more than 1,000 residential units. The average CRU sales performance was \$638 per square foot for the year ended December 31, 2019. Dufferin Mall occupancy, including committed tenants not yet open, was 93% as of September 30, 2021.

Grant Park Shopping Centre

Grant Park Shopping Centre is located on the south side of Grant Avenue in an area known as River Heights in Winnipeg, Manitoba. Winnipeg has a Census Metropolitan Area population of 763,000 people and is the capital of Manitoba. The total trade area population of the mall in 2020 was approximately 175,000 people and it is expected to grow 8% by 2025. Grant Park is an approximately 406,000 square foot community shopping centre with a second floor office component. The shopping centre is anchored by Canadian Tire, Red River Co-Op, Goodlife Fitness and Landmark Cinemas. The average CRU sales productivity was \$468 per square foot for the year ended December 31, 2019. The mall is situated on 32 acres and was initially developed in 1962 and then expanded in 1968, 1989 and 1996. The mall was fully renovated in 2011 and, in 2017, Canadian Tire and Goodlife Fitness opened in the former Target premises. Grant Park Shopping Centre occupancy, including committed tenants not yet open, was 99.8% as of September 30, 2021.

Highstreet Shopping Centre

Highstreet Shopping Centre is located along the intersection of the TransCanada and Fraser Highways in the west end of Abbotsford, British Columbia. Abbotsford has a population of 148,000 people. The total trade area population of the mall in 2020 was approximately 165,000 people and it is expected to grow 8.5% by 2025. Highstreet Shopping Centre is an approximately 546,000 square foot three level open air shopping centre. The shopping centre is anchored by Walmart, Cineplex,

Marshalls and London Drugs. The mall is situated on 19.7 acres and was initially developed in 2013. Highstreet Shopping Centre occupancy, including committed tenants not yet open, was 91.1% as of September 30, 2021.

Kildonan Place

Kildonan Place Shopping Centre is located on Regent Avenue in northeast Winnipeg. Winnipeg has a Census Metropolitan Area population of 763,000 people and is the capital of Manitoba. The total trade area population of the mall in 2020 was approximately 211,000 people and it is expected to grow 7% by 2025. Kildonan Place is an approximately 451,000 square foot regional shopping centre anchored by Save On Foods, Marshalls, Cineplex, H&M and Urban Planet. The average CRU sales productivity was \$501 per square foot for the year ended December 31, 2019. The mall is situated on 51 acres and was initially developed in 1980 and most recently renovated in 2021. Approximately eight acres of the site is undeveloped representing a residential intensification opportunity. In 2021, Save On Foods opened a store in a portion of the former Sears premise and the balance of the Sears premise has been leased to Cineplex, which is anticipated to open in late 2022. Occupancy, including committed tenants not yet open, was 96.3% as of September 30, 2021.

Marlborough Mall Shopping Centre

Marlborough Mall Shopping Centre is located in northeast Calgary proximate to the TransCanada Highway. Calgary has a population of 1.6 million people. The trade area population for the property in 2020 was 236,000 people and it is expected to grow 6.8% by 2025. Marlborough Mall, including Marlborough Professional Centre, is an approximately 600,000 square foot regional shopping centre anchored by Walmart, MaKami College and Shoppers Drug Mart. The average CRU sales productivity was \$412 per square foot for the year ended December 31, 2019. The mall is situated on 46 acres and was initially developed in 1971 and most recently renovated in 2020. The City of Calgary Light Rail Transit has a stop at the property creating the potential for redevelopment of the site for mixed use. Marlborough Mall, including the professional centre, had 91.8% occupancy as of September 30, 2021.

McAllister Place

McAllister Place is located in Saint John, New Brunswick. Saint John has a population of 71,000 people. The total trade area population of the mall in 2020 was approximately 172,000 people and it is expected to grow 1.7% by 2025. McAllister Place is an approximately 406,000 square foot regional shopping centre anchored by Sport Chek, Toys “R” Us, Goodlife Fitness, Marshalls, The Brick and Mark’s. The average CRU sales productivity was \$423 per square foot for the year ended December 31, 2019. The mall is situated on 45 acres and was initially developed in 1978 and most recently renovated in 2020. McAllister Place occupancy, including committed tenants not yet open, was 96% as of September 30, 2021.

Medicine Hat Mall

Medicine Hat Mall is located adjacent to the TransCanada Highway in Medicine Hat, Alberta. Medicine Hat has a population of 65,000 people and is located approximately 2.5 hours from Calgary by vehicle. The total trade area population of the mall in 2020 was approximately 77,500 people and it is expected to grow 3.8% by 2025. Medicine Hat Mall is an approximately 503,000 square foot regional shopping centre anchored by Hudson’s Bay, Safeway, Cineplex, Marshalls, Home Sense and Best Buy. The average CRU sales productivity was \$398 per square foot for the year ended December 31, 2019. The mall is situated on 50 acres and was initially developed in 1980 and most recently renovated in 2019. Medicine Hat Mall occupancy, including committed tenants not yet open, was 88% as of September 30, 2021.

New Sudbury Centre

New Sudbury Centre is located in Sudbury, Ontario. Sudbury has a population of 161,000 people and is located in northern Ontario approximately 400 kilometres northeast of Toronto. The trade area population of the mall in 2020 was approximately 208,000 people. New Sudbury Centre is an approximately 560,000 square foot regional shopping centre anchored by Walmart, Sport Chek, H&M and Shoppers Drug Mart. The average CRU sales productivity was \$676 per square foot for the year ended December 31, 2019. The mall is situated on 40 acres and was initially developed in 1956 and renovated in 2020. New Sudbury Centre had 76.6% occupancy as of September 30, 2021, which includes approximately 90,000 square feet of space vacated by Sears. Excluding the Sears vacancy, occupancy at the centre would be 91.3%.

Northland Village Mall

Northland Village Mall is located in northwest Calgary, Alberta at the major intersection of Shaganappi and Crowchild Trails. Calgary has a population of approximately 1.6 million people. The total trade area population of the mall in 2020 was approximately 162,500 people and it is expected to grow 7% by 2025. Northland Village Mall is an approximately 521,000 square foot enclosed shopping centre anchored by Walmart, Best Buy and Winners. The mall is situated on 34 acres. Originally built in 1971, redevelopment plans are underway that would include demolition of the existing enclosed mall and construction of a mixed-use project. Construction of a six-storey, 280 residential unit building on approximately two acres of the property has already commenced. The balance of the development is in the pre-leasing stage.

Orchard Park Shopping Centre

Orchard Park Shopping Centre is a regional shopping centre, located in Kelowna, British Columbia, four kilometres east of the city's downtown core. Kelowna has a metropolitan population of 223,000 people. The total trade area population of the mall in 2020 was approximately 350,000 people and it is expected to grow 6% by 2025. Orchard Park is the largest regional enclosed mall between the Greater Vancouver Area and Calgary, situated in British Columbia's interior region. Orchard Park is an approximately 667,000 square foot single-level enclosed regional shopping centre anchored by Hudson's Bay, Sport Chek, Best Buy, Mark's, Leon's and Indigo. The property was built in 1971, redeveloped in 2000 and 2006-07 and most recently renovated in 2021. The average CRU sales productivity was \$655 per square foot for the year ended December 31, 2019. Orchard Park Shopping Centre occupancy, including committed tenants not yet open, was 92% as of September 30, 2021. The property is situated on 51 acres which includes a five-acre portion located on land leased until May 1, 2031, with basic rent set every ten years. Primaris REIT has an option to purchase the land on April 1, 2031 at the appraised value. Primaris REIT has an ongoing right of first refusal throughout the lease term.

Park Place Shopping Centre

Park Place Shopping Centre is located at the intersection of 1st Avenue South and Scenic Drive in Lethbridge, Alberta which has a population of 101,000 people. The total trade area population of the mall in 2020 was approximately 168,000 people and it is expected to grow 5.8% by 2025. Park Place Shopping Centre is an approximately 481,000 square foot regional shopping centre anchored by Cineplex, Winners and Sport Chek. Park Place Shopping Centre is situated on a 38 acre site which is leased from the City of Lethbridge for a term ending August, 2028, with three ten-year options to extend and one further five-year option thereafter. Park Place Shopping Centre, as tenant under the ground lease, has an ongoing right of first refusal and a right of first offer to purchase the lands throughout the lease term. Park Place Shopping Centre was built in 1988, expanded in 1996 and most recently renovated in 2017. The average CRU sales productivity was \$597 per square foot for the year ended December 31, 2019. Park Place Shopping Centre had 73% occupancy as of September 30, 2021, which includes approximately 106,000 square feet of space vacated by Sears. Excluding the Sears vacancy, and including committed tenants not yet open, property occupancy at the centre would be 96.9% as at September 30, 2021.

Place d'Orleans

Place d'Orleans is located in the eastern quadrant of Ottawa, Ontario, the capital city of Canada. The Ottawa-Gatineau census metropolitan area is Canada's fourth largest metropolitan area with a population of 1.4 million people. The shopping centre is located adjacent to the Queensway at Place d'Orleans Drive and, in addition to already accommodating a bus loop at the site, the property is scheduled to have a light rail transit stop in 2024/2025. The total trade area population of the mall in 2020 was approximately 205,000 people and it is expected to grow 7% by 2025. Place d'Orleans is an approximately 701,000 square foot enclosed regional shopping centre and is anchored by Hudson's Bay, Sport Chek, Public Works and Government Services Canada. The shopping centre is situated on 43 acres and was developed in several phases between 1979 and 1999. With the introduction of a light rail transit stop at the property, master planning for the site incorporates residential intensification. In 2019, the food court and other retailers located on the second floor were relocated to the main level in order to remerchandise the second floor for office use. Since undertaking this new approach, two additional leases with Public Works have been signed, in addition to one existing Public Works lease. The average CRU sales productivity was \$473 per square foot for the year ended December 31, 2019. Place d'Orleans occupancy, including committed tenants not yet open, was 87.9% as of September 30, 2021.

Place du Royaume

Place du Royaume is located on Talbot Boulevard in the Chicoutimi borough of Saguenay, Québec. Talbot Boulevard is directly linked to Highway 175 leading to Québec City. The Greater Saguenay Area, with a population of 147,000 people, is 250 kilometres north of Québec City. The shopping centre was originally constructed in 1973 and was renovated in 2000, 2001 and 2007/08. The property is situated on approximately 54 acres. The total trade area population of the mall in 2020 was approximately 270,000 people. Place du Royaume is an enclosed regional mall of approximately 614,000 square feet, anchored by Walmart, Winners, Sports Experts, Best Buy and Cinéma Odyssee. Canadian Tire is a shadow anchor. The average CRU sales productivity was \$436 per square foot for the year ended December 31, 2019. Place du Royaume occupancy, including committed tenants not yet open, was 95% as of September 30, 2021.

Quinte Mall

Quinte Mall is located in Belleville, Ontario. Belleville has a population of approximately 51,000 people. The trade area population of the mall in 2020 was approximately 157,000 people and it is expected to grow 2.8% by 2025. Quinte Mall is an approximately 629,000 square foot regional shopping centre comprised of an enclosed mall, an office building and a several pad buildings. Quinte Mall is anchored by Sport Chek, Winners, Goodlife Fitness, Toys “R” Us and Famous Players. The average CRU sales productivity was \$519 per square foot for the year ended December 31, 2019. The mall is situated on 61 acres and was initially developed in 1971 and renovated in 2019. Quinte Mall had 83% occupancy as of September 30, 2021, which includes approximately 76,000 square feet of space vacated by Sears. Excluding the Sears vacancy, occupancy at the centre would be 94.4%.

Regent Mall

Regent Mall is located in Fredericton, New Brunswick. Fredericton is the capital city of New Brunswick and has a metropolitan population of 101,000 people. The total trade area population of the mall in 2020 was approximately 170,000 people and it is expected to grow 5% by 2025. Regent Mall is an approximately 490,000 square foot regional shopping centre anchored by Walmart, Cineplex, Sport Chek, Old Navy and The Brick. The average CRU sales productivity was \$582 per square foot for the year ended December 31, 2019. The mall is situated on 47 acres and was initially developed in 1976 and most recently renovated in 2020. Regent Mall occupancy, including committed tenants not yet open, was 98.2% as of September 30, 2021.

Stone Road Mall

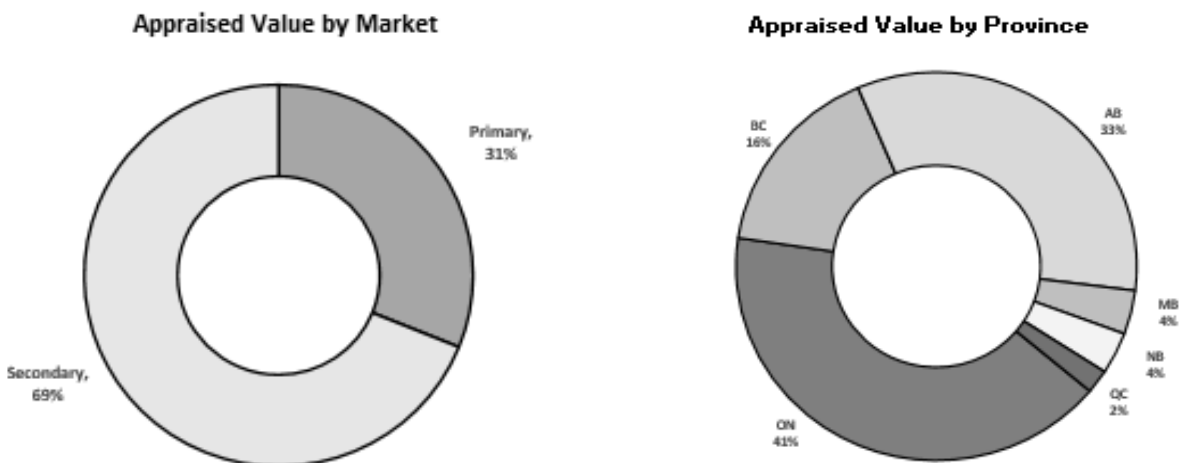
Stone Road Mall is located in Guelph, Ontario which has a population of 152,000 people and is about 60 minutes west of Toronto by vehicle. The trade area population of the mall in 2020 was approximately 168,000 people in the metropolitan area and it is expected to grow 7.5% by 2025. Stone Road Mall is an approximately 517,000 square foot enclosed regional shopping centre anchored by Sport Chek, Home Sense, Marshalls, Mark’s and Toys “R” Us. Stone Road Mall is situated on a 36 acre site and was built in 1975. The mall was expanded in 1989 and, in 2005, an addition of 28,000 square feet was completed to accommodate Old Navy. In 2008, Primaris REIT completed a substantial re-development project at Stone Road Mall and a renovation was completed in 2020 to accommodate three new anchor tenants as well as to upgrade the food court. The average CRU sales productivity was \$594 per square foot for the year ended December 31, 2019. Stone Road Mall occupancy rate, including committed tenants not yet open, was 85% as of September 30, 2021.

Sunridge Mall

Sunridge Mall is located in northeast Calgary, Alberta within the Sunridge Commercial Area, proximate to the TransCanada Highway. In addition, the property is adjacent to one of Calgary’s largest hospitals, Peter Lougheed Hospital, and there is a light rail transit stop at the property. Calgary has a population of 1.6 million people. The trade area population for the mall in 2020 was approximately 285,000 people and it is expected to grow 8% by 2025. Sunridge Mall is a two-level, approximately 825,000 square foot enclosed shopping centre that is anchored by Hudson’s Bay, Alberta Health Services, Sport Chek, Best Buy and Winners. The average CRU sales productivity was \$475 per square foot for the year ended December 31, 2019. The mall is situated on 67 acres and was initially developed in 1981, extensively renovated in 2005 and most recently renovated in 2019. Given the large site and the proximity to light rail transit, master planning for the site includes residential intensification. Sunridge Mall occupancy rate, including committed tenants not yet open, was 89% as of September 30, 2021.

Geographic Diversification

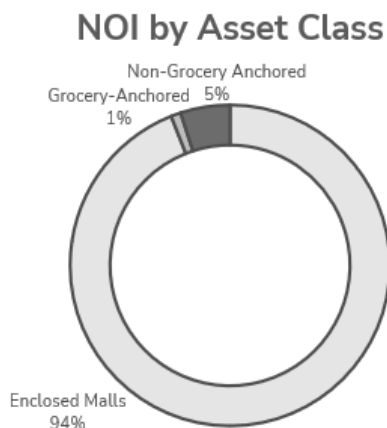
Primaris REIT will own and manage regional enclosed shopping centres and open air retail properties across Canada. The following charts show the geographic markets by appraised value of the properties that will be owned and managed by Primaris REIT following completion of the Arrangement and the HOOPP Contribution.



The areas in which Primaris REIT's initial portfolio of properties are situated have a +3.9% average expected market income growth compound annual growth rate ("CAGR"), a +3.0% average expected household income growth CAGR (in each case representing growth rates in respective primary trade areas), a +5.5% five year average expected trade area population growth (Source: Environics Analytics Estimates & Projections, 2020-2025 trade area growth) and 211,100 average trade area population (Source: Environics Analytics Estimates & Projections).

Property Composition Diversification

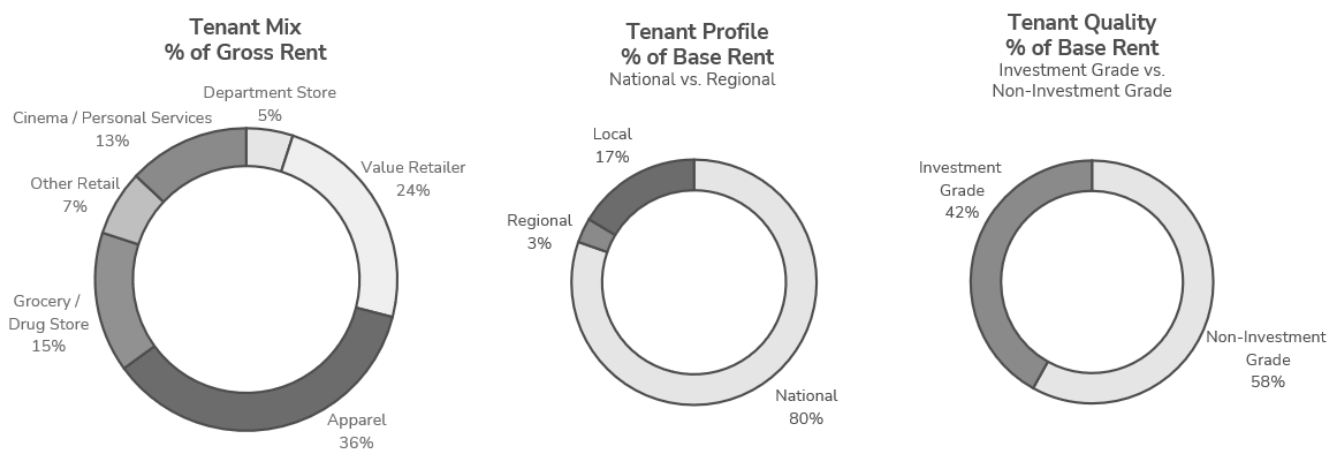
The portfolio of retail properties is primarily comprised of dominant enclosed shopping centre properties, with the remainder of the properties being unenclosed shopping centres and mixed-use properties and one industrial centre adjacent to Lansdowne Place. The following chart shows the anticipated net operating income ("NOI") by asset class of Primaris REIT following completion of the Arrangement and the HOOPP Contribution.



Note: NOI based on 2022 estimates.

Tenant Profile

Primaris REIT will have a broad and diverse tenant base within its portfolio of properties. The following charts show the anticipated tenant base of Primaris REIT following completion of the Arrangement and the HOOPP Contribution.



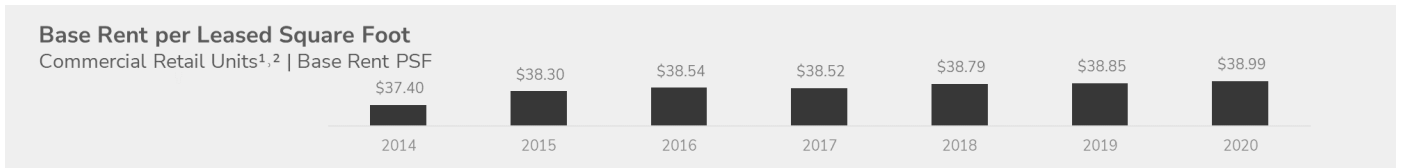
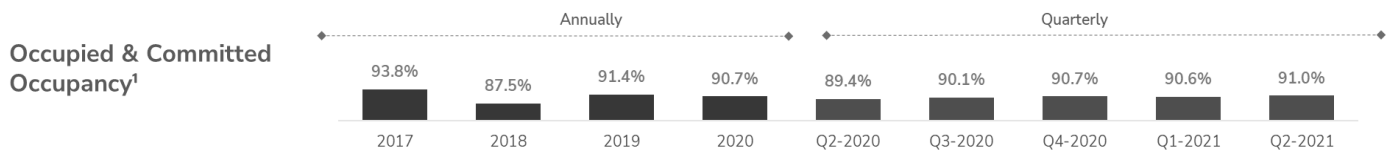
The following table sets out the 20 largest tenants of Primaris REIT.

	Tenant	Sector	Annual Minimum Rent (% of Total)	Weighted Average Lease Term (in Years)	Credit Ratings (S&P/Moody's/DBRS)
1	Canadian Tire Corporation, Limited	Value Retail	6.1%	5.4	BBB/ n.a / BBB
2	Wal-Mart Canada Corp.	Value Retail	4.3%	7.7	AA / Aa2 / AA
3	Loblaw Companies Limited	Grocery	3.8%	5.6	BBB / n.a / BBB(H)
4	The TJX Companies Inc.	Value Retail	3.2%	3.0	A / A2 / n.a
5	Bell Canada	Telecom	2.5%	2.4	BBB+ / Baa2 / BBB
6	Cineplex Inc.	Entertainment	2.2%	7.1	Not Rated
7	Gap Inc.	Apparel	1.8%	2.2	BB / Ba2 / n.a
8	Rogers Communications Inc.	Telecom	1.7%	2.2	BBB+ / Baa1 / n.a
9	Comark Inc.	Apparel	1.6%	3.5	Not Rated
10	Telus Corporation	Telecom	1.6%	4.6	BBB+ / Baa1 / n.a
	Total		28.8%	4.8	
11	H&M Hennes & Mauritz Inc.	Apparel	1.5%	7.2	BBB / n.a / n.a
12	Indigo Books & Music Inc.	Other Retail	1.4%	6.0	Not Rated
13	Best Buy Canada Ltd.	Other Retail	1.4%	2.2	BBB+ / A3 / n.a
14	Recipe Unlimited Corporation	Other Retail	1.4%	5.2	Not Rated
15	Dollarama Inc.	Value Retail	1.4%	5.5	BBB / Baa2 / BBB
16	Hudson's Bay Company	Department Store	1.4%	6.0	Not Rated
17	YM Inc.	Apparel	1.3%	2.8	Not Rated
18	MTY Food Group	Food	1.3%	4.9	Not Rated
19	Goodlife Fitness Centres Inc.	Personal Services	1.2%	5.8	Not Rated
20	Luxottica Canada Inc.	Apparel	1.1%	2.8	Not Rated
	Total		42.2%	4.9	

Occupancy and Leasing

Primaris REIT will be well positioned for economic recovery following the COVID-19 pandemic. Primaris REIT's primary focus since the beginning of the pandemic has been to maintain occupancy by supporting its retail partners. Maintaining occupancy is important in order to maintain tenant and consumer confidence in the properties.

The following charts show the occupied and committed occupancy and the base rent per leased square foot of the Primaris Spin-out Properties (excluding the HOOPP Contribution).

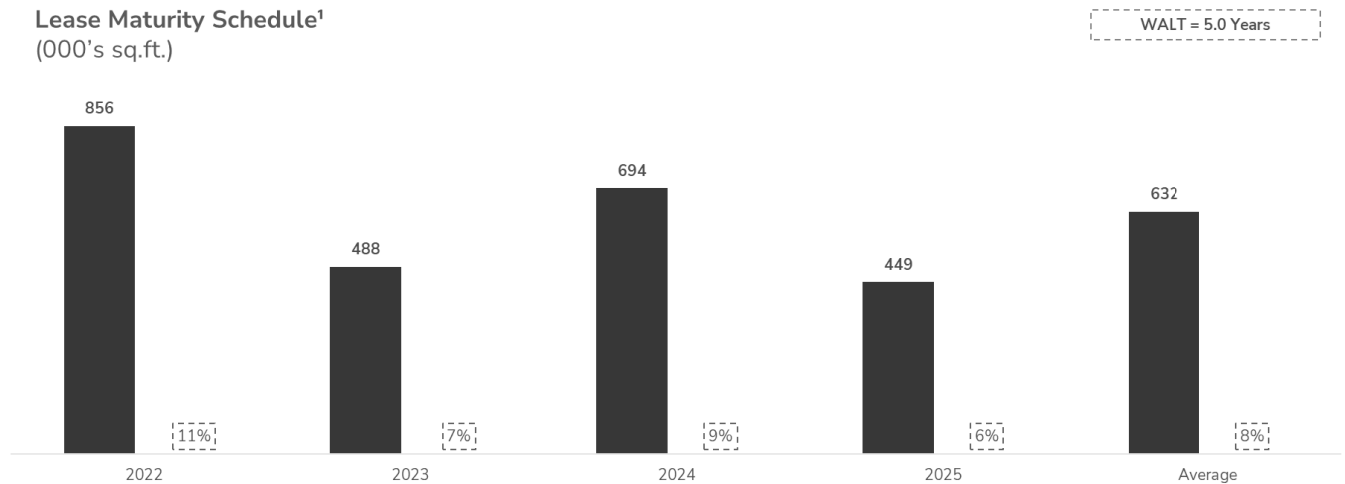


Notes:

- (1) Excludes the HOOPP Properties to be contributed pursuant to the HOOPP Contribution.
- (2) Tenants occupying less than 15,000 square feet.

Lease Maturity Profile

The following chart shows the well-staggered lease maturity profile of Primaris REIT (excluding the HOOPP Properties).



Note:

- (1) As at January 1, 2021. Excludes the HOOPP Properties to be contributed pursuant to the HOOPP Contribution.

DEBT STRATEGY AND INDEBTEDNESS

The Declaration of Trust will provide that the aggregate of the total indebtedness of Primaris REIT and its subsidiaries (including the amount of any indebtedness to be assumed) is restricted to 65% of Total Assets. As at June 30, 2021, after giving effect to the Arrangement and the HOOPP Contribution, the aggregate amount of indebtedness is expected to be approximately 29% of Total Assets.

Following completion of the Arrangement and the HOOPP Contribution, Primaris REIT or its subsidiaries, as of December 31, 2021, will have in place mortgages totalling \$580.0 million in the aggregate, with a weighted average maturity and weighted average interest rate of 2.2 years and 3.0%, respectively.

Primaris REIT will also indirectly assume the obligations under a revolving credit facility with PRR Trust as the borrower. Primaris REIT intends to refinance the credit facility following completion of the Arrangement and the HOOPP Contribution. Primaris REIT will repay the promissory note issued in connection with the HOOPP Contribution on or within three Business Days of the closing of the HOOPP Contribution from the proceeds of such credit facility.

Upon completion of the Arrangement and the HOOPP Contribution, the weighted average maturity and the weighted average annual interest rate of all indebtedness of Primaris REIT are expected to be approximately 3.0 years and 2.1%, respectively.

Financing Strategy

Primaris REIT’s overall strategy will be underpinned by its commitment to its low-leverage, low-FFO-payout-ratio financial model that will allow it to significantly reduce its reliance on accessing external capital, and specifically equity markets, to fund its business. Primaris REIT’s financing strategy will be to maintain financial leverage appropriate to its real estate portfolio, conservatively below the levels available from lenders, to ensure financial stability and adequate capital availability to fund the capital requirements of the business. Primaris REIT will aim to maintain an investment grade rating, and will rely on a combination of unsecured credit facilities and unsecured debentures as the primary forms of financing, with secured mortgages providing a further alternative source of debt capital.

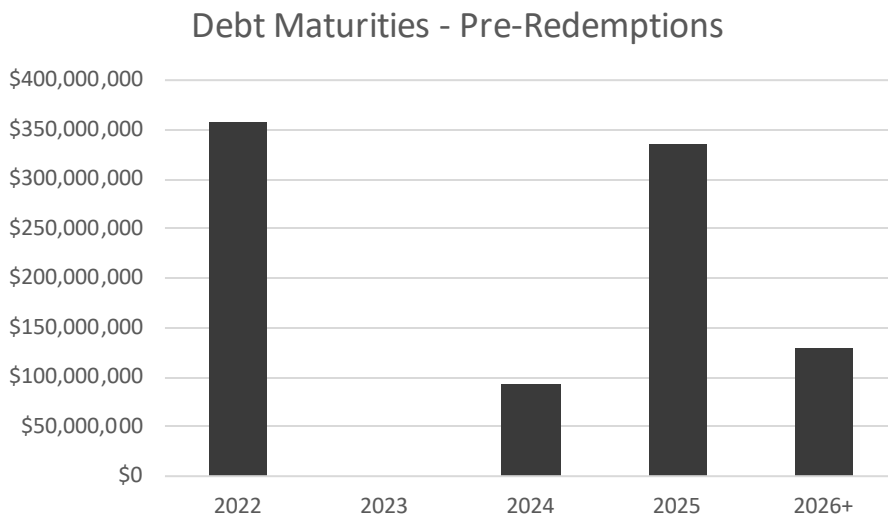
Interest rates and debt maturities will be reviewed regularly by the Primaris REIT Trustees in order to ensure that appropriate debt management strategies are implemented. Debt maturities will be managed to avoid having 20% or more of total debt maturing in a single year to minimize refinancing risk, taking into account the availability of financing, market conditions and Primaris REIT’s liquidity.

Primaris REIT may, from time to time, enter into instruments to hedge the amount of interest to be paid by Primaris REIT on future debt and to reduce its exposure to refinancing risks, provided that such hedging will not affect Primaris REIT’s status as a “real estate investment trust” for purposes of the Tax Act.

Liquidity Strategy

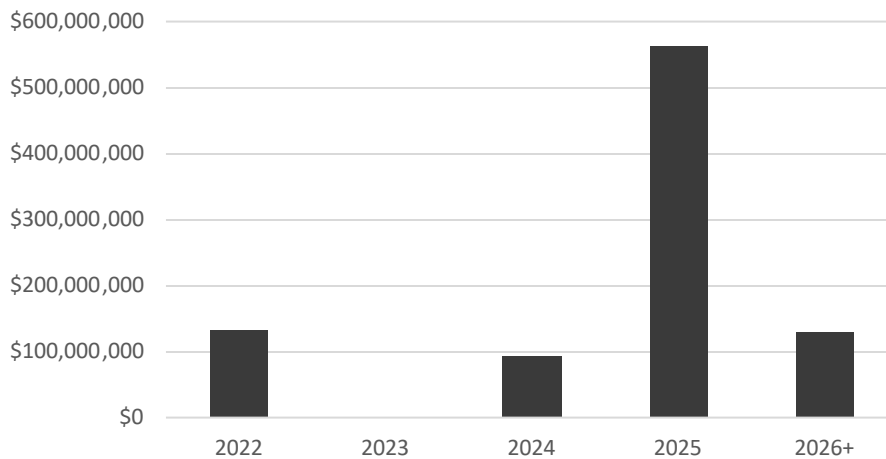
Primaris REIT’s liquidity strategy will reflect Primaris REIT’s financing strategy and overall strategy. Low leverage and a low FFO payout ratio are expected to provide significant free cash flow after distributions and ordinary course reinvestments into Primaris REIT’s portfolio, while an emphasis on unsecured debt will reduce the magnitude of a mortization payments more common with secured mortgage debt. Primaris REIT intends to maintain undrawn credit facilities equal to the amount of debt maturities over the next 18-24 months on a rolling basis, to ensure adequate resources to satisfy such maturities.

The following chart reflects the expected debt maturity profile as at the Effective Date.



The following chart reflects the expected debt maturity profile shortly after the Effective Date, once two significant 2022 mortgage maturities are pre-paid with proceeds from Primaris REIT’s 2025 unsecured credit facility, resulting in over 60% of total debt being unsecured. Management expects to pursue the issuance of unsecured debentures in 2022 to reduce the outstanding balance on the unsecured credit facility to rebalance and extend Primaris REIT’s debt maturity profile.

Debt Maturities - Post-Redemptions



The following table sets out the anticipated outstanding mortgages of Primaris REIT as at December 31, 2021.

Property	Mortgage Maturity	Interest Rate	Balance (at share)
Dufferin Mall	Apr-22	2.03%	\$129,400,000
Edinburgh Marketplace	Mar-29	3.45%	\$22,200,000
McAllister Place	Jan-30	3.41%	\$33,200,000
Orchard Park Shopping Centre	Jun-22	2.10%	\$96,000,000
Place d'Orleans	Aug-24	2.85%	\$53,000,000
Place du Royaume	Oct-27	3.80%	\$73,200,000
Regent Mall	Dec-22	4.03%	\$42,600,000
Stone Road Mall	Nov-22	4.13%	\$89,700,000
Cataraqui Centre	Jan-24	3.16%	\$40,600,000

DEVELOPMENT AND INTENSIFICATION OPPORTUNITIES

Management believes that development of properties to their highest and best use is a key driver of incremental and accretive growth. Primaris REIT's pipeline of development opportunities will include: (i) intensification of excess density within its existing retail portfolio; (ii) existing building expansion and reconfiguration; and (iii) outparcel development.

Primaris REIT's enclosed mall portfolio will comprise 23 assets nationwide, situated on approximately 900 acres of land, close to major transportation nodes and transit, with broad zoning permitting a wide range of uses beyond retail. Primaris REIT intends to target an annual development spend of up to \$60 million to \$70 million, and target development yields in the 7.0% range on commercial real estate development projects. Management expects to be able to fund development activity internally given its intended low payout ratio. Primaris REIT may seek to monetize residential density in an effort to maintain its conservative leverage profile. See "Debt Strategy and Indebtedness" in this Schedule.

One of Primaris REIT's most significant intensification opportunities is expected to be Dufferin Grove Village, in Toronto Ontario, an estimated \$600 million intensification and redevelopment of Dufferin Mall's northernmost parking area drive-through restaurants and strip plaza that currently occupy the north end of Dufferin Mall. The proposed project occupies the northernmost four acres of Dufferin Mall with approximately 966,000 square feet of residential density, broken into four residential buildings, over two major development blocks. The new project will not impact the existing mall, but rather is planned to enhance it by adding an additional 75,000 square feet of retail uses, as well as new loading, garbage and other

services to modernize the existing and new retail offering. The west block is expected to be comprised of two residential buildings of 35 and 39 storeys, and the east block is also expected to have two residential buildings of 14 and 23 storeys. Combined, they are expected to comprise approximately 1,300 residential rental units (including approximately 120 affordable units) and approximately 130,000 square feet of new retail space. Receipt of approval for the re-zoning application for Dufferin Grove Village is expected in the fourth quarter of 2021.

DECLARATION OF TRUST AND DESCRIPTION OF CAPITAL STRUCTURE

The following is a summary of certain material provisions of the Declaration of Trust and does not purport to be complete and is subject to, and is qualified in its entirety by, reference to the Declaration of Trust, as it will be filed on SEDAR.

General

Primaris REIT will be an open-ended unincorporated investment trust that will be created pursuant to the Declaration of Trust and governed by the laws of the Province of Ontario. See also “Investment Guidelines and Operating Policies” in this Schedule.

Units and Special Voting Units

The beneficial interests in Primaris REIT are divided into two classes of trust units: Units and Special Voting Units. The Units are further divided into two series, described and designated as “Series A Units” and “Series B Units”. The number of Units and Special Voting Units which Primaris REIT may issue is unlimited. The legal ownership of the assets of Primaris REIT and the right to conduct the affairs of Primaris REIT are vested exclusively in the Primaris REIT Trustees and no Unitholder has or is deemed to have any right of ownership in any of the assets of Primaris REIT. Each Series A Unit and Special Voting Unit confers the right to one vote at all meetings of the Unitholders and Special Voting Unitholders. Holders of Series B Units are entitled to receive notice of and to attend all meetings of the Unitholders and Special Voting Unitholders but, except as otherwise provided in the Declaration of Trust or as required by law (including applicable securities laws), the holders of Series B Units shall not have the right to vote thereat.

Each Unit represents an equal undivided interest in Primaris REIT with all outstanding Units, all Units outstanding from time to time shall participate *pro rata* in any distributions by Primaris REIT and, in the event of termination of Primaris REIT, in the net assets of Primaris REIT remaining after satisfaction of all liabilities. No Unit shall have any preference or priority over another.

Special Voting Units may be issued in series and shall only be issued concurrently with or in relation to the issuance of Exchangeable Securities, including New Primaris Master LP Exchangeable Units, on such terms and conditions as may be determined by the Primaris REIT Trustees. Special Voting Units shall not be transferable separately from the Exchangeable Securities to which they are attached and will automatically be transferred upon the transfer of any such Exchangeable Securities. Special Voting Units will be automatically cancelled, without any further action of Primaris REIT Trustees or Primaris REIT, and the former holder of such Special Voting Units will cease to have any rights with respect thereto, concurrently with the issuance of Units on the conversion, exchange or cancellation of the related Exchangeable Securities. At all meetings of Unitholders and Special Voting Unitholders and in respect of any written resolution of the Unitholders and Special Voting Unitholders, a Special Voting Unit is entitled to the number of votes equal to the number of Units into which the Exchangeable Securities to which such Special Voting Unit relates are exchangeable or convertible. Holders of Special Voting Units are not entitled to any distribution from Primaris REIT and do not have any legal or beneficial interests in any assets of Primaris REIT on termination or winding-up of Primaris REIT.

Exchangeable Securities, such as the New Primaris Master LP Exchangeable Units, to which Special Voting Units relate are intended to be, to the greatest extent practicable, the economic equivalent of Units. Holders of Exchangeable Securities are entitled to receive distributions paid by the applicable subsidiary limited partnership, which distributions or advances will be equal on a per unit as-exchanged basis, to the greatest extent practicable, to the amount of distributions paid by Primaris REIT to Unitholders. In the case of a distribution declared on the Units in property (other than (i) cash, or (ii) a distribution of Units and immediate consolidation thereafter such that the number of outstanding Units both immediately prior to and following such transaction remains the same), holders of Exchangeable Securities will generally be entitled to receive, subject to applicable law, distributions in such type and amount of property as is the same as, or economically equivalent to (as determined by the board of directors (or other governing body) of the general partner of the applicable subsidiary limited partnership, in good faith and in its sole discretion), the type and amount of property declared as a distribution on each Unit.

Each Exchangeable Security is exchangeable for one Unit, subject to the customary anti-dilution adjustments set out in the applicable exchange agreement. Exchangeable Securities may not be transferred except in connection with an exchange for Units or those certain limited exceptions set out in the applicable limited partnership agreement governing the Exchangeable Securities. The Exchangeable Securities will not be listed on the TSX or on any other stock exchange or quotation system.

Subject to applicable regulatory approval, the issued and outstanding Units and Special Voting Units may be subdivided or consolidated from time to time by the Primaris REIT Trustees without notice to or approval of the Unitholders or Special Voting Unitholders. No certificates or DRS Advices for fractional Units or fractional Special Voting Units will be issued and fractional Units and fractional Special Voting Units will not entitle the holders thereof to vote except to the extent that they may represent in the aggregate one or more whole Units or Special Voting Units, as applicable.

Conversion of Series B Units

A holder of Series B Units shall be entitled at any time to exercise their right to convert all or any number of the Series B Units held by them into Series A Units on a one-for-one basis, subject to adjustment (the “**Exchange Ratio**”). The Declaration of Trust provides for certain events, including, but not limited to, an issuance or distribution of Units, rights, options, warrants or other securities exchangeable for or convertible into or carrying rights to acquire Units, or evidences of indebtedness or assets, to the holders of all or substantially all of the then-outstanding Series A Units (subject to certain exceptions), a subdivision or consolidation of Series A Units into a greater or lesser number of Series A Units without the concurrent and equivalent change in the Series B Units, and a reclassification, capital reorganization or similar change in the Series A Units, (each such event, a “**Unit Reorganization**”), pursuant to which the Exchange Ratio shall be adjusted to be the number of Series A Units that would be received by a holder of a Series B Unit immediately following the Unit Reorganization if the holder of Series B Units had exercised their conversion right in respect of the Series B Unit immediately prior to the Unit Reorganization (assuming full exercise of any such rights, options, warrants or other exchangeable or convertible securities). Certain business combinations of Primaris REIT that result in a reclassification of the outstanding Series A Units or an exchange of outstanding Series A Units for other securities, cash or property, will also lead to adjustment of the conversion right in a manner approved by the Primaris REIT Trustees, acting reasonably, to ensure that holders of Series B Units will be entitled to receive, in lieu of the number of Series A Units to which they would otherwise have been entitled in respect of one Series B Unit if such Series B Unit had been exchanged for Series A Units pursuant to the conversion right, the kind and number or amount of securities, cash or property that they would have been entitled to receive as a result of such event if, on the effective date thereof, they had been the registered holders of the number of Series A Units that they would have received had such Series B Units been exchanged for Series A Units pursuant to the conversion right immediately before the effective date of any such event. The Exchange Ratio may also be adjusted for other actions of Primaris REIT which affect the rights of the holders of Series B Units in such manner as the Primaris REIT Trustees determine to be fair and equitable in the circumstances to holders of Series B Units.

Transferability of Units and Special Voting Units

The Series A Units will be freely transferable and, other than as provided in the Declaration of Trust, the Primaris REIT Trustees shall not impose any restriction on the transfer of the Series A Units. The Series B Units will not be transferable, except to an affiliate of the initial holder thereof. Special Voting Units shall not be transferable separately and apart from the Exchangeable Securities to which they are attached.

Purchases of Units

Primaris REIT may from time to time purchase Units for cancellation in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange or regulatory policies.

Redemption of Units

The right of redemption provides Unitholders with a right to require Primaris REIT to redeem their Units on demand upon delivery to Primaris REIT of a duly completed and properly executed notice (the “**Redemption Notice**”) requesting redemption. Upon receipt of the Redemption Notice by Primaris REIT, the Unitholder will thereafter cease to have any rights with respect to each Unit tendered for redemption other than to receive the “Redemption Price” (as defined below).

Redemption Price and Payment

The “**Redemption Price**” is the price per Unit equal to the amount that is the lesser of: (i) 90% of the “**market price**” (as defined in the Declaration of Trust) of a Unit during the 10-trading day period commencing immediately prior to the date on which a Unit is tendered to Primaris REIT for redemption (the “**Redemption Date**”); and (ii) the “**closing market price**” (as defined in the Declaration of Trust) of a Unit on the Redemption Date, provided that, for purposes of the redemption of Series B Units, the “market price” and “closing market price” shall be the applicable price with respect to Series A Units multiplied by the applicable Exchange Ratio for Series B Units then in effect.

The aggregate redemption price payable by Primaris REIT in respect of any Units surrendered for redemption during a particular calendar month will be satisfied by the mailing to the redeeming Unitholder of a payment by cheque no later than the last day of the month following the month during which Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the conditions that: (i) the total amount payable by Primaris REIT in respect of those Units and all other Units tendered for redemption in the same calendar month does not exceed \$50,000 (subject to certain adjustments and provided that Primaris REIT Trustees may, in their sole discretion, waive this limitation in respect of all Units tendered for redemption in any calendar month); (ii) at the time Units are tendered for redemption, the outstanding Series A Units are listed for trading or quoted on any stock exchange or market which, in the sole discretion of the Primaris REIT Trustees, provides representative fair market value prices for the Units; and (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not so listed, on any market on which Units are quoted for trading) on the Redemption Date or for more than five trading days during the ten-day trading period commencing immediately prior to such date.

If a redemption in cash is not applicable to all, or any, of the Units tendered for redemption by a Unitholder as a result of one or more of the foregoing conditions, the Redemption Price, or balance thereof, if applicable, will, subject to any applicable regulatory approvals (which the Primaris REIT shall use reasonable commercial efforts to obtain), be redeemed by way of a distribution *in specie* of property of Primaris REIT and/or Redemption Notes. The Redemption Notes will be unsecured subordinated promissory notes of Primaris REIT or one of its subsidiaries and have a maturity date and interest rate determined at the time of issuance by the Primaris REIT Trustees and provide for prepayment, in whole or in part and at any time, of the outstanding principal. Each Redemption Note distributed shall be in the principal amount of \$100 or such other amount as may be determined by the Primaris REIT Trustees in their sole discretion. No fractional Redemption Notes shall be distributed and where the number of Redemption Notes to be received upon redemption by a Unitholder would otherwise include a fraction, that number shall be rounded down to the next lowest whole number.

Take-over Bids

The Declaration of Trust contains provisions to the effect that if a take-over bid is made for Units within the meaning of the *Securities Act* (Ontario) and not less than 90% of Units (other than Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire Units held by Unitholders who did not accept the offer, either at the election of such Unitholders, on the terms offered by the offeror, or at the fair value of such Unitholders' Units determined in accordance with the procedures set out in the Declaration of Trust.

Offers

If an offer, issuer bid (other than an issuer bid exempt from the formal bid requirements under applicable securities laws), take-over bid (other than a take-over bid exempt from the formal bid requirements under applicable securities laws) or similar transaction with respect to the Units or Series A Units, as the case may be, is proposed by Primaris REIT or is proposed to Primaris REIT or Unitholders and is recommended by the Primaris REIT Trustees, or is otherwise effected or to be effected, whether or not with the consent or approval of the Primaris REIT Trustees (each, an “**Offer**”), and the Exchangeable Securities and/or Series B Units are not acquired by the related issuing entity in accordance with their terms or exchanged in accordance with the applicable exchange agreement, Primaris REIT will, to the extent possible in the circumstances, expeditiously and in good faith, take all such actions and do all such things as are necessary or desirable to enable and permit holders of Exchangeable Securities and/or Series B Units, as applicable, to participate in such Offer to the same extent and on an economically equivalent basis as the holders of Series A Units or Units, as applicable, without discrimination and to ensure that holders of Exchangeable Securities and/or Series B Units, as applicable, may participate in such Offer without being required to exercise their right to exchange their Exchangeable Securities and/or Series B Units, as the case may be (or, if so

required, to ensure that any such exchange will be effective only upon, and will be conditional upon, the successful completion of the Offer and only to the extent necessary to tender to or deposit under the Offer).

Meetings of Unitholders and Special Voting Unitholders

The Declaration of Trust provides that meetings of Unitholders and Special Voting Unitholders must be called and held for the appointment, election or removal of Primaris REIT Trustees, the appointment or removal of the auditors of Primaris REIT, the approval of amendments to the Declaration of Trust (except as described under “– Amendments to the Declaration of Trust” below), the sale or transfer of the assets of Primaris REIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of Primaris REIT as approved by Primaris REIT Trustees) and the termination of Primaris REIT. Meetings of Unitholders and Special Voting Unitholders will be called and held annually for the election of Primaris REIT Trustees and the appointment of auditors of Primaris REIT and for transacting such other business as Primaris REIT Trustees may determine or as may properly be brought before the meeting.

A meeting of Unitholders and Special Voting Unitholders may be convened at any time and for any purpose by Primaris REIT Trustees and must be convened, except in certain circumstances, if requisitioned by Unitholders and Special Voting Unitholders holding in the aggregate not less than 5% of Units and Special Voting Units then outstanding. A requisition must state in writing and in reasonable detail the business proposed to be transacted at the meeting. Unitholders and Special Voting Unitholders have the right to obtain a list of registered Unitholders and Special Voting Unitholders to the same extent and upon the same conditions as those which apply to shareholders of a corporation governed by the CBCA.

Holders of Series A Units and Special Voting Unitholders may attend and vote at all meetings of the Unitholders and Special Voting Unitholders either in person or by proxy and a proxyholder need not be a holder of Series A Units or Special Voting Unitholder. The Declaration of Trust contains provisions as to quorum, the notice required and other procedures with respect to the calling and holding of meetings of Unitholders and Special Voting Unitholders. In particular, the Declaration of Trust provides that only persons who are nominated in accordance with the procedures set out in the Declaration of Trust will be eligible for election as Primaris REIT Trustees (the “**Advance Notice Policy**”). Nominations of persons for election as Primaris REIT Trustees may be made at any annual meeting of Unitholders and Special Voting Unitholders, or at any special meeting of Unitholders and Special Voting Unitholders, if one of the purposes for which the special meeting was called was the election of Primaris REIT Trustees: (i) by or at the direction of the Primaris REIT Trustees, including pursuant to a notice of meeting; (ii) by or at the direction or request of one or more Unitholders pursuant to a requisition of the Unitholders or Special Voting Unitholders made in compliance with the Declaration of Trust; or (iii) by any person (a “**Nominating Unitholder**”) who (A) at the close of business on the date of the giving of the notice provided for such purposes in the Declaration of Trust and on the record date for notice of such meeting, is entered in the register as a holder of one or more Units or Special Voting Units carrying the right to vote at such meeting or who beneficially owns Units or Special Voting Units that are entitled to be voted at such meeting; and (B) who complies with the notice procedures set forth for such purposes in the Declaration of Trust. In addition to any other applicable requirements, for such a nomination to be made by a Nominating Unitholder, the Unitholder must have given timely notice thereof to Primaris REIT Trustees in the manner prescribed by the Declaration of Trust. To be timely, a Nominating Unitholder’s notice to Primaris REIT Trustees must be made: (i) in the case of an annual meeting of Unitholders and Special Voting Unitholders, not less than 30 days prior to the date of the annual meeting of Unitholders and Special Voting Unitholders; provided, however, that in the event that the annual meeting of Unitholders and Special Voting Unitholders is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Unitholder may be made not later than the close of business on the 10th day following the date of such public announcement; and (ii) in the case of a special meeting (which is not also an annual meeting) of Unitholders and Special Voting Units called for the purpose of electing Primaris REIT Trustees (whether or not called for other purposes), not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting of Unitholders and Special Voting Unitholders was made.

Issuance of Units

Primaris REIT may issue, from time to time, new Units (subject to the provisions noted at “– Transferability of Units and Special Voting Units” above and “– Limitation on Non-Resident Ownership” below), and rights, warrants, and options to subscribe for fully paid Units (“**Other Securities**”), in such manner, for the consideration, and to such persons or class of persons that the Primaris REIT Trustees determine. Unitholders do not have any pre-emptive rights whereby additional Units proposed to be issued must first be offered to existing Unitholders. In addition to Units or options which may be issued pursuant to any unit option plan, incentive unit plan, distribution reinvestment plan and unit purchase plan, or unitholder rights plan,

new Units or Other Securities may be issued through public offerings, through rights offerings to existing Unitholders (i.e., offerings in which Unitholders receive rights to subscribe for new Units or Other Securities in proportion to their existing holdings of Units or Other Securities, which rights may be exercised or sold to other investors), through private placements (i.e., offerings to specific investors which are not made generally available to the public or existing Unitholders) or as a result of conversion or subscription rights exercised under Other Securities. Units may be also issued in satisfaction of any non-cash distribution of Primaris REIT to Unitholders where Primaris REIT Trustees determine that Primaris REIT does not have available cash to fund such distribution or where Primaris REIT Trustees otherwise determine in their absolute discretion that all or a portion of such distribution should not be paid in cash (subject to the provisions noted at “– Transferability of Units and Special Voting Units” above and “– Limitation on Non-Resident Ownership” below) or pursuant to an extraordinary distribution of Units as declared by Primaris REIT Trustees. In certain instances, Primaris REIT may also issue new Units as consideration for the acquisition of new properties or assets. The price or the value of the consideration for which Units may be issued will be determined by the Primaris REIT Trustees, generally in consultation with investment dealers or brokers who may act as underwriters or agents in connection with offerings of Units.

Limitation on Non-Resident Ownership

At no time may Non-Residents be the beneficial owners of 49% or more of the Units and the Primaris REIT Trustees have informed the transfer agent and registrar of this restriction. The transfer agent and registrar may require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the transfer agent and registrar become aware, as a result of requiring such declarations as to beneficial ownership, that the beneficial owners of 49% or more of the Units then outstanding are, or may be, Non-Residents or that such a situation is imminent, the transfer agent and registrar will advise the Primaris REIT Trustees and, upon receiving direction from the Primaris REIT Trustees, may make a public announcement thereof and shall not accept a subscription for Units from or issue or register a transfer of Units to a person unless the person provides a declaration that the person is not a Non-Resident. If, notwithstanding the foregoing, the transfer agent and registrar determine that 49% or more of the Units are held by Non-Residents, the transfer agent and registrar may, upon receiving a direction and suitable indemnity from the Primaris REIT Trustees, send a notice to registered Unitholders who are Non-Residents, chosen in inverse order to the order of acquisition or registration or in such manner as the Primaris REIT Trustees 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 Primaris REIT Trustees with satisfactory evidence that they are not Non-Residents within such period, the transfer agent and registrar, upon receiving such a direction from the Primaris REIT Trustees, may on behalf of such Unitholders sell such Units and, in the interim, shall suspend the voting and distribution rights attached to the Units forming part of such Units. Upon such sale the affected holders shall cease to be Unitholders and their rights shall be limited to receiving the net proceeds of sale upon surrender of the certificate or DRS Advice representing such Units.

Under the Tax Act, Primaris REIT will not be considered to be a mutual fund trust if it is established or maintained primarily for the benefit of Non-Residents. The Tax Act does not provide any means of rectifying a loss of mutual fund trust status that occurs in this way, such that if, at any time, Primaris REIT were to lose its mutual fund trust status as a result of the application of this rule, Primaris REIT would permanently cease to be a mutual fund trust.

Information and Reports

Within such time period as is acceptable under applicable securities legislation, and at least 21 days prior to each annual meeting of Unitholders and Special Voting Unitholders, to the extent required by applicable law, the Primaris REIT Trustees shall send to a Unitholder and/or Special Voting Unitholder audited comparative financial statements for such year, prepared in compliance with applicable securities laws. Within such time period as is acceptable under applicable securities legislation and after the end of each of the first three fiscal quarters of each year, to the extent required by applicable law, the Primaris REIT Trustees shall send unaudited comparative financial statements for the period then ended to a Unitholder and/or Special Voting Unitholder. The Primaris REIT Trustees will supply Unitholders and Special Voting Unitholders with any information that may be required by them in connection with their obligations under the Tax Act and equivalent provincial legislation.

Notice of all meetings of the Unitholders and Special Voting Unitholders will be mailed or delivered by the Primaris REIT Trustees to each Unitholder and Special Voting Unitholders at their address appearing in the register, to each Primaris REIT Trustee and to the auditors of Primaris REIT not less than 21 nor more than 60 days before the meeting. Notice of any meeting of the Unitholders and Special Voting Unitholders will state the purposes of the meeting.

A Unitholder or Special Voting Unitholder has the right to examine the Declaration of Trust during normal business hours, in the manner as contemplated by the Declaration of Trust. Unitholders and Special Voting Unitholders have the right to obtain a list of the registered Unitholders or Special Voting Unitholders to the same extent and upon the same conditions as those which apply to shareholders of a corporation governed by the CBCA.

Amendments to the Declaration of Trust

The Declaration of Trust may be amended or altered from time to time. The following amendments require approval by at least two-thirds of the aggregate votes cast by Unitholders and Special Voting Unitholders entitled to vote thereon at a meeting of Unitholders and Special Voting Unitholders called for such purpose: (i) to change a right with respect to any outstanding Units or Special Voting Units to reduce the amount payable on Units upon termination of Primaris REIT or to diminish or eliminate any voting rights pertaining to Units or the Special Voting Units; (ii) any amendment to the duration or termination provisions of Primaris REIT; (iii) any amendment relating to the powers, duties, obligations, liabilities or indemnification of Primaris REIT Trustees; (iv) any sale or transfer of Primaris REIT as an entirety or substantially as an entirety; and (v) certain other amendments as described in the Declaration of Trust. Other amendments to the Declaration of Trust require approval by a majority of the aggregate votes cast by holders of Units and Special Voting Units entitled to vote thereon at a meeting called for such purpose.

Primaris REIT Trustees may, without the approval of the Unitholders and Special Voting Unitholders, make certain amendments to the Declaration of Trust, including amendments:

- for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over Primaris REIT Trustees or over Primaris REIT, its status as a “mutual fund trust”, “unit trust” or “real estate investment trust” under the Tax Act or the distribution of Units;
- which, in the opinion of Primaris REIT Trustees, provide additional protection for the Unitholders or Special Voting Unitholders;
- which, in the opinion of the Primaris REIT Trustees, are necessary or desirable to remove conflicts or inconsistencies in the Declaration of Trust or making corrections, including the rectification of any ambiguities, defective provisions, errors, mistakes or omissions, which are, in the opinion of the Primaris REIT Trustees necessary or desirable and not prejudicial to the Unitholders or Special Voting Unitholders;
- which, in the opinion of Primaris REIT Trustees, are necessary or desirable (i) as a result of changes in taxation laws from time to time which may affect Primaris REIT, the Unitholders, the Special Voting Unitholders or annuitants under a plan of which a Unitholder or Special Voting Unitholder acts as trustee or carrier, or to qualify for a particular status under taxation laws including to qualify as a “real estate investment trust” for purposes of the Tax Act or to otherwise prevent Primaris REIT or any of its subsidiaries from becoming subject to SIFT Tax, or (ii) as a result of changes in accounting standards from time to time which may affect Primaris REIT, the Unitholders, the Special Voting Unitholders or annuitants under a plan of which a Unitholder or Special Voting Unitholder acts as trustee or carrier; and
- for any purpose (except one in respect of which a Unitholder and Special Voting Unitholder vote is specifically otherwise required) if Primaris REIT Trustees are of the opinion that the amendment is not prejudicial to Unitholders or Special Voting Unitholders and is necessary or desirable.

Ratifying Amendments to the Declaration of Trust

Pursuant to the terms of the Declaration of Trust, Primaris REIT Trustees shall submit any amendment to the Declaration of Trust that has not been approved by the Unitholders pursuant to section 12.01 of the Declaration of Trust, other than amendments pursuant to Section 4.05, Section 12.01(a), Section 12.01(d) or Section 12.01(e) of the Declaration of Trust and amendments the Primaris REIT Trustees determine are necessary or advisable pursuant to or in connection with applicable tax laws, securities laws, accounting standards or other applicable laws or regulations or such amendments, the equivalent of which, would not otherwise be required to be ratified by shareholders pursuant to the CBCA, to the Unitholders and Special Voting Unitholders at the next meeting of Unitholders and Special Voting Unitholders and the Unitholders and Special Voting

Unitholders entitled to vote on the amendment may, by a vote representing at least a majority of Units and Special Voting Units voted, in person or by proxy, confirm, reject or amend the amendment to the Declaration of Trust.

If an amendment to the Declaration of Trust is rejected by the Unitholders and Special Voting Unitholders, or if Primaris REIT Trustees do not submit an amendment to the Unitholders and Special Voting Unitholders as required, the amendment ceases to be effective immediately after the meeting of Unitholders and Special Voting Unitholders referred to above and no subsequent resolution of Primaris REIT Trustees to amend the Declaration of Trust having substantially the same purpose or effect is effective until it is confirmed or confirmed as amended by the Unitholders and Special Voting Unitholders.

Term of Primaris REIT and Sale of Substantially All Assets

Primaris REIT has been established for an indefinite term. Pursuant to the Declaration of Trust, termination of Primaris REIT or the sale or transfer of the assets of Primaris REIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of Primaris REIT as approved by Primaris REIT Trustees) requires approval by at least two-thirds of the aggregate votes cast by Unitholders and Special Voting Unitholders (including, for greater certainty, holders of Series B Units) entitled to vote thereon at a meeting of Unitholders and Special Voting Unitholders called for such purpose.

Rights of Unitholders and Special Voting Unitholders

The rights of Unitholders and Special Voting Unitholders, with respect to Units and Special Voting Units held, respectively, are set out in the Declaration of Trust. Although the Declaration of Trust confers upon a Unitholder and Special Voting Unitholder many of the same protections, rights and remedies an investor would have as a shareholder of a corporation governed by the CBCA, there are significant differences, some of which are discussed below.

The Declaration of Trust contains provisions entitling a Unitholder that is entitled to vote at a meeting the ability, upon compliance with the requirements set out in the Declaration of Trust, to dissent to certain matters resolved by Primaris REIT. In particular, the dissent rights may apply in circumstances where Primaris REIT resolves to (i) sell, lease or exchange of all or substantially all the property and assets of Primaris REIT, (ii) carry out a going-private transaction, or (iii) make certain specified amendments to the Declaration of Trust. The Declaration of Trust also contains provisions that entitle any registered holder or beneficial owner of Units to make an application to a court for purposes of determining whether certain actions or omissions of Primaris REIT, the conduct of the business or affairs of Primaris REIT, or the powers of Primaris REIT Trustees having been exercised in a manner, that is oppressive or unfairly prejudicial to or that unfairly disregards the interests of any Unitholder, Securityholder, creditor, Primaris REIT Trustee or officer. The Declaration of Trust sets forth the procedures and requirements in respect of any such application, as well as set forth the remedies that a court may include in any interim or final order.

Special Voting Unitholders do not have recourse to the above-mentioned dissent rights and similarly do not have recourse to the oppression remedy provided in the Declaration of Trust.

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 a comparable right of Unitholders and Special Voting Unitholders to commence or participate in legal proceedings with respect to Primaris REIT.

INVESTMENT GUIDELINES AND OPERATING POLICIES

Investment Guidelines

The Declaration of Trust provides for certain guidelines on investments which may be made by Primaris REIT. The assets of Primaris REIT may be invested only in accordance with the following guidelines:

- (a) Primaris REIT will invest primarily, directly or indirectly, in interests (including fee ownership and leasehold interests) in income-producing real property located in Canada or the United States and assets ancillary thereto necessary for the operation of such real property and such other activities as are consistent with the other investment guidelines of Primaris REIT;

- (b) notwithstanding anything else contained in the Declaration of Trust, Primaris REIT shall not make or hold any investment, take any action or omit to take any action where such investment, action or omission, as the case may be, would result in: (i) Primaris REIT not qualifying as a “mutual fund trust” or a “unit trust” (both within the meaning of the Tax Act); (ii) Units or Special Voting Units not qualifying as qualified investments under the Tax Act for Exempt Plans; (iii) Primaris REIT being liable to pay a tax under Part XII.2 of the Tax Act; or (iv) Primaris REIT not qualifying as a “real estate investment trust” within the meaning of the Tax Act if, as a consequence of Primaris REIT not so qualifying, Primaris REIT or any of its Subsidiaries would be liable to SIFT Tax;
- (c) Primaris REIT shall not invest in any interest in a single real property if, after giving effect to the proposed investment, the cost to Primaris REIT of such investment (net of the amount of debt incurred or assumed in connection with such investment) will exceed 20% of Total Assets at the time the investment is made;
- (d) Primaris REIT may make its investments and conduct its activities, directly or indirectly, through an investment in one or more persons on such terms as the Primaris REIT Trustees may from time to time determine, including by way of joint ventures, partnerships (general or limited) and limited liability companies, in which case Primaris REIT shall require any such person to only make investments and adopt the operating policies and undertake activities that will allow Primaris REIT to meet all requisite organizational, operational, income, asset, and distribution requirements for Primaris REIT to qualify as a “real estate investment” trust under the Tax Act if, as a consequence of not so qualifying, Primaris REIT or any of its Subsidiaries would be liable to pay SIFT Tax;
- (e) except for the Initial Subscription Note and any other property acquired or otherwise held by Primaris REIT pursuant to the transactions contemplated by the Plan of Arrangement, and except for temporary investments held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province or territory of Canada, deposits with a savings institution, trust company, credit union or similar financial institution that is organized or chartered under the laws of a state or of the United States, short-term government debt securities or money market instruments maturing prior to one year from the date of issue and except as permitted pursuant to these investment guidelines and operating policies of Primaris REIT, Primaris REIT may not hold securities of a person other than to the extent such securities would constitute an investment in real property (as determined by the Primaris REIT Trustees) and provided further that, notwithstanding anything contained in the Declaration of Trust to the contrary, but in all events subject to paragraph (b) above, Primaris REIT may hold securities of a person: (i) acquired in connection with the carrying on, directly or indirectly, of Primaris REIT’s activities or the holding of its assets; or (ii) which focuses its activities primarily on the activities described in paragraph (a) above, provided in the case of any proposed investment or acquisition which would result in the beneficial ownership of more than 10% of the outstanding securities of an issuer (the “**Acquired Issuer**”), the investment is made for the purpose of subsequently effecting the merger or combination of the business and assets of Primaris REIT and the Acquired Issuer or for otherwise ensuring that Primaris REIT will control the business and operations of the Acquired Issuer;
- (f) Primaris REIT shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;
- (g) Primaris REIT shall not invest in raw land for development, except (i) for existing properties with additional development or properties adjacent to existing properties of Primaris REIT for the purpose of the renovation or expansion of existing properties, or (ii) the development of new properties which will be capital property of Primaris REIT, provided that the aggregate value of the investments of Primaris REIT in raw land, excluding raw land under development, after giving effect to the proposed investment, will not exceed 20% of Total Assets;
- (h) Primaris REIT may invest in mortgages and mortgage bonds (including participating or convertible mortgages) and similar instruments where: (i) the real property which is security therefor is income-producing real property which otherwise meets the other investment guidelines of Primaris REIT; and (ii) the aggregate book value of the investments of Primaris REIT in mortgages, after giving effect to the proposed investment, will not exceed 20% of Total Assets; and

- (i) Primaris REIT may invest an amount (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any debt incurred or assumed in connection with such investment) up to 20% of the Total Assets of Primaris REIT in investments which do not comply with one or more of paragraphs (a), (d), (e), (g) and (h) above.

Any references in the foregoing to investment in real property will be deemed to include an investment in a joint venture arrangement that invests in real property.

Operating Policies

The operations and affairs of Primaris REIT shall be conducted in accordance with the following policies:

- (a) Primaris REIT shall not purchase, sell, market or trade in currency or interest rate futures contracts otherwise than for hedging purposes where, for this purpose the term “hedging” has the meaning given by National Instrument 81-102 — *Investment Funds* adopted by the Canadian Securities Administrators, as replaced or amended from time to time (including any successor rule or policy thereto), and in all events, subject to paragraph (b) of the investment guidelines described under “– Investment Guidelines” above;
 - (b) except for any obligation of an entity acquired by Primaris REIT in conjunction with the Plan of Arrangement, (i) any written instrument creating an obligation which is or includes the granting by Primaris REIT of a mortgage, and (ii) to the extent the Primaris REIT Trustees determine to be practicable and consistent with their fiduciary duties to act in the best interest of Primaris REIT, any written instrument which is, in the judgment of the Primaris REIT Trustees, a material obligation, shall contain a provision or be subject to an acknowledgement to the effect that the obligation being created is not personally binding upon, and that resort shall not be had to, nor shall recourse or satisfaction be sought from, by lawsuit or otherwise, the private property of any of the Primaris REIT Trustees, Unitholders, Special Voting Unitholders, annuitants or beneficiaries under a plan of which a Unitholder or Special Voting Unitholder acts as a trustee or carrier, or officers, employees or agents of Primaris REIT, but that only property of Primaris REIT or a specific portion thereof shall be bound; Primaris REIT, however, is not required, but shall use all reasonable efforts, to comply with this requirement in respect of obligations assumed by Primaris REIT upon the acquisition of real property;
 - (c) Primaris REIT shall not lease or sublease to any person any real property, premises or space where that person and its affiliates would, after the contemplated lease or sublease, be leasing or subleasing real property, premises or space having a fair market value net of encumbrances in excess of 20% of Total Assets;
 - (d) the limitation contained in paragraph (c) above shall not apply to the renewal of a lease or sublease and shall not apply where the lessee or sublessee is, or where the lease or sublease is guaranteed by:
 - (i) the Government of Canada, the Government of the United States, any province or territory of Canada, any state of the United States, any municipality or city in Canada or the United States, or any agency or crown corporation thereof; or
 - (ii) any issuer, of which any of the bonds, debentures or other evidences of indebtedness or any other securities of, or guaranteed by, such issuer:
 - (A) are authorized as an investment for insurance companies pursuant to subsections 86(l)(k), (m) or (n) of the Canadian and British Insurance Companies Act in effect on December 31, 1991; or
 - (B) have received and continue to hold an “investment grade” rating from at least one recognized credit rating agency,
- in each case at the time the lease or sublease is entered into, or at the time other satisfactory leasing or pre-leasing arrangements (as determined by the Primaris REIT Trustees in their discretion) were entered into; or

- (iii) a Canadian chartered bank or a trust company or insurance company registered or licensed federally or under the laws of a province of Canada;
- (e) Primaris REIT may engage in construction or development of real property to maintain its real properties in good repair or to improve the income-producing potential of properties in which Primaris REIT has an interest;
- (f) Primaris REIT may not engage in construction or development of new properties that will be capital properties of Primaris REIT on completion unless the aggregate value of the investments of Primaris REIT in such properties under development, after giving effect to the proposed investment in the construction or development, shall not exceed 20% of Total Assets;
- (g) title to each real property shall be held by and registered in the name of Primaris REIT, the Primaris REIT Trustees, a Subsidiary, a person jointly-owned, directly or indirectly, by Primaris REIT or a Subsidiary with joint venturers or by any other person in such manner as the Primaris REIT Trustees consider appropriate, taking into account advice of legal counsel; provided that, where land tenure will not provide fee simple title, Primaris REIT, the Primaris REIT Trustees, a Subsidiary or a person jointly owned, directly or indirectly, by Primaris REIT or such other person as the Primaris REIT Trustees consider appropriate, as aforesaid, shall hold a land lease as appropriate under the land tenure system in the relevant jurisdiction;
- (h) Primaris REIT shall not incur or assume, or permit any Subsidiaries to incur or assume, any indebtedness if, after giving effect to the incurring or assumption of the indebtedness, the total indebtedness of Primaris REIT would be more than 65% of the Total Assets; for the purposes of this subsection, the term “indebtedness” means any obligation of Primaris REIT for borrowed money to the extent that it is classified as a liability on the balance sheet of Primaris REIT calculated in accordance with IFRS but does not include (1) convertible debt instruments issued by Primaris REIT under which the principal amount owing may be satisfied at the option of Primaris REIT through the issuance of Units, (2) any preferred trust units that have not been called for redemption, (3) any trade accounts payable, distributions payable to Unitholders and accrued liabilities arising in the ordinary course of business, or (4) the fair value of any units, shares or other securities convertible into or exchangeable for Units without the payment of additional consideration therefor;
- (i) except as specifically contemplated in the Plan of Arrangement, Primaris REIT shall not directly or indirectly guarantee any indebtedness or liabilities of any person unless such guarantee: (i) is given in connection with or incidental to an investment that is otherwise permitted by Primaris REIT’s investment guidelines; (ii) has been approved by the Primaris REIT Trustees; and (iii) (A) would not disqualify Primaris REIT as a “mutual fund trust” within the meaning of the Tax Act, and (B) would not result in Primaris REIT losing any status under the Tax Act that is otherwise beneficial to Primaris REIT and its Unitholders;
- (j) Primaris REIT shall directly or indirectly obtain and maintain at all times property insurance coverage in respect of potential liabilities of Primaris REIT and the accidental loss of value of the assets of Primaris REIT from risks, in amounts, with such insurers, and on such terms as the Primaris REIT Trustees consider appropriate, taking into account all relevant factors including the practice of owners of comparable properties;
- (k) other than the real property acquired pursuant to the Plan of Arrangement, Primaris REIT shall have obtained an appraisal of each real property that it intends to acquire and an engineering survey with respect to the physical condition thereof, in each case, by an independent and experienced consultant, unless the requirement for such an appraisal or engineering survey is waived by the independent Primaris REIT Trustees; and
- (l) other than the real property acquired pursuant to the Plan of Arrangement, Primaris REIT shall either (i) obtain a Phase I environmental site assessment or (ii) be entitled to rely on an existing Phase I environmental site assessment, of each real property to be acquired by it and, if the Phase I environmental site assessment report recommends that a further environmental site assessment be conducted, Primaris REIT shall have conducted such further environmental site assessments, in each case by an independent and experienced environmental consultant.

For greater certainty, each Subsidiary of Primaris REIT shall comply with the foregoing policies, except that all percentage thresholds set forth in the foregoing paragraphs shall be calculated on a consolidated basis.

Amendments to Investment Guidelines and Operating Policies

Pursuant to the Declaration of Trust, all of the investment guidelines set out under the heading “– Investment Guidelines” and the operating policies contained in paragraphs (a), (h), (i) or (l) under the heading “– Operating Policies” may be amended only with the approval of at least two-thirds of the aggregate votes cast by Unitholders and Special Voting Unitholders entitled to vote thereon at a meeting of Unitholders and Special Voting Unitholders called for such purpose.

Notwithstanding the foregoing sentence, if at any time a government or regulatory authority having jurisdiction over Primaris REIT or any property of Primaris REIT shall enact any law, regulation or requirement which is in conflict with any investment restriction of Primaris REIT then in force, such restriction in conflict shall, if the Primaris REIT Trustees on the advice of legal counsel to Primaris REIT so resolve, be deemed to have been amended to the extent necessary to resolve any such conflict and, notwithstanding anything to the contrary contained in the Declaration of Trust, any such resolution of the Primaris REIT Trustees shall not require the prior approval of Unitholders or Special Voting Unitholders. The remaining operating policies under the heading “– Operating Policies” may be amended with the approval of a majority of the aggregate votes cast by holders of Units and Special Voting Units entitled to vote thereon at a meeting called for such purpose.

DISTRIBUTION POLICY

The following outlines the distribution policy of Primaris REIT to be adopted pursuant to the Declaration of Trust. Determinations as to the amounts distributable, however, will be made in the sole discretion of the Primaris REIT Trustees from time to time.

Primaris REIT intends to adopt a distribution policy, as permitted under the Declaration of Trust, pursuant to which it will make pro rata monthly cash distributions to Unitholders and, through New Primaris Master LP, to holders of New Primaris Master LP Exchangeable Units, if any, initially equal to, on an annual basis, approximately 45% to 50% of funds from operations (“FFO”). See “Risk Factors” in this Schedule. Management believes that this FFO payout ratio initially set by Primaris REIT should allow Primaris REIT to meet its internal funding needs, while being able to support predictable cash distributions. However, subject to compliance with the Declaration of Trust, the actual FFO payout ratio will be determined by the Primaris REIT Trustees in their discretion. Pursuant to the Declaration of Trust, the Primaris REIT Trustees have full discretion respecting the timing and amounts of distributions including the adoption, amendment or revocation of any distribution policy.

Unitholders of record as at the close of business on the last business day of the month preceding a Distribution Date (as defined in the Declaration of Trust) will have an entitlement on and after that day to receive distributions in respect of that month on such Distribution Date. Distributions may be adjusted for amounts paid in prior periods if the actual FFO for the prior periods is greater than or less than the estimates for the prior periods.

Notwithstanding the foregoing, the total amount of distributions due and payable by Primaris REIT on or before the last day of any taxation year of Primaris REIT for purposes of the Tax Act shall not be less than the amount necessary to ensure that Primaris REIT will not be liable to pay income tax under Part I of the Tax Act for such year. The amount, if any, which is required to be distributed to comply with the preceding sentence shall be due and payable, on the earlier of the last Distribution Date in respect of each year and the last day of such taxation year, to persons who are Unitholders of record on that date, such amount to be payable in cash unless the Primaris REIT Trustees determine in their absolute discretion to pay such amount in Units in any particular year, in which case such amount shall be payable in Units for that year.

Where the Primaris REIT Trustees determine that Primaris REIT does not have available cash in an amount sufficient to make payment of the full amount of any distribution payable on the Distribution Date, or where the Primaris REIT Trustees otherwise determine in their absolute discretion that all or a portion of such distribution should not be paid in cash, the payment may, at the option of the Primaris REIT Trustees, include the issuance of additional Units, or fractions of Units, if necessary, having a fair market value as determined by the Primaris REIT Trustees equal to the difference between the amount of such distribution and the amount of cash which either has been determined by the Primaris REIT Trustees in their absolute discretion to be available, or which the Primaris REIT Trustees have otherwise determined shall be distributed in their absolute discretion, as the case may be, for the payment of such distribution.

At any time, the Primaris REIT Trustees may declare an extraordinary distribution of cash, Units or property of Primaris REIT *in specie*. Distributions shall be made in cash or Units pursuant to any distribution reinvestment plan or distribution reinvestment and unit purchase plan adopted by the Primaris REIT Trustees, or, in the case of an extraordinary distribution, in cash, Units or property of Primaris REIT *in specie*. Any distribution, including an extraordinary distribution, of Units shall be subject to the restrictions noted under “Declaration of Trust and Description of Capital Structure – Limitation on Non-Resident Ownership” in this Schedule.

The ability of Primaris REIT to make cash distributions, and the actual amount distributed, will be entirely dependent on the operations and assets of Primaris REIT and will be subject to various factors including financial performance, obligations under applicable credit facilities and restrictions on payment of distributions thereunder on the occurrence of an event of default, fluctuations in working capital, the sustainability of income derived from Primaris REIT’s properties and any capital expenditure requirements. See “Risk Factors” in this Schedule.

Notwithstanding the distribution policy, the Primaris REIT Trustees retain full discretion with respect to the timing and quantum of distributions.

INCENTIVE PLAN DESCRIPTIONS

Primaris REIT Incentive Unit Plan

Under the Primaris REIT Incentive Unit Plan, certain trustees, officers, employees and consultants of Primaris REIT and related entities of Primaris REIT, and such other persons that are designated to be eligible to participate in the Primaris REIT Incentive Unit Plan who spend a significant amount of time and attention on the affairs and business of Primaris REIT and related entities of Primaris REIT (collectively, “**Participants**”) may be granted at the discretion of the Primaris REIT Trustees, the right to receive incentive units (“**Incentive Units**”) with each Incentive Unit consisting of either a performance unit (representing the right to receive one Unit or the market value thereof) (“**PSU**”) or a restricted unit (representing the right to receive one Unit or the market value thereof) (“**RSU**”), each a “**Grant**”. Incentive Units vest either after the attainment of certain performance conditions (in the case of PSUs) or after a continuous period of employment (in the case of RSUs). The specific vesting conditions for each Incentive Unit will be determined by the Primaris REIT Trustees.

Up to 1,250,000 Series A Units may be issued in connection with the Primaris REIT Incentive Unit Plan (assuming that the Units are consolidated on a 4:1 basis pursuant to the Plan of Arrangement), representing approximately 1.66% of the 75,443,828 Voting Units and 1.27% of the 98,248,726 Units estimated to be outstanding immediately following completion of the Arrangement and the HOOPP Contribution.

Based on current fair value estimates of the assets of H&R REIT and Primaris REIT (after giving effect to the Arrangement), respectively, it is estimated that PSUs entitling the holders thereof to acquire up to 13,341 Series A Units (assuming vesting at 100% in respect of any PSUs and assuming that the Units are consolidated on a 4:1 basis pursuant to the Plan of Arrangement) will be outstanding following the Arrangement (representing approximately 0.02% of the Voting Units and 0.01% of the Units estimated to be outstanding immediately following completion of the Arrangement and the HOOPP Contribution) and RSUs entitling the holders thereof to acquire up to 181,654 Series A Units will be outstanding following the Arrangement (representing approximately 0.24% of the Voting Units and 0.18% of the Units estimated to be outstanding immediately following completion of the Arrangement and the HOOPP Contribution and assuming that the Units are consolidated on a 4:1 basis pursuant to the Plan of Arrangement).

No one Participant may receive any Grant which, together with all Grants then held by such Participant, would permit such Participant to be issued a number of Series A Units which is greater than 1% of the total outstanding Voting Units, which as of November 5, 2021, after giving effect to the Arrangement and the HOOPP Contribution, is expected to be 754,438 Units. The number of Units issuable to Insiders (as such term is defined in the Primaris REIT Incentive Unit Plan) of Primaris REIT at any time, under all security based compensation arrangements of Primaris REIT (including the Primaris REIT Option Plan), shall not exceed 10% of the total outstanding Units, and the number of Units issued to Insiders, within any one year period, under all security based compensation arrangements of Primaris REIT shall not exceed 10% of the total outstanding Voting Units which as of November 5, 2021, after giving effect to the Arrangement and the HOOPP Contribution, is expected to be 7,544,383 Voting Units. In addition, the total number of Units issuable to each of the Primaris REIT Trustees who are not employees or officers of Primaris REIT or any related entity of Primaris REIT (“**Primaris REIT Non-Executive Trustees**”), under all security based compensation arrangements of Primaris REIT, shall not exceed 1% of the total outstanding Voting Units which as of November 5, 2021, after giving effect to the Arrangement and the HOOPP Contribution, is expected to be

754,438 Voting Units, and the value of Incentive Units or other units or options granted to any one Primaris REIT Non-Executive Trustee within each calendar year, under all security based compensation arrangements of Primaris REIT, shall not exceed \$150,000.

Subject to the terms of the Primaris REIT Incentive Unit Plan, Incentive Units shall be settled upon or as soon as practicable after their vesting. The settlement will be in cash, Units issued by Primaris REIT, or any combination thereof, as determined by the Primaris REIT Trustees, unless otherwise specified in the applicable grant agreement. Settlement of Incentive Units in Units shall be made by delivery by the Primaris REIT Trustees of one Unit issued by Primaris REIT for each such whole Incentive Unit then being settled. Settlement of Incentive Units in cash shall generally be made by payment to the Participant of an aggregate amount equal to the product of the market price of a Unit on the applicable settlement date specified by the Primaris REIT Trustees multiplied by the number of Incentive Units then being settled. The “market price” in respect of Units generally means the average of the daily average of the high and low board lot trading prices of Units on the TSX for the five consecutive trading days immediately preceding such date. Fractional Incentive Units shall be settled by way of a cash payment determined on the basis set out above.

Vesting conditions in respect of a Grant are determined by the Primaris REIT Trustees and may result in the vesting of more or less than 100% of the number of Incentive Units included in a Grant at the time the Grant is made. A Grant agreement relating to a Grant of Incentive Units may, but need not, provide for the accrual of distribution equivalent amounts for the account of the Participant or the payment of cash distribution equivalents to a Participant with respect to cash distributions paid in the ordinary course to Unitholders in respect of outstanding Units. In the event of a “Change in Control” (as defined below) prior to the end of the vesting period relating to a Grant, and subject to the terms of a Participant’s written employment agreement with Primaris REIT or any related entity of Primaris REIT and the Grant agreement in respect of the Grant, the Primaris REIT Trustees may determine, in their sole discretion, that all Incentive Units that have not previously vested shall become vested Incentive Units on the effective date of the Change in Control, as provided in the Primaris REIT Incentive Unit Plan.

A “Change of Control” for the purposes of the Primaris REIT Incentive Unit Plan means: (a) the issuance to, or acquisition by any person, or group of persons acting in concert, directly or indirectly, including through an arrangement or other form of reorganization, of Units which in the aggregate carry 50.1% or more of the total voting rights under all of the then issued and outstanding Units, (b) the sale of all or substantially all of the assets of Primaris REIT or (c) an event that the Primaris REIT Trustees determine to be a Change in Control for the purposes of the Primaris REIT Incentive Unit Plan.

The Primaris REIT Trustees shall determine the terms and conditions of Grants granted to any Participant, including, without limitation: the type of Incentive Unit, the number of RSUs or PSUs subject to a Grant, the vesting period(s) applicable to a Grant, the conditions to the vesting of any Incentive Units, any multiplier that may apply to Incentive Units subject to a Grant in connection with the achievement of vesting conditions, the performance period for PSUs and the conditions, if any, upon which vesting of any Incentive Unit will be waived or accelerated without any further action by the Primaris REIT Trustees, the circumstances upon which an Incentive Unit shall be forfeited, cancelled or expire, the consequences of termination with respect to an Incentive Unit, the manner and time of exercise or settlement of vested Incentive Units, whether and the terms upon which any Units delivered upon exercise or settlement of an Incentive Unit must continue to be held by a Participant for any specified period and whether and the extent to which any performance conditions or other criteria applicable to the vesting of an Incentive Unit have been satisfied or shall be waived or modified. The number of Incentive Units to be covered by each Grant shall be determined by dividing the dollar amount allocated to a Participant for such Grant by the market price of a Unit as at the specified valuation date for such Grant, rounded up to the next whole number.

Subject to the terms of the relevant Participant’s employment agreement, in the event that a Participant’s employment is terminated without cause or the Participant dies or experiences certain disability events prior to the vesting date of any Grant, such Participant’s Incentive Units will thereupon become vested in an amount equal to:

- (a) in the case of RSUs, the product of: (i) total number of RSUs relating to such Grant that have not previously vested and distribution equivalent RSUs in respect of such RSUs, multiplied by (ii) a fraction, the numerator of which is the total number of months between (A) the first day of the vesting period relating to such Grant, or if the RSUs are subject to more than one vesting date during the vesting period, the most recent vesting date of RSUs included in such Grant that precedes the Participant’s date of termination, date of death or date of disability, as the case may be, and (B) the Participant’s date of termination, date of death or date of disability, as the case may be (rounded up to the nearest whole number of months), and the denominator of

which is the total number of months in the relevant vesting period (rounded up to the nearest whole number of months); and

- (b) in the case of PSUs, the product of: (i) the total number of PSUs relating to such Grant that have not previously vested and distribution equivalent PSUs in respect of such PSUs that would have vested assuming the Participant was Employed (as such term is defined in the Primaris REIT Incentive Unit Plan) by Primaris REIT or any related entity of Primaris REIT until the end of the applicable vesting period (and, for greater certainty, taking into account the extent to which the performance conditions applicable to such Grant of PSUs were achieved), multiplied by (ii) a fraction, the numerator of which is the total number of months between (A) the first day of the vesting period relating to such Grant, or if the PSUs are subject to more than one vesting date during the vesting period, the most recent vesting date of PSUs included in such Grant that precedes the Participant's date of termination, date of death or date of disability, as the case may be, and (B) the Participant's date of termination, date of death or date of disability, as the case may be (rounded up to the nearest whole number of months), and the denominator of which is the total number of months in the relevant vesting period (rounded up to the nearest whole number of months).

Subject to the terms of a Participant's written employment agreement, in the event a Participant's employment is terminated for cause or if the Participant resigns, no Incentive Units which have not vested and settled prior to the date of the Participant's termination or resignation, as the case may be, including distribution equivalent Incentive Units in respect of such Incentive Units, shall vest, and all such Incentive Units shall be forfeited immediately.

In keeping with good governance practices, a Primaris REIT Trustee's unvested Incentive Units shall automatically vest in the circumstance where such Primaris REIT Trustee ceases to be a Primaris REIT Trustee prior to the vesting of such Incentive Units, as it would facilitate the orderly retirement of Primaris REIT Trustees, who will no longer have to consider giving up unvested compensation in order to retire.

A Participant may assign his or her Incentive Units to specified permitted assigns, including, but not limited to, a trustee, custodian, or administrator acting on behalf of, or for the benefit of the Participant, a holding entity of the Participant, an RRSP or a RRIF of the person and a spouse of the Participant. Subject to the requirements of applicable law, a Participant may designate a beneficiary, in writing, to receive any benefits that are payable under the Primaris REIT Incentive Unit Plan upon the death of such Participant. The Participant may, subject to Applicable Law (as such term is defined in the Primaris REIT Incentive Unit Plan), change such designation from time to time.

The Primaris REIT Incentive Unit Plan and any Grants made pursuant thereto may be amended, modified or terminated by the Primaris REIT Trustees without approval of Unitholders. Such changes could include, without limitation, minor changes of a "housekeeping nature" and accelerating the vesting of a Grant. Notwithstanding the foregoing, the Primaris REIT Incentive Unit Plan or any Grant may not be amended without Unitholder approval to: (a) increase the number of Units issuable on settlement of outstanding Incentive Units at any time; (b) permit a Participant to transfer or assign Incentive Units to a new beneficial holder other than as set forth in certain specified circumstances; (c) increase the number of Units that may be issued or issuable to insiders above the restrictions previously outlined; (d) extend the term of an Incentive Unit or any rights pursuant thereto held by an insider beyond its original vesting date; (e) increase the number of Units issuable to Primaris REIT Non-Executive Trustees, or the value of Incentive Units or other units or options granted to any one Primaris REIT Non-Executive Trustee within each calendar year, above certain restrictions specified in the Primaris REIT Incentive Unit Plan; (f) add additional categories of Participants; or (g) amend the amendment provisions of the Primaris REIT Incentive Unit Plan.

In the event that (i) the interim or annual financial statements of Primaris REIT are required to be restated and such restatement discloses materially poorer financial results than the original statements; (ii) in the opinion of the CG&N Committee, acting reasonably, there has been material injury to Primaris REIT's reputation or business relationships; (iii) the Participant engaged in gross negligence, intentional misconduct or fraud that caused or partially caused an event as stated in (i) or (ii) (an "**Adverse Event**"); and (iv) the value of a Participant's Incentive Units or Units deliverable to the Participant under the Primaris REIT Incentive Unit Plan was higher immediately before the Adverse Event occurred than immediately after such event, the CG&N Committee may, in its sole discretion, either require the Participant to pay to Primaris REIT the fair market value of Units delivered to the Participant to the extent the value of the Units was greater than it would have been had the Adverse Event not occurred, or reduce the number of Incentive Units that would otherwise vest in the Participant or the number of Units that would otherwise be deliverable to the Participant had such Adverse Event not occurred. Further, if a Participant in the Primaris REIT Incentive Unit Plan is terminated by Primaris REIT for cause, or the Participant voluntarily terminates their employment with Primaris REIT during a period in which Incentive Units previously granted are to vest, no

portion of the Incentive Units granted will vest and the Participant shall receive no payment or other compensation in respect of such Incentive Units or loss thereof.

Primaris REIT Option Plan

Participation in the Primaris REIT Option Plan is restricted to “eligible persons”, being the independent trustees, officers and employees of Primaris REIT or any subsidiary (“**eligible individuals**”), and personal holding companies or family trusts of such persons and/or their spouses, children and grandchildren (“**permitted assigns**”). The options issued pursuant to the Primaris REIT Option Plan have a maximum term of 10 years and are non-assignable, except by an eligible individual to his or her permitted assign upon prior notice to Primaris REIT and approval by the Primaris REIT Trustees. If the term of an option would otherwise expire during or within 10 business days of the expiration of a blackout period applicable to the holder of such option, then the term of such option shall be extended to the close of the tenth business day following the expiration of such blackout period. Except in the case of options issued in exchange for H&R REIT options pursuant to the Plan of Arrangement, options are exercisable at a price not less than the market price of the Units at the time of grant, or in accordance with a cashless exercise. For the purposes of exercises, the “market price” is the average of the daily average of the high and low board lot trading prices of the Units on the TSX for the five consecutive trading days immediately preceding such date (or, if such Units are not then listed and posted for trading on the TSX, on such stock exchange in Canada on which such Units are listed and posted for trading as may be selected for such purpose by the Primaris REIT Trustees); and in the event that such Units did not trade on such trading day, the market price is the average of the bid and ask prices in respect of such Units at the close of trading on such trading day; and in the event that such Units are not listed and posted for trading on any stock exchange, the market price is the fair market value of such Units as determined by the Primaris REIT Trustees in their sole discretion. Unless the Primaris REIT Trustees determine otherwise, the options are exercisable in respect of 33 1/3% of the Units subject to such options after each anniversary of the granting of such options.

The aggregate number of Series A Units that may be issued pursuant to grants under the Primaris REIT Option Plan may not exceed 3,000,000 Units (assuming that the Units are consolidated on a 4:1 basis pursuant to the Plan of Arrangement), representing approximately 3.98% of the Voting Units and 3.05% of the Units estimated to be outstanding immediately following completion of the Arrangement and the HOOPP Contribution.

Based on current fair value estimates of the assets of H&R REIT and Primaris REIT (after giving effect to the Arrangement), respectively, it is estimated that options entitling the holders thereof to acquire up to 720,045 Series A Units will be outstanding following the Arrangement (representing approximately 0.95% of the Voting Units and 0.73% of the Units estimated to be outstanding immediately following completion of the Arrangement and the HOOPP Contribution and assuming that the Units are consolidated on a 4:1 basis pursuant to the Plan of Arrangement) at a weighted average exercise price of \$22.28 (assuming that the Units are consolidated on a 4:1 basis pursuant to the Plan of Arrangement).

In accordance with the cashless exercise features of the Primaris REIT Option Plan, holders of options can exercise their vested options and in return, Primaris REIT will deliver the number of Units to such holder equal to the value of the in-the-money portion (i.e., the “market price” less the exercise price of the respective options). A full deduction of the number of underlying securities from the Primaris REIT Option Plan’s reserve is made when an option is exercised pursuant to a cashless exercise. Each named executive officer or Primaris REIT Trustee who exercises an option pursuant to a cashless exercise must hold 75% of the Units received upon such exercise for one year following such exercise.

The total number of Units reserved for issuance to Primaris REIT Non-Executive Trustees pursuant to options shall not exceed 1% of the then issued and outstanding Voting Units, which as of November 5, 2021, after giving effect to the Arrangement and the HOOPP Contribution, is expected to be 754,438 Units and the value of options granted to any one Primaris REIT Non-Executive Trustee (as such term is defined in the Primaris REIT Option Plan), together with any Units reserved for issuance under any other unit compensation arrangement, in any one calendar year shall not exceed \$150,000.

The number of Units issuable pursuant to all options granted to any one optionee under the Primaris REIT Option Plan, together with any Units reserved for issuance to such optionee under any other unit compensation arrangement, cannot exceed 5% of the Voting Units outstanding at the date of the grant of the option which as of November 5, 2021, after giving effect to the Arrangement and the HOOPP Contribution, is expected to be 3,772,191 Units. Further, except with the approval of the Unitholders, no options can be granted under the Primaris REIT Option Plan to an optionee if such grant could result, at any time, in: (i) the number of Units issuable to insiders pursuant to options granted under the Primaris REIT Option Plan and under all other unit compensation arrangements exceeding 10% of the number of Voting Units then issued and outstanding (ii) the issuance of Units to insiders of Primaris REIT within a one-year period, exceeding 10% of the number of Voting Units

then issued and outstanding; or (iii) the issuance of Units to any one insider and such insider's associates, within a one-year period, exceeding 5% of the number of Voting Units then issued and outstanding.

Unless otherwise provided for in an agreement between Primaris REIT and an optionee and any express resolution of the Primaris REIT Trustees, an option and all rights to purchase Units pursuant thereto expire immediately upon such optionee ceasing to be an eligible person. In the event of an optionee's death, the optionee's legal representative may exercise the unexercised balance of the options at any time prior to the period of time specified in the applicable option agreement, but only to the same extent to which the deceased could have exercised the option immediately before the date of death.

The Primaris REIT Option Plan's amendment provisions require the approval of Primaris REIT Trustees, Unitholders and the TSX for the following changes thereto or options granted under it: (a) increasing the number of Units issuable pursuant to the Primaris REIT Option Plan; (b) making any amendment that would reduce the exercise price of an outstanding option (including the cancellation and re-issuance of an option constituting a reduction of the exercise price); (c) extending the original term of any outstanding option; (d) amending the Primaris REIT Option Plan to provide for other types of security-based compensation through equity issuances; (e) increasing or deleting the percentage limits relating to Units issuable or issued to insiders or Primaris REIT Non-Executive Trustees; (f) increasing or deleting the percentage limit on Units reserved for issuance to any one person; (g) which would permit options granted to be transferable or assignable other than for normal estate settlement purposes; (h) expanding the definition of "eligible persons" in the Primaris REIT Option Plan; (i) adding of a cashless exercise feature, payable in cash or securities, which does not provide for a full deduction of the number of underlying securities from the Primaris REIT Option Plan's reserve; and (j) amending the amendment requirements. The amendment provisions further provide that the Primaris REIT Trustees may, without the approval of Unitholders, but subject to any requisite approval of the TSX, make all other amendments to the Primaris REIT Option Plan that are not contemplated above, including without limitation: (w) amendments of a housekeeping nature; (x) a change in the vesting provisions of an option or the Primaris REIT Option Plan; (y) a change to the termination provisions of an option or the Primaris REIT Option Plan which does not entail an extension beyond the original expiry date (as may be extended as result of any blackout period); and (z) the addition of a cashless exercise feature, payable in cash or securities, which provides for a full deduction of the number of underlying securities from the Primaris REIT Option Plan's reserve.

EQUITY COMPENSATION PLAN INFORMATION

There are currently no options or Incentive Units outstanding. As described further in the Circular under the headings "The Arrangement – Effect of the Arrangement on REIT Options" and "The Arrangement – Effect of the Arrangement on Incentive Units", outstanding H&R REIT options and H&R REIT incentive units will ultimately be exchanged for Primaris REIT options and Incentive Units. Based on the number of H&R REIT options and H&R REIT incentive units outstanding on November 5, 2021, and based on, for purposes of this table, current fair value estimates of the assets of H&R REIT and Primaris REIT (after giving effect to the Arrangement), the following tables set forth information with respect to the options and Incentive Units issuable pursuant to the Plan of Arrangement in exchange for H&R REIT options and H&R REIT incentive units:

Equity Compensation Plan Information⁽¹⁾

Plan Category	Number of Units to be Issued Upon Exercise of Outstanding Security	Weighted-Average Exercise Price of Outstanding Security	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Primaris REIT Incentive Unit Plan ⁽²⁾			
RSUs	181,654	n/a	1,055,005
PSUs ⁽³⁾	13,341	n/a	
Primaris REIT Option Plan ⁽²⁾	720,045	\$22.28	2,279,955
Total:	915,040	n/a	3,334,960

Notes:

- (1) Assuming that the Units are consolidated on a 4:1 basis pursuant to the Plan of Arrangement.
- (2) Approval of the unitholders of H&R REIT is being sought at the Meeting for the Primaris REIT Option Plan and Primaris REIT Incentive Unit Plan.
- (3) Assuming vesting of PSUs at 100%.

Options to Purchase Securities⁽¹⁾

Plan Category	Number of Units to be Issued Upon Exercise of Option	Weighted-Average Exercise Price of Outstanding Security	Expiry Dates
Non-Employee Trustees	Nil	n/a	n/a
Executive Officers	642,215	\$22.27	June 24, 2023 March 6, 2024 January 6, 2025 February 24, 2026
Employees	77,830	\$22.44	March 6, 2024 January 6, 2025 February 24, 2026

Note:

- (1) Assuming that the Units are consolidated on a 4:1 basis pursuant to the Plan of Arrangement.

PRIOR SALES

As Primaris REIT has not yet been formed, there have been no prior sales of securities of Primaris REIT. An initial Series A Unit will be issued to H&R REIT when Primaris REIT is formed prior to implementation of the Plan of Arrangement.

PRINCIPAL UNITHOLDERS

Following completion of the Arrangement and the HOOPP Contribution, HOOPP Trust is expected to hold, in the aggregate, Units representing an approximate 26% interest in Primaris REIT on a diluted basis and assuming the exchange in full of all New Primaris Master LP Exchangeable Units for Series A Units of Primaris REIT. See “The Arrangement – Canadian Securities Law and Stock Exchange Considerations” and “Purchase and Sale Agreement” in the Circular.

AGREEMENTS WITH PRINCIPAL UNITHOLDERS

Registration Rights Agreement

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

Upon the closing of the HOOPP Contribution, Primaris REIT and HOOPP will enter into the Registration Rights Agreement which will govern the rights of HOOPP as a principal Unitholder. The Registration Rights Agreement will contain the following provisions, a summary of which is not intended to be complete.

The Registration Rights Agreement will provide HOOPP with the right (the “**Piggy-Back Registration Right**”), among others, to require Primaris REIT to include Units (including Units issuable upon the exchange of Series B Units) held by HOOPP in any future offering undertaken by Primaris REIT by way of prospectus that it may file with applicable Canadian securities regulatory authorities (a “**Piggy-Back Distribution**”). Primaris REIT will be required to use reasonable commercial efforts to cause to be included in the Piggy-Back Distribution all of the Units HOOPP requests to be sold, provided that if the Piggy-Back Distribution involves an underwriting and the lead underwriter determines that the total number of Units to be

included in such Piggy-Back Distribution should be limited for certain prescribed reasons, the Units to be included in the Piggy-Back Distribution will be first allocated to Primaris REIT.

In addition, the Registration Rights Agreement will provide HOOPP with the right (the “**Demand Registration Right**”) to require Primaris REIT to use reasonable commercial efforts to file one or more prospectuses with applicable Canadian securities regulatory authorities, qualifying Units held (or issuable upon the exchange of Series B Units) by HOOPP for distribution (a “**Demand Distribution**”). HOOPP will be entitled to request not more than two Demand Distributions per calendar year and each request for a Demand Distribution must relate to such number of Series A Units that would reasonably be expected to result in gross proceeds of at least \$15 million. Primaris REIT may also distribute Units in connection with a Demand Distribution provided that if the Demand Distribution involves an underwriting and the lead underwriter determines that the total number of Units to be included in such Demand Distribution should be limited for certain prescribed reasons, the Units to be included in the Demand Distribution will be first allocated to HOOPP.

The Demand Registration Right will be exercisable at anytime from 9 months following the date of the Registration Rights Agreement (the “**Restricted Period**”) (unless otherwise consented to by the Primaris REIT Trustees). Each of the Piggy-Back Registration Right and the Demand Registration Right will be exercisable provided that HOOPP and its affiliates collectively own, in the aggregate, at least 10% of the Units (determined as if all Series B Units are exchanged for Units) at the time of exercise. The Piggy-Back Registration Right and the Demand Registration Right will be subject to various conditions and limitations, and Primaris REIT will be entitled to defer any Demand Distribution in certain circumstances for a period not exceeding 90 days.

The expenses in respect of a Piggy-Back Distribution, subject to certain exceptions, will be borne by Primaris REIT, except that any underwriting fee on the sale of Units by HOOPP and the fees of HOOPP’s external legal counsel will be borne by HOOPP. The expenses in respect of a Demand Distribution, subject to certain exceptions, will be borne by Primaris REIT and HOOPP on a proportionate basis according to the number of Units distributed by each.

Pursuant to the Registration Rights Agreement, Primaris REIT will indemnify HOOPP for any misrepresentation in a prospectus under which HOOPP’s Units are distributed (other than in respect of any prospectus disclosure provided by HOOPP or the underwriters). HOOPP will indemnify Primaris REIT for any prospectus disclosure provided by HOOPP in respect of HOOPP.

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

TRUSTEES AND OFFICERS

Name, Occupation and Security Holdings

The following table sets forth certain information regarding each of the individuals who are expected to be Primaris REIT Trustees and senior officers of Primaris REIT after giving effect to the Arrangement.

Name Province/State of Residence	Position(s) to be Held with Primaris REIT	Principal Occupation
<i>Trustees</i>		
Avtar Bains British Columbia, Canada	Trustee (Independent)	President, Premise Properties
Anne Fitzgerald ⁽²⁾ Ontario, Canada	Trustee (Independent)	Corporate Director & Chief Legal Officer & Corporate Secretary at Cineplex Inc. Executive Vice President, Real Estate at Cineplex Inc. (2019-2021)

Louis Forbes ⁽¹⁾⁽²⁾ Ontario, Canada	Trustee (Independent)	Corporate Director Senior Vice President and Chief Financial Officer of CT Real Estate Investment Trust (2013-2018)
Tim Pire ⁽¹⁾ Wisconsin, United States	Trustee (Independent)	Corporate Director & Lecturer at University of Wisconsin's Applied Real Estate Investment Track program Managing Director and Portfolio Manager at Heitman LLC (1992-2016)
Deborah Weinswig ⁽¹⁾⁽²⁾ New York, United States	Trustee (Independent)	Founder and CEO of Coresight Research Managing Director of Li & Fung Limited (2014-2018)
<i>Executive Officers</i>		
Alex Avery Ontario, Canada	Chief Executive Officer and Trustee	Chief Executive Officer, Primaris REIT Executive Vice President, Asset Management & Strategic Initiatives at H&R REIT (2020-2021)
Patrick Sullivan Alberta, Canada	President and Chief Operating Officer and Trustee	President & Chief Operating Officer, Primaris REIT Chief Operating Officer, Primaris (predecessor and H&R REIT's subsidiary) (2013-2021)
Graham Procter Ontario, Canada	Senior Vice President, Asset Management	Vice President, Asset Management at Primaris (predecessor and H&R REIT's subsidiary) (2017-2021) Vice President, Operations at Brookfield Property Partners (2014-2017)
Mordecai Bobrowsky Ontario, Canada	Senior Vice President, Legal	Vice President, Legal at Primaris (predecessor and H&R REIT's subsidiary) (2013-2021)
<i>Other Members of Senior Management</i>		
Brenda Huggins Ontario, Canada	Senior Vice President, Human Resources	Senior Vice President, Human Resources at Primaris (predecessor and H&R REIT's subsidiary) (2013-2021)
Leigh Murray Ontario, Canada	Vice President, Leasing Central Region	Vice President, Retail Leasing at Primaris (predecessor and H&R REIT's subsidiary) (2017-2021) Director, Leasing at Primaris (2013-2017)
Laurel Adamson Alberta, Canada	Vice President, Leasing Western Canada	Vice President, Leasing at Primaris (predecessor and H&R REIT's subsidiary) (2013-2021) President, Laurel Adamson & Associates Inc.

Notes:

(1) Proposed member of the Audit Committee.

(2) Proposed member of the CG&N Committee.

As at the date hereof, the proposed Primaris REIT Trustees and executive officers of Primaris REIT, as a group, are expected to own or beneficially owned, directly or indirectly, or exercise control or direction over, an aggregate of approximately 66,103 Units after giving effect to the Arrangement and the HOOPP Contribution (assuming that the Units are consolidated on a 4:1 basis pursuant to the Plan of Arrangement), representing approximately 0.07% of the expected number of outstanding Units upon completion of the Arrangement and the HOOPP Contribution.

Personal Profiles

Set out below is a biography of each of the proposed Primaris REIT Trustees and senior officers of Primaris REIT.

Trustees

Avtar Bains, Independent Trustee

Mr. Bains is the President of Premise Properties, a privately held owner and developer of multi-residential, office, retail and industrial property across select North American centres, based in Vancouver. Mr. Bains spent more than 30 years as a leading property broker with Colliers International, brokering the sales of more than 100 shopping centres until his departure in 2011. Mr. Bains maintains strong relationships in local, national and international property markets, is involved in several charitable organizations and is a speaker at industry events sponsored by the Urban Land Institute, the Vancouver and Toronto Real Estate Forums and the University of British Columbia.

Anne Fitzgerald, JD, ICD.D, Independent Trustee

Ms. Fitzgerald is the Corporate Director & Chief Legal Officer & Corporate Secretary at Cineplex Inc. Ms. Fitzgerald has over 30 years' experience spanning litigation, commercial, competition, securities and real estate law. At Cineplex from 2004, Ms. Fitzgerald is a key member of the senior executive team during a period of transformation, directing approximately \$1 billion in commercial acquisitions, multiple public offerings of equity and debt securities, the conversion from an income trust to a corporation, and the unconsummated merger with Cineworld. Ms. Fitzgerald is involved in several not-for-profit industry organizations and is the Chair of the Outward Bound Canada Board of Directors. She received a Juris Doctorate and Bachelor of Arts in Public Policy Studies from Duke University, attended the Leadership Studies program at Harvard University, and earned the Institute of Corporate Directors (ICD.D) designation from the University of Toronto, Rotman School of Business.

Louis Forbes, CPA, C. Dir., Independent Trustee

Mr. Forbes is a Corporate Director with more than 30 years of real estate and finance experience. He was the Senior Vice President and Chief Financial Officer of CT Real Estate Investment Trust from its inception in 2013 until the end of 2018. From 2003 to 2013, Mr. Forbes was the Executive Vice President and Chief Financial Officer of Primaris Retail REIT, the predecessor to Primaris REIT which was acquired by H&R REIT in 2013. Prior to that role, he served as Vice President, Director and Senior Canadian Real Estate Equities Analyst at Merrill Lynch Canada, and as Vice President Finance and Chief Financial Officer of Revenue Properties Company Ltd. Mr. Forbes holds a Bachelor of Science degree from McMaster University and a Master of Business Administration degree from Queen's University. He also holds the Chartered Professional Accountant designation and completed the Chartered Director Program at the Directors College at McMaster University.

Tim Pire, CFA, Independent Trustee

Mr. Pire is a Corporate Director & Lecturer at University of Wisconsin's Applied Real Estate Investment Track program, with more than 30 years of real estate experience. Mr. Pire served as a Managing Director with Heitman LLC, a Chicago based real estate investment manager from 1992 to 2016, where he was responsible for analyzing and managing global portfolios of publicly traded real estate securities. Mr. Pire served as a member of Heitman's Management Committee, Board of Directors, Compensation Committee, Proxy Committee, and Global Real Estate Securities Investment Committee. Mr. Pire was a Director on the Board, Chair of the Audit Committee and member of the Nominating & Governance, Compensation and Strategy Committees of Monogram REIT between 2016 and 2017, when Monogram was privatized. Mr. Pire received his Master of Science in Real Estate & Urban Land Economics and his Bachelors in Business Administration from the University of Wisconsin Madison. Mr. Pire is also a Chartered Financial Analyst (CFA), a member of the National Associate of Real Estate Investment Trust (NAREIT), a member of Pension Real Estate Association (PREA), and a member of National Association of Corporate Directors (NACD) where he serves as a Governance Fellow.

Deborah Weinswig, MBA, CPA, Independent Trustee

Ms. Weinswig is the Founder and CEO of Coresight Research. Between 2014 to early 2018, Ms. Weinswig served as Managing Director of Fung Global Retail and Technology (FGRT), the think tank of Fung Group. Previously, she was Managing Director and Head of the Global Staples & Consumer Discretionary team at Citi Research. Ms. Weinswig was ranked

the #1 analyst by Institutional Investor for 10 years in a row. She was named one of the Top 50 Retail Influencers by Vend in both 2016 and 2017, and received the Asia Retail Congress's Retail Leadership Award in 2016. She was also recognized by LinkedIn as a top Voice in Retail in 2017 and 2018. She serves on the board of directors for Goodwill Industries New York/New Jersey, GUESS?, Inc., Kiabi, Street Soccer USA and Xcel Brands, Inc. Ms. Weinswig is on the advisory board of the World Retail Congress as well as several accelerators.

Executive Officers

Alex Avery, Chief Executive Officer and Trustee

Mr. Avery brings more than 20 years of real estate and capital markets experience, has been a member of the board of H&R REIT since 2017, and Executive Vice President, Asset Management & Strategic Initiatives at H&R REIT since 2020. Previous roles include portfolio management of real estate securities with FrontFour Capital, more than 12 years as a sell-side equity analyst at CIBC Capital Markets, and transaction consulting and advisory roles with Altus Group.

Patrick Sullivan, President and Chief Operating Officer and Trustee

Mr. Sullivan has nearly 30 years of experience in the real estate industry, spanning brokerage, leasing, operations, asset management and leadership, including 25 years focused on enclosed shopping centres. Mr. Sullivan joined Oxford Properties in 2003 with a specific focus on properties managed on behalf of the predecessor to Primaris and has held the role of Chief Operating Officer at H&R REIT's subsidiary Primaris since 2013. Over the course of his career, Mr. Sullivan has directly been involved with investment activity, development, leasing and operations of more than 50 enclosed shopping centres across Canada.

Graham Procter, Senior Vice President, Asset Management

Mr. Procter brings an accounting background and 20 years of experience in the real estate industry to overseeing asset management, operations, property accounting and lease administration at Primaris. Prior to joining H&R REIT's subsidiary Primaris in 2017, Mr. Procter worked at Brookfield Property Partners and Cogir Real Estate.

Mordecai Bobrowsky, Senior Vice President, Legal

Mr. Bobrowsky brings nearly 20 years of experience in the real estate industry to managing all legal affairs at Primaris, encompassing everything from leasing and operations to acquisitions and development. Prior to joining Primaris in 2013, Mr. Bobrowsky was a senior associate at Minden Gross LLP, a leading Bay Street law firm specializing in commercial leasing and held senior legal positions at First Capital Realty and RioCan.

Other Senior Management

Brenda Huggins, Senior Vice President, Human Resources

Ms. Huggins brings more than 20 years' experience spanning recruitment, retention, compensation program design, conflict resolution, corporate culture development, change management, development and organizational design. Prior to joining the predecessor to Primaris in 2009, Ms. Huggins' experience included roles at The Home Depot and TD Canada Trust.

Leigh Murray, Vice President, Leasing Central Region

Ms. Murray has over 18 years' experience in commercial real estate and joined the predecessor to Primaris in 2010. Ms. Murray previously held roles with Oxford Properties, in brokerage with Northwest Atlantic, and began working in real estate working in the real estate department of Boston Pizza International.

Laurel Adamson, Vice President, Leasing Western Canada

Ms. Adamson has more than 35 years' experience in the enclosed shopping centre industry and has worked with H&R REIT's subsidiary Primaris for approximately eight years. Ms. Adamson has held senior level positions in operations and leasing with Oxford Properties, Ivanhoe Cambridge and Cadillac Fairview.

Current Reporting Issuer Directorships / Trusteeships

Proposed Primaris REIT Trustee

Avtar Bains

Anne Fitzgerald

Louis Forbes

Tim Pire

Deborah Weinswig

Current Reporting Issuer Directorships / Trusteeships

Morguard North American Residential Real Estate Investment Trust (TSX: MRG.UN)

LifeSpeak Inc. (TSX: LSPK)

Automotive Properties Real Estate Investment Trust (TSX: APR.UN)

Flagship Communities Real Estate Investment Trust (TSX: MHC.U)

Fibra Terrafina (BMV: TERRA13)

XCel Brands Inc. (NASDAQ: XELB)

Guess?, Inc. (NYSE: GES)

CHW Acquisition Corp. (NASDAQ: CHWA)

Corporate Cease Trade Orders or Bankruptcies

Except as described below, no Primaris REIT Trustee or executive officer of Primaris REIT is or has been, within the preceding ten years, a director, trustee, chief executive officer or chief financial officer of any company or trust (including a personal holding company of any such persons) that:

- (a) was subject to a cease trade order (or similar order that denied the company access to any exemption under securities legislation) that was issued while the Primaris REIT Trustee or executive officer was acting in the capacity as director, trustee, chief executive officer or chief financial officer, or
- (b) was subject to a cease trade order (or similar order that denied the company access to any exemption under securities legislation) that was issued after the Primaris REIT Trustee or executive officer ceased to be a director, trustee, 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, trustee, chief executive officer or chief financial officer.

Mr. Forbes served as a director of CHC Student Housing Corp. (“CHC”) from 2014 to 2017. On May 8, 2017, the Ontario Securities Commission issued a management cease trade order restricting all trading in securities of CHC by management and insiders of CHC due to a failure to file its annual financial statements, management’s discussion and analysis and related certifications within the time period prescribed by securities legislation. The management cease trade order expired on July 4, 2017 following the filing of the annual financial statements, management’s discussion and analysis and related certifications.

No Primaris REIT Trustee or executive officer of Primaris REIT is or has been, within the preceding ten years, a director, trustee or executive officer of any company or trust 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.

Penalties or Sanctions

No Primaris REIT Trustee or executive officer of Primaris REIT, or a personal holding company of any such persons, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making any investment decision concerning the securities of Primaris REIT.

Individual Bankruptcies

No Primaris REIT Trustee or executive officer of Primaris REIT, or a personal holding company of any such persons, has, within the preceding ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that such person.

Conflict of Interest Restrictions and Provisions

The Declaration of Trust contains “conflict of interest” provisions that serve to protect Unitholders and Special Voting Unitholders without creating undue limitations on Primaris REIT. Given that the Primaris REIT Trustees are engaged in a wide range of real estate and other activities, the Declaration of Trust contains provisions, similar to those contained in the CBCA, that require each Primaris REIT Trustee or officer of Primaris REIT to disclose to Primaris REIT any interest in a material contract or transaction or proposed material contract or transaction with Primaris REIT or the fact that such person is a director or officer of or has a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with Primaris REIT, except in respect of agreements entered into in conjunction with the Plan of Arrangement and/or ownership of Units. Such disclosure is required to be made by a Primaris REIT Trustee (i) at the first meeting of the Primaris REIT Trustees at which a proposed contract or transaction is considered, (ii) if the Primaris REIT Trustee was not then interested in a proposed contract or transaction or becomes interested after a contract is made or a transaction is entered into, at the first such meeting after the Primaris REIT Trustee becomes so interested, or (iii) if a person who is interested in a contract or transaction later becomes a Primaris REIT Trustee, at the first such meeting after such person becomes a Primaris REIT Trustee. In the case of an officer of Primaris REIT who is not a Primaris REIT Trustee, such disclosure is required to be made (i) immediately after such person becomes aware that the contract or transaction or proposed contract or transaction is to be considered or has been considered at a meeting of the Primaris REIT Trustees, (ii) if such person becomes interested after a contract is made or a transaction is entered to, immediately after such person becomes so interested, or (iii) if a person who is interested in a contract or transaction later becomes an officer of Primaris REIT who is not a Primaris REIT Trustee, immediately after such person becomes an officer of Primaris REIT. In the event that a material contract or transaction or proposed material contract or transaction is one that in the ordinary course would not require approval by the Primaris REIT Trustees or Unitholders and the Special Voting Unitholders, a Primaris REIT Trustee or officer of Primaris REIT is required to disclose in writing to the Primaris REIT Trustees or request to have entered into the minutes of meetings of the Primaris REIT Trustees the nature and extent of such person’s interest immediately after such person becomes aware of the contract or transaction or proposed contract or transaction. In any case, a Primaris REIT Trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating primarily to his remuneration as a Primaris REIT Trustee, officer, employee or agent of Primaris REIT or any affiliate of Primaris REIT or one for indemnity under the provisions of the Declaration of Trust or the purchase of liability insurance.

In the event of any such conflict, the Primaris REIT Trustees and officers of Primaris REIT are required to conduct themselves in accordance with the obligations imposed on them by law or pursuant to any contractual arrangements that are binding upon them, including the Declaration of Trust.

CORPORATE GOVERNANCE

Governance and Board of Trustees

The Declaration of Trust will provide that, subject to certain conditions, the Primaris REIT Trustees will have absolute and exclusive power, control and authority over Primaris REIT’s assets and operations, as if the Primaris REIT Trustees were the sole and absolute legal and beneficial owners of Primaris REIT’s assets. The governance practices, investment guidelines and operating policies of Primaris REIT will be overseen by the Primaris REIT Board, a majority of whom will be Canadian residents. National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”) requires the Primaris REIT Board to have at least three members. Primaris REIT must, at all times after the Arrangement, have a majority of Primaris REIT Trustees who are “independent” within the meaning of National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“**NI 58-101**”); provided, however, that if at any time a majority of the Primaris REIT Trustees are not independent because of the death, resignation, bankruptcy, adjudicated incompetence, removal or change in circumstance of any Primaris REIT Trustee who was an independent Primaris REIT Trustee, this requirement shall not be applicable for a period of 60 days thereafter, during which time the remaining Primaris REIT Trustees shall appoint a sufficient number of Primaris REIT Trustees who qualify as independent to comply with this requirement.

The Primaris REIT Board will initially be composed of seven Primaris REIT Trustees, a majority of whom will be Canadian residents and a majority of whom will be independent. Tim Pire, an independent Primaris REIT Trustee, is designated as Chair of the Primaris REIT Board. If, at any time, the Chair of the Primaris REIT Board is not an independent Primaris REIT Trustee, the Primaris REIT Board will appoint a lead independent Primaris REIT Trustee. Pursuant to NI 58-101, an independent Primaris REIT Trustee is one who is free from any direct or indirect relationship which could, in the view of the board, be reasonably expected to interfere with a Primaris REIT Trustee's independent judgment and who is not deemed to be non-independent under applicable Canadian securities laws. It is expected that Avtar Bains, Anne Fitzgerald, Louis Forbes, Tim Pire and Deborah Weinswig will be independent under these standards. Alex Avery, Chief Executive Officer of Primaris REIT, and Patrick Sullivan, President and Chief Operating Officer of Primaris REIT, will not be independent under this standard given their roles as executive officers of Primaris REIT.

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

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

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

Primaris REIT will also adopt an insider trading policy (the "**Insider Trading Policy**") which will apply to, among others, all Primaris REIT Trustees, officers, and employees. The objective of the Insider Trading Policy is to assist such individuals in complying with the applicable securities, criminal and other applicable laws and stock exchange rules relating to "insider trading", "tipping," and "recommending". The Insider Trading Policy is also intended to help Primaris REIT's reporting insiders comply with additional securities law obligations.

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

Primaris REIT Trustees will be elected at each annual meeting of Unitholders to hold office for a term expiring at the close of the next annual meeting, or until a successor is appointed, and will be eligible for re-election. The Primaris REIT Board will have a majority voting policy consistent with TSX requirements. See “– Majority Voting Policy” in this Schedule. Nominees will be nominated by the CG&N Committee, in each case for the election by Unitholders as Primaris REIT Trustees in accordance with the provisions of the Declaration of Trust.

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

Committees of the Board

The Primaris REIT Board will initially establish three committees: the Audit Committee, the CG&N Committee and the Investment Committee.

Audit Committee

The following disclosure is based on the present expectations of Primaris REIT with respect to the formal establishment of the audit committee of the Primaris REIT Trustees (the “**Audit Committee**”) and the ratification and adoption of its proposed charter (without any material modifications), which is expected to occur following completion of the Arrangement. However, such disclosure remains subject to revision prior or subsequent to the effective date of the Arrangement.

Following the Arrangement, the Audit Committee is expected to consist of Louis Forbes (Chair), Deborah Weinswig and Tim Pire. Each member of the Audit Committee will be independent (as defined in NI 52-110) and none is expected to receive, directly or indirectly, any compensation from Primaris REIT other than for service as a member of the Primaris REIT Board and its committees. All members of the Audit Committee are expected to be financially literate (as defined under NI 52-110), and a majority of whom are expected to be residents of Canada.

For the relevant education and experience of each of the members of the Audit Committee, please refer to the biographies of Mr. Forbes, Ms. Weinswig and Mr. Pire in “Trustees and Officers – Personal Profiles” in this Schedule.

The Primaris REIT Board will adopt a written charter for the Audit Committee, substantially in the form set out under Appendix A to this Schedule, which sets out the responsibilities of the Audit Committee. It is expected that the responsibilities of the Audit Committee will include: (i) reviewing annual and quarterly financial statements, financial disclosure in a prospectus or other securities offering document, press releases disclosing, or based upon, financial results of Primaris REIT and any other publicly disseminated material financial disclosure; (ii) reviewing Primaris REIT’s accounting policies and critical accounting and other significant estimates and judgements underlying the financial statements as presented by management, including any material changes therein and their impact; (iii) discussing with management, the auditors and internal legal counsel, as requested, any litigation claim or other contingency that could have a material effect on the financial statements; (iv) reviewing any material effects of regulatory accounting initiatives or off balance sheet structures on the financial statements as presented by management, including requirements relating to complex or unusual transactions, significant changes to accounting principles and alternative treatments under applicable generally accepted accounting principles; (v) reviewing and approving the engagement of the auditors; (vi) providing oversight of the effectiveness of the auditors’ work and reviewing the independence of the auditors and the compensation thereof; (vii) reviewing Primaris REIT’s

system of internal controls, including the effectiveness thereof and any significant changes therein, with management and the auditors; (viii) overseeing Primaris REIT's risk management systems; and (ix) reviewing management's evaluation of and reports on compliance with legal and regulatory requirements.

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

The Audit Committee will adopt requirements regarding pre-approval of non-audit services as part of its Audit Committee Charter. The Audit Committee Charter will require that the Audit Committee must approve in advance any retainer of the auditors to perform any non-audit service to Primaris REIT (together with all non-audit service fees) that it deems advisable in accordance with applicable requirements and Primaris REIT Trustee approved policies and procedures. The Audit Committee will consider the impact of such service and fees on the independence of the auditor. The Audit Committee may delegate pre-approval authority to a member of the Audit Committee; however, the decisions of any member of the Audit Committee to whom this authority has been delegated must be presented to the full Audit Committee at its next scheduled Audit Committee meeting.

All audit and non-audit services to be provided by Primaris REIT's external auditor will be required to be pre-approved by the Audit Committee. As at the date of the Circular, no external auditor service fees have been paid by Primaris REIT. It is expected that on an annual basis, the Audit Committee will pre-approve a budget for certain specific non-audit services such as assistance with tax returns.

CG&N Committee

The Compensation, Governance and Nominating Committee (the "**CG&N Committee**") will at all times be composed of at least three Primaris REIT Trustees, a majority of whom will be persons determined by Primaris REIT to be independent Primaris REIT Trustees and a majority of whom will be residents of Canada, and will be charged with reviewing, overseeing and evaluating the compensation, corporate governance and nominating policies of Primaris REIT. The CG&N Committee is expected to consist of Anne Fitzgerald (Chair), Deborah Weinswig and Louis Forbes, all of whom are expected to be independent.

The Primaris REIT Board will adopt a written charter for CG&N Committee setting out its responsibilities for: (i) assessing the effectiveness of the Primaris REIT Board, each of its committees and individual Primaris REIT Trustees; (ii) overseeing the recruitment and selection of candidates as Primaris REIT Trustees; (iii) organizing an orientation and education program for new Primaris REIT Trustees; (iv) considering and approving proposals by Primaris REIT Trustees to engage outside advisors on behalf of the Primaris REIT Board as a whole or on behalf of the independent Primaris REIT Trustees; (v) reviewing and making recommendations to the Primaris REIT Board concerning any change in the number of Primaris REIT Trustees comprising the Primaris REIT Board; (vi) considering questions of management succession; (vii) administering any equity incentive plan adopted by Primaris REIT and any other compensation incentive programs; (viii) assessing the performance of management of Primaris REIT; (ix) reviewing and approving the compensation paid by Primaris REIT to the executive officers of Primaris REIT; and (x) reviewing and making recommendations to the Primaris REIT Board concerning the compensation payable to Primaris REIT Trustees.

The CG&N Committee individually and collectively will possess the requisite knowledge, skill and experience in governance and compensation matters, including human resource management, executive compensation matters and general business leadership, to fulfill the committee's mandate. All members of the CG&N Committee have substantial knowledge and experience as current and former senior executives of large and complex organizations and/or on the boards of other publicly traded entities. For additional details regarding the relevant education and experience of each member of the CG&N Committee, see "Trustees and Officers – Personal Profiles" in this Schedule.

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

Investment Committee

Primaris REIT is expected to establish an investment committee (the “**Investment Committee**”), which will at all times be composed of at least three Primaris REIT Trustees, a majority of whom (i) will be persons determined by Primaris REIT to be independent Primaris REIT Trustees, (ii) will have at least five or more years of substantial experience in the real estate industry and (iii) will be residents of Canada.

The Investment Committee will be charged with recommending to the Primaris REIT Board whether to approve or reject proposed transactions, including proposed acquisitions and dispositions of properties and borrowings.

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

Nomination of Primaris REIT Trustees

All board nominees are nominated by the CG&N Committee, which makes such nominations after considering the mix of skills and experience it believes are necessary to further Primaris REIT’s goals. Additionally, nominations may be made by Unitholders in certain circumstances, in compliance with the Advance Notice Provision. See “Declaration of Trust and Description of Capital Structure – Meetings of Unitholders and Special Voting Unitholders” in this Schedule. Primaris REIT Trustees elected at an annual meeting will be elected for a term expiring at the close of the subsequent annual meeting and will be eligible for reelection. Primaris REIT Trustees appointed by the Primaris REIT Trustees between meetings of Unitholders in accordance with the Declaration of Trust shall be appointed for a term expiring at the close of the next annual meeting and will be eligible for election or reelection, as the case may be.

Majority Voting Policy

In accordance with the requirements of the TSX, the Primaris REIT Board will adopt a “Majority Voting Policy” to the effect that a nominee for election as a Primaris REIT Trustee who does not receive a greater number of votes “for” than votes “withheld” with respect to the election of directors by Unitholders will be expected to offer to tender his or her resignation to the Chair of the Board promptly following the meeting of Unitholders at which the Primaris REIT Trustee was elected. The CG&N Committee will consider such offer and make a recommendation to the Primaris REIT Board whether or not to accept it. The Primaris REIT Board will promptly accept the resignation unless it determines, in consultation with CG&N Committee, that there are exceptional circumstances that should delay the acceptance of the resignation or justify rejecting it. The Primaris REIT Board will make its decision and announce it in a press release within 90 days following the meeting of Unitholders. A Primaris REIT Trustee who tenders a resignation pursuant to the Majority Voting Policy will not participate in any meeting of the Primaris REIT Board or the CG&N Committee at which the resignation is considered.

Remuneration of Primaris REIT Trustees

Primaris REIT has not yet established an annual retainer fee or attendance fee for Primaris REIT Trustees; however, Primaris REIT may establish Primaris REIT Trustees’ fees in the future and will reimburse Primaris REIT Trustees for all reasonable expenses incurred in order to attend any in person meetings.

Primaris REIT will establish equity ownership guidelines for the Primaris REIT Trustees (together with the executive officers) to further align the interests of the Primaris REIT Trustees and executive officers with those of the Unitholders.

Orientation and Continuing Education

New Primaris REIT Trustees

When new Primaris REIT Trustees are elected to the Primaris REIT Board, they will participate in a comprehensive orientation program. The orientation program will familiarize new Primaris REIT Trustees with Primaris REIT’s business and operations, including structure, operations and risks. All new Primaris REIT Trustees will complete tours of a sampling of

Primaris REIT's properties. They will be briefed on the role of the Primaris REIT Board, its committees and the contributions individual Primaris REIT Trustees are expected to make. New Primaris REIT Trustees will also receive an orientation package containing all Primaris REIT Trustees' committee mandates and charters, copies of Primaris REIT's policies and other background information on Primaris REIT's business, operations and risks.

Continuing Education

Primaris REIT's continuing education program for the Primaris REIT Trustees will involve the ongoing evaluation by the CG&N Committee of the skills and competencies of existing Primaris REIT Trustees. The Primaris REIT Board will be composed of highly qualified and experienced trustees with impressive levels of skill and knowledge. Many of the Primaris REIT Trustees are seasoned business executives, directors or professionals with considerable experience, including as directors or trustees of other significant public companies or public trusts. The CG&N Committee will regularly monitor the composition of the Primaris REIT Board and will recommend the adoption of a formal continuing education program should it be determined to be necessary.

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

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

Board Assessments

The CG&N Committee will conduct an annual assessment of the Primaris REIT Board, its committees and each individual Primaris REIT Trustee, which will include an assessment of each Primaris REIT Trustee's experience, financial literacy, independence and other factors. The assessment process will require each Primaris REIT Trustee to complete a questionnaire addressing (i) a review of the effectiveness of the Primaris REIT Board and each committee, (ii) a peer review of each other Primaris REIT Trustee and (iii) a self-evaluation of such Primaris REIT Trustee's own performance. The Chair of the CG&N Committee will report the results of the assessments to the Primaris REIT Board. This process is used (i) as an assessment tool, (ii) as a component of the regular review process of Primaris REIT Board members' participation and (iii) to assist with the Primaris REIT Board's succession planning.

Diversity

Primaris REIT is committed to fostering an open and inclusive workplace culture. Primaris REIT's Code of Conduct will underscore a commitment to diversity and recognize it as an important asset. The Code of Conduct will explicitly state that Primaris REIT and its subsidiaries are firmly committed to providing equal opportunity in all aspects of employment. Primaris REIT endorses the principle that the Primaris REIT Board should have a balance of skills, experience and diversity of perspectives appropriate to the business.

In furtherance of Primaris REIT's commitment to diversity at the board level, following completion of the Arrangement, the Primaris REIT Board will adopt a diversity policy (the "**Diversity Policy**"). In accordance with the Diversity Policy, the CG&N Committee will consider a number of factors, including gender, ethnic, racial and geographic diversity, as well as age, business experience, professional expertise, personal skills and perspectives, when seeking and considering new

Primaris REIT Trustees for nomination or evaluating Primaris REIT Trustee nominees for reelection. The Primaris REIT Board will ensure compliance with the Diversity Policy by requiring that the CG&N Committee conduct annual assessments to consider the level of representation on the Primaris REIT Board of the various attributes enumerated in the Diversity Policy, including the number of women on the Primaris REIT Board among other factors. Notwithstanding the foregoing, recommendations concerning Primaris REIT Trustee nominees are, foremost, based on merit and performance, with due regard to the overall effectiveness of the Primaris REIT Board, with diversity being taken into consideration, as it is beneficial that a diversity of backgrounds, views and experiences be present at the Primaris REIT Board and management levels.

In furtherance of Primaris REIT's goals regarding gender diversity on the Primaris REIT Board, Primaris REIT will adopt and maintain a target of achieving a board composition in which women comprise at least 25% of the members. If all of the individuals proposed to be Primaris REIT Trustees become Primaris REIT Trustees, two of the seven Primaris REIT Trustees (29%) will be women. Primaris REIT will strive to identify the best candidates to join the Primaris REIT Board, with a focus on maintaining gender diversity at the board level.

It is proposed that Primaris REIT will not establish targets regarding the representation of women in executive officer positions. Rather, the identification and selection process will be made based on a variety of criteria, including the diversity of viewpoints, backgrounds, experiences and other demographics, but also expertise, skills, character, business experience and other relevant factors. Accordingly, in searches for new executive officers and members of senior management, the Primaris REIT Board will consider the level of female representation and diversity within its leadership ranks as one of several factors used in its search process. Primaris REIT will monitor the level of representation of women in senior management positions and focuses on the diversity of its workforce while hiring and promoting the best candidates for senior management roles.

While none of the four (0%) currently proposed executive officers of Primaris REIT are expected to be women, three of the currently proposed seven members (43%) of senior management are expected to be women.

Conflicts of Interest

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

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

- (a) an acquisition of a property or an investment in a property, whether by co-investment or otherwise, or the provision of any financing, or development or leasing services in respect of a property, in which any related party of Primaris REIT has any direct or indirect interest, whether as owner, operator or manager;
- (b) a material change to any agreement with a related party of Primaris REIT or any approval, consent, waiver or other decision of the Primaris REIT Trustees thereunder, or any renewal, extension or termination thereof or any increase in any fees (including any transaction fees) or distributions payable thereunder;
- (c) the entering into of, or the waiver, exercise or enforcement of any rights or remedies under, any agreement entered into by Primaris REIT or any of its subsidiaries, or the making, directly or indirectly, of any co-

investment, in each case, with (i) any Primaris REIT Trustee, (ii) any entity directly or indirectly controlled by any Primaris REIT Trustee in which any Primaris REIT Trustee holds a significant interest, or (iii) any entity for which any Primaris REIT Trustee acts as a director or in other similar capacity;

- (d) the refinancing, increase or renewal of any indebtedness owed by or to (i) any Primaris REIT Trustee, (ii) any entity directly or indirectly controlled by any Primaris REIT Trustee or in which any Primaris REIT Trustee holds a significant interest, or (iii) any entity for which any Primaris REIT Trustee acts as a director or in other similar capacity; or
- (e) decisions relating to any claims by or against one or more parties to any agreement with any related party to Primaris REIT.

In connection with any transaction involving Primaris REIT, including any transaction which requires the approval of a majority of the independent Primaris REIT Trustees, the Primaris REIT 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 Primaris REIT.

The Primaris REIT Board's mandate will provide that independent Primaris REIT Trustees will meet separately, without management, in connection with every meeting of the Primaris REIT Board, including each regular meeting and each special meeting of the Primaris REIT Board. The Chair will conduct the in camera meetings without the presence of the other non-independent Primaris REIT Trustees or management, and in circumstances where the independent Primaris REIT Trustees have determined that the Chair is subject to a potential conflict of interest in connection with his or her non-independence designation pursuant to NI 58-101 or otherwise, a lead independent Primaris REIT Trustee selected by and among the independent Primaris REIT Trustees shall conduct such in camera sessions both without the presence of management and without the presence of management or the non-independent Primaris REIT Trustees (including the Chair).

EXECUTIVE OFFICER COMPENSATION

To date, Primaris REIT has not carried on any active business. No compensation has been paid by Primaris REIT to its proposed executive officers or trustees and none will be paid by Primaris REIT until after the Arrangement is completed.

It is expected that the Primaris REIT senior executives will enter into employment agreements with Primaris REIT following the effective date of the Plan of Arrangement. These agreements will be substantially similar to the contracts which the proposed executive officers of Primaris REIT currently have in place with H&R REIT. As at the date of the Circular, there are no employment contracts in place between Primaris REIT and any of the proposed executive officers of Primaris REIT that are set to become effective upon the completion of the Arrangement. It is expected that the employment agreements of the proposed executive officers of Primaris REIT to be entered into with Primaris REIT following the Effective Time will contain customary change of control, non-solicitation and non-competition provisions.

Following completion of the Arrangement, it is anticipated that Primaris REIT will adopt a compensation structure for executive officers that is intended to encourage and reward executive officers on the basis of individual and business performance. Primaris REIT's executive officer compensation is expected to be of a similar character to the compensation which the proposed executive officers of Primaris REIT are currently entitled in their positions as executive officers of H&R REIT or its subsidiaries, as applicable.

Compensation Philosophy

Primaris REIT's executive compensation program is expected to be designed to support business strategy by rewarding executives for successfully executing Primaris REIT's strategy in light of current market conditions. In making decisions on compensation-related matters, the CG&N Committee will seek to achieve the following objectives:

- (a) attracting and retaining executives critical to the success of Primaris REIT and the enhancement of Unitholder value;
- (b) providing fair and competitive compensation;

- (c) aligning the interests of Primaris REIT executives with those of Unitholders; and
- (d) supporting an appropriate pay-for-performance relationship, both on an individual basis and with respect to the business of Primaris REIT.

Compensation Program Elements

Primaris REIT's executive compensation policy is intended to encourage and reward executive officers on the basis of individual and business performance. The policy strives to link executive compensation with Primaris REIT's performance as a whole.

The expected components of compensation for executive officers of Primaris REIT will be (i) base salary, (ii) short-term incentive plan ("STIP") awards, (iii) long-term incentive plan ("LTIP") awards and (iv) pension and benefits. The CG&N Committee will determine executive compensation through evaluation of executive performance and corporate performance.

1. Base Salary

Base salaries will be established at levels intended to be competitive with the peer companies, with due consideration of differences in the total compensation packages offered by such other entities, including option entitlements, bonus entitlements and pension entitlements. Base salaries will be determined by the CG&N Committee for all executive officers based on an assessment of various factors, which may include the executive officer's past performance, experience, level of responsibility and the importance of the position to Primaris REIT and taking into consideration terms of previous employment. Base salaries will typically be reviewed by the CG&N Committee on an annual basis, with changes being at the sole discretion of Primaris REIT.

2. Short-Term Incentives (STIP)

The CG&N Committee will consider a variety of objectives in determining STIP awards for executive officers. A formalized STIP will be implemented for certain executive officers with clear and objective performance measures to ensure transparency and clarity of awards. The payout range will be 0% at minimum and 150% at maximum, as a percentage of target.

3. Long-Term Incentives (LTIP)

Long-term incentives will be provided through the grant of PSUs and RSUs under the Primaris REIT Incentive Unit Plan and options under the Primaris REIT Option Plan. The CG&N Committee will consider the LTIP mix for executive officers at the time of each grant.

A. Primaris REIT Incentive Unit Plan

A description of the terms of the Primaris REIT Incentive Unit Plan can be found under the heading "Incentive Plan Descriptions – Primaris REIT Incentive Unit Plan" in this Schedule.

i. RSU Awards

The CG&N Committee intends to grant RSUs under Primaris REIT's existing Incentive Unit Plan which represent the right to receive, at the discretion of the Primaris REIT Board, either Units (including accrued distribution equivalents) or a cash payment having an equivalent market value to the Units subject to the award when such RSUs vest at the end of the third calendar year following the grant.

ii. PSU Awards

The CG&N Committee intends to grant PSUs under Primaris REIT's existing Incentive Unit Plan, which represent the right to receive, at the discretion of the Primaris REIT Board, either Units (including accrued distribution equivalents) or a cash payment having an equivalent market value to the Units subject to the award when such PSUs vest (after taking into account the applicable performance multiplier) at the end of the third calendar year following the grant. A performance multiplier of 0% to 200% of target will be applied to determine the final number of vested PSUs interpolated based on a

performance range that is plus or minus five percentage points of the median (or index) performance level. The performance multiplier will be based on Primaris REIT's relative total return measured against one or more performance peer groups which reflect the broad base for investment in the Canadian real estate equity capital markets. The select performance peers will be chosen from Primaris REIT's Canadian real estate peer group, having regard to real estate investment trusts that are more similar in nature to Primaris REIT both in respect of business and real estate investment trusts with similar investor bases to Primaris REIT.

B. Primaris REIT Option Plan

A description of the terms of the Primaris REIT Option Plan can be found under the heading "Incentive Plan Descriptions – Primaris REIT Option Plan" in this Schedule.

4. Pension & Benefits

Employees of Primaris REIT will have a defined contribution pension plan as part of their compensation package. The defined contribution pension plan will provide a retirement benefit of an annual pension in the manner of payment elected by the member in an amount which can be purchased by the member from a financial institution with the funds in their account at the time of his or her retirement. Contributions to the defined contribution pension plan are vested and locked-in based on either the completion of one year of continuous membership in the plan, or the minimum legislation of the member's jurisdiction. The normal retirement age is 65; however, the pension can be deferred up until age 71 or such other age according to applicable legislation. Early retirement may occur up to ten years preceding the normal retirement date. Employment must cease prior to electing early retirement. If a member dies prior to terminating employment or retirement, a death benefit may be paid to the survivor or designated beneficiary.

Oversight of Risk and Strategic Planning

Primaris REIT is expected to have effective risk management and regulatory compliance relating to its compensation policies used in determining executive compensation. Risks related to compensation will be taken into consideration as part of the general review and determination of executive compensation by the CG&N Committee, including the review of salaries of comparable companies and the annual review and approval of executive base salaries and STIP and LTIP awards.

Primaris REIT's compensation design and practices will aim to enhance the program's inherent ability to manage and mitigate risk, including a greater emphasis on long-term compensation and variable compensation relative to short-term and fixed compensation; incorporation of more performance metrics in STIP and LTIP for executive officers; and the use of caps on incentive opportunities. Other risk-mitigating features of the program will include minimum unit ownership guidelines and a prohibition on hedging and equity monetization.

Prohibition On Hedging and Equity Monetization

Primaris REIT intends to grant equity compensation to its named executive officers and Primaris REIT Trustees and will adopt equity ownership guidelines in order to align their interests with those of Unitholders. Primaris REIT will not allow such named executive officers or Primaris REIT Trustees to enter into any derivative transaction on any securities of Primaris REIT, including any type of hedging or monetization practice, designed to hedge or off-set a decrease in the market value of the Units or which may reduce the risk of equity ownership and negate the alignment of interests created by equity ownership.

INDEBTEDNESS OF TRUSTEES, OFFICERS AND EMPLOYEES

None of the Primaris REIT Trustees or executive officers of Primaris REIT are indebted to Primaris REIT.

LISTING ON THE TSX

There is currently no market through which the Series A Units to be received by Unitholders may be sold and such a market may not develop, and Unitholders may not be able to resell Series A Units to be received under the Arrangement. This may affect the pricing and liquidity of the Series A Units in the secondary market, the transparency and availability of trading prices, the liquidity of the Series A Units, and the extent of issuer regulation. H&R REIT has applied to have the Series A Units to be issued (i) pursuant to the Arrangement, (ii) pursuant to the Purchase and Sale Agreement; (iii) under the Primaris REIT Option Plan, (iv) under the Primaris REIT Incentive Unit Plan, (v) upon conversion of Series B Units, and (vi) upon the exchange of New Primaris Master LP Exchangeable Units, listed on the TSX. Listing is subject to the approval of the TSX in accordance with its original listing requirements. The TSX has not conditionally approved Primaris REIT's listing application and there is no assurance that the TSX will approve the listing application. However, the listing of the Series A Units on the TSX is a pre-condition to closing the Arrangement and will be subject to Primaris REIT fulfilling all of the applicable requirements of the TSX. If listing approval is ultimately obtained prior to the Effective Time, trading on the TSX in the Series A Units is expected to commence on the Effective Date. See "Risk Factors" in this Schedule.

The prices at which the Series A Units will trade following the Arrangement will be determined by the market and cannot be predicted. For further details on these risks and uncertainties relating to the Series A Units, see the discussion in "Risk Factors – Risk Factors Relating to the Arrangement" in the Circular.

ELIGIBILITY FOR INVESTMENT

In the opinion of Blake, Cassels & Graydon LLP, counsel to H&R REIT, subject to the restrictions, limitations and assumptions set out under the heading "Certain Canadian Federal Income Tax Considerations", provided that Primaris REIT qualifies as a "mutual fund trust" within the meaning of the Tax Act or the Series A Units are listed on a designated stock exchange in Canada (which currently includes the TSX), at a particular time, the Series A Units will be, at that time, qualified investments under the Tax Act for trusts governed by registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), deferred profit sharing plans ("DPSPs"), registered education savings plans ("RESPs"), registered disability savings plans ("RDSPs") and tax-free savings accounts ("TFSA" and, together with RRSPs, RRIFs, DPSPs, RESPs and RDSPs, "Plans").

Notwithstanding the foregoing, if Series A Units are a "prohibited investment" for a trust governed by a TFSA, RDSP, RRSP, RRIF, or RESP the holder of such TFSA or RDSP, the annuitant of such RRSP or RRIF or the subscriber of such RESP, as the case may be, will be subject to a penalty tax as set out in the Tax Act if the Series A Units are held in such trust. Provided that the holder of a TFSA or RDSP, the annuitant of an RRSP or RRIF or the subscriber of an RESP (i) deals at arm's length with Primaris REIT within the meaning of the Tax Act, and (ii) does not have a "significant interest" (as defined in the Tax Act) in Primaris REIT, the Series A Units will not be a prohibited investment for a trust governed by such TFSA, RDSP, RRSP, RRIF or RESP. In addition, the Series A Units will generally not be a "prohibited investment" if such units are "excluded property" (as defined for purposes of the prohibited investment rules in the Tax Act). Holders of a TFSA or RDSP, annuitants of an RRSP or RRIF and subscribers of an RESP should consult their own tax advisors with respect to whether the Series A Units would be prohibited investments in their particular circumstances.

Property (including notes of Primaris REIT or a subsidiary of Primaris REIT) which may be received in connection with an *in specie* redemption of Series A Units may not be a qualified investment for trusts governed by Plans. Accordingly, Plans that own Series A Units should consult with their own tax advisors before deciding to exercise redemption rights in connection therewith.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Blake, Cassels & Graydon LLP, counsel to H&R REIT, the following is a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to the holding and disposition of Series A Units received pursuant to the Arrangement for a holder who, at all relevant times and for purposes of the Tax Act, (i) deals at arm's length with H&R REIT and Primaris REIT; (ii) is not affiliated with Primaris REIT; and (iii) will hold Series A Units as capital property. Provided a Holder does not hold Series A Units in the course of carrying on a business or as an adventure or concern in the nature of trade, such units generally will be considered to be capital property to such Holder.

This summary is not applicable to a Holder (i) that is a "financial institution" as defined in the Tax Act for the purposes of the mark-to-market rules; (ii) an interest in which is a "tax shelter investment" (as defined in the Tax Act); (iii) that reports

its “Canadian tax results” (as defined in the Tax Act), in a currency other than Canadian currency; (iv) that has entered or will enter into a “derivative forward agreement” (as defined in the Tax Act) with respect to any Series A Units; or (v) that, at any relevant time, holds Series A Units acquired upon the exercise of rights to acquire such Series A Units which were granted or otherwise received in respect of, in the course of, or by virtue of employment with Primaris REIT or any corporation or mutual fund trust at any time not dealing at arm’s length with the Primaris REIT for purposes of the Tax Act. Such Holders are urged to consult their own tax advisors. In addition, this summary does not address the deductibility of interest expense or other expenses incurred by a Holder in connection with debt incurred in respect of the acquisition or holding of Units.

This summary is of a general nature only and is based upon the facts and assumptions set out in this Schedule and in the Circular. This summary relies upon a certificate of an officer or trustee of H&R REIT as to certain factual matters. The summary is based upon 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 prior to the date hereof. This summary assumes that the Tax Proposals will be enacted as proposed, but no assurance can be given that this will be the case. Modification or amendment of the Tax Act or the Tax Proposals could significantly alter the tax status of Primaris REIT or of holding Series A Units. This summary is not exhaustive of all possible Canadian federal income tax consequences and, except for the Tax Proposals, does not take into account or anticipate any changes in law, whether by legislative, governmental, administrative or judicial action, nor does it take into account other federal or any provincial or foreign tax legislation or considerations, which may differ from the Canadian federal income tax considerations described herein.

THIS SUMMARY IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSTRUED TO BE, LEGAL OR TAX ADVICE TO ANY PARTICULAR UNITHOLDER. ACCORDINGLY, UNITHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF HOLDING AND/OR DISPOSING OF SERIES A UNITS HAVING REGARD TO THEIR OWN PARTICULAR CIRCUMSTANCES.

Status of Primaris REIT

Qualification as a Mutual Fund Trust

This summary assumes that Primaris REIT will qualify as a mutual fund trust for purposes of the Tax Act at all relevant times, and that Primaris REIT will validly elect under the Tax Act to be deemed to have been a “mutual fund trust” within the meaning of the Tax Act from the time of its establishment. Counsel has been advised that it is intended that Primaris REIT will file the necessary election such that Primaris REIT will be deemed to qualify as a mutual fund trust throughout its first taxation year.

If Primaris REIT were not to qualify as a mutual fund trust at any relevant time, the Canadian federal income tax considerations described herein would, in some respects, be materially different.

SIFT Rules

The Tax Act includes rules (the “**SIFT Rules**”) that effectively tax certain income of a publicly-traded trust that is distributed to its investors and certain income of a publicly-traded partnership on the same basis as would have applied had the income been earned through a taxable Canadian corporation and distributed by way of dividend to its shareholders. These rules apply only in respect of “SIFT trusts” and “SIFT partnerships” (each as defined in the Tax Act).

A trust that qualifies as a “real estate investment trust” for purposes of the Tax Act is not subject to the SIFT Rules under the “**REIT Exception**”. In order to qualify for the REIT Exception for a particular taxation year, a trust must satisfy a number of detailed quantitative tests with respect to the nature of its investments and the character of its income. Based on its review of the expected assets and revenues of Primaris REIT, management expects that Primaris REIT will qualify for the REIT Exception for the taxation year in which the Arrangement occurs. In addition, management of Primaris REIT intends to conduct the affairs of Primaris REIT so that Primaris REIT will qualify for the REIT Exception at all future times. However, there can be no assurance that Primaris REIT will qualify for the REIT Exception for the taxation year in which the Arrangement occurs or any future year.

Primaris REIT will have investments in certain lower tier entities such as partnerships and trusts. In certain circumstances, it is possible that such lower tier entities could themselves be subject to the SIFT Rules; however, a lower tier

entity will not be subject to the SIFT Rules if it is an “excluded subsidiary entity”, as defined for purposes of the SIFT Rules. A partnership or trust will qualify as an excluded subsidiary entity for a taxation year if none of the partnership’s or trust’s “equity” (as defined in the Tax Act) is at any time in the year either (a) listed or traded on a stock exchange or other public market (as defined for purposes of the SIFT Rules) or (b) held by any person other than a real estate investment trust; a taxable Canadian corporation; a SIFT trust or SIFT partnership; an entity that is itself an excluded subsidiary entity; or a person or partnership that does not have, in connection with the holding of a security of the partnership or trust, property the value of which is determined, all or in part, by reference to a security that is listed or traded on a stock exchange or other public market. Management of Primaris REIT has represented that each partnership and trust in which Primaris REIT has a direct or indirect interest will be an “excluded subsidiary entity”.

The balance of this summary assumes that (a) Primaris REIT will qualify at all relevant times for the REIT Exception; and (b) each of the partnerships and trusts through which Primaris REIT derives income will qualify, at all relevant times, as an excluded subsidiary entity. If any of such assumptions is not accurate, certain income tax consequences described below would, in some respects, be materially and adversely different.

Taxation of Primaris REIT

The taxation year of Primaris REIT will be the calendar year. Primaris REIT 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, less the portion thereof that it deducts in respect of amounts paid or payable, or deemed to be paid or payable, to Primaris REIT Unitholders in the year. An amount will not be considered to be payable to a Primaris REIT Unitholder in a taxation year unless Primaris REIT pays it to the Primaris REIT Unitholder in the year or Primaris REIT Unitholder is entitled in that year to enforce payment of the amount.

For these purposes, Primaris REIT’s income will include (i) net income (including net taxable capital gains) paid or payable to Primaris REIT by PRR Trust in the taxation years of PRR Trust ending in or concurrently with such taxation year of Primaris REIT; (ii) its allocated share of the income of New Primaris Master LP, or any other Primaris Subsidiary Partnership of which Primaris REIT is a member, for the partnership’s fiscal periods ending in or concurrently with Primaris REIT’s taxation year (as discussed in greater detail below, under “– Subsidiary Partnerships” below); and (iii) dividends received from Primaris Management Inc.

Provided that appropriate designations are made by PRR Trust, net taxable capital gains realized by PRR Trust that are paid or payable by PRR Trust to Primaris REIT will effectively retain their character in the hands of Primaris REIT. Primaris REIT will be required to reduce the adjusted cost base of units of PRR Trust by any amount paid or payable by PRR Trust to Primaris REIT except to the extent that the amount was included in calculating the income of Primaris REIT or was Primaris REIT’s share of the non-taxable portion of capital gains of PRR Trust, the taxable portion of which was designated in respect of Primaris REIT. If the adjusted cost base to Primaris REIT of such units becomes a negative amount at any time in a taxation year of Primaris REIT, that negative amount will be deemed to be a capital gain realized by Primaris REIT in that taxation year and Primaris REIT’s adjusted cost base of such units will be increased by the amount of such deemed capital gain to zero.

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

Pursuant to the Plan of Arrangement, Primaris REIT will acquire its interests in PRR Trust and New Primaris Master LP (and certain other properties) in a transaction intended to qualify as a “qualifying disposition” for purposes of the Tax Act. As a result, it is expected that the adjusted cost base to Primaris REIT of its interests in PRR Trust and New Primaris Master LP (and such other properties) will be less than if Primaris REIT had acquired such interests at a cost equal to the fair market value of such interests at the time of acquisition. This may result in a larger portion of Primaris REIT’s distributions being treated as income or capital gains as compared to returns of capital.

In computing its income or loss for purposes of the Tax Act, Primaris REIT may generally deduct reasonable administrative costs, interest and other expenses of a current nature that it incurs for the purpose of earning income. Generally, Primaris REIT 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 units.

Generally, under Primaris REIT's declaration of trust, unless the trustees of Primaris REIT otherwise determine, an amount necessary to ensure that Primaris REIT shall not be liable for income tax under Part I of the Tax Act shall be required to be paid or made payable to Unitholders on the earlier of the last Distribution Date (as defined therein) in respect of the year and the last day of such taxation year. Such distribution shall generally be payable in cash. Income of Primaris REIT payable to Primaris REIT Unitholders, whether in cash, additional units or otherwise, will generally be deductible by Primaris REIT in computing its income.

Losses incurred by Primaris REIT (including losses allocated to Primaris REIT by New Primaris Master LP and capable of being deducted by Primaris REIT) cannot be allocated to Primaris REIT Unitholders, but may be carried forward and deducted by Primaris REIT in computing its taxable income in future years in accordance with the detailed rules and limitations in the Tax Act.

Primaris REIT 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**"). In certain circumstances, Primaris REIT's capital gains refund in a particular taxation year may not completely offset its tax liability for that taxation year arising from its net realized taxable capital gains.

Where Primaris REIT makes a distribution in *specie* of securities and other property of Primaris REIT to a Primaris REIT Unitholder on a redemption of Primaris REIT Units in a particular year, then, pursuant to Primaris REIT's declaration of trust (a) the trustees of Primaris REIT shall not allocate any amount of taxable capital gain realized by Primaris REIT to the redeeming Primaris REIT Unitholder, except that the trustees may, in their sole discretion, allocate such an amount that they determine (using reasonable efforts to obtain the information required to determine the Primaris REIT Unitholder's cost amount) is not greater than the taxable capital gain that would otherwise have been realized by the redeeming Primaris REIT Unitholder on the redemption; and (b) no other amount of income (other than taxable capital gains) may be allocated to the redeeming Primaris REIT Unitholder, except, in each case, to the extent the trustees determine otherwise in their sole discretion on or before December 31 of that year.

Counsel has been advised that it is intended that Primaris REIT will make sufficient distributions in each year of its net income for tax purposes and net realized capital gains so that Primaris REIT will not be liable in the year for any tax under Part I of the Tax Act (after taking into account any entitlement to the capital gains refund and non-capital losses or net capital losses, if any, that may be carried forward from prior years).

Subsidiary Partnerships

Subject to the SIFT Rules, the subsidiary partnerships of Primaris REIT (the "**Primaris Subsidiary Partnerships**") will generally not be subject to tax under the Tax Act. However, each partner of a Primaris Subsidiary Partnership (including Primaris REIT, in respect of New Primaris Master LP) will be required to include (or deduct) in computing its income for each of its taxation years its share of the income (or loss, subject to the "at risk" rules described below) of a partnership of which it is a partner for such partnership's fiscal periods ending in or concurrently with such Primaris Subsidiary Partnership's taxation year, whether or not any such income is actually distributed by the Primaris Subsidiary Partnership.

For this purpose, the income or loss of each Primaris Subsidiary Partnership will be computed for each fiscal year as if the Primaris Subsidiary Partnership was a separate person resident in Canada. If a Primaris Subsidiary Partnership holds real properties, the Primaris Subsidiary Partnership's income will include any rent in respect of such properties, as well as any taxable capital gains, recapture of capital cost allowance ("**CCA**"), and other income arising on the disposition of such property. The income of New Primaris Master LP for a taxation year will include any interest on the PRR Trust Receivables that accrues to New Primaris Master LP to the end of the year, or that becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year. In computing the income or loss of a Primaris Subsidiary Partnership, reasonable deductions may generally be claimed in respect of available CCA, interest in respect of the Primaris Subsidiary Partnership's debts, and administrative and other expenses incurred for the purpose of earning income from a business or property to the extent the outlays are not capital in nature. Deductibility of losses allocated to a limited partner of a Primaris Subsidiary Partnership may be restricted by the "at-risk rules", as described below.

Certain properties were or may be acquired by a Primaris Subsidiary Partnership on a tax-deferred basis, such that the tax cost of these properties is less than their fair market value at the time of acquisition by such Primaris Subsidiary Partnership. For the purposes of claiming CCA, the additions to the undepreciated capital cost balances of a Primaris

Subsidiary Partnership of classes of depreciable property to which such properties belong may be less than the fair market value of such properties. As a result, the CCA that the Primaris Subsidiary Partnership may claim in respect of such properties may be less than it would have been if such properties had been acquired with a tax cost equal to their fair market values at the time of acquisition. In addition, if one or more of such properties are disposed of, the gain realized by the Primaris Subsidiary Partnership for tax purposes (including any income inclusions resulting from the recapture of previously claimed CCA) will be in excess of that which the Primaris Subsidiary Partnership would have realized if it had acquired the properties at a tax cost equal to their fair market values.

Counsel has been advised that in computing income for the purposes of the Tax Act, and except as the trustees of Primaris REIT otherwise determine, each Primaris Subsidiary Partnership shall claim the maximum discretionary deductions (including in respect of CCA) that are available to it under the Tax Act.

The income or loss of a Primaris Subsidiary Partnership for a fiscal year will be allocated to the partners of the Primaris Subsidiary Partnership (including Primaris REIT, in respect of New Primaris Master LP) on the basis of their respective share of such income or loss as provided in the limited partnership agreement governing the Primaris Subsidiary Partnership, subject to the detailed rules in the Tax Act, including the “at-risk rules” described below.

Generally, distributions to a partner in excess of its allocated share of the income of a Primaris Subsidiary Partnership for a fiscal year will result in a reduction of the adjusted cost base of the partner’s units in the Primaris Subsidiary Partnership by the amount of such excess. If, as a result, the adjusted cost base to the partner (including Primaris REIT, in respect of New Primaris Master LP) of its interest in a Subsidiary of Primaris REIT at the end of a fiscal period of the Primaris Subsidiary Partnership would otherwise be a negative amount, such partner would be deemed to realize a capital gain at the Primaris Subsidiary Partnership’s fiscal period end equal to the absolute value of such negative amount, and the adjusted cost base to the partner of its interest in the Primaris Subsidiary Partnership would then be increased to nil.

At-risk rules

The Tax Act contains rules (the “**at-risk rules**”) which, in general, limit the amount of the losses (other than capital losses) of a limited partnership (such as a Primaris Subsidiary Partnership) for a fiscal period that a limited partner of the partnership may deduct to an amount not greater than the partner’s “at-risk amount” in respect of the partnership at the end of the fiscal period. A limited partner’s at-risk amount in respect of a limited partnership will generally be equal to the adjusted cost base to the partner of its interest in the partnership at the end of the partnership’s fiscal period plus the partner’s share of any income of the partnership for the fiscal period (including, for this purpose, the whole amount of any net capital gains), less any amount owing by the partner (or by a person or partnership that does not deal at arm’s length with the 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 partner’s investment in the partnership that may reasonably be regarded as protected against loss. The share of any loss of a partnership that is not deductible by a partner (other than a partner that is itself a partnership) 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.

A limited partnership loss of a partner in respect of a limited partnership (including Primaris REIT in respect of New Primaris Master LP) 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 limited 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, any loss that is not deductible as a result of the application of the “at-risk rules” in respect of the limited partnership generally may not be carried forward and deducted in future years.

PRR Trust

The taxation year of PRR Trust is the calendar year. PRR Trust must pay tax on its net income (including net realized taxable capital gains) for a taxation year, less the portion thereof that it deducts in respect of the amount paid or payable to its sole unitholder, Primaris REIT, for the year. An amount will be considered to be payable to Primaris REIT in a calendar year if it is paid to Primaris REIT in that year by PRR Trust or if Primaris REIT is entitled in that year to enforce payment of the amount. PRR Trust’s declaration of trust generally requires that sufficient amounts be paid or made payable each year so that PRR Trust is not liable for any non-refundable income tax under Part I of the Tax Act.

The income of PRR Trust will include (i) any rent in respect of the real properties owned by PRR Trust and any taxable capital gains and recapture of CCA arising on the disposition of capital property owned by PRR Trust; and (ii) its allocated share of the income of any Primaris Subsidiary Partnership of which it is a member, for the partnership's fiscal periods ending in or concurrently with PRR Trust's taxation year. In computing the income or loss of PRR Trust, reasonable deductions may generally be claimed in respect of a available CCA, interest in respect of PRR Trust's debts, and administrative and other expenses incurred for the purpose of earning income from a business or property to the extent the outlays are not capital in nature.

Losses incurred by PRR Trust in a taxation year cannot be allocated to Primaris REIT, but may be deducted by PRR Trust in future years in accordance with the detailed rules and limitations in the Tax Act.

Taxation of Holders Resident in Canada

The following portion of this summary applies to a Holder who, at all relevant times and for purposes of the Tax Act, is resident in Canada (a "**Resident Holder**"). Certain holders resident in Canada who might not otherwise be considered to hold their Series A Units as capital property may in certain circumstances be entitled to have such units, along with all other "Canadian securities" (as defined in the Tax Act) held by such holders, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

Primaris REIT Distributions

A Resident Holder will generally be required to include in computing income for a particular taxation year that portion of Primaris REIT's net income for a taxation year of Primaris REIT ending in or concurrently with the taxation year of the Resident Holder, including net realized taxable capital gains, that Primaris REIT pays or makes payable to the Resident Holder in the taxation year of Primaris REIT, whether the Resident 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 Resident Holder even though no cash has been distributed to such Resident Holder.

Provided that Primaris REIT makes appropriate designations under the Tax Act, the portion of its net taxable capital gains, if any, in a taxation year which is paid or payable, or deemed to be paid or payable, to a Resident Holder will effectively retain its character and be treated as such in the hands of the Resident Holder for purposes of the Tax Act. See the discussion under "– Taxation of Capital Gains and Losses" below.

The non-taxable portion of Primaris REIT's net realized capital gains that are paid or payable to a Resident Holder in a taxation year will not be included in computing the Resident Holder's income for the year and, where the taxable portion has been designated to the Resident Holder, will not reduce the adjusted cost base of Series A Units held by the Resident Holder. Any other amount in excess of the net income and net taxable capital gains of Primaris REIT that is paid or payable, or deemed to be paid or payable, by Primaris REIT to a Resident Holder in that year will generally not be included in the Resident Holder's income for the taxation year. However, where such an amount is paid or payable to a Resident Holder (other than as proceeds of disposition or deemed disposition of Series A Units or any part thereof), the Resident Holder will generally be required to reduce the adjusted cost base of the Resident Holder's Series A Units by that amount. To the extent that the adjusted cost base of a Series 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 Resident Holder and the adjusted cost base of the Series A Unit to the Resident Holder will immediately thereafter be increased to nil. See the discussion under "– Taxation of Capital Gains and Losses" below.

Disposition of Series A Units

In general, a disposition or deemed disposition of a Series A Unit by a Resident Holder will give rise to a capital gain (or a capital loss) equal to the amount by which the Resident Holder's proceeds of disposition of the Series A Unit exceed (or are exceeded by) the aggregate of the adjusted cost base of the Series A Unit to the Resident Holder and any reasonable costs of disposition. The Resident Holder's proceeds of disposition will not include an amount payable by Primaris REIT that the Resident Holder is otherwise required to include in income, including any capital gain realized by Primaris REIT in connection with a redemption which Primaris REIT has allocated to the redeeming Resident Holder. See the discussion under "– Taxation of Capital Gains and Losses" below.

The adjusted cost base to a Resident Holder of a Primaris REIT Unit acquired under the Plan of Arrangement will be computed as described in “Certain Canadian Federal Income Tax Considerations – Taxation of Holders Resident in Canada – Acquisition of Primaris REIT Units, Series A and Qualifying Disposition” in the Circular. The cost to a Resident 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 Resident 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 identical units owned by the Resident Holder as capital property immediately before the acquisition.

Where Primaris REIT redeems Series A Units by distributing property of Primaris REIT to a Resident Holder, the Resident Holder will also be required to include in income any taxable capital gains that Primaris REIT realizes on or in connection with such *in specie* distribution of property and designates to such Resident Holder. The proceeds of disposition to the redeeming Resident Holder will be equal to the fair market value of the property of Primaris REIT so distributed less any income or capital gain realized by Primaris REIT (i) in connection with such redemption to the extent such income or capital gains is designated by Primaris REIT to the redeeming Holder, or (ii) otherwise upon the distribution of such property. The cost of any property distributed *in specie* by Primaris REIT to a Resident Holder upon redemption of Series A Units will be equal to the fair market value of that property at the time of distribution. The Resident Holder will thereafter be required to include in income interest or other income derived from the property in accordance with the provisions of the Tax Act.

Taxation of Capital Gains and Losses

Generally one-half of any capital gain realized by a Resident Holder for the purposes of the Tax Act on the disposition of property (including Series A Units) and the amount of any net taxable capital gains designated by Primaris REIT in respect of such Resident Holder will be required to be included by the Resident Holder in computing income as a “taxable capital gain” under the Tax Act. One-half of any capital loss realized for the purposes of the Tax Act on a disposition of property (an “allowable capital loss”) generally must be deducted from taxable capital gains of such a Resident Holder in the year of disposition. Any excess of allowable capital losses over taxable capital gains realized by a Resident Holder in a taxation year may generally be deducted in the three preceding taxation years or in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

Refundable Tax on Aggregate Investment Income

A Resident Holder that is a “Canadian-controlled private corporation” throughout its taxation year may be liable to pay a refundable tax on its “aggregate investment income”, including certain income that Primaris REIT pays or makes payable to the Resident Holder and amounts in respect of net taxable capital gains.

Alternative Minimum Tax

The liability for alternative minimum tax of a Resident Holder who is an individual (including certain trusts) may be increased if Primaris REIT designates a portion of its income that it pays or makes payable to the Resident Holder as taxable dividends or net taxable capital gains, or if the Resident Holder realizes a capital gain on the disposition of a Primaris REIT Unit.

Taxation of Holders Not Resident in Canada

The following portion of this summary applies to a Holder who, at all relevant times and for purposes of the Tax Act, is not resident or deemed to be resident in Canada, and does not use or hold Series A Units in a business carried on in Canada, and whose Series A Units, at all relevant times, are not “taxable Canadian property” within the meaning of the Tax Act (a “**Non-Resident Holder**”). Generally, units of a trust that is a mutual fund trust (such as Primaris REIT is expected to be) will not constitute taxable Canadian property to a Non-Resident Holder at a particular time provided that at no time during the 60-month period immediately preceding that time were 25% or more of the issued units of the trust owned by one or any combination of (i) the Non-Resident Holder; (ii) persons with whom the Non-Resident Holder does not deal at arm’s length for the purposes of the Tax Act; and (iii) partnerships in which the Non-Resident Holder or a person described in (ii) holds a membership interest directly or indirectly through one or more partnerships. Special rules which apply to non-resident insurers carrying on business in Canada and elsewhere are not discussed in this summary.

Primaris REIT Distributions

As described in greater detail below, in effect the entire amount of any distributions paid to a Non-Resident Holder by Primaris REIT in respect of Series A Units may be subject to Canadian withholding tax, though a portion of such withholding tax may be refundable in some cases, as described below.

A Non-Resident Holder will be subject to Canadian non-resident withholding tax under Part XIII of the Tax Act at a rate of 25% on the portion of the income (excluding, for greater certainty, taxable capital gains designated in respect of the Non-Resident Holder) of Primaris REIT that is paid to the Non-Resident Holder as part of a distribution. To the extent that Primaris REIT designates a portion of a distribution to the Non-Resident Holder as a taxable capital gain of such Non-Resident Holder, one-half of the lesser of (i) twice the amount so designated in respect of such Non-Resident Holder and (ii) such Non-Resident Holder's pro rata portion of the "TCP gains balance" (within the meaning of the Tax Act) of Primaris REIT for the taxation year will be subject to Canadian non-resident withholding tax under Part XIII of the Tax Act at the rate of 25% if more than 5% of the amounts so designated by Primaris REIT for the relevant taxation year are designated in respect of Unitholders that are either "non-resident persons" or partnerships which are not "Canadian partnerships" (each as defined in the Tax Act). A trust's TCP gains balance generally includes all capital gains (less all capital losses) realized by the trust from the disposition of taxable Canadian property, less amounts deemed to be taxable Canadian property gains distributions in previous taxation years. In some cases, the 25% rate of withholding tax under Part XIII of the Tax Act may be subject to reduction under the terms of an applicable income tax treaty or convention.

A Non-Resident Holder will generally be subject to Canadian withholding tax under Part XIII.2 of the Tax Act at a rate of 15% (the "**Mutual Fund Withholding Tax**") on any distribution in respect of a unit of a "mutual fund trust" that is a "Canadian property mutual fund investment" that is not otherwise subject to Canadian income tax under Part I of the Tax Act or Canadian withholding tax under Part XIII of the Tax Act. A Series A Unit will be a "Canadian property mutual fund investment". Consequently, Mutual Fund Withholding Tax will apply to the amount by which the distributions made by Primaris REIT to a Non-Resident Holder exceeds the aggregate of the Non-Resident Holder's share of the (i) income and (ii) capital gains which are subject to Canadian withholding tax under Part XIII of the Tax Act, as described above. A Non-Resident Holder may be able to obtain a refund in respect of its Mutual Fund Withholding Tax payable to the extent that the Non-Resident Holder has "Canadian property mutual fund losses" (within the meaning of the Tax Act). A Non-Resident Holder must file a Canadian federal return of income in prescribed form within the prescribed time in order to obtain such a refund.

Disposition of Series A Units

A Non-Resident Holder will not be subject to tax under the Tax Act on any capital gain realized on the disposition (or deemed disposition) of Series A Units.

On the redemption of a Series A Unit, a Non-Resident Holder will be subject to the 15% Mutual Fund Withholding Tax on the entire amount paid to the Non-Resident Holder in connection with such redemption, to the extent not otherwise subject to withholding tax under Part XIII of the Tax Act. A Non-Resident Holder may be able to obtain a refund in respect of its Mutual Fund Withholding Tax payable to the extent that the Non-Resident Holder has "Canadian property mutual fund losses" (within the meaning of the Tax Act), which generally would include any losses realized by the Non-Resident Holder on the disposition of its Series A Unit (including on the redemption thereof). A Non-Resident Holder must file a Canadian federal return of income in prescribed form within the prescribed time in order to obtain such a refund. Non-Resident Holders should consult their own tax advisors with respect to the tax consequences of a disposition of a Series A Unit (including on the redemption thereof).

RISK FACTORS

Below are certain risk factors relating to Primaris REIT that Unitholders should carefully consider in connection with and following the Arrangement. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Schedule and in the Circular.

Risks Relating to Primaris REIT in Connection with the Arrangement

Following the Arrangement, Primaris REIT will need to obtain financing on a stand-alone basis

Following the Arrangement, Primaris REIT will need to raise financing on a stand-alone basis without reference to H&R REIT and may not be able to secure adequate debt or equity financing on desirable terms or at all. Financing on a stand-alone basis may affect the interest rates charged on financings, as well as the amounts of indebtedness, types of financing structures, and debt markets that may be available to Primaris REIT following the Arrangement. Primaris REIT may not be able to raise the capital it requires on desirable terms or at all following the Arrangement.

Following the Arrangement, Primaris REIT may be unable to make the changes necessary to operate as an independent entity and may incur greater costs

Following the Arrangement, the separation of Primaris REIT from the other business of H&R REIT may materially affect Primaris REIT. Primaris REIT may not be able to implement successfully the changes necessary to operate independently. Primaris REIT may incur additional costs relating to operating independently that could materially affect its financial position, cash flows and results of operations.

The Primaris Spin-out Properties combined carve-out financial statements and the HOOPP Properties combined carve-out financial statements may not reflect what Primaris REIT's financial position, results of operations or cash flows would have been had Primaris REIT operated as a stand-alone company or what Primaris REIT's financial position, results of operations or cash flows will be in the future

The combined carve-out financial statements for the Primaris Spin-out Properties and the combined carve-out financial statements for the HOOPP Properties included in Schedule F and Schedule G, respectively, to the Circular have been prepared on a "carve-out" basis derived from the consolidated financial statements of H&R REIT and HOOPP, respectively. Management believes it has made reasonable assumptions underlying these financial statements, including reasonable allocations of corporate expenses from H&R REIT, such as expenses related to employee benefits, finance, human resources, legal, information technology and executive management. However, because these financial statements are based on certain assumptions and include allocations of corporate expenses from H&R REIT, and the financial results and operations of the HOOPP Properties, the financial statements may not reflect what Primaris REIT's financial position, results of operations or cash flows would have been had Primaris REIT operated as a stand-alone company owning all of the properties during the historical periods presented or what Primaris REIT's financial position, results of operations or cash flows will be in the future.

Forecast Risks

The financial forecast contained in Schedule K to the Circular was prepared using assumptions that reflect management's intended course for the period covered, given the judgement of management as to the most probable set of economic conditions. There can be no assurance that the assumptions reflected in such financial forecast will prove to be accurate. Actual financial results may vary significantly from the forecasted results and those variations may be material. There are no assurances that actual results achieved during the period(s) covered by any financial forecast contained herein will be the same, in whole or in part, as those forecasted in the forecast included as Schedule K to the Circular. See "Forward-Looking Statements" in this Schedule.

Risks Related to the Business of Primaris REIT

There are certain risks inherent in an investment in securities of Primaris REIT and in the activities of Primaris REIT, including the following which investors should carefully consider before investing in securities of Primaris REIT.

Risks Associated with COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic, which has resulted in the federal and provincial governments, as well as U.S. federal and state governments, enacting emergency measures to combat the spread of the virus, including travel bans, quarantine periods, social distancing and significant monetary and fiscal interventions. Given the success in mitigating the initial spread of COVID-19, the governments in Canada and in many other countries, including the U.S., eased the containment measures in late Q2 2020 and rolled out reopening of non-essential businesses on a staged regional approach for most of Q3 2020. This led to a recovery of economic activities and the employment

rate in Canada and in many parts of the world. Following Q3 2020, the rise in the number of COVID-19 cases globally indicated the start of the second wave of the pandemic. In response, regional and provincial governments in Canada and internationally, including the U.S., introduced, or restored, restrictive measures for certain non-essential businesses such as theatres, gyms and sit down restaurants. In Q4 2020, many governments began to implement more restrictive measures and some governments imposed lockdowns, closing all businesses other than those deemed “essential”. These emergency measures have resulted in additional risks and uncertainties to Primaris REIT’s business, operations and financial performance as discussed throughout H&R REIT’s MD&A for the three and six months ended June 30, 2021.

The duration and impact of the COVID-19 pandemic on Primaris REIT remain unknown at this time, as is the efficacy of the government’s interventions. Disruptions caused by COVID-19 may, in the short or long term, materially adversely impact Primaris REIT’s tenants and/or the debt and equity markets, both of which could materially adversely affect Primaris REIT’s operations and financial performance and ability to pay distributions. Primaris REIT may experience COVID-19 related delays with its current and future development projects.

The extent of the effect of the ongoing COVID-19 pandemic on Primaris REIT’s operational and financial performance will depend on numerous factors, including the duration, spread and intensity of the pandemic, the actions by governments and others taken to contain the pandemic or mitigate its impact, changes in the preferences of tenants and prospective tenants, and the direct and indirect economic effects of the pandemic and containment measures, all of which are uncertain and difficult to predict considering that the situation continues to evolve rapidly. As a result, it is not currently possible to ascertain the long term impact of COVID-19 on Primaris REIT’s business and operations. Certain aspects of Primaris REIT’s business and operations that could potentially be impacted include rental income, occupancy, tenant inducements, future demand for space and market rents, as well as increased costs resulting from Primaris REIT’s efforts to mitigate the impact of COVID-19, longer-term stoppage of development projects, temporary or long-term labour shortages or disruptions, temporary or long-term impacts on domestic and global supply chains, increased risks to IT systems and networks, impairments and/or writedowns of assets, and the deterioration of worldwide credit and financial markets that could limit Primaris REIT’s ability to access capital and financing on acceptable terms or at all.

Even after the COVID-19 pandemic has subsided, Primaris REIT may continue to experience material adverse impacts to its business as a result of the global economy, including any related recession, as well as lingering effects on Primaris REIT’s employees, suppliers, third-party service providers and/or tenants.

Real Property Ownership

All real property investments are subject to a degree of risk and uncertainty. Such investments are affected by various factors including general economic conditions, local real estate markets, the impact of COVID-19, demand for leased premises, competition from other available premises and various other factors.

The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants. Distributable cash and Primaris REIT’s income would be adversely affected if one or more major tenants or a significant number of tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the properties in which Primaris REIT has an interest is not able to be leased on economically favourable lease terms. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting Primaris REIT’s investment may be incurred. Furthermore, at any time, a tenant of any of the properties in which Primaris REIT has an interest may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant’s lease and thereby cause a reduction in the cash flow available to Primaris REIT.

Retail shopping centres have traditionally relied on there being a number of anchor tenants (department stores, discount department stores and grocery stores) in the centre, and therefore they are subject to the risk of such anchor tenants either moving out of the property or going out of business. Certain of the major tenants are permitted to cease operating from their leased premises at any time at their option, however, they remain liable to pay all remaining rent in accordance with their leases. Other major tenants are permitted to cease operating from their leased premises or to terminate their leases if certain events occur. The exercise of such rights by a tenant may have a negative effect on a property. There can be no assurance that such rights will not be exercised in the future.

The ability to rent unleased space in the properties in which Primaris REIT has an interest will be affected by many factors and costs may be incurred in making improvements or repairs to property required by a new tenant. 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 Primaris REIT's financial condition.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing any income. If Primaris REIT is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.

Primaris REIT may, in the future, be exposed to a general decline of demand by tenants for space in properties. As well, certain of the leases of the properties held by Primaris REIT have early termination provisions which, if exercised, would reduce the average lease term. However, such termination rights are generally exercisable only at a cost to the tenant and the amount of space in the portfolio of properties currently held by Primaris REIT which could be affected is not significant.

A mortgage on any one property may, from time to time, exceed the estimated current market value of the related property. The cash flow from such a property may not be sufficient to cover debt servicing for that property. The cash flow from the portfolio of properties currently held by Primaris REIT is, however, expected by management to be sufficient to cover any cash flow shortfalls on such a property.

Current Economic Environment

Primaris REIT will be subject to risks involving the economy in general, including inflation, deflation or stagflation, unemployment, geopolitical issues and a local, regional, national or international outbreak of a contagious disease, including the outbreak of COVID-19. Poor economic conditions could adversely affect Primaris REIT's ability to generate revenues, thereby reducing its operating income and earnings. It could also have an adverse impact on the ability of Primaris REIT to maintain occupancy rates which could harm Primaris REIT's financial condition. In weak economic environments, Primaris REIT's tenants may be unable to meet their rental payments and other obligations due to Primaris REIT, which could have a material and adverse effect on Primaris REIT. In addition, fluctuation in interest rates or other financial market volatility may adversely affect Primaris REIT's ability to refinance existing indebtedness on its maturity or on terms that are as favourable as the terms of existing indebtedness, which may impact negatively on Primaris REIT's performance, may restrict the availability of financing for future prospective purchasers of Primaris REIT's investments and could potentially reduce the value of such investments, or may adversely affect the ability of Primaris REIT to complete acquisitions on financially desirable terms. With respect to the COVID-19 outbreak, refer to "– Risks Associated with COVID-19" above.

Integration of HOOPP Properties

The integration of Primaris REIT and the HOOPP Properties may not occur as planned. The Purchase and Sale Agreement has been entered into with the expectation that its successful completion will result in increased earnings and cost savings by taking advantage of operating and other synergies to be realized from the consolidation of Primaris REIT and the HOOPP Properties and resulting enhanced growth opportunities for Primaris REIT. The ability to realize the benefits of the HOOPP Contribution will depend in part on whether Primaris REIT's and the HOOPP Properties' operations can be integrated in an efficient and effective manner. Most operational and strategic decisions and certain staffing decisions with respect to Primaris REIT have not yet been made. These decisions and the integration of the two portfolios will present challenges to management, including the integration of systems and personnel of the two portfolios, and special risks, including possible unanticipated liabilities, unanticipated costs, and the loss of key employees. The performance of Primaris REIT could be adversely affected if it cannot retain key employees to assist in the integration and operation of Primaris REIT. As a result of these factors, it is possible that the cost reductions and synergies expected from the combination of Primaris REIT and the HOOPP Properties will not be realized. If actual results are less favourable than Primaris REIT currently anticipates, Primaris REIT's business, results of operations, financial condition and liquidity could be adversely impacted.

Valuations

Valuations reflect an assessment of value based on the facts and circumstances as of the date the valuations were made. Such valuations may not have incorporated all relevant facts or may have relied on incorrect assumptions which may have been too optimistic or not sufficiently optimistic. Furthermore, valuations conducted at one point in time may not be reflective of value at another point in time, nor may the valuation be reflective of the value that could be obtained on a sale or other transaction.

Land Leases

To the extent that the properties in which Primaris REIT has or will have an interest are located on leased land, the land leases may be subject to periodic rate resets that may fluctuate. This may result in significant rental rate adjustments and therefore have a potential negative effect on the cash flow of Primaris REIT.

Retail Concentration

Primaris REIT's portfolio is limited to Canadian retail properties. Consequently, the market value of the properties and the income generated from them could be negatively affected by changes in the domestic retail environment.

Credit Risk and Tenant Concentration

Primaris REIT will be exposed to credit risk as an owner of real estate in that tenants may become unable to pay the contracted rents. Management mitigates this risk by carrying out appropriate credit checks and related due diligence on the significant tenants. In addition, management ensures that no tenant or related group of tenants, other than investment grade tenants, account for a significant portion of the cash flow.

In that regard, the Declaration of Trust restricts the leasing or subleasing of real property, premises or space to any person where that person and its affiliates would, after the contemplated lease or sublease, be leasing or subleasing real property, premises or space having a fair market value net of encumbrances in excess of 20% of Total Assets, unless the lessee or sublessee is, or the lease or sublease is guaranteed by, the Government of Canada, the Government of the United States, any province or territory of Canada, any state of the United States, any municipality or city in Canada or the United States, or any agency or crown corporation thereof and certain issuers, the securities of which meet stated investment criteria or are investment grade. It is expected that Primaris REIT will be in compliance with this restriction upon completion of the Arrangement and the HOOPP Contribution. Furthermore, the only tenant which individually accounts for more than 5% of Primaris REIT's expected annual minimum rent is Canadian Tire Corporation, Limited, which has a public debt rating of BBB by a recognized rating agency.

Primaris REIT will be exposed to credit risk in the event that borrowers default on the repayment of the amounts owing to Primaris REIT. Management mitigates this risk by ensuring adequate security has been provided in support of mortgages receivable.

Lease Rollover Risk

Lease rollover risk arises from the possibility that Primaris REIT may experience difficulty renewing leases as they expire or in re-leasing space vacated by tenants upon lease expiry, or that Primaris REIT may not achieve rental rate increases upon such renewals. Management's strategy is to sign creditworthy tenants to leases that are long-term in nature and to mitigate the risk by having staggered lease maturities and using built-in rental escalations which assists in Primaris REIT's attempt to fulfill its primary goal of maintaining a predictable cash flow. The ability to rent unleased space in the properties in which Primaris REIT has an interest will be affected by many factors. The failure to rent unleased space on a timely basis or at all or to achieve rental rate increases would likely have an adverse effect on Primaris REIT's financial condition and cash available for distributions may be adversely affected.

Interest Rate and Other Debt-Related Risks

Primaris REIT will be exposed to financing risk on maturing debt and interest rate risk on its borrowings. It will minimize this risk by negotiating fixed rate term debt with staggered maturities targeting less than 20% of total debt maturing in any one year. Consistent with a debt strategy employing significant unsecured financings, Primaris REIT will strive to maintain undrawn credit facility capacity to accommodate 18-24 months of forward debt maturities.

If Primaris REIT indebtedness is replaced by new debt that has less favourable terms or Primaris REIT is unable to secure adequate funding, distributions by Primaris REIT to holders of Units may be adversely impacted. In addition, failure by Primaris REIT to comply with its obligations under the documents governing such indebtedness (including in the case of the credit facilities, the failure to meet certain financial ratios and financial conditions tests) may adversely impact cash distributions on the Units. Primaris REIT has been able to leverage off the low interest rate environment that the Canadian and

U.S. economy has experienced in recent years. A reversal of this trend, however, may lead to Primaris REIT's debt being refinanced at higher rates, thereby reducing net income and cash flows which could ultimately affect the level of distributions.

Construction Risks

It is likely that Primaris REIT will be involved in various development projects. Primaris REIT's obligations in respect of properties under construction, or which are to be constructed, are subject to risks which include (i) the potential insolvency of a third party developer (where Primaris REIT is not the developer); (ii) a third party developer's failure to use advanced funds in payment of construction costs; (iii) construction or other unforeseeable delays, including the impact of COVID-19; (iv) cost overruns; (v) the failure of tenants to occupy and pay rent in accordance with existing lease agreements, some of which are conditional; (vi) the incurring of construction costs before ensuring rental revenues will be earned from the project; and (vii) increases in interest rates during the period of the development. Management strives to mitigate these risks where possible by entering into fixed price construction contracts with general contractors (and, to the extent possible, on a bonded basis) and by attempting to obtain long-term financing as early as possible during construction.

Capital Expenditures

Leasing capital and maintenance capital are incurred in irregular amounts and may exceed actual cash available from operations during certain periods. Primaris REIT may be required to use part of its debt capacity or reduce distributions in order to accommodate such items. Capital for recoverable improvements may exceed recovery of amounts from tenants.

Liquidity Risk

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relationship with demand for and the perceived desirability of such investments. Such illiquidity will tend to limit Primaris REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If for whatever reason, liquidation of assets is required, there is a risk that sale proceeds realized might be less than the previously estimated market value of Primaris REIT's investments or that market conditions, including the impact of COVID-19, would prevent prompt disposition of assets.

Competition

The real estate business is competitive. Numerous other developers, managers and owners of properties compete with Primaris REIT in seeking tenants. Some of the properties located in the same markets as Primaris REIT's properties may be newer, better located, less levered or have stronger anchor tenants than Primaris REIT's properties. Some property owners with properties located in the same markets as Primaris REIT's properties may be better capitalized and may be stronger financially and hence better able to withstand an economic downturn. Competitive pressures in such markets could have a negative effect on Primaris REIT's ability to lease space in its properties and on the rents charged or concessions granted, which could have an adverse effect on Primaris REIT's financial condition and results of operation and decrease the amount of cash available for distribution.

Primaris REIT competes for suitable real property investments with individuals, corporations, other real estate investment trusts and institutions (both Canadian and foreign) which are presently seeking, or which may seek in the future, real property investments similar to those desired by Primaris REIT. Many of these investors have greater financial resources than those of Primaris REIT, or operate without Primaris REIT's investment restrictions, or according to more flexible conditions. An increase in the availability of investment funds and an increase in interest in real property investments, would tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yields thereon.

Significant deterioration of the retail shopping centre market in general or the financial health of key tenants in particular could have an adverse effect on Primaris REIT's business, financial condition or results of operations. Also, the emergence of e-commerce as a platform for retail growth has caused many retailers to change their approach to attracting and retaining customers. To the extent that some retailers are unsuccessful in attracting and retaining customers because of the impact of e-commerce on their respective businesses, Primaris REIT may experience additional vacancy and its resulting adverse effects on financial condition and results of operations including occupancy rates, base rental income, tax and operating cost recoveries, leasing and other similar costs.

Reliance on Anchor Tenants or Tenant Bankruptcies

Primaris REIT's profit could be adversely affected in the event of a downturn in the business or the bankruptcy or insolvency of any anchor store or anchor tenant. Anchor tenants generally occupy large amounts of leasable area, pay a significant portion of the total rents at a property and contribute to the success of other tenants by drawing significant numbers of customers to a property. Bankruptcy filings by retailers occur periodically in the normal course of operations for reasons such as increased competition, out-dated business models, internet sales, changing demographics, poor economic conditions, rising costs and changing shopping trends. Primaris REIT continually seeks to re-lease vacant space resulting from any tenant terminations. The closing of one or more anchor stores at a multi-tenant property or the tenant at a single-tenant property, could have an adverse effect on that property. At a multi-tenant property, vacated anchor tenant space tends to adversely affect the entire shopping centre because of the loss of the departed anchor tenant's power to draw customers to the centre, which in turn may cause other tenants' operations to suffer and adversely affect such other tenants' ability to pay rent or perform any other obligations under their leases. Moreover, a lease termination by an anchor tenant or a failure by that anchor tenant to occupy the premises may entitle other tenants of the centre to cease operating from their premises to a reduction of rent payable under their leases and/or to terminate their leases. No assurance can be given that Primaris REIT will be able to quickly re-lease space vacated by an anchor tenant on favourable terms, if at all. If any anchor tenant were to leave a property, the property could be negatively affected, which could have an adverse effect on Primaris REIT's financial condition and results of operations and could decrease the amount of cash available to pay distributions to Unitholders.

Cyber Security Risk

Cyber security has become an increasingly problematic issue for issuers and businesses in Canada and around the world. Cyber attacks against large organizations are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use or disrupting business operations. A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of Primaris REIT's information resources. More specifically, a cyber-incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information. As Primaris REIT's reliance on technology has increased, so have the risks posed to its systems. Primaris REIT's primary risks that could directly result from the occurrence of a cyber-incident include operational interruption, damage to its reputation, damage to Primaris REIT's business relationships with its tenants, disclosure of confidential information regarding its tenants, employees and third parties with whom Primaris REIT interacts, and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny and litigation. Primaris REIT will implement processes, procedures and controls to help mitigate these risks, but these measures, as well as its increased awareness of a risk of a cyber-incident, do not guarantee that its financial results will not be negatively impacted by such an incident.

Environmental and Climate Change Risk

As an owner of interests in real property in Canada, Primaris REIT will be subject to various Canadian federal, provincial and municipal laws relating to environmental matters. These laws impose a liability for the cost of removal and remediation of certain hazardous materials released or deposited on properties owned by Primaris REIT on or adjacent properties.

In accordance with best management practices, Phase I audits will be completed on all properties prior to acquisition. Further investigation will be conducted if Phase I tests indicate a potential problem. Primaris REIT will have operating policies to monitor and manage risk. In addition, the standard lease requires compliance with environmental laws and regulations and restricts tenants from carrying on environmentally hazardous activities or having environmentally hazardous substances on site.

Natural disasters and severe weather such as floods, ice storms, blizzards and rising temperatures may result in damage to Primaris REIT's properties. The extent of Primaris REIT's casualty losses and loss in property operating income in connection with such events is a function of the severity of the event and the total amount of exposure in the affected area. Primaris REIT will also be exposed to risks associated with inclement winter weather, including increased need for maintenance and repair of Primaris REIT's buildings. In addition, climate change, to the extent it causes changes in weather patterns, could have effects on Primaris REIT's business by increasing the cost to recover and repair properties and by increasing property insurance costs to insure a property against natural disasters and severe weather events.

Primaris REIT will take proactive steps to mitigate the risk of climate change on its business and its properties and to address Primaris REIT's environmental impact.

Co-Ownership Interest in Properties

In certain situations, Primaris REIT may be adversely affected by a default by a co-owner of a property under the terms of a mortgage, lease or other agreement. Although all co-owners agreements entered into by Primaris REIT provide for remedies to Primaris REIT in such circumstances, such remedies may not be exercisable in all circumstances, or may be insufficient or delayed, and may not cure a default in the event that such default by a co-owner is deemed to be a default of Primaris REIT.

Joint Venture Arrangements and Investment Risks

Primaris REIT has several investments in joint ventures and investments in associates. Primaris REIT is subject to risks associated with the management and performance of these joint venture arrangements and investments. Such risks include any disagreements with its partners relating to the development or operations of a property, as well as differences with respect to strategic decision making. Other risks include partners not meeting their financial or operational obligations. Primaris REIT attempts to mitigate these risks by maintaining good working relationships with its partners, and conducting due diligence on their partners to ensure there is a similar alignment of strategy prior to creating a joint arrangement or investment.

Dependence on Key Personnel

The management of Primaris REIT will depend on the services of certain key personnel. The loss of the services of any of these key personnel could have an adverse effect on Primaris REIT.

Potential Acquisition, Investment and Disposition Opportunities and Joint Venture Arrangements

Primaris REIT will evaluate business and growth opportunities and is expected to consider a number of acquisition, investment and disposition opportunities and joint venture arrangements to achieve its business and growth strategies. In the normal course, Primaris REIT may have outstanding non-binding letters of intent and/or conditional agreements or may otherwise be engaged in discussions with respect to potential acquisitions and financing of new assets, the refinancing of existing assets, potential dispositions, establishment of new joint venture arrangements, the viability and status of its joint venture arrangements, and changes to its capital structure, each of which, individually or in the aggregate, may or may not be material if they were to progress. However, there can be no assurance that any of these discussions will result in a definitive agreement and, if they do, what the terms or timing of any acquisition, investment or disposition would be or that such acquisition, investment or disposition will be completed by Primaris REIT. Similarly, there can be no assurance that Primaris REIT will enter into new joint venture arrangements or continue any existing joint venture arrangements. If Primaris REIT does complete such transactions, Primaris REIT cannot provide assurance that they will ultimately strengthen its competitive position or that they will not be viewed negatively by customers, securities analysts or investors. Such transactions may also involve significant commitments of Primaris REIT's financial and other resources. Any such activity may not be successful in generating revenue, income or other returns to Primaris REIT, and the resources committed to such activities will not be available to Primaris REIT for other purposes.

Acquisitions of properties by Primaris REIT are subject to the normal commercial risks and satisfaction of closing conditions that may include, among other things, lender approval, *Competition Act* (Canada) approval, receipt of estoppel certificates and obtaining title insurance. Such acquisitions may not be completed or, if completed, may not be on terms that are exactly the same as initially negotiated. In the event that Primaris REIT does not complete an acquisition, it may have an adverse effect on the operations and results of Primaris REIT in the future and its cash available for distributions to Unitholders.

Potential Undisclosed Liabilities Associated with Acquisitions

Primaris REIT is expected to acquire properties that are subject to existing liabilities, some of which may be unknown at the time of the acquisition or which Primaris REIT may fail to uncover in its due diligence. Unknown liabilities might include liabilities for cleanup or remediation of undisclosed environmental conditions, claims by tenants, vendors or other persons dealing with the vendor or predecessor entities (that have not been asserted or threatened to date), and accrued but unpaid liabilities incurred in the ordinary course of business. Representations and warranties given by third parties to Primaris REIT regarding acquired properties may not adequately protect against these liabilities and any recourse against third parties may be

limited by the financial capacity of such third parties. While in some instances Primaris REIT may have the right to seek reimbursement against an insurer or another third party for certain of these liabilities, Primaris REIT may not have recourse to the vendor of the properties for any of these liabilities.

Potential Conflicts of Interest

Primaris REIT may be subject to various conflicts of interest because of the fact that the members of management and Primaris REIT Trustees may be engaged in a wide range of real estate and other business activities and Primaris REIT may become involved in transactions which conflict with the interests of the foregoing.

Primaris REIT management and Primaris REIT Trustees may from time to time deal with persons, firms, institutions or corporations with which Primaris REIT may be dealing, or which may be seeking investments similar to those desired by Primaris REIT. The interests of these persons could conflict with those of Primaris REIT. In addition, from time to time, these persons may be competing with Primaris REIT for available investment opportunities.

Any decisions regarding the enforcement by Primaris REIT of the terms of any agreement entered into by Primaris REIT with a non-independent Primaris REIT Trustee or with an associate of a non-independent Primaris REIT Trustee may be made by a majority of the independent Primaris REIT Trustees. There is a risk that non-independent Primaris REIT Trustees may attempt to influence the independent Primaris REIT Trustees in this regard.

The Declaration of Trust contains “conflicts of interest” provisions requiring Primaris REIT Trustees to disclose material interests in material contracts and transactions and refrain from voting thereon. See “Corporate Governance—Conflicts of Interest” in this Schedule.

Risks Relating to Securities of Primaris REIT

Prices of REIT Securities

Publicly traded trust units will not necessarily trade at values determined solely by reference to the underlying value of trust assets. Accordingly, Units may trade at a premium or a discount to the underlying value of the assets of Primaris REIT.

One of the factors that may influence the quoted price of Units is the annual yield on Units. Accordingly, an increase in market interest rates may lead investors in Units to demand a higher annual yield which could adversely affect the quoted price of Units. In addition, the quoted price of Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of Primaris REIT.

Challenging market conditions, the health of the economy as a whole and numerous other factors beyond the control of Primaris REIT may have a material effect on the business, financial condition, liquidity and results of operations of Primaris REIT. Financial markets have previously experienced significant price and volume fluctuations that have particularly affected the market prices of securities of issuers and that have often been unrelated to the operating performance, underlying asset values or the prospects of such issuers. There can be no assurance that such fluctuations in price and volume will not occur again. Accordingly, the market price of Units may decline even if Primaris REIT’s operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such increased levels of volatility and market turmoil occur, Primaris REIT’s operations could be adversely impacted and the trading price of Units may be adversely affected.

Availability of Cash for Distributions

Primaris REIT’s current proposed distribution policy is outlined under “Distribution Policy” in this Schedule. Although Primaris REIT intends to make distributions of its available cash to Unitholders in accordance with its distribution policy, these cash distributions may be reduced or suspended, including as a result of the impact of COVID-19 on Primaris REIT’s business. The actual amount distributed by Primaris REIT will depend on numerous factors including capital market conditions, the financial performance of Primaris REIT’s properties, Primaris REIT’s debt covenants and obligations, its working capital requirements, its future capital requirements, its development commitments and fluctuations in interest rates. Cash available to Primaris REIT for distributions may be reduced from time to time because of items such as principal repayments on debt, tenant allowances, leasing commissions, capital expenditures or any other business needs that Primaris

REIT Trustees deem reasonable. Primaris REIT may be required to use part of its debt capacity in order to accommodate any or all of the above items. The market value of Units may decline significantly if Primaris REIT suspends or reduces distributions. Primaris REIT Trustees retain the right to re-evaluate the distribution policy from time to time as they consider appropriate.

Ability to Access Capital Markets

As Primaris REIT will distribute a portion of its income to holders of Units, Primaris REIT may need to obtain additional capital through capital markets and Primaris REIT's ability to access the capital markets through equity issues and forms of secured or unsecured debt financing may affect the operations of Primaris REIT as such financing may be available only on disadvantageous terms, if at all. If financing is not available on acceptable terms, further acquisitions or ongoing development projects may be curtailed and cash available for distributions or to fund future commitments may be adversely affected.

Tax Risk

The Tax Act includes rules (referred to herein as the "**SIFT Rules**") which effectively tax certain income of a publicly traded trust or partnership that is distributed to its investors on the same basis as would have applied had the income been earned through a taxable corporation and distributed by way of dividend to its shareholders. The SIFT Rules apply only to "SIFT trusts", "SIFT partnerships" (each as defined in the Tax Act, and collectively, "**SIFTS**") and their investors. A trust that qualifies as a "real estate investment trust" (as defined in the Tax Act) for a taxation year will not be considered to be a SIFT trust in that year (the "**REIT Exemption**").

Management believes that Primaris REIT will satisfy the tests to qualify for the REIT Exemption. Management of Primaris REIT intends to conduct the affairs of Primaris REIT so that it qualifies for the REIT Exemption at all times. However, as the REIT Exemption includes complex revenue and asset tests, no assurances can be provided that Primaris REIT will continue to qualify for any subsequent year.

There can be no assurance that income tax laws and the treatment of mutual fund trusts will not be changed in a manner which adversely affects holders of Units. If Primaris REIT does not qualify as a "mutual fund trust" under the Tax Act and Units cease to be listed on a designated stock exchange (which currently includes the TSX), Units will cease to be qualified investments for registered plans.

Pursuant to rules in the Tax Act, if Primaris REIT experiences a "loss restriction event" (i) it will be deemed to have a year-end for tax purposes (which would 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 Primaris REIT is not liable for income 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, Primaris REIT 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 Primaris REIT, 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 interests in the income or capital of the trust, as the case may be, together with the beneficial interests in the income or capital of the trust, as the case may be, of persons and partnerships with whom such beneficiary is affiliated for the purposes of the Tax Act, represent greater than 50% of the fair market value of all the interests in the income or capital of the trust, as the case may be.

Additional Tax Risks Applicable to Unitholders

Primaris REIT is classified as a foreign corporation for United States federal income tax purposes. A foreign corporation will be classified as a passive foreign investment company, or "**PFIC**" for United States federal income tax purposes if either (i) 75% or more of its gross income is passive income or (ii) on average for the taxable year, 50% or more of its assets (by value) produce or are held for the production of passive income. If Primaris REIT were treated as a PFIC, then in the absence of certain elections being made by a U.S. Unitholder with respect to such U.S. Unitholder's REIT Units, any distributions in respect of Units which are treated as "excess distribution" under the applicable rules and any gain on a sale or other disposition of Units would be treated as ordinary income and would be subject to special tax rules, including an interest charge. In addition, if Primaris REIT were treated as a PFIC, then dividends paid on Units will not qualify for the reduced U.S. federal income tax rate applicable to certain qualifying dividends received by non-corporate taxpayers.

The foregoing adverse consequences of PFIC characterization can be mitigated by making certain elections. U.S. Unitholders should consult with their own tax advisors regarding the implications of these rules and the advisability of making one of the applicable PFIC elections, taking into account their particular circumstances. If Primaris REIT were a PFIC, U.S. Unitholders would be required to file an annual return on IRS Form 8621.

U.S. individuals are required to report an interest in any “specified foreign financial asset” if the aggregate value of such assets owned by the U.S. individual exceeds \$50,000 (or such higher threshold as may apply to a particular taxpayer pursuant to the instructions to IRS Form 8938). Units are treated as a specified foreign financial asset for this purpose.

A holder of REIT Units that is a Non-Resident of Canada for purposes of the Tax Act will generally be subject to Canadian withholding tax under Part XIII of the Tax Act at the rate of 25% on the portion of the income of Primaris REIT (including taxable capital gains deemed to be “TCP gains distributions” for purposes of the Tax Act) paid or credited (whether in cash or in specie) in respect of such REIT Units, subject to reduction under the Canada-U.S. Tax Convention (the “U.S. Treaty”) if applicable. The withholding rate applicable to a U.S. Unitholder entitled to the benefits of the U.S. Treaty in respect of such income generally would be reduced to 15%. A holder of REIT Units that is a Non-Resident of Canada for purposes of the Tax Act will also generally be subject to Canadian withholding tax under Part XIII.2 of the Tax Act at the rate of 15% on the portion of any distributions from Primaris REIT that are not otherwise subject to tax under Part I or Part XIII of the Tax Act. Investors should consult with their own tax advisors regarding the applicability of withholding tax having regard to their particular circumstances.

Dilution

The number of Units Primaris REIT is authorized to issue is unlimited. Primaris REIT Trustees have the discretion to issue additional Units in certain circumstances, including under the Primaris REIT Option Plan and Primaris REIT Incentive Unit Plan. In addition, Primaris REIT may issue Units pursuant to any distribution reinvestment plan and/or unit purchase plan adopted in the future. Any issuance of Units may have a dilutive effect on the investors of Units.

Unitholder Liability

The Declaration of Trust provides that no Unitholder, Special Voting Unitholder or annuitant under a plan of which a Unitholder or Special Voting Unitholder acts as trustee or carrier will be held to have any personal liability as such, and that no resort shall be had to, nor shall recourse or satisfaction be sought from, the private property of any Unitholder, Special Voting Unitholder or annuitant for any liability whatsoever, in tort, contract or otherwise, to any person in connection with property of Primaris REIT or the affairs of Primaris REIT including, without limitation, for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of Primaris REIT or of Primaris REIT Trustees or any obligation which a Unitholder, Special Voting Unitholder or annuitant would otherwise have to indemnify a Primaris REIT Trustee for any personal liability incurred by Primaris REIT Trustee as such. Only assets of Primaris REIT are intended to be liable and subject to levy or execution for satisfaction of such liability.

Personal liability may arise in respect of claims against Primaris REIT that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The possibility of any personal liability of this nature arising is considered remote as the nature of Primaris REIT’s activities are such that most of its obligations arise by contract and non-contractual risks are largely insurable. However, the insurance policies maintained by Primaris REIT have exclusions for certain environmental liabilities. In the event that payment of a Primaris REIT obligation were to be made by a Unitholder or Special Voting Unitholder, such holder would be entitled to reimbursement from the available assets of Primaris REIT.

Primaris REIT Trustees will cause the activities of Primaris REIT to be conducted with the advice of counsel, in such a way and in such jurisdictions as to avoid, to the extent they determine to be practicable and consistent with their fiduciary duty to act in the best interests of the Unitholders and Special Voting Unitholders, any material risk of liability on the Unitholders and Special Voting Unitholders for claims against Primaris REIT.

Legislation has been enacted in the Province of Ontario and certain other provinces that is intended to provide unitholders in those provinces with limited liability. On December 16, 2004, the *Trust Beneficiaries’ Liability Act, 2004* (Ontario), came into force. Such legislation provides that unitholders of a trust that is a reporting issuer and governed by the laws of Ontario are not liable, as beneficiaries, for any act, default, obligation or liability of the trust or any of its trustees that arise after the legislation came into force. A trust is considered governed by the laws of Ontario if its declaration of trust or

other constating instrument contains the customary provision to that effect. The Declaration of Trust contains such a provision, and accordingly, the Unitholders and Special Voting Unitholders are protected by this legislation. However, there remains a risk, which Primaris REIT considers to be remote in the circumstances, that a Unitholder and Special Voting Unitholder could be held personally liable for Primaris REIT's obligations to the extent that claims are not satisfied out of Primaris REIT's assets. It is intended that Primaris REIT's affairs will be conducted to seek to minimize such risk wherever possible.

Redemption Right

Unitholders are entitled to have their Units redeemed at any time on demand (see "Declaration of Trust and Description of Capital Structure – Redemption of Units" in this Schedule). It is anticipated that this redemption right will not be the primary mechanism for holders of Units to liquidate their investments. The entitlement of holders of Units to receive cash upon the redemption of their Units is subject to the limitations that: (i) the total amount payable by Primaris REIT in respect of those Units and all other Units tendered for redemption in the same calendar month does not exceed \$50,000 (subject to certain adjustments and provided that Primaris REIT Trustees may waive this limitation at their sole discretion); (ii) at the time such Units are tendered for redemption, the outstanding Series A Units shall be listed for trading or quoted on a stock exchange or traded or quoted on another market which Primaris REIT Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; and (iii) the normal trading of Units is not suspended or halted on any stock exchange on which Units are listed (or, if not so listed, on any market on which Units are quoted for trading) on the Redemption Date or for more than five trading days during the ten-day trading period commencing immediately prior to such date. In certain circumstances, the Declaration of Trust provides for the *in specie* distribution of property of Primaris REIT and/or Redemption Notes, in the event of a redemption of Units. The Redemption Notes which may be distributed *in specie* to Unitholders in connection with a redemption will not be listed on any stock exchange and are not expected to be qualified investments for Exempt Plans, no established market is expected to develop for such notes and they may be subject to resale restrictions under applicable securities laws.

Investment Eligibility

Primaris REIT will endeavour to ensure that Units continue to be qualified investments for Exempt Plans. The Tax Act imposes penalties for the acquisition or holding of non-qualified or ineligible investments by Exempt Plans and there is no assurance that the conditions prescribed for such qualified or eligible investments will be adhered to at any particular time.

Statutory Remedies

Primaris REIT is not a legally recognized entity within the relevant definitions of the *Bankruptcy and Insolvency Act*, the *Companies' Creditors Arrangement Act* and, in some cases, the *Winding Up and Restructuring Act*. As a result, in the event a restructuring of Primaris REIT were necessary, Primaris REIT would not be able to access the remedies available thereunder.

The rights granted in the Declaration of Trust are granted as contractual rights afforded to securityholders of Primaris REIT ("Securityholders"). Similar to other existing rights contained in the Declaration of Trust (e.g. take-over bid provisions and conflict of interest provisions), making these rights and remedies and certain procedures available by contract is structurally different from the manner in which the equivalent rights and remedies or procedures (including the procedure for enforcing such remedies) are made available to shareholders of a corporation, who benefit from those rights and remedies or procedures by the corporate statute that governs the corporation, such as the CBCA. As such, there is no certainty how these rights, remedies or procedures may be treated by the courts in the non-corporate context or that a Securityholder will be able to enforce the rights and remedies in the manner contemplated by the Declaration of Trust. Furthermore, how the courts will treat these rights, remedies and procedures will be at the discretion of the court, and a court may choose to not accept jurisdiction to consider any claim contemplated in the Declaration of the Trust.

PROMOTER

Under applicable Canadian securities laws, H&R REIT may be considered a promoter of Primaris REIT in that it took the initiative in founding Primaris REIT for the purpose of implementing the Plan of Arrangement. See "The Arrangement" in the Circular. Following closing of the Arrangement and the HOOPP Contribution, H&R REIT will hold approximately 3,336,017 New Primaris Master LP Exchangeable Units (assuming that the Units are consolidated on a 4:1 basis pursuant to the Plan of Arrangement) representing an approximate 3.28% interest in Primaris REIT at such time on a partially-diluted basis, assuming the exchange in full of all New Primaris Master LP Exchangeable Units for Units, which New Primaris Master LP

Exchangeable Units are held, immediately after the Arrangement, solely for the benefit of the existing holders of exchangeable securities of H&R REIT.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no legal proceedings to which H&R REIT or Primaris REIT is a party, or in respect of which any of the properties to be owned by Primaris REIT are the subject, which is or will be material to Primaris REIT, and management is not aware of any such legal proceedings that are contemplated.

Primaris REIT has not been, at any time, subject to any penalties or sanctions imposed against Primaris REIT by a court relating to provincial and territorial securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against Primaris REIT, and Primaris REIT has not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority.

INTERESTS OF CERTAIN PERSONS IN MATERIAL TRANSACTIONS

Except as described elsewhere in the Circular (including this Schedule), none of the proposed Primaris REIT Trustees or executive officers of Primaris REIT, or any person or company that is expected to beneficially own, or control or direct more than 10% of any class or series of Units of Primaris REIT, or any associate or affiliate of any of the foregoing persons, has or has had any material interest in any past transaction within the three years before the date of the Circular, or any proposed transaction, that has materially affected or would materially affect Primaris REIT or any of its expected Subsidiaries.

AUDITORS, TRANSFER AGENT AND REGISTRAR

KPMG LLP, Chartered Accountants and Licensed Public Accountants, are the auditors of Primaris REIT. KPMG LLP has advised that they are independent with respect to Primaris REIT within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario. KPMG LLP has audited each of the combined carve-out financial statements for the Primaris Spin-out Properties and the combined carve-out financial statements for the HOOPP Properties.

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

MATERIAL CONTRACTS

The following are the only material contracts relating to Primaris REIT and its Subsidiaries as at the date hereof:

1. The Declaration of Trust (see “Declaration of Trust and Description of Capital Structure” in this Schedule);
2. The Arrangement Agreement (see “The Arrangement – Arrangement Agreement” in the Circular);
3. The Purchase and Sale Agreement (see “Purchase and Sale Agreement” in the Circular); and
4. Registration Rights Agreement (see “Agreements with Principal Unitholders – Registration Rights Agreement” in this Schedule).

FINANCIAL STATEMENTS AND MANAGEMENT’S DISCUSSION AND ANALYSIS

See Schedules F and H for combined carve-out financial statements for the Primaris Spin-out Properties and related business and related management’s discussion and analysis, and Schedules G and I for combined carve-out financial statements for the HOOPP Properties and related management’s discussion and analysis. See Schedule J for pro forma financial statements of Primaris REIT. See Schedule K for a financial forecast of Primaris REIT’s net income and comprehensive income for the year ended December 31, 2022.

PRO FORMA CONSOLIDATED CAPITALIZATION

The following table sets forth the pro forma consolidated capitalization of Primaris REIT as at June 30, 2021, once Primaris REIT is formed and after giving effect to the Plan of Arrangement and the HOOPP Contribution. Since this date, other than in the normal course of business, there has been no material change in the equity and debt capital of Primaris REIT, on a consolidated basis. This table should be read in conjunction with the combined carve-out financial statements for the Primaris Spin-out Properties and related business, the combined carve-out financial statements for the HOOPP Properties, and the pro forma financial statements of Primaris REIT included in Schedules F, G and J, respectively, to the Circular.

	As at June 30, 2021 as adjusted
	<u>(in thousands)</u>
Total Indebtedness.....	1,074,096
Unitholders' Equity.....	<u>2,163,317</u>
Total Capitalization.....	<u><u>\$3,237,413</u></u>

EXHIBIT “A” – AUDIT COMMITTEE CHARTER

PRIMARIS REAL ESTATE INVESTMENT TRUST

AUDIT COMMITTEE CHARTER

1. Introduction

The Audit Committee (the “**Committee**”) of Primaris Real Estate Investment Trust (the “**Trust**”) is a committee of the board of trustees of the Trust (the “**Board**”). As delegated by the Board, the Committee shall attend to the responsibilities set out in this Charter.

2. Membership

2.1 *Number of Members*

The Committee shall be composed of three or more members of the Board (the “**Trustees**”), the majority of whom shall be resident in Canada for purposes of the *Income Tax Act* (Canada) and the regulations thereunder (a “**Canadian Resident**”).

2.2 *Independence of Members*

Each member of the Committee shall be independent within the meaning of the provisions of National Instrument 52-110 – *Audit Committees*, as may be amended or replaced from time to time.

2.3 *Term of Members*

The members of the Committee shall be appointed annually by the Board. Each member of the Committee shall serve at the pleasure of the Board until the member resigns, is removed, or ceases to be a Trustee.

2.4 *Committee Chair*

At the time of the annual appointment of the members of the Committee, the Board may appoint a Chair of the Committee. If a Committee Chair is not appointed by the Board, the members of the Committee shall designate a Committee Chair by majority vote of the full Committee membership. The Committee Chair must be a member of the Committee.

In the absence of the Committee Chair at a meeting of the Committee, the members of the Committee present may appoint a chair from their number for such meeting.

2.5 *Financial Literacy of Members*

At the time of his or her appointment to the Committee, each member of the Committee shall have, or shall acquire within a reasonable time following appointment to the Committee, the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Trust’s financial statements.

3. Meetings

3.1 *Location of Meetings*

Meetings of the Committee may be held at any place in Canada and may not be held outside Canada, including by way of telephone or other electronic communication facility originating in Canada (e.g., a conference call hosted by a person in Canada).

3.2 *Frequency of Meetings*

The Committee shall meet as often as the Committee considers appropriate to fulfill its responsibilities, but in any event at least once per fiscal quarter of the Trust.

3.3 *Quorum*

No business may be transacted by the Committee at a meeting unless a quorum of the Committee is present. A majority of members of the Committee shall constitute a quorum, provided that a majority of the members comprising such quorum are (a) Canadian Residents and (b) present in-person in Canada or participating from a location in Canada.

3.4 *Calling of Meetings*

The Committee Chair, any member of the Committee, the external auditors, the Chair of the Board, the Lead Trustee (if any), the Chief Executive Officer or the Chief Financial Officer may call a meeting of the Committee on not less than 48 hours' notice to the members of the Committee.

3.5 *Minutes; Reporting to the Board*

The Committee shall maintain minutes or other records of meetings and activities of the Committee in sufficient detail to convey the substance of all discussions held. Upon approval of the minutes by the Committee, the minutes shall be circulated to the members of the Board. However, the Committee Chair may report orally to the Board on any matter in his or her view requiring the immediate attention of the Board.

3.6 *Attendance of Non-Members*

The external auditors are entitled to receive notice of, to attend and be heard at each Committee meeting. In addition, the Committee may invite to a meeting any officers or employees of the Trust, legal counsel, advisors and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities.

At least once per year, the Committee shall meet with management to discuss any matters that the Committee or such individuals consider appropriate.

3.7 *Meetings Without Management*

As part of each meeting of the Committee, the Committee shall hold an *in camera* session, at which management and non-independent Trustees are not present, and the agenda for each Committee meeting will afford an opportunity for such a session.

3.8 *Access to Management and Books and Records*

The Committee shall have unrestricted access to the Trust's management and employees and the books and records of the Trust.

4. **Responsibilities**

The Committee shall have the functions and responsibilities set out below as well as any other functions that are specifically delegated to the Committee by the Board and that the Board is authorized to delegate by the declaration of trust governing the Trust (the "**Declaration of Trust**") and applicable laws and regulations. In addition to these functions and responsibilities, the Committee shall perform the functions and responsibilities required of an audit committee by the Declaration of Trust, any exchange upon which securities of the Trust are traded, or any governmental or regulatory body exercising authority over the Trust, as are in effect from time to time (collectively, the "**Applicable Requirements**") or as the Board otherwise deems necessary or appropriate.

4.1 *Financial Reports*

(a) **General**

The Committee is responsible for overseeing the Trust's financial statements and financial disclosures. Management is responsible for the preparation, presentation and integrity of the Trust's financial statements and financial disclosures and for the appropriateness of the accounting principles and the reporting policies used by the Trust. The external auditors are responsible for auditing the Trust's annual consolidated financial statements and for reviewing the Trust's unaudited interim financial statements.

(b) **Review of Annual Financial Reports**

The Committee shall review the annual consolidated audited financial statements of the Trust, the external auditors' report thereon and the related management's discussion and analysis of the Trust's financial condition and financial performance ("MD&A"). After completing its review, if advisable, the Committee shall approve and recommend the annual financial statements and the related MD&A for Board approval.

(c) **Review of Interim Financial Reports**

The Committee shall review the interim consolidated financial statements of the Trust and the related MD&A. After completing its review, if advisable, the Committee shall approve and recommend the interim financial statements and the related MD&A for Board approval.

(d) **Review Considerations**

In conducting its review of the annual financial statements or the interim financial statements, the Committee shall:

- (i) meet with management and the external auditors to discuss the financial statements and MD&A;
- (ii) review the disclosures in the financial statements;
- (iii) review the audit report or review report prepared by the external auditors;
- (iv) discuss with management, the external auditors and internal legal counsel (if any), as requested, any litigation claim or other contingency that could have a material effect on the financial statements;
- (v) review the accounting policies followed and critical accounting and other significant estimates and judgements underlying the financial statements as presented by management;
- (vi) review any material effects of regulatory accounting initiatives or off-balance sheet structures on the financial statements as presented by management, including requirements relating to complex or unusual transactions, significant changes to accounting principles and alternative treatments under International Financial Reporting Standards ("IFRS");
- (vii) review any material changes in accounting policies and any significant changes in accounting practices and their impact on the financial statements as presented by management;
- (viii) review management's report on the effectiveness of internal controls over financial reporting;
- (ix) review the factors identified by management as factors that may affect future financial results;
- (x) review results of the Trust's audit committee whistleblower reporting program; and
- (xi) review any other matters, related to the financial statements, that are brought forward by the external auditors, management or which are required to be communicated to the Committee under accounting policies, auditing standards or Applicable Requirements.

(e) **Other Financial Disclosures**

The Committee is responsible for reviewing financial disclosure in a prospectus or other securities offering document of the Trust, as well as press releases disclosing, or based upon, financial results of the Trust and any other publicly disseminated material financial disclosure, including, in accordance with the Trust's Disclosure Policy, material financial outlook (e.g., earnings guidance) and forward-oriented financial information (e.g., forecasted financial statements) provided to analysts, rating agencies or otherwise publicly disseminated, and material non-IFRS financial measures.

The Committee is responsible for ensuring that satisfactory procedures are in place for the review of the Trust's public disclosure of financial information extracted or derived from the Trust's financial statements and periodically assessing those procedures.

4.2 External auditors

(a) General

The Committee shall be directly responsible for oversight and review of the effectiveness of the work of the external auditors, including the external auditors' work in preparing or issuing an audit report, performing other audit, review or attest services or any other related work.

(b) Nomination and Compensation

The Committee shall review and, if advisable, recommend for Board approval the external auditors to be nominated and shall approve the compensation of such external auditor. The Committee shall have ultimate authority to approve all audit engagement terms and fees, including the external auditors' audit plan.

(c) Resolution of Disagreements

The Committee shall assess the effectiveness of the working relationship of the external auditors with management and resolve any disagreements between management and the external auditors as to financial reporting matters brought to its attention.

(d) Discussions with External auditors

At least annually, the Committee shall discuss with the external auditors such matters as are required by applicable auditing standards to be discussed by the external auditors with the Committee.

(e) Audit Plan

At least annually, the Committee shall review a summary of the external auditors' annual audit plan. The Committee shall consider, review with the external auditors any material changes to the scope of the plan.

(f) Quarterly Review Report

The Committee shall review a report prepared by the external auditors in respect of each of the interim financial statements of the Trust.

(g) Independence of External auditors

At least annually, and before the external auditors issue their report on the annual financial statements, the Committee shall obtain from the external auditors a formal written statement describing all relationships between the external auditors and the Trust; discuss with the external auditors any disclosed relationships or services that may affect the objectivity and independence of the external auditors; and obtain written confirmation from the external auditors that they are objective and independent within the meaning of the applicable Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of chartered professional accountants to which the external auditors belong and other Applicable Requirements. The Committee shall take appropriate action to oversee the independence of the external auditors.

(h) Requirement for Pre-Approval of Non-Audit Services

The Committee shall approve in advance any retainer of the external auditors to perform any non-audit service for the Trust or its subsidiary entities that it deems advisable in accordance with Applicable Requirements and Board-approved policies and procedures. The Audit Committee shall consider the impact of such service and fees on the independence of the auditor. The Committee may delegate pre-approval authority to a member of the Committee. The decisions of any member of the Committee to whom this authority has been delegated must be presented to the full Committee at its next scheduled Committee meeting.

(i) Approval of Hiring Policies

The Committee shall review and approve the Trust's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Trust.

(j) **Financial Executives**

The Committee shall review and discuss with management the appointment of key financial executives and recommend qualified candidates to the Board, as appropriate.

4.3 Internal Controls

(a) **General**

The Committee shall review the Trust's system of internal controls.

(b) **Establishment, Review and Approval**

The Committee shall require management to implement and maintain appropriate systems of internal controls in accordance with Applicable Requirements, including internal controls over financial reporting and disclosure and to review, evaluate and approve these procedures. At least annually, the Committee shall consider and review with management and the external auditors:

- (i) the effectiveness of, or weaknesses or deficiencies in: the design or operation of the Trust's internal controls (including computerized information system controls and security); the overall control environment for managing business risks; and accounting, financial and disclosure controls (including, without limitation, controls over financial reporting), non-financial controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management's conclusions;
- (ii) any significant changes in internal controls over financial reporting that are disclosed, or considered for disclosure, including those in the Trust's periodic regulatory filings;
- (iii) any material issues raised by any inquiry or investigation by the Trust's regulators;
- (iv) the Trust's fraud prevention and detection program, including deficiencies in internal controls that may impact the integrity of financial information, or may expose the Trust to other significant internal or external fraud losses and the extent of those losses and any disciplinary action in respect of fraud taken against management or other employees who have a significant role in financial reporting; and
- (v) any related significant issues and recommendations of the external auditors together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls over financial reporting and disclosure controls.

4.4 Risk Management

The Committee shall be responsible for overseeing management's identification and assessment of the principal risks to the operations of the Trust and the establishment and management of appropriate systems to manage such risks with a view to achieving a proper balance between risks incurred and potential return to holders of securities of the Trust and to the long-term viability of the Trust. In this regard, the Committee shall require management to report periodically to the Committee, and the Committee shall report periodically to the Board, on the principal risks faced by the Trust and the steps implemented by management to manage these risks.

4.5 Compliance with Legal and Regulatory Requirements

The Committee shall review reports from the Trust's Corporate Secretary and other management members on: (a) legal or compliance matters that may have a material impact on the Trust; (b) the effectiveness of the Trust's compliance policies; and (c) any material communications received from regulators. The Committee shall review management's evaluation of and representations relating to compliance with specific applicable law and guidance, and management's plans to remediate any deficiencies identified.

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