NOTICE OF

SPECIAL MEETING OF UNITHOLDERS

March 22, 2013

AND

MANAGEMENT INFORMATION CIRCULAR

Dated February 19, 2013

with respect to a proposed

TRANSACTION AND PLAN OF ARRANGEMENT

involving, among others

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST,

H&R REAL ESTATE INVESTMENT TRUST

and

THE KINGSETT CAPITAL-LED CONSORTIUM

THE BOARD OF TRUSTEES UNANIMOUSLY RECOMMENDS THAT UNITHOLDERS VOTE FOR THE AMENDED TRANSACTION

ELIGIBLE PRIMARIS UNITHOLDERS WHO DO NOT MAKE AN ELECTION PRIOR TO THE ELECTION DEADLINE, OR FOR WHOM H&R DETERMINES THAT THEIR ELECTION WAS NOT PROPERLY MADE WITH RESPECT TO ANY SECURITIES, WILL BE DEEMED TO HAVE ELECTED TO RECEIVE NON-CASH CONSIDERATION ONLY, SUBJECT TO PRORATION.

These materials are important and require your immediate attention. If you are in doubt as to how to deal with these documents or the matters they describe, please consult your investment dealer, broker, bank manager, lawyer or other professional advisor. If you have questions, you may contact Primaris' proxy solicitation agent, Kingsdale Shareholder Services Inc., by toll-free telephone in North America at 1-866-581-1571, outside North America at 416-867-2272 or by email at contactus@kingsdaleshareholder.com. Please visit www.primarisrealvalue.com

February 19, 2013

Dear Fellow Voting Unitholder:

It is my pleasure to extend to you, on behalf of the board of trustees of Primaris Retail Real Estate Investment Trust, an invitation to attend a special meeting of Primaris unitholders to be held at the Trump International Hotel & Tower Toronto, 325 Bay Street, Toronto, Ontario, Canada, M5H 4G3, on March 22, 2013 at 10:00 a.m. (Toronto time).

At the meeting, you will be asked to consider and pass a special resolution approving certain transactions, including a plan of arrangement under the *Business Corporations Act* (Alberta), involving Primaris, PRR Investments Inc., H&R Real Estate Investment Trust, H&R Finance Trust, Primaris unitholders and a consortium led by KingSett Capital that includes Ontario Pension Board and RioCan Real Estate Investment Trust. Under the terms of agreements reached with the various parties, the members of the KingSett Capital-led consortium will separately purchase 18 properties from subsidiaries of Primaris for cash and the assumption of certain related liabilities and then H&R REIT will acquire substantially all of the remaining assets of Primaris and become the sole unitholder of Primaris. In connection with these transactions, Primaris unitholders may elect to receive for each unit of Primaris held $28.00 in cash, subject to an aggregate cash amount of approximately $1.28 billion, or 1.166 H&R stapled units (1.166 H&R REIT units and 1.166 H&R Finance Trust units), in each case subject to proration.

To be effective, the special resolution being considered at the meeting must be approved by at least 66⅔% of the votes cast by the Primaris voting unitholders present in person or represented by proxy at the meeting. Certain affiliates of KingSett Capital, which beneficially own, or control or direct, over 6.8% of the Primaris voting units, have agreed to vote those units in favour of the transaction. Completion of the transactions is also subject to certain other conditions, including approval by H&R unitholders, the TSX and the Court of Queen's Bench of Alberta. If such approvals are obtained and the other conditions to the completion of the transactions are satisfied or waived, it is expected that the transactions will be completed in early April 2013.

After careful consideration, the Primaris Board has unanimously determined that the consideration to be received by Primaris unitholders pursuant to the transactions is fair, from a financial point of view, to Primaris unitholders and is in the best interests of Primaris. In making its determination, the Board took into account, among other things, the points noted in the attached circular, the unanimous recommendation from the independent committee of trustees, as well as a fairness opinion prepared by Canaccord Genuity Corp. The fairness opinion concluded that, as of February 4, 2013, and subject to the assumptions, limitations and qualifications therein, the consideration to be received by the Primaris unitholders is fair, from a financial point of view, to the Primaris unitholders.

Please contact Kingsdale Shareholder Services Inc. by toll-free telephone in North America at 1-866-581-1571, outside North America at 416-867-2272 or by email at contactus@kingsdaleshareholder.com if you have any questions, or require assistance completing your proxy or voting instruction form.
Please visit www.primarisrealvalue.com

The Primaris Board unanimously recommends that the Primaris voting unitholders vote FOR the special resolution approving the arrangement that will implement the transactions. The trustees and executive officers of Primaris intend to vote their Primaris units FOR this special resolution.

The circular contains a detailed description of the transactions, as well as detailed information regarding Primaris, H&R and the KingSett Capital-led consortium and certain pro forma financial information regarding H&R after giving effect to the transactions. The attached circular also describes the material Canadian federal income tax considerations and certain U.S. federal income tax considerations associated with the transactions. **Please give this material your careful consideration and, if you require assistance, consult your financial, tax, legal or other professional advisors to determine the particular effects to you (including tax effects) of the transactions, having regard to your own particular circumstances.**

Your vote is important regardless of the number of Primaris voting units you own. Please carefully follow the instructions provided by your broker or other intermediary to vote your Primaris units at the meeting. If you have questions, you may contact Primaris' proxy solicitation agent, Kingsdale Shareholder Services Inc., by toll-free telephone in North America at 1-866-581-1571, outside North America at 416-867-2272 or by email at contactus@kingsdaleshareholder.com.

The transactions provide a choice of consideration. As Primaris units are issued in book-entry only form, please contact your nominee for instructions on how to make this choice. Holders of Primaris exchangeable or convertible securities who wish to participate in the transactions and elect to receive cash consideration or non-cash consideration must exchange or convert their securities in sufficient time before the election deadline to receive their Primaris units and provide their nominee with appropriate instructions.

I would like to thank all Primaris voting unitholders in advance for their support as Primaris proceeds with these important transactions.

Yours very truly,

William J. Biggar (signed)

William J. Biggar
Chair of the Independent Committee

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

NOTICE OF SPECIAL MEETING OF UNITHOLDERS

NOTICE IS HEREBY GIVEN THAT a special meeting (the "**Meeting**") of the holders (the "**Primaris Voting Unitholders**") of voting units (the "**Primaris Voting Units**") of Primaris Retail Real Estate Investment Trust ("**Primaris**") will be held at 10:00 a.m. (Toronto time) on March 22, 2013 at the Trump International Hotel & Tower Toronto, 325 Bay Street, Toronto, Ontario, Canada, M5H 4G3, for the following purposes:

(a) to consider, pursuant to an interim order of the Court of Queen's Bench of Alberta granted February 19, 2013 (the "**Interim Order**") and to pass, with or without variation, a special resolution (the "**Special Resolution**"), the full text of which is set forth in Appendix "A" to the accompanying management information circular (the "**Information Circular**"), approving certain transactions, including a plan of arrangement (the "**Amended Transaction**") under Section 193 of the *Business Corporations Act* (Alberta) (the "**ABCA**"), involving Primaris, PRR Investments Inc., H&R Real Estate Investment Trust, H&R Finance Trust, KS Acquisition II LP, OPB Finance Trust II, RioCan Real Estate Investment Trust, KingSett Canadian Real Estate Income Fund LP, KingSett Real Estate Growth LP No. 4 and the Primaris Unitholders, all as more particularly described in the Information Circular; and

(b) to transact any such other business as may properly be brought before the Meeting or any adjournment or postponement thereof.

Primaris Voting Unitholders are referred to the Information Circular for more detailed information with respect to the foregoing matters to be considered at the Meeting.

The Information Circular which accompanies this notice provides information regarding the business to be considered at the Meeting and includes the full text of the Special Resolution and the Interim Order, attached thereto as Appendix "A" and Appendix "B", respectively.

In accordance with the Interim Order, the close of business (Toronto time) on February 15, 2013 has been fixed as the record date for determining Primaris Voting Unitholders entitled to receive notice of, and to vote at, the Meeting or any adjournment or postponement thereof.

Registered Primaris Voting Unitholders who are unable to attend the Meeting in person are requested to complete, date, sign and return the enclosed form of proxy to CIBC Mellon Trust Company c/o Canadian Stock Transfer Company Inc., P. O. Box 721, Agincourt, ON, M1S 0A1, Attention: Proxy Department by mail or by personal delivery or courier to CIBC Mellon Trust Company c/o Canadian Stock Transfer Company Inc., 320 Bay Street, Basement Level (B1 Level), Toronto, ON M5H 4A6 Attention: Proxy Department or by fax to 1-866-781-3111 or 416-368-2502, prior to 10:00 a.m. (Toronto time) on March 20, 2013 or, if the Meeting is adjourned or postponed, not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to such

adjourned or postponed Meeting. Non-registered Primaris Voting Unitholders receiving these materials through their broker or other intermediary should complete and return the Voting Instruction Form provided to them by their broker or other intermediary in accordance with the instructions provided therein. Failure to do so may result in a holder's Primaris Voting Units not being voted at the Meeting. The time limit for the deposit of proxies may be waived or extended by the Chair of the Meeting at his or her discretion without notice.

Pursuant to the Interim Order, registered holders of units of Primaris (the "**Primaris Units**") are entitled to dissent in respect of the Special Resolution and, if the Amended Transaction becomes effective, to be paid the fair value of their Primaris Units in accordance with the provisions of Section 191 of the ABCA, as modified or supplemented by the Interim Order and the Plan of Arrangement. This right is described in detail in the accompanying Information Circular under the heading "*Rights of Dissent*". **Failure to comply strictly with the dissent procedures described in the Information Circular may result in the loss of any right of dissent. Beneficial owners of Primaris Units registered in the name of a broker, investment dealer, bank, trust company, nominee or other intermediary who wish to dissent should be aware that only registered unitholders are entitled to dissent. Accordingly as the Primaris Units are issued in book-entry form only, a beneficial owner of Primaris Units who desires to exercise rights of dissent must make arrangements for the registered holder of such Primaris Units to dissent on the holder's behalf.**

DATED at the City of Toronto, Ontario, this 19th day of February, 2013.

BY ORDER OF THE BOARD OF TRUSTEES

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

"*Roland A. Cardy*"

Roland A. Cardy
Trustee and Chair of the Board

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MANAGEMENT INFORMATION CIRCULAR

Introduction

This Information Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of Primaris for use at the Meeting and any adjournment or postponement thereof. No person has been authorized to give any information or to make representations in connection with the Amended Transaction or any other matters to be considered at the Meeting other than those contained in this Information Circular and, if given or made, any such information or representation should not be considered to have been authorized by Primaris.

This Information Circular does not constitute the solicitation of an offer to acquire any securities or the solicitation of a proxy by any person in any jurisdiction in which such solicitation is not authorized or in which the person making such solicitation is not qualified to do so or to any person to whom it is unlawful to make such solicitation.

All capitalized terms used in this Information Circular but not otherwise defined herein shall have the meanings set forth under "*Glossary of Terms*". The information contained in this Information Circular is given as at February 19, 2013, except where otherwise noted.

All information relating to H&R and its affiliates and the KingSett Consortium contained in this Information Circular has been taken from or based upon publicly available documents, records and other public sources or has been provided to Primaris by H&R or the KingSett Consortium, as applicable, for inclusion in this Information Circular. Primaris has relied upon this information without having made independent inquiries as to the accuracy or completeness thereof; however, it has no reason to believe such information is misleading or inaccurate. Neither the Primaris Board nor Primaris assumes any responsibility for the accuracy or completeness of such information or for any omission therein nor on the part of H&R or the KingSett Consortium, as applicable, to disclose facts or events which may affect the accuracy or completeness of any such information.

All summaries of, and references to, the Amended Transaction in this Information Circular are qualified in their entirety by reference to the complete text of the Plan of Arrangement, a copy of which is attached as Appendix "F" to this Information Circular, the Amended Arrangement Agreement and the Purchase Agreements, copies of which are available under Primaris' profile on SEDAR at www.sedar.com or upon request without charge to the Secretary of Primaris at 1 Adelaide Street East, Suite 900, Toronto, Ontario M5C 2V9 (telephone: (416) 642-7821). **You are urged to carefully read the full text of these documents**.

You should not construe the contents of this Information Circular as legal, tax or financial advice and should consult with your own professional advisors as to the relevant legal, tax, financial or other matters in connection herewith.

Caution Regarding Forward-Looking Statements and Information

Certain statements contained or incorporated by reference in this Information Circular contain "forward-looking statements" and "forward-looking information" within the meaning of applicable securities laws. Such forward-looking statements and information include, without limitation, statements or information with respect to the expected costs and benefits of the Amended Transaction, the financial condition, results of operations, future performance and business of H&R following completion of the Amended Transaction, including future and

current acquisition and constructions plans, requirements for additional capital, future capital and expenditures, and matters related to the completion of the Amended Transaction. Forward-looking statements or information also include information contained in the pro forma financial statements.

Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans", or "continue", or similar expressions suggesting future outcomes or events.

With respect to forward-looking statements and information contained or incorporated by reference herein, we have made numerous assumptions. These assumptions include, among other things, the ability to satisfy the conditions to completion of the Amended Transaction; assumptions made in connection with the anticipated benefits of the Amended Transaction; the timing of the Meeting; assumptions made in connection with the preparation of the pro forma financial statements included herein; the accuracy of advice received from professional advisors; the impact of the current economic climate and the current global financial conditions on Primaris' and H&R's operations; including their financing capacity, and asset value, will remain consistent with Primaris' current expectations; there will be no material changes to government and environmental regulations adversely affecting Primaris' or H&R's operations; the performance of H&R's and Primaris' investments will proceed on a basis consistent with Primaris' current expectations; conditions in the real estate market, including competition for acquisitions, will be consistent with the current climate; and H&R will be able to pursue Primaris' acquisition pipeline on a basis consistent with Primaris' current expectations. Although management believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that the forward-looking statements or information will prove to be accurate. Readers should also refer to Primaris' AIF for additional information on risks and uncertainties relating to forward-looking statements and information regarding Primaris.

By their nature, forward-looking statements and information are based on assumptions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements and information. In particular, there are certain risks related to the consummation of the Amended Transaction and the business and operations of H&R (including the business and operations that are currently being conducted and undertaken by H&R and those that will be conducted and undertaken by H&R upon consummation of the Amended Transaction) including, but not limited to, the risk of failure to satisfy the conditions to completion of the Amended Transaction, including failure to obtain required regulatory, court and unitholder approvals, the risk that the anticipated benefits of the Amended Transaction may not be realized, the risk that a "market overhang" could adversely affect the market price of H&R Stapled Units after completion of the Amended Transaction, risks related to the integration of Primaris' and H&R's businesses, including integration of their respective management teams and board members, the risk that H&R following completion of the Amended Transaction may not realize any of the benefits of its real estate portfolio including its ability to generate expected revenues, the capital requirement and operating related risks associated with expanded operations and an expanded portfolio of real estate projects, the risks related to failure to complete acquisitions, changes in project parameters as projects continue to be refined, competition for real property investments, dependence on key personnel; and potential conflicts of interest, other risks of the real estate industry and the risk of delays in obtaining governmental approvals or financing or in the completion of construction activities. Certain risks and other factors with respect to H&R following completion of the Amended Transaction include, but are not limited to, actions taken by Primaris, H&R and their respective unitholders, the satisfaction or waiver of the conditions to completing the Amended Transaction, H&R's, Primaris' and H&R's ability following completion of the Amended Transaction to execute its development and acquisition plans, the financial and operational performance of H&R following completion of the Amended Transaction, the capital

requirements associated with H&R following completion of the Amended Transaction, and the risk factors described in this Information Circular under the heading, "*Risk Factors*".

Although we have attempted to identify in this Information Circular important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements and information in this Information Circular and the documents incorporated by reference herein, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that the forward-looking statements and information in this Information Circular and the documents incorporated by reference herein will prove to be accurate, as actual results and future events could differ materially from those anticipated in such forward-looking statements and information. Accordingly, readers should not place undue reliance on forward-looking statements or information in this Information Circular, or in the documents incorporated by reference herein. Except as required by applicable law, we disclaim any intention or obligation to update or revise any of the forward-looking statements or forward-looking information in this Information Circular or the documents incorporated by reference herein, whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements and information. All of the forward-looking statements made, and forward-looking information contained, in this Information Circular and incorporated by reference herein are qualified by these cautionary statements.

Information for U.S. Primaris Unitholders

The H&R REIT Units and H&R Finance Trust Units to be received by Primaris Unitholders in exchange for Primaris Units pursuant to the Amended Transaction will not be registered under the U.S. Securities Act or any applicable state securities laws and will be issued in reliance on the exemption from the registration requirements of the U.S. Securities Act set forth in Section 3(a)(10) thereof and pursuant to exemptions from registration under any applicable state securities laws. As a result, the H&R REIT Units and H&R Finance Trust Units received in exchange for the Primaris Units pursuant to the Amended Transaction will be freely tradable under U.S. federal securities laws except by persons who are, or within 90 days prior to the Effective Time were, affiliates of H&R. The solicitation of proxies made in connection with this Information Circular is not subject to the requirements of Section 14(a) of the U.S. Exchange Act. Accordingly, this Information Circular has been prepared in accordance with applicable Canadian disclosure requirements, which are different than the requirements applicable to proxy solicitations under the U.S. Exchange Act. See "*Principal Legal Matters – Securities Laws Matters – United States*".

All financial statements and other financial information related to Primaris and H&R included or incorporated by reference in this Information Circular have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") or in accordance with the financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107 Acceptable Auditing Principles and Auditing Standards where the acceptable framework selected was IFRS and are subject to Canadian auditing and auditor independence standards, which differ from U.S. generally accepted accounting principles ("**U.S. GAAP**") and U.S. auditing and auditor independence standards in certain material respects. Consequently, such financial statements and other financial information are not comparable in all respects to financial statements prepared in accordance with U.S. GAAP and that are subject to U.S. auditing and auditor independence standards.

The enforcement by investors of civil liabilities under U.S. securities laws may be affected adversely by the fact that each of Primaris and H&R are existing under Canadian laws, that some or all of their respective officers and trustees are residents of countries other than the United States, that some of the experts named in this Information Circular are residents of countries other than the United States, and that all or a substantial portion of the assets of Primaris and H&R and such persons are located outside the United States. As a result, it may be difficult or

impossible for Primaris Unitholders to effect service of process within the United States upon Primaris and H&R or their respective trustees or officers, or to realize against them upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or the securities or "blue sky" laws of any state within the United States. In addition, Primaris Unitholders should not assume that the courts in Canada: (a) would enforce judgments of U.S. courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or the securities or "blue sky" laws of any state within the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or the securities or "blue sky" laws of any state within the United States.

Primaris Unitholders subject to U.S. federal taxation should be aware that the Amended Transaction and the ownership of H&R Stapled Units may have significant U.S. tax consequences. Certain U.S. federal income tax considerations applicable to Primaris Unitholders who are subject to U.S. federal income taxation are described in this Information Circular under the heading "*Certain U.S. Federal Income Tax Considerations*". Primaris Unitholders should consult their own tax advisors to determine the particular consequences of the Amended Transaction to them.

THE H&R REIT UNITS AND H&R FINANCE TRUST UNITS ISSUABLE PURSUANT TO THE AMENDED TRANSACTION HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION ("SEC") OR THE SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES, NOR HAS THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY SUCH STATE REGULATORY AUTHORITY PASSED ON THE ADEQUACY OR ACCURACY OF THIS INFORMATION CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

Currency Presentation and Financial Principles

Unless otherwise indicated, all currency amounts are expressed in Canadian dollars. References to "$" in this Information Circular refer to Canadian dollars. Primaris' financial statements, H&R's financial statements, the pro forma financial statements and the Carve-out Financial Statements that are included or incorporated by reference herein are reported in Canadian dollars.

Primaris' financial statements, H&R's financial statements, the pro forma financial statements and the Carve-out Financial Statements that are included or incorporated by reference herein have been prepared in accordance with IFRS.

QUESTIONS AND ANSWERS

The following are some questions that you, as a Primaris Voting Unitholder, may have relating to the Meeting, and the answers to those questions. These questions and answers do not provide all the information relating to the Meeting or the matters to be considered at the Meeting and are qualified in their entirety by the more detailed information contained elsewhere in this Information Circular. **Primaris Voting Unitholders are urged to read this Information Circular in its entirety before making a decision related to your Primaris Voting Units.**

Q: When and where is the Meeting?

A: The Meeting will be held at 10:00 a.m. (Toronto time) on March 22, 2013 at the Trump International Hotel & Tower Toronto, 325 Bay Street, Toronto, Ontario, Canada, M5H 4G3.

Q: What am I voting on?

A: At the Meeting, Primaris Voting Unitholders will be asked to pass the Special Resolution approving the Amended Transaction, including the Plan of Arrangement, involving Primaris, PRR Investments, H&R REIT, H&R Finance Trust, the KingSett Consortium and Primaris Securityholders, whereby (i) members of the KingSett Consortium will separately acquire 18 properties from Primaris subsidiaries for a cash payment plus the assumption of certain related liabilities, (ii) H&R REIT will acquire substantially all of the remaining assets of Primaris' Subsidiaries and will assume the remaining liabilities, and (iii) Primaris will become a wholly-owned subsidiary of H&R REIT. For each Primaris Unit held, Primaris Unitholders may elect to receive either (i) $28.00 in cash, or (ii) 1.166 H&R Stapled Units (1.166 H&R REIT Units and 1.166 H&R Finance Trust Units) (the "**Exchange Ratio**"), in each case subject to proration. In the event Primaris Unitholders elect less or more cash than is available, the Actual Cash Consideration (less the Total Dissent Cash Amount, if any) will be prorated among Primaris Unitholders electing to receive Cash Consideration or Non-Cash Consideration, as applicable.

The Amended Transaction has been structured such that Primaris Unitholders who are resident in Canada for purposes of the Tax Act and who hold their Primaris Units as capital property who elect to receive H&R Stapled Units (each consisting of one H&R REIT Unit and one H&R Finance Trust Unit) will receive their H&R REIT Units on a tax-deferred "roll over" basis for Canadian income tax purposes. The receipt of H&R Finance Trust Units will be a taxable event to Resident Holders for Canadian income tax purposes. See "*Material Canadian Federal Income Tax Considerations*".

For further details of the Amended Transaction, see "*The Amended Transaction*".

If the Special Resolution is approved, upon completion of the Amended Transaction, Primaris will become a wholly-owned subsidiary of H&R REIT. Primaris Unitholders will own approximately 25% of H&R immediately following the closing of the Amended Transaction. The full text of the Special Resolution is set out in Appendix "A" to this Information Circular.

Q: What are the potential benefits of the Amended Transaction?

A: We believe that the Amended Transaction provides Primaris Unitholders with the option to retain ownership in the enclosed shopping centre asset class or to elect to receive immediate cash payment, in each case subject to proration. The increase in aggregate Consideration over that offered under the previously announced transaction with H&R also provides additional liquidity for those Primaris Unitholders who elect to receive Cash Consideration and an additional interest in H&R for those Primaris Unitholders who elect to receive Non-Cash Consideration, in each case subject to proration. For those Primaris Unitholders who receive all H&R Stapled Units, the Amended Transaction is also expected to improve distributions for Primaris Unitholders by 24% from the current annualized rate of $1.27 to $1.57 per Primaris Unit exchanged. The Amended Transaction also preserves the substantial value of the asset and employee platform developed by Primaris over the last ten years.

Q: Who is voting at the Meeting?

A: Primaris Unitholders and holders of Primaris Special Voting Units (collectively, "**Primaris Voting Unitholders**") will vote together as one class. As at February 15, 2013, there were 98,485,592 Primaris Units and 1,750,756 Primaris Special Voting Units issued and outstanding and eligible to vote for the purposes of the Meeting. Certain affiliates of KingSett Capital, which beneficially own or control or direct over 6.8% of the Primaris Voting Units eligible to vote at the Meeting, have already agreed to vote in favour of the Amended Transaction.

Q: What is the approval level required to pass the Special Resolution?

A: The Special Resolution must be passed by at least $66^2/_3\%$ of the votes cast on the Special Resolution by the Primaris Voting Unitholders present in person or represented by proxy at the Meeting.

Q: Is the completion of the Amended Transaction subject to any other conditions?

A: Yes. In addition to the approval of the Special Resolution by Primaris Voting Unitholders, completion of the Amended Transaction requires that the H&R Unitholder Approval be obtained, approval of the Plan of Arrangement by the Court be obtained, and the other conditions specified in the Amended Arrangement Agreement (including the satisfaction or waiver of the closing conditions of the Sale Transactions) and in the Purchase Agreements be satisfied or waived.

Q: Are any Primaris Unitholders voting in favour of the Amended Transaction?

A: Each of the trustees and executive officers of Primaris intends to vote any Primaris Voting Units he or she holds in favour of the Special Resolution. In addition, certain affiliates of KingSett Capital that beneficially own, or control or direct, over 6.8% of the outstanding Primaris Voting Units in the aggregate have agreed to vote their Primaris Units in favour of the Special Resolution.

Q: When will the Amended Transaction become effective?

A: Subject to obtaining Court approval and the satisfaction or waiver of all other conditions specified in the Amended Arrangement Agreement, if Primaris Voting Unitholders approve the Special Resolution and the H&R Unitholder Approval is obtained, it is anticipated that the Amended Transaction will be completed in early April 2013.

Q: How do I receive the Consideration in exchange for my Primaris Units?

A: Primaris Units are issued in book-entry only form. Accordingly, your Primaris Units are held by CDS Clearing and Depository Services Inc. ("**CDS**") through a nominee, which is usually a trust company, securities broker or other financial institution. Your nominee is required to seek your instructions as to how to vote your Primaris Units with respect to the Special Resolution and your election with respect to the Consideration. The Consideration will be deposited with CDS by the Depositary if the Amended Transaction is completed and, typically, CDS will credit your account maintained with your nominee. In order to elect consideration other than Non-Cash Consideration, a valid election must be received on or prior to the Election Deadline. Each nominee has their own signing and return instructions, which you should follow carefully to ensure your Primaris Units are voted and you receive your preferred Consideration.

Q: Can I sell my Primaris Units on the TSX for cash?

A: Generally speaking, Primaris Unitholders are free to sell their Primaris Units through the facilities of the TSX for cash at any time prior to the Election Deadline. However, you will not be entitled to sell your Primaris Units on the TSX after you elect to receive your preferred Consideration. If you fail to make a valid election prior to the Election Deadline, you will continue to be able to sell your Primaris Units on the TSX for cash at any time prior to the Effective Time but any purchaser of Primaris Units will be deemed to have elected to receive Non-Cash Consideration for those Primaris Units.

Q: How do I receive the Consideration in exchange for my Primaris Convertible Securities?

A: The Amended Transaction contemplates various treatments for holders of Primaris Convertible Securities, depending upon the type of securities. Holders of Primaris Convertible Securities that wish to participate in the Amended Transaction as if they were Primaris Unitholders must exchange or convert their Primaris Convertible Securities prior to the Effective Time. Further, those holders wishing to make an election in respect of their Consideration must exchange or convert their Primaris Convertible Securities in sufficient time prior to the Election Deadline so that they receive Primaris Units in sufficient time to allow such holder to exercise such election in accordance with the answer to the previous question.

Q: If I receive H&R REIT Units and H&R Finance Trust Units in connection with the Amended Transaction, can I sell those units separately?

A: On October 1, 2008, H&R REIT completed an internal reorganization in the course of which H&R Finance Trust was created and each H&R REIT Unit began trading together with an H&R Finance Trust Unit as an H&R Stapled Unit on the TSX under the symbol "HR.UN". Apart from provisions necessary to achieve such stapling, each H&R REIT Unit and H&R Finance Trust Unit retains its own separate identity and is separately listed (but not posted for trading) on the TSX (unless there is an "Event of Uncoupling", in which case H&R Finance Trust Units will cease to be listed on the TSX). However, following the completion of the Amended Transaction, until an "Event of Uncoupling" occurs, each H&R REIT Unit received by a Primaris Securityholder may only be transferred together with an H&R Finance Trust Unit and each H&R Finance Trust Unit received by a Primaris Securityholder may only be transferred together with an H&R REIT Unit. See H&R REIT's Annual Information Form dated March 16, 2012, incorporated by reference in this Information Circular, for further details.

Q: Are H&R Stapled Units listed on a stock exchange?

A: Yes. H&R Stapled Units are listed on the TSX under the symbol "HR.UN".

Q: Are there risks I should consider in deciding whether to vote for the Special Resolution?

A: Yes. There are a number of risks you should consider in connection with the Amended Transaction, which are described in this Information Circular under the heading "*Risk Factors*".

Q: Does the Primaris Board support the Amended Transaction?

A: Yes. The Primaris Board unanimously recommends that Primaris Voting Unitholders vote **IN FAVOUR OF** the Special Resolution.

The Primaris Board established the Primaris Independent Committee in response to the KingSett Offer and pursued a rigorous process designed to achieve a transaction that was financially superior to the KingSett Offer. In connection with this process, the Primaris Independent Committee was presented with the original offer of H&R to acquire Primaris and its assets through a series of transactions and negotiated the Initial Arrangement Agreement. Subsequently, Primaris, H&R and the KingSett Consortium negotiated the terms of the Amended Arrangement Agreement and the terms of the Sale Transactions. After considering a number of factors as described in the Information Circular under the heading "*Background to the Amended Transaction – Reasons for Recommendation*", including the Second Fairness Opinion, the Primaris Independent Committee unanimously concluded that the consideration to be received by Primaris

Unitholders pursuant to the Amended Transaction is fair, from a financial point of view, to Primaris Unitholders, it would be in the best interest of Primaris to enter into the Amended Arrangement Agreement and the Purchase Agreements and the Primaris Board should recommend that Primaris Voting Unitholders vote in favour of the Special Resolution.

Q: Who is soliciting my proxy?

A: Management of Primaris is soliciting your proxy with respect to matters to be considered at the Meeting. Solicitation of proxies will be done primarily by mail, supplemented by telephone or other means of contact, and all of the costs associated with such solicitations will be paid by Primaris. Kingsdale Shareholder Services Inc. ("**Kingsdale**") is acting as Primaris' proxy solicitation agent. If you have any questions, please contact Kingsdale, toll-free in North America at 1-866-581-1571 or call collect outside North America at 416-867-2272 or by email at contactus@kingsdaleshareholder.com.

Q: How can I vote?

A: If you are eligible to vote and your Primaris Voting Units are registered in your name, you can vote your Primaris Voting Units in person at the Meeting or by signing and returning your Proxy form to CIBC Mellon Trust Company c/o Canadian Stock Transfer Company Inc., P. O. Box 721, Agincourt, ON, M1S 0A1, Attention: Proxy Department by mail or by personal delivery or courier to CIBC Mellon Trust Company c/o Canadian Stock Transfer Company Inc., 320 Bay Street, Basement Level (B1 Level), Toronto, ON M5H 4A6 Attention: Proxy Department or by fax to 1-866-781-3111 or 416-368-2502, prior to 10:00 a.m. (Toronto time) on March 20, 2013 or, if the Meeting is adjourned or postponed, not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to such adjourned or postponed meeting. The time limit for the deposit of proxies may be waived or extended by the Chair of the Meeting at his or her discretion without notice. Voting procedures for Non-Registered Holders are described below.

Q: Am I a Non-Registered Holder?

A: You are a Non-Registered Holder if your Primaris Voting Units are held in an account in the name of a nominee (i.e., a bank, trust company, securities broker or other nominee). Primaris Units are issued in book-entry only form, so all holders of Primaris Units are Non-Registered Holders other than CDS.

Q: How can a Non-Registered Holder vote?

A: If your Primaris Voting Units are not registered in your name but are held in the name of a nominee (usually a bank, trust company, securities broker or other financial institution), your nominee is required to seek your instructions as to how to vote your Primaris Voting Units. Your nominee will have provided you with a package of information, including this Information Circular and either a Voting Instruction Form or, less typically, a signed proxy. Carefully follow the instructions accompanying the Voting Instruction Form or proxy.

Q: How can a Non-Registered Holder vote in person at the Meeting?

A: Primaris does not have access to the names of all of its Non-Registered Holders. Therefore, if you are a Non-Registered Holder and attend the Meeting, we may have no record of your unitholdings or of your entitlement to vote unless your nominee has appointed you as a proxyholder. If you wish to vote in person at

the Meeting, insert your name in the space provided on the Voting Instruction Form or signed proxy, as applicable, sent to you by your nominee. In doing so you are instructing your nominee to appoint you as proxyholder. Complete the form by following the return instructions provided by your nominee. You should report to the scrutineer upon arrival at the Meeting. Primaris proposes to appoint CIBC Mellon Trust Company as scrutineer of the Meeting.

Q: Who votes my units and how will they be voted if I return a Proxy or a Voting Instruction Form?

A: By properly completing and returning a Proxy or Voting Instruction Form, you are authorizing the person(s) named in the Proxy or Voting Instruction Form to attend the Meeting and vote your Primaris Units.

The Primaris Voting Units represented by your Proxy or Voting Instruction Form must be voted in accordance with your instructions. If you properly complete and return your Proxy or Voting Instruction Form but do not specify how you wish the votes cast, your units will be voted as your proxyholder sees fit. Unless contrary instructions are provided, Primaris Voting Units represented by proxies received by management will be voted **IN FAVOUR OF** the Special Resolution.

Q: Can I appoint someone other than the individuals named in the enclosed Proxy or Voting Instruction Form to vote my units?

A: Yes. You have the right to appoint a person of your choice, who does not need to be a Primaris Voting Unitholder, to attend and act on your behalf at the Meeting. If you wish to appoint a person other than the names that appear, then insert the name of your chosen proxyholder in the space provided on the Proxy form (and strike out the names that appear on the Proxy form) or Voting Instruction Form sent to you by your nominee or the Transfer Agent.

Q: Can I revoke a Proxy or Voting Instruction Form?

A: Yes. If you are a registered holder of Primaris Voting Units and have given a Proxy, you may revoke it as to any matter on which a vote has not already been cast pursuant to the authority conferred by such Proxy by an instrument in writing executed by you or by your attorney duly authorized in writing or, if the holder is a corporation, by an officer or attorney thereof duly authorized, and deposited either at the registered office of Primaris at any time up to and including the last Business Day preceding the day of the Meeting or any adjournment or postponement thereof or with the Chairman of the Meeting on the day of the Meeting or any adjournment or postponement thereof.

If you have given a Voting Instruction Form, please contact Kingsdale for assistance regarding revoking your vote.

Q: Do I have Dissent Rights?

A: Pursuant to the Interim Order, registered Primaris Unitholders have the right to dissent with respect to the Special Resolution if: (i) the Primaris Unitholder's written objection to the Special Resolution is sent by courier, post or personal service to Primaris at c/o McCarthy Tétrault LLP, 3300, 421-7th Avenue SW, Calgary, Alberta T2P 4K9, Attention Sean S. Smyth or by facsimile (403-260-3501) or by email at: ssmyth@mccarthy.ca, no later than 12:00 p.m. (Calgary Time) on the second business day prior to the Meeting or a date to which it is adjourned and otherwise complies with the requirements of Section 191 of the ABCA as modified by the Interim Order and the Plan of Arrangement; (ii) the Dissenting Unitholder

does not vote his or her Primaris Units at the Meeting either by proxy or in person, in favour of the Special Resolution; and (iii) the Dissenting Unitholder exercises the Dissent Rights in respect of all of the Primaris Units that he or she holds on behalf of the beneficial holder. A Non-Registered Holder who wishes to exercise its right to dissent in respect of its units should immediately contact the intermediary with whom the Non-Registered Holder deals.

Q: What if I have other questions?

A: Primaris Voting Unitholders who have additional questions about the Amended Transaction, including the procedures for voting, can contact Kingsdale, Primaris' proxy solicitation agent, toll-free in North America at 1-866-581-1571 or call collect outside North America at 416-867-2272 or by email at contactus@kingsdaleshareholder.com. Primaris Voting Unitholders who have questions about deciding how to vote should contact their professional advisors.

SUMMARY

This summary is qualified in its entirety by the more detailed information appearing elsewhere in the Notice of Meeting and this Information Circular, including the Appendices which are incorporated into and form part of this Information Circular. Terms with initial capital letters in this Summary are defined in the Glossary of Terms contained in this Information Circular.

The Meeting and Record Date

The Meeting will be held on March 22, 2013 at 10:00 a.m. (Toronto Time) at the Trump International Hotel & Tower Toronto, 325 Bay Street, Toronto, Ontario, Canada, M5H 4G3. Primaris has fixed February 15, 2013 as the Record Date for determining the Primaris Voting Unitholders entitled to receive notice of and vote at the Meeting.

Purpose of the Meeting

The purpose of the Meeting will be (i) to consider and vote upon the Special Resolution, and (ii) to transact such further and other business as may properly be brought before the Meeting or any adjournment thereof.

Background to the Amended Transaction

After the close of markets on December 4, 2012, Jon Love, Managing Partner of KingSett Capital, met briefly with John Morrison, President and Chief Executive Officer of Primaris. Mr. Love indicated that the KingSett Acquisition Group would be announcing its intention to make an offer to acquire all of the outstanding Primaris Units for $26.00 per Primaris Unit. The meeting was accompanied by a short letter briefly outlining the KingSett Offer. Shortly after this meeting, a representative of TD Securities, one of the financial advisors to the KingSett Acquisition Group, called Roland Cardy, Chairman of the Primaris Board, to advise of the same matter.

On December 5, 2012, the KingSett Acquisition Group issued a press release announcing that the KingSett Acquisition Group intended to make the KingSett Offer. That morning the Primaris Board met to consider matters and formed the Primaris Independent Committee consisting of six independent Trustees to consider and review the KingSett Offer and any other alternative transactions that Primaris is presented with or may choose to pursue.

On January 8, 2013, H&R made a proposal to Primaris to enter into a transaction whereby Primaris would become a wholly-owned subsidiary of H&R REIT and Primaris Unitholders would receive cash and H&R Stapled Units (each consisting of one H&R REIT Unit and one H&R Finance Trust Unit). From January 8, 2013 through to the late afternoon of January 16, 2013, the Primaris Independent Committee, together with its financial and legal advisors, extensively negotiated the price and other terms of a potential transaction with H&R. In addition, Primaris also discussed possible transactions with other parties during this time period. These negotiations culminated in the signing and announcement of the Initial H&R Transaction.

In the afternoon of Friday, January 25, 2013, Tom Hofstedter, the CEO of H&R, telephoned John Morrison, the CEO of Primaris to advise him that Mr. Hofstedter had received a telephone call from Mr. Love. At that time, Mr. Hofstedter had no information as to why Mr. Love was calling. On Sunday evening, January 27, 2013, Mr. Hofstedter called Mr. Morrison to advise that he and Mr. Love had met that day and discussed potentially

joining forces and making a joint, improved bid for Primaris. Mr. Morrison was advised by Mr. Hofstedter that Mr. Love had left that meeting to consider what had been discussed. In the late afternoon of Monday January 28, 2013, Mr. Hofstedter called Mr. Morrison and indicated that Mr. Hofstedter and Mr. Love had met again and that H&R and KingSett Capital had reached an agreement in principle regarding a proposal to divide the Primaris assets, which would result in an improved transaction for Primaris, subject to the agreement of the Primaris Board of Trustees.

On the morning of Wednesday January 30, 2013, H&R submitted a non-binding proposal to the Primaris Independent Committee from H&R and KingSett Capital. Later that day the financial and legal advisers for H&R, KingSett Capital and Primaris met. After review, and with the advice of its financial and legal advisors, the proposal from H&R and KingSett Capital was rejected by Primaris. H&R and KingSett Capital undertook to consider further whether their proposal could be improved and negotiations continued over the course of the day.

From January 30, 2013, through to the late afternoon of February 4, 2013, the Primaris Independent Committee, together with its financial and legal advisors, extensively negotiated the price and other terms of a substantially improved transaction with H&R and the KingSett Consortium. These negotiations culminated in the signing of the Amended Arrangement Agreement and the Purchase Agreements and announcement of the Amended Transaction.

For further details, see "*Background to the Amended Transaction"*.

Second Fairness Opinion of Canaccord Genuity

The Second Fairness Opinion, dated February 4, 2013, and given to the Primaris Independent Committee and the Primaris Board concludes that, in the opinion of Canaccord Genuity, as of February 4, 2013 and based upon and subject to the assumptions, limitations and qualifications set forth therein, the consideration to be received by Primaris Unitholders under the Amended Transaction is fair, from a financial point of view, to the Primaris Unitholders.

See "*Background to the Amended Transaction – Canaccord Genuity Fairness Opinion*".

Recommendation of the Primaris Independent Committee

Having received the Second Fairness Opinion and having considered a number of other factors and received advice from its financial and legal advisors, the Primaris Independent Committee unanimously concluded that the Consideration to be received by Primaris Unitholders pursuant to the Amended Transaction is fair, from a financial point of view, to Primaris Unitholders. Accordingly, the Primaris Independent Committee unanimously recommended that the Board recommend that Primaris Voting Unitholders vote in favour of the Special Resolution.

Recommendation of the Board

The Board, after receiving the recommendation of the Primaris Independent Committee and advice from its financial and legal advisors, including the Second Fairness Opinion, unanimously concluded that the Consideration to be received by Primaris Unitholders pursuant to the Amended Transaction is fair, from a financial point of view, to Primaris Unitholders. **Accordingly the Board unanimously approved the Amended Transaction and unanimously recommends that Primaris Voting Unitholders vote FOR the Amended Transaction at the Meeting.**

Reasons for the Recommendation

The Board has carefully considered all aspects of the Amended Transaction and has received the benefit of advice from its financial and legal advisors and a recommendation from the Primaris Independent Committee. The Board of Trustees and the Primaris Independent Committee identified a number of factors set out below as being most relevant to its recommendation to Primaris Unitholders to vote FOR the Special Resolution that will implement the Amended Transaction, including the following:

- The Amended Transaction provides improved value to Primaris Unitholders and represents a premium over the consideration offered in the Initial H&R Transaction and the KingSett Offer;
- The Amended Transaction provides the opportunity for ownership in H&R and continued ownership in a substantial portion of Primaris assets and platform;
- The form of Consideration under the Amended Transaction provides choice and liquidity;
- The Non-Cash Consideration provides Primaris Unitholders with a tax-deferral opportunity for purposes of the Tax Act;
- The advice received from Canaccord Genuity that the Consideration payable to Primaris Unitholders pursuant to the Amended Transaction is fair from a financial point of view, to the Primaris Unitholders;
- The credibility of counterparties to the Amended Transaction and the likelihood of the transaction being completed;
- The process followed by the Primaris Independent Committee and the likelihood of any offers or other transactions emerging from other parties exceeding the value of the Amended Transaction;
- Primaris retains the ability to respond to Superior Proposals;
- The Amended Transaction adequately considers the interests of other Primaris Securityholders;
- The form of transaction provides certain substantive and procedural protections for Primaris Unitholders; and
- All of the trustees and officers of Primaris intend to vote FOR the Special Resolution.

See "*Background to the Amended Transaction – Reasons for the Recommendation*".

Effects of the Amended Transaction on Primaris Unitholders

If the Amended Transaction is consummated (i) the Purchasers will separately acquire certain properties of Primaris Subsidiaries for a cash payment plus the assumption of certain related liabilities, (ii) H&R REIT will acquire substantially all of the remaining assets of Primaris and will assume the remaining liabilities, and (iii) Primaris will become a wholly-owned subsidiary of H&R REIT. For each Primaris Unit held, Primaris Unitholders will be entitled to receive, at the election of each holder: (a) $28.00 in cash (the "**Cash Consideration**"); or (b) 1.166 H&R Stapled Units (1.166 H&R REIT Units and 1.166 H&R Finance Trust Units) (the "**Non-Cash Consideration**"), in each case subject to proration. Assuming that no Primaris Unitholder validly exercises its Dissent Rights, the Actual Cash Consideration that will be payable under the Amended Transaction to Primaris Unitholders is approximately $1.28 billion.

In the event that all Primaris Unitholders elect to receive Cash Consideration or all elect, or are deemed to elect, to receive Non-Cash Consideration, at closing of the Amended Transaction (and, in either case, assuming no Primaris Unitholder validly exercises its Dissent Rights), holders of Primaris Units would receive 0.642 H&R Stapled Units and $12.58 per Primaris Unit (based on the number of Primaris Units outstanding on February 15, 2013 and assuming all of the 6.30% Debentures and the 6.75% Debentures convert into, and all Primaris Exchangeable Units are exchanged for, Primaris Units prior to the Effective Time).

Effect on Primaris Debentures

Primaris and H&R will enter into the Primaris Debenture Supplemental Indenture whereby H&R REIT will assume Primaris' obligations under the Primaris Debentures, such that, as of the time set out in the Plan of Arrangement, the Primaris Debentures will become valid and binding obligations of H&R REIT entitling the holders thereof, as against H&R REIT, to all of the rights of holders of Primaris Debentures under the Primaris Debenture Indenture. Pursuant to the Primaris Debenture Supplemental Indenture, the applicable conversion prices of the outstanding Primaris Debentures shall be as follows: (i) in respect of the 5.40% Debentures, $24.73 such that approximately 40.4367 H&R Stapled Units shall be issued for each $1,000 principal amount of 5.40% Debentures so converted; (ii) in respect of the 6.30% Debentures, $14.32 such that approximately 69.8324 H&R Stapled Units shall be issued for each $1,000 principal amount of 6.30% Debentures so converted; and (iii) in respect of the 6.75% Debentures, $10.51 such that approximately 95.1475 H&R Stapled Units shall be issued for each $1,000 principal amount of 6.75% Debentures so converted.

See "*The Amended Transaction – Treatment of Primaris Securityholders – Primaris Debentureholders*".

Effect on Primaris Options

Under the terms of the Amended Arrangement Agreement, each holder of Primaris Options (whether vested or unvested) will be permitted to elect in writing to have Primaris purchase all such vested and unvested Primaris Options for cancellation immediately prior to the Effective Time in consideration for a cash payment from Primaris that is equal to the product obtained by multiplying (i) the amount by which the Implied Price exceeds the exercise price per Primaris Unit of each such Primaris Option, by (ii) the number of Primaris Units underlying such Primaris Option. All Primaris Options remaining outstanding at the Effective Time (whether vested or unvested) shall be cancelled and all option agreements related thereto shall be terminated and the holders of such Primaris Options shall receive options issued by H&R REIT, on substantially similar terms and conditions (including economic terms) and in accordance with the terms of the Primaris Equity Incentive Plan and in the manner specified in the Plan of Arrangement.

See "*The Amended Transaction – Treatment of Primaris Securityholders – Primaris Optionholders*".

Effect on Primaris Restricted Units

Under the terms of the Amended Arrangement Agreement, each holder of Primaris Restricted Units (whether vested or unvested) will be permitted to elect in writing to have Primaris purchase such Primaris Restricted Units for cancellation immediately prior to the Effective Time in consideration for a cash payment from Primaris that is equal to the product obtained by multiplying (i) the amount by which the Implied Price exceeds the exercise price (which is deemed to be nil) per Primaris Unit of each such Primaris Restricted Unit, by (ii) the number of Primaris Units underlying such Primaris Restricted Unit. All Primaris Restricted Units remaining outstanding at

the Effective Time (whether vested or unvested) shall be cancelled and all agreements related thereto shall be terminated and replaced with replacement restricted units of H&R REIT, on substantially similar terms and conditions (including economic terms) and in accordance with the terms of the Primaris Equity Incentive Plan and in the manner specified in the Plan of Arrangement.

See "*The Amended Transaction – Treatment of Primaris Securityholders – Primaris Restricted Unitholders*".

Effect on Primaris Exchangeable Unitholders

Under the terms of the Amended Arrangement Agreement, Primaris Exchangeable Units are to be redeemed in exchange for Primaris Units in accordance with their terms. Primaris Units issued in such circumstances would then participate in the Amended Transaction on the same terms as all other Primaris Units. In order to elect which Consideration such holder would like to receive in the Amended Transaction, such holder will be required to exchange their Primaris Exchangeable Units for Primaris Units in sufficient time prior to the Election Deadline, and then must register such Election before the Election Deadline. Notwithstanding the foregoing, Primaris and H&R have agreed to co-operate reasonably to identify alternative mechanisms that will provide holders of Primaris Exchangeable Units with a more tax efficient manner in which to participate in the Amended Transaction. Discussions have commenced with the holders of Primaris Exchangeable Units to identify and, if applicable, implement such alternative mechanisms.

See "*The Amended Transaction – Treatment of Primaris Securityholders – Primaris Exchangeable Units*".

Information on Primaris

Primaris is a TSX-listed open-ended real estate investment trust that specializes in owning and operating Canadian enclosed shopping centres that are dominant in their local trade areas. Merchandising for each property is dynamic in order to meet the unique needs of its local customers and the community. Primaris owns 35 income-producing properties comprising approximately 14.7 million square feet located in Canada.

See "*Information Concerning Primaris*".

Information on H&R

H&R REIT is an open-ended real estate investment trust, which owns a North American portfolio of 42 office, 113 industrial and 138 retail properties comprising over 44 million square feet and 2 development projects, with a fair value of approximately $10 billion. The foundation of H&R REIT's success since its inception in 1996 has been a disciplined strategy that leads to consistent and profitable growth. H&R REIT leases its properties long-term to creditworthy tenants and strives to match those leases with primarily long-term, fixed-rate financing.

H&R Finance Trust is an unincorporated investment trust, which primarily invests in notes issued by a U.S. corporation which is a subsidiary of H&R REIT. The current note receivable is US$162.5 million. In 2008, H&R REIT completed an internal reorganization that resulted in each issued and outstanding H&R REIT unit trading together with a unit of H&R Finance Trust as a "Stapled Unit" on the TSX.

See "*Information Concerning H&R*".

Information on the KingSett Consortium

The KingSett Consortium includes: (a) KS Acquisition II LP, a limited partnership whose limited partnership interests are owned equally by KS Bidco LP, a wholly-owned subsidiary of KingSett Real Estate Growth LP No. 5, an affiliate of KingSett Capital, and OPB Trust, an associate of Ontario Pension Board; (b) OPB Trust; (c) RioCan; (d) CREIF LP, an affiliate of KingSett Capital; and (e) KS LP No. 4, an affiliate of KingSett Capital. KingSett Capital is Canada's leading private equity real estate investment business, co-investing with pension fund and high net worth individual clients. Ontario Pension Board is one of Canada's largest pension plans and has become one of Canada's leading direct owners of high quality shopping centres. RioCan is Canada's largest real estate investment trust and owns and manages Canada's largest portfolio of shopping centres.

See "*Information Concerning KingSett Consortium*".

Conditions to the Amended Transaction

As more fully described in this Information Circular and the Amended Arrangement Agreement, the completion of the Amended Transaction depends on a number of conditions being satisfied or waived, including, among others: (i) the Special Resolution being approved by Primaris Voting Unitholders as set out herein; (ii) the H&R Unitholder Approval being obtained at the H&R Unitholder Meetings; (iii) the Plan of Arrangement being approved by the Court; (iv) the Competition Act Approval (Arrangement) and Competition Act Approval (Sale Transactions) being obtained; (v) since February 4, 2013, there shall not have occurred a Material Adverse Effect in respect of either Primaris or H&R; (vi) the satisfaction or waiver of the closing conditions of the Sale Transactions; and (vii) holders of not greater than 5% of the outstanding Primaris Units having validly exercised Dissent Rights.

See "*The Amended Arrangement Agreement – Conditions*".

Risk Factors

An investment in H&R is subject to a number of risks. Primaris Voting Unitholders should carefully consider the risks and uncertainties together with all the other information set out in, or incorporated by reference into, this Information Circular prior to making a decision as to how to vote their Primaris Voting Units.

Risks and uncertainties relating to the Amended Transaction and the business of H&R are described under "*Risk Factors*".

Description of the Amended Transaction

The Amended Transaction involves a number of steps which will occur sequentially. In summary, these steps will result in, among other things:

- The completion of the Sale Transactions becoming effective in accordance with the terms of the Purchase Agreements;
- Taxable Income from the Sale Transactions being allocated and made payable in successive steps to Primaris;
- The cash proceeds from the Sale Transactions being distributed and/or advanced in successive steps to Primaris;

- Primaris Special Voting Units being redeemed for an amount equal to the paid-up amount on such Primaris Special Voting Units and the termination of the Primaris Exchange Agreements;
- H&R REIT paying out, as a special distribution on its units, the amount, if any, that is determined by it prior to the Effective Time to be equal to its *bona fide* best estimate of the amount, if any, of its Taxable Income for its taxation year that will be deemed to end as a result of the QE Transactions (such amount to be reduced to take into account any deductions under subsection 104(6) of the Tax Act in respect of prior distributions during that period);
- H&R Finance Trust paying out, as a special distribution on its units, the amount, if any, that is determined by it prior to the Effective Time to be equal to its *bona fide* best estimate of the amount, if any, of its Taxable Income for the taxation year of H&R Finance Trust determined as if its taxation year were deemed to end as a result of the QE Transactions (such amount to be reduced to take into account any deductions under subsection 104(6) of the Tax Act in respect of prior distributions during that period);
- Primaris paying out, as a special distribution on its units, the amount, if any, that is determined by it prior to the Effective Time to be equal to its *bona fide* best estimate of the amount, if any, of its Taxable Income for its taxation year that will be deemed to end as a result of the QE Transactions (such amount to be reduced to take into account any deductions under subsection 104(6) of the Tax Act in respect of prior distributions during that period and determined without regard to any income arising as a result of the Sale Transactions);
- Each of the Dissent Units being transferred to Primaris (free and clear of all Encumbrances) in consideration for a debt claim against Primaris for the amount determined under Article 4 of the Plan of Arrangement and the Dissenting Unitholders ceasing to be the holders of such Primaris Units and to have any rights as holders of such Primaris Units, other than the right to be paid fair value for such Primaris Units, as determined under Article 4 of the Plan of Arrangement, and thereafter such Primaris Units being cancelled;
- Each Primaris Unit in respect of which a Primaris Unitholder is entitled to receive Cash Consideration in accordance with and subject to the provisions of Sections 3.1 and 3.2 of the Plan of Arrangement, being redeemed and retracted by Primaris in consideration for the Cash Consideration for each such Primaris Unit;
- The FT Percentage of each Primaris Unit in respect of which a Primaris Unitholder is entitled to receive Non-Cash Consideration in accordance with, and subject to Sections 3.1 and 3.2 of the Plan of Arrangement, being transferred by such Primaris Unitholder to H&R REIT (free and clear of all Encumbrances) in consideration for the delivery to the former holder of the FT Percentage of such Primaris Unit of 1.166 H&R Finance Trust Units and the granting to the former holder of the Ancillary Rights;
- Pursuant to and in accordance with the Primaris Debenture Supplemental Indenture, the Primaris Debentures and the Primaris Debenture Indenture being amended and supplemented to modify the applicable Conversion Price specified therein;
- Each Primaris Restricted Unit (whether vested or unvested) outstanding at the Effective Time being transferred by the holder thereof to Primaris and thereupon cancelled and such holder receiving an H&R Replacement Restricted Unit entitling the holder to receive that number of H&R Stapled Units equal to the product of 1.166 and the number of Primaris Units subject to such former Primaris Restricted Unit;

- Pursuant to and in accordance with the definition "qualifying exchange" in Section 132.2 of the Tax Act (as proposed to be amended pursuant to the Tax Proposals), Primaris selling, transferring, conveying, assigning and delivering to H&R REIT, and H&R REIT acquiring from Primaris, all of the right, title and interest of Primaris in and to the Primaris Assets, free and clear of all Encumbrances other than Permitted Encumbrances, in exchange for a certain number of Payment Units and the assumption by H&R REIT of certain liabilities;
- Pursuant to and in accordance with the definition "qualifying exchange" in Section 132.2 of the Tax Act (as proposed to be amended pursuant to the Tax Proposals), Primaris redeeming the Remaining Percentage of each outstanding Primaris Unit in exchange for 1.166 H&R REIT Units;
- Each Primaris Option (whether vested or unvested) outstanding at the Effective Time being transferred by the holder thereof to Primaris and thereupon cancelled and each such holder receiving consideration consisting solely of a substitute option to acquire H&R REIT Units issued by H&R REIT (a "**H&R Replacement Option**"), all pursuant to and in accordance with subsection 7(1.4) of the Tax Act with the number of H&R RET Units and the exercise price being adjusted accordingly; and
- Separately, and not as consideration arising in connection with the exchange referred to in the immediately preceding step, each holder of a H&R Replacement Option being granted by H&R REIT a corresponding option (a "**H&R Finance Trust Option**") to acquire an equivalent number of H&R Finance Trust Units at an exercise price equal to the fair market value of such underlying H&R Finance Trust Units at the time of exercise of such H&R Finance Trust Option.

The foregoing constitutes a summary only of the steps contemplated by the Amended Transaction. See "*The Amended Transaction – Amended Transaction Mechanics*" for the detailed steps of the Amended Transaction.

Amended Arrangement Agreement

The Amended Arrangement Agreement was signed on February 4, 2013 and provides the terms and conditions pursuant to which the Amended Transaction is to be completed.

See "*The Amended Arrangement Agreement*".

Court Approval

A Plan of Arrangement under the ABCA requires court approval. Prior to the mailing of this Information Circular, Primaris and PRR Investments obtained the Interim Order from the Court. The Interim Order is attached as Appendix "B" to this Information Circular. The Interim Order, among other things, provides for the calling and holding of the Meeting and causes to be issued the notice of application for the Final Order of the Court. The Interim Order does not constitute approval of the Plan of Arrangement or the contents of this Information Circular by the Court. Subject to the terms of the Plan of Arrangement, and if the Special Resolution is approved by Primaris Voting Unitholders and the H&R Unitholder Approval is obtained, the date and time of presentation for the hearing of the application for the Final Order at the Court, 601-5th Street SW, Calgary Alberta, T2P 5P7, which is scheduled for March 22, 2013 at 3:00 p.m (Calgary time). Under the terms of the Interim Order, each Primaris Voting Unitholder, each holder of Primaris Convertible Securities, each trustee, the auditors of Primaris and any other interested person will have the right to appear and make submissions at the application for the Final Order. Any person desiring to appear at the hearing of the application for the Final Order is required to indicate his, her or its intention to appear by filing with the Court and serving Primaris at the

address set out below, on or before 12:00 p.m. (Calgary time) on March 20, 2013, a Response to Petition ("**Response**"), including his, her or its address for service, together with all materials on which he, she or it intends to rely at the application. The Response and supporting materials must be delivered, within the time specified, to Primaris at the following address: c/o McCarthy Tétrault LLP, 3300, 421-7th Avenue SW, Calgary, Alberta T2P 4K9, Attention: Sean S. Smyth.

Primaris Unitholders and other eligible persons who wish to participate in or be represented at the Court hearing for the Final Order should consult their legal advisors as to the necessary requirements.

The authority of the Court is very broad under the ABCA. Primaris has been advised by its counsel that the Court may make any enquiry it considers appropriate and may make any order it considers appropriate with respect to the Plan of Arrangement. The Court will consider, among other things, the fairness and reasonableness of the Plan of Arrangement to the Primaris Unitholders. The Court may approve the Plan of Arrangement either as proposed or as amended in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court thinks fit.

See "*Principal Legal Matters – Court Approval Process*".

Unitholder Approval

The Interim Order provides that, in order for the Amended Transaction to proceed, the Special Resolution must be passed, with or without variation, by at least two-thirds ($66^2/_3\%$) of the eligible votes cast with respect to the Special Resolution by Primaris Voting Unitholders present in person or represented by proxy at the Meeting. If the Special Resolution is not passed by a sufficient number of eligible votes at the Meeting, the Amended Transaction will not be completed and it is expected that Primaris will continue to operate in the same manner as it presently does. Certain affiliates of KingSett Capital, which beneficially own, or control or direct, over 6.8% of the Primaris Voting Units, have agreed to vote in favour of the Amended Transaction.

See "*The Amended Transaction – Required Securityholder Approval*".

Stock Exchange Listings

H&R

The H&R Stapled Units are currently listed on the TSX under the symbol "HR.UN". Application has been made for the listing on the TSX of the H&R REIT and H&R Finance Trust Units to be received by Primaris Securityholders in connection with the Amended Transaction, including any H&R REIT Units and H&R Finance Trust Units that are delivered upon the exercise of convertible securities following the Effective Time. Such listing will be conditional on the satisfaction of certain standard conditions.

Following the completion of this Amended Transaction, until an "Event of Uncoupling" occurs, each H&R REIT Unit received by a Primaris Securityholder may only be transferred together with an H&R Finance Trust Unit and each H&R Finance Trust Unit received by a Primaris Securityholder may only be transferred together with an H&R REIT Unit. See H&R REIT's Annual Information Form dated March 16, 2012, incorporated by reference in this Information Circular, for further details.

Primaris

The Primaris Units are currently listed on the TSX under the symbol "PMZ.UN". Pursuant to the Amended Transaction, H&R REIT will become the sole unitholder of Primaris, and the Primaris Units are expected to be de-listed from the TSX following the completion of the steps set out in the Plan of Arrangement.

The 6.75% Debentures, 6.30% Debentures and 5.40% Debentures are currently listed on the TSX under the symbol "PMZ.DB", "PMZ.DB.B" and "PMZ.DB.C.", respectively. Pursuant to the Amended Transaction, H&R REIT will assume all of the rights and obligations of Primaris relating to the Primaris Debentures, which, upon completion of the step set out in Section 2.4(n) of the Plan of Arrangement, will be convertible into H&R Stapled Units, based on the revised conversion prices disclosed in the Plan of Arrangement. Application has been made such that, following the Effective Date, such debentures would continue to be listed on the TSX but as obligations of H&R REIT, which listing will be conditional on the satisfaction of certain standard conditions.

Dissent Rights

Pursuant to the Interim Order, registered Primaris Unitholders have the right to dissent with respect to the Special Resolution if: (i) the Primaris Unitholder's written objection to the Special Resolution is sent by courier, post or personal service to Primaris at c/o McCarthy Tétrault LLP, 3300, 421-7th Avenue SW, Calgary, Alberta T2P 4K9, Attention Sean S. Smyth or by facsimile (403-260-3501) or by email at: ssmyth@mccarthy.ca, no later than 12:00 p.m. (Calgary Time) on the second business day prior to the Meeting or a date to which it is adjourned and otherwise complies with the requirements of Section 191 of the ABCA as modified by the Interim Order and the Plan of Arrangement; (ii) the Dissenting Unitholder does not vote his or her Primaris Units at the Meeting either by proxy or in person, in favour of the Special Resolution; and (iii) the Dissenting Unitholder exercises the Dissent Rights in respect of all of the Primaris Units that he or she holds on behalf of the beneficial holder.

See "*Rights of Dissent*".

Procedure for Election to Receive Consideration by Primaris Unitholders

An Election will have been properly made by a registered Primaris Unitholder only if the Depositary has received, by the Election Deadline, the applicable Letter(s) of Transmittal properly completed and signed and accompanied by the certificate(s) for the Primaris Units to which such Letter(s) of Transmittal relate(s), properly endorsed or otherwise in proper form for transfer.

Primaris utilizes the Book Entry System. Accordingly, all Non-Registered Holders of Primaris Units should contact their Intermediary to submit their instructions with respect to the Consideration they wish to receive in connection with the Amended Transaction. A Non-Registered Holder should carefully follow the instructions provided by the Intermediary that holds Primaris Units on its behalf in order to make an election with respect to the form of Consideration it wishes to receive.

A Primaris Unitholder will not be entitled to sell its Primaris Units on the TSX after the Primaris Unitholder elects to receive its preferred Consideration. If a Primaris Unitholder fails to make a valid election prior to the Election Deadline, the Primaris Unitholder will continue to be able to sell its Primaris Units on the TSX for cash at any time prior to the Effective Time but any purchaser of Primaris Units will be deemed to have elected to receive Non-Cash Consideration for those Primaris Units.

The determination of H&R as to whether Elections have been properly made or revoked and when Elections and revocations were received by the Depositary will be binding. **ELIGIBLE PRIMARIS UNITHOLDERS WHO DO NOT MAKE AN ELECTION PRIOR TO THE ELECTION DEADLINE, OR FOR WHOM H&R DETERMINES THAT THEIR ELECTION WAS NOT PROPERLY MADE WITH RESPECT TO ANY SECURITIES, WILL BE DEEMED TO HAVE ELECTED TO RECEIVE NON-CASH CONSIDERATION ONLY.** The Depositary may, with the mutual agreement of Primaris and H&R, make such rules as are consistent with the Amended Transaction for the implementation of Elections contemplated by the Amended Transaction and as are necessary or desirable to fully effect such Elections.

See "*Procedure for the Surrender of Certificates and Payment of Consideration – Available Elections and Procedure*".

Procedure for Receiving Cash Consideration

Primaris will cause to be provided to the Depositary the Actual Cash Consideration less the Total Dissent Cash Amount. In accordance with the timing set out in the Plan of Arrangement, the Depositary will transfer the Actual Cash Consideration less the Total Dissent Cash Amount to CDS in payment of the Cash Consideration.

See "*Procedure for the Surrender of Certificates and Payment of Consideration – Delivery of Consideration*".

Procedure for Receiving H&R Stapled Units

All Primaris Units are registered in the name of CDS, a clearing agency, of which securities dealers or brokers are participants. As the Primaris Units trade in the Book Entry System only and no certificates are issued to Non-Registered Holders, no new certificates for Non-Cash Consideration will be issued following the completion of the Amended Transaction. Once Primaris Unitholders have elected or have been deemed to have elected to receive Non-Cash Consideration, such Primaris Unitholders do not need to take any action to receive Consideration. Any exchange of Primaris Unit certificates for Consideration will be completed between Primaris, H&R, the Depositary and CDS. On or about the Effective Date, it is expected that the Depositary will deliver to CDS certificate(s) evidencing the aggregate number of H&R REIT Units and H&R Finance Trust Units to be delivered to Primaris Unitholders in connection with the Amended Transaction.

See "*Procedure for the Surrender of Certificates and Payment of Consideration – Delivery of Consideration*".

Timing of Completion of the Amended Transaction

If the Meeting is held as scheduled and is not adjourned and the other necessary conditions of the Amended Transaction are satisfied or waived, Primaris and PRR Investments will apply to the Court for the Final Order approving the Amended Transaction. If the Final Order is obtained on March 22, 2013, in the form and substance satisfactory to Primaris and H&R, and all other conditions to completion are satisfied or waived, Primaris expects the Effective Date of the Amended Transaction to be in early April 2013.

Securities Laws Matters

Canada

Subject to the next paragraph, the issue of H&R REIT Units and H&R Finance Trust Units pursuant to the Amended Transaction will be made pursuant to exemptions from the prospectus requirements contained in

applicable provincial securities legislation in the provinces of Canada. Under applicable provincial securities laws, the H&R REIT Units and H&R Finance Trust Units issued in connection with the Amended Transaction may be resold in Canada without hold period restrictions, except that any person, company or combination of persons or companies holding a sufficient number of H&R Stapled Units to affect materially the control of H&R will be restricted in reselling such units pursuant to securities laws applicable in Canada.

To the extent necessary, H&R intends to apply to the local securities regulatory authority or regulator in each of the provinces of Canada for an order that will provide H&R REIT and H&R Finance Trust with exemptive relief in respect of the distribution of H&R REIT Units and H&R Finance Trust Units pursuant to the exercise of various convertible securities

United States

The H&R REIT Units and H&R Finance Trust Units to be issued pursuant to the Amended Transaction will not be registered under the U.S. Securities Act or any applicable state securities laws and will be issued in reliance on the exemption from the registration requirements of the U.S. Securities Act set forth in Section 3(a)(10) thereof and pursuant to exemptions from and registration under any applicable state securities laws. As a result, the H&R REIT Units and H&R Finance Trust Units received in exchange for the Primaris Units pursuant to the Amended Transaction will be freely tradable under U.S. federal securities laws except by persons who are, or within 90 days prior to the Effective Time were, affiliates of H&R. The solicitation of proxies made in connection with this Information Circular is not subject to the requirements of Section 14(a) of the U.S. Exchange Act. Accordingly, this Information Circular has been prepared in accordance with applicable Canadian disclosure requirements, which are different than the requirements applicable to proxy solicitations under the U.S. Exchange Act.

See "*Management Information Circular – Information for U.S. Primaris Unitholders*" and "*Principal Legal Matters – Securities Laws Matters – United States*".

Material Canadian Federal Income Tax Considerations

The following summary is subject to the conditions, limitations, and assumptions contained in "*Material Canadian Federal Income Tax Considerations*" described in this Information Circular, which Primaris Unitholders should review in detail.

The disposition of a Primaris Unit by a Resident Holder for Cash Consideration on the Cash Redemption will result in a capital gain (or capital loss) equal to the amount by which the proceeds of disposition of the Primaris Unit, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Primaris Unit to the Primaris Unitholder immediately prior to the disposition. Such Resident Holder will also have to include in income the portion of the income (including recaptured CCA) and net taxable capital gains arising from the Sale Transactions which is allocated and paid to the Resident Holder in connection with the Cash Redemption. Such amounts will not be included in the proceeds of disposition to the Resident Holder of the Primaris Unit redeemed on the Cash Redemption.

The disposition of the FT Percentage of a Primaris Unit by a Resident Holder to H&R REIT in exchange for H&R Finance Trust Units and Ancillary Rights will result in a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the FT Percentage of the Primaris Unit (being the fair market value of the

H&R Finance Trust Units and Ancillary Rights received), net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the FT Percentage of the Primaris Unit to the Primaris Unitholder immediately prior to the disposition.

The disposition of the Remaining Percentage of a Primaris Unit to Primaris for H&R REIT Units on the QE Redemption will not result in a capital gain (or capital loss) to the Primaris Unitholder.

The entire amount paid to a Non-Resident Holder on the redemption of a Primaris Unit pursuant to the Cash Redemption will be subject to Canadian withholding tax.

Primaris should not realize any net income (including taxable capital gains) as a result of the transfer of the Primaris Assets to H&R REIT.

See "*Material Canadian Federal Income Tax Considerations*".

Certain U.S. Federal Income Tax Considerations

The following summary is subject to the conditions, limitations, and assumptions contained in "*Certain U.S. Federal Income Tax Considerations*" described in this Information Circular, which Primaris Unitholders should review in detail.

U.S. Holders that exchange their Primaris Units for H&R REIT Units, H&R Finance Trust Units, and cash, or any combination thereof, will recognize gain or loss on such exchange for U.S. federal income tax purposes. The amount of gain or loss recognized will be equal to the difference between the "amount realized" and the U.S. Holder's aggregate adjusted tax basis in the Primaris Units exchanged. The "amount realized" will equal the aggregate fair market value of the H&R REIT Units, the assets of H&R Finance Trust, and the U.S. dollar value of any Canadian currency received. A U.S. Holder's initial tax basis in a Primaris Unit generally equals such U.S. Holder's initial cost of such unit, and would be adjusted to reflect, among other things, distributions by Primaris that were not treated as dividends for U.S. federal income tax purposes.

See "*Certain U.S. Federal Income Tax Considerations*".

Other Tax Considerations

This Information Circular does not address any tax considerations of the Amended Transaction other than certain Canadian federal income tax considerations and certain U.S. federal income tax considerations. Primaris Unitholders who are resident or otherwise taxable in jurisdictions other than Canada and the U.S. should consult their own tax advisors with respect to the tax implications of the Amended Transaction, including any associated filing requirements, in such jurisdictions and with respect to the tax implications in such jurisdictions of owning H&R Stapled Units after the Amended Transaction.

Primaris Unitholders should also consult their own tax advisors regarding provincial, state or territorial tax considerations of the Amended Transaction or of holding H&R Stapled Units.

See "*Other Tax Considerations*".

Selected H&R Unaudited Pro Forma Financial Information

The selected unaudited pro forma consolidated financial information set forth below should be read in conjunction with H&R REIT's unaudited pro forma consolidated financial statements and the accompanying notes thereto incorporated by reference to this Information Circular. The pro forma consolidated statement of financial position has been prepared from the unaudited condensed consolidated statement of financial position of H&R REIT as at September 30, 2012 and gives pro forma effect to the successful completion of the Amended Transaction as if the Connected Transactions occurred on September 30, 2012. The pro forma consolidated statement of comprehensive income (loss) for the year ended December 31, 2011 and the nine month period ended September 30, 2012 have been prepared, respectively, from the audited consolidated statements of comprehensive income of H&R REIT for the year ended December 31, 2011 and the unaudited condensed consolidated interim statement of comprehensive income (loss) of H&R REIT for the nine month period ended September 30, 2012 and gives pro forma effect to the successful completion of the Amended Transaction as if the Connected Transactions occurred on September 30, 2012.

The summary unaudited pro forma consolidated financial information is not intended to be indicative of the results that would actually have occurred, or the results expected in future periods, had the events reflected herein occurred on the dates indicated. Actual amounts recorded upon consummation of the Amended Transaction will differ from the pro forma information presented below. No attempt has been made to calculate or estimate potential synergies between H&R REIT and Primaris. The unaudited pro forma consolidated financial statement information set forth below is extracted from and should be read in conjunction with the unaudited pro forma consolidated financial statements of H&R REIT and the accompanying notes incorporated by reference to this Information Circular.

(in millions of dollars)	Nine months ended September 30, 2012	Year ended December 31, 2011
Statement of comprehensive income data:		
Property operating income	$ 514,856	$ 576,429
Finance costs	(230,058)	(347,555)
Fair value adjustment on real estate assets	222,449	199,870
Other expenses including income taxes	(29,827)	(37,010)
Transaction costs	—	(27,000)
Net income	477,420	364,734
Other comprehensive income (loss)	(22,617)	6,643
Comprehensive income	$ 454,803	$ 371,377

(in millions of dollars)	As at September 30, 2012
Statement of financial position data:	
Real estate assets	$12,559,167
Other assets	323,172
Total assets	$12,882,339
Mortgages payable	5,243,211
Debentures payable	1,332,768
Notes payable	208,538
Exchangeable units	136,972
Other liabilities	254,168
Unitholders' equity	5,706,682
Total liabilities and unitholders' equity	$12,882,339

See "*Appendix "E" Unaudited Pro Forma Financial Statements*".

Post Amended Transaction Structure

Upon the completion of the Amended Transaction, approximately 260 million H&R Stapled Units will be outstanding, (based upon Primaris Units and H&R Stapled Units outstanding on February 15, 2013 and assuming all 6.75% Debentures and 6.30% Debentures are converted into, and all Primaris Exchangeable Units are exchanged for, Primaris Units prior to the Effective Time). Of these, approximately 75% will be held by existing H&R Unitholders and 25% will be held by former Primaris Unitholders (including holders of Primaris Exchangeable Units, 6.30% Debentures and 6.75% Debentures).

See "*Information Concerning H&R Post Amended Transaction*".

GENERAL PROXY MATTERS

Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation of proxies by Primaris' management for use at the Meeting and at any adjournment or postponement thereof. Solicitation of proxies will be primarily by mail but may also be in person, by telephone, by facsimile, by email or by other form of electronic communication.

Kingsdale is acting as Primaris' proxy solicitation agent, for which it will be paid a fee of approximately $250,000. If you have any questions about the Amended Transaction or how to exercise your voting rights, please contact Kingsdale, toll-free in North America at 1-866-581-1571, outside North America at 416-867-2272 or by email at contactus@kingsdaleshareholder.com.

The Primaris Board has fixed the close of business (Toronto time) on February 15, 2013 as the Record Date for determining the Primaris Voting Unitholders entitled to receive notice of, and to vote at, the Meeting or any adjournment or postponement thereof.

Primaris will cause the Transfer Agent to make a list of all persons who are registered holders of Primaris Voting Units on the Record Date and the number of Primaris Voting Units registered in the name of each person on that date. Each Primaris Voting Unitholder is entitled to one vote on each matter to be acted on by a Primaris Voting Unitholder at the Meeting for each such Primaris Voting Unit registered in its name as it appears on the list.

All costs of the solicitation of proxies for the Meeting will be borne by Primaris. Primaris has arranged for intermediaries to forward meeting materials to beneficial holders of Primaris Units and Primaris may reimburse the intermediaries for their reasonable fees and disbursements in that regard.

Appointment of Proxies

The individuals named in the accompanying form of Proxy are trustees or officers of Primaris. **A Primaris Voting Unitholder may appoint some other person or company (who need not be a Primaris Voting Unitholder) to represent the Primaris Voting Unitholder at the Meeting, either by inserting such person's or company's name in the blank space provided in the Proxy and striking out the two printed names, or by completing another proper form of proxy, and in either case sending or delivering the completed proxy to or at the office of the Transfer Agent.**

To be valid, the Proxy must be received by the Transfer Agent, CIBC Mellon Trust Company c/o Canadian Stock Transfer Company Inc., P. O. Box 721, Agincourt, ON, M1S 0A1, Attention: Proxy Department by mail or by personal delivery or courier to CIBC Mellon Trust Company c/o Canadian Stock Transfer Company Inc., 320 Bay Street, Basement Level (B1 Level), Toronto, ON M5H 4A6 Attention: Proxy Department or by fax to 1-866-781-3111 or 416-368-2502, prior to 10:00 a.m. (Toronto time) on March 20, 2013 or, if the Meeting is adjourned or postponed, not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to such adjourned or postponed Meeting. The time limit for the deposit of proxies may be waived or extended by the Chair of the Meeting at his or her discretion without notice.

Revocation of Proxies

A Primaris Voting Unitholder who has submitted a Proxy may revoke it as to any matter on which a vote has not already been cast pursuant to its authority by: (a) completing, signing and delivering a Proxy bearing a later date,

or (b) delivering an instrument in writing, executed by the Primaris Voting Unitholder or by the Primaris Voting Unitholder's attorney duly authorized in writing, either (i) to Primaris' registered office at 1 Adelaide Street East, Suite 900, Toronto, Ontario, M5C 2V9, at any time up to and including the last Business Day preceding the day of the Meeting or any adjournment or postponement thereof; or (ii) to the Chairman of the Meeting on the day of the Meeting or any adjournment or postponement thereof, or (c) any other manner permitted by applicable law.

Execution of Proxies

The Proxy must be executed by the Primaris Voting Unitholder or his or her attorney authorized in writing, or if the Primaris Voting Unitholder is a corporation, the Proxy should be signed in its corporate name under its corporate seal by an authorized officer whose title should be indicated. A Proxy signed by a person acting as attorney or in some other representative capacity should reflect such person's capacity following his or her signature and appropriate documentation evidencing qualification and authority to act (unless such documentation has been previously filed with Primaris) may be required to be provided.

Exercise of Discretion

Where a choice with respect to any matter to be acted upon has been specified in the Proxy, the Primaris Voting Units represented by the Proxy will be voted as directed by the Primaris Voting Unitholder. **In the absence of such direction, the Primaris Voting Units represented by a valid Proxy deposited in the manner described herein will be voted IN FAVOUR OF the Special Resolution**. The enclosed form of Proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to the matters identified in the Notice of Meeting and with respect to other matters which may properly be brought before the Meeting or any adjournment or postponement thereof. At the time of printing this Information Circular, management of Primaris was not aware of any such amendment, variation or other matter to come before the Meeting. However, if any such amendment, variation or other matter properly comes before the Meeting, the Primaris Voting Units represented by Proxies will be voted on such matters in accordance with the best judgment of the named proxyholder.

Non-Registered Primaris Unitholders

Primaris Units are issued in book-entry only form. Accordingly, most Primaris Voting Unitholders are "non-registered" unitholders (each, a "**Non-Registered Holder**") because the Primaris Voting Units they own are not registered in their names but are instead registered in the name of CDS & Co. and are held through an intermediary with whom the Non-Registered Holder deals in respect of the Primaris Voting Units such as, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans (an "**Intermediary**"). Non-Registered Holders should note that only proxies deposited by Primaris Voting Unitholders whose names appear on the records of the Transfer Agent as the registered holders of Primaris Voting Units can be recognized and acted upon at the Meeting.

In accordance with the requirements of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators, Primaris will distribute copies of the Notice of Meeting, this Information Circular and the Proxy to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders. Intermediaries are then required to forward the materials to the appropriate Non-Registered Holders. Non-Registered Holders will typically be given, in substitution for the Proxy otherwise contained in the materials, a request for voting instructions (the "**Voting Instruction Form**") which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary, will

constitute voting instructions which the Intermediary must follow. Less typically, Non-Registered Holders will be given a proxy which has already been signed by the Intermediary which is restricted as to the number of Units beneficially owned by the Non-Registered Holder but which has otherwise not been completed.

The purpose of this procedure is to permit Non-Registered Holders to direct the voting of the Primaris Voting Units they beneficially own. Primaris Voting Units held by an Intermediary may only be voted at the direction of the Non-Registered Holder. Without specific instructions, Intermediaries are prohibited from voting units for their clients. Should a Non-Registered Holder who receives the Voting Instruction Form (or signed Proxy) wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should so indicate in the place provided for that purpose in the Voting Instruction Form (or signed Proxy) and strike out the names that appear on the Voting Instruction Form (or signed Proxy). In any event, Non-Registered Holders should carefully follow the instructions of their Intermediary set out in the Voting Instruction Form.

Non-Registered Holders receiving a Voting Instruction Form cannot use that form to vote Primaris Voting Units directly at the Meeting. The Voting Instruction Form must be returned as directed by the applicable Intermediary well in advance of the Meeting in order to have such Primaris Voting Units voted. Non-Registered Holders who wish to attend the Meeting and vote their Primaris Voting Units in person (or have another person attend and vote on behalf of the Non-Registered Holder) should contact their Intermediaries well in advance of the Meeting.

Non-Registered Holders of Primaris Units should also instruct their Intermediaries to complete the Letter of Transmittal with respect to the Non-Registered Holders' Primaris Units as soon as possible in order to make an election as to Consideration under the Amended Transaction.

Primaris Voting Units and Principal Holders Thereof

The authorized capital of Primaris consists of an unlimited number of Primaris Units and an unlimited number of Primaris Special Voting Units. As of February 15, 2013, the record date for the meeting, Primaris had 98,485,592 Primaris Units and 1,750,756 Primaris Special Voting Units issued and outstanding and eligible to vote for the purposes of the Meeting.

Other than as set out in this paragraph, to the knowledge of the trustees and officers of Primaris, as at the Record Date, no person beneficially owns, directly or indirectly, or exercises control or direction over securities carrying more than 10% of the voting rights attached to the Primaris Voting Units. Based solely on an early warning report filed on February 13, 2013, Credit Suisse Securities (Canada), Inc. has ownership and control over 10,059,485 Primaris Units, which represents approximately 10.04% of the Primaris Voting Units eligible to vote at the Meeting.

The Interim Order provides that the close of business (Toronto time) on February 15, 2013 is the record date for determining Primaris Voting Unitholders entitled to receive notice of, and to vote at, the Meeting or any adjournment or postponement thereof. Primaris will make a list of all persons who are registered holders of Primaris Voting Units on the Record Date and the number of Primaris Voting Units registered in the name of each person on that date. Each Primaris Voting Unitholder is entitled to one vote on each matter to be acted on by a Primaris Unitholder at the Meeting for each Primaris Voting Unitholder.

Quorum

The Interim Order provides that Primaris Voting Unitholders personally present or represented by proxy and representing in the aggregate not less than 5% of Primaris Voting Unitholders entitled to vote at such meeting, will constitute a quorum for the Meeting.

BACKGROUND TO THE AMENDED TRANSACTION

Background to the Amended Transaction

After the close of markets on December 4, 2012, Jon Love, Managing Partner of KingSett Capital, met briefly with John Morrison, President and Chief Executive Officer of Primaris. Mr. Love indicated that the KingSett Acquisition Group would be announcing its intention to make an offer to acquire all of the outstanding Primaris Units for $26.00 per Primaris Unit. The meeting was accompanied by a short letter briefly outlining the KingSett Offer. Shortly after this meeting, a representative of TD Securities, one of the financial advisors to the KingSett Acquisition Group, called Roland Cardy, Chairman of the Primaris Board, to advise of the same matter.

On December 5, 2012, the KingSett Acquisition Group issued a press release announcing that the KingSett Acquisition Group, which includes the Ontario Pension Board, intended to make the KingSett Offer. That morning the Primaris Board met to consider matters and formed the Primaris Independent Committee consisting of six independent Trustees to consider and review the KingSett Offer and any other alternative transactions that Primaris was presented with or may have chosen to pursue.

The Primaris Independent Committee approved the engagement of McCarthy Tétrault LLP as counsel to the Primaris Independent Committee and Primaris and Cassels Brock & Blackwell LLP as counsel to Primaris, and received advice relating to the KingSett Offer and its fiduciary duties. Primaris subsequently issued a news release commenting on the pending KingSett Offer and urged Primaris Unitholders to take no action. That day the Primaris Independent Committee also began interviewing prospective financial advisors.

The following day, the Primaris Independent Committee approved the engagement of Canaccord Genuity as its financial advisor in connection with, among other things, the Primaris Independent Committee's analysis and consideration of a response to the KingSett Offer. The engagement was subject to the satisfactory negotiation of definitive financial and other terms, which engagement was subsequently confirmed.

On December 10, 2012, the KingSett Acquisition Group filed documents with Canadian securities regulators relating to the KingSett Offer, published an advertisement and announced that it had formally commenced the KingSett Offer.

On December 11, 2012, the Primaris Independent Committee met to receive a preliminary financial presentation from Canaccord Genuity and to further discuss the KingSett Offer. Based upon the presentation and the discussions, Primaris issued a press release confirming the preliminary view of the Primaris Board that the KingSett Offer was wholly inadequate and urging Primaris Unitholders to take no action. The Primaris Independent Committee also authorized the preparation of a data room, as well as approaches to third parties that might be interested in exploring potential strategic alternatives to the KingSett Offer, and the execution of appropriate confidentiality agreements.

Also on December 11, 2012, the Primaris Independent Committee interviewed and then approved the engagement of Evercore Partners, an independent U.S.-based M&A advisory firm, to further assist the Primaris

Independent Committee with its analysis and consideration of a response to the KingSett Offer. The engagement was subject to the satisfactory negotiation of definitive financial and other terms, which engagement was subsequently confirmed.

On December 17 and 19, 2012, the Primaris Independent Committee met, along with management of Primaris and its legal and financial advisors, to consider the KingSett Offer and the recommendation the Primaris Independent Committee was prepared to make in respect of the KingSett Offer. On December 19, 2012, the Primaris Board, including the Primaris Independent Committee, received a formal opinion from Canaccord Genuity as to the inadequacy, from a financial point of view, of the KingSett Offer.

Having reviewed and evaluated the KingSett Offer and the KingSett Circular and having received advice from its legal and financial advisors in this regard and based on such advice, review and evaluation, the Primaris Independent Committee recommended to the Primaris Board that it recommend that Primaris Unitholders reject the KingSett Offer and not tender their Primaris Units to the KingSett Offer. Based upon such recommendation and the advice of its legal and financial advisors, the Primaris Board unanimously recommended that Primaris Unitholders reject the KingSett Offer and approved the contents and delivery of the Trustees' Circular.

Throughout this period and thereafter, the Primaris Independent Committee, together with management of Primaris and its advisors, pursued a rigorous process that was designed to achieve a result that was financially superior to the KingSett Offer and delivered greater value for Primaris and the Primaris Unitholders. Through the process, more than 100 parties from across the globe were contacted, consisting of both potential strategic investors within the real estate industry, as well as financial investors. Primaris signed confidentiality and standstill agreements with a number of those parties who were then granted access to a confidential electronic data room. Several of those parties submitted proposals for selected assets of Primaris. No third party, other than H&R, was prepared to entertain a transaction for all of Primaris.

H&R was one of the parties that signed a Confidentiality and Standstill Agreement with Primaris and that had conducted due diligence. On January 8, 2013, H&R made a proposal to Primaris to enter into a transaction whereby Primaris would become a wholly-owned subsidiary of H&R REIT and Primaris Unitholders would receive cash and H&R Stapled Units (each consisting of one H&R REIT Unit and one H&R Finance Trust Unit). From January 8, 2013 through to the late afternoon of January 16, 2013, the Primaris Independent Committee, together with its financial and legal advisors, extensively negotiated the price and other terms of a potential transaction with H&R. In addition, Primaris also discussed possible transactions with other parties during this time period.

At the conclusion of those negotiations and discussions, H&R presented its improved final terms of the Initial H&R Transaction whereby Primaris would become a wholly-owned subsidiary of H&R REIT and each Primaris Unitholder would elect to receive per Primaris Unit either (i) $28.00 in cash, subject to a maximum cash amount of $700 million, or (ii) 1.13 H&R Stapled Units (1.13 H&R REIT Units and 1.13 H&R Finance Trust Units). The terms of the Initial Arrangement Agreement required Primaris to terminate discussions with parties other than H&R and close its data room.

On January 16, 2013, the Primaris Independent Committee met to consider the final terms of the Initial H&R Transaction, received the Initial Fairness Opinion and made its recommendation to the Board to approve the Initial H&R Transaction and to recommend that Primaris Unitholders vote in favour of the Special Resolution. Immediately following such meeting, the Board of Trustees met to consider the final terms of the Initial H&R Transaction and to receive the recommendation of the Primaris Independent Committee and the Initial Fairness Opinion. Following such consideration, the Board approved the Initial H&R Transaction and recommended that Primaris Unitholders vote in favour of the Special Resolution.

Following such meetings, the Initial Arrangement Agreement was finalized and executed and delivered by the parties thereto, and the Initial H&R Transaction was announced by joint press release of Primaris and H&R.

In the afternoon of Friday, January 25, 2013, Tom Hofstedter, the CEO of H&R, telephoned John Morrison, the CEO of Primaris to advise him that Mr. Hofstedter had received a telephone call from Mr. Love. At that time, Mr. Hofstedter had no information as to why Mr. Love was calling.

On Sunday evening, January 27, 2013, Mr. Hofstedter called Mr. Morrison to advise that he and Mr. Love had met that day and discussed potentially joining forces and making an improved bid for Primaris. Mr. Morrison was advised by Mr. Hofstedter that Mr. Love had left that meeting to consider what had been discussed.

In the late afternoon of Monday January 28, 2013, Mr. Hofstedter called Mr. Morrison and indicated that Mr. Hofstedter and Mr. Love had met again and that H&R and KingSett Capital had reached an agreement in principle regarding a proposal to divide the Primaris assets, which would result in an improved transaction for Primaris, subject to the agreement of the Primaris Board of Trustees.

On the morning of Wednesday January 30, 2013, H&R submitted a non-binding proposal to the Primaris Independent Committee from H&R and KingSett Capital. Later that day the financial and legal advisers for H&R, KingSett Capital and Primaris met. After review, and with the advice of its financial and legal advisors, the proposal from H&R and KingSett Capital was rejected by Primaris. H&R and KingSett Capital undertook to consider further whether their proposal could be improved and negotiations continued over the course of the day.

At 5:00 pm on Wednesday, January 30, H&R and KingSett Capital submitted an amended non-binding proposal to the Primaris Independent Committee setting out the proposed terms of its revised and substantially increased offer, the economic terms of which are set out in this Information Circular as the Amended Transaction. The Primaris Independent Committee met that evening and received reports from its financial and legal advisers as to the economic terms of the Amended Transaction and the legal agreements and other mechanics that would be required to be negotiated and finalized in order to give effect to the proposal. The Primaris Independent Committee considered the implications for Primaris Unitholders and other stakeholders of the Amended Transaction and authorized the Chairman of the Primaris Independent Committee, along with its financial and legal advisers and management of Primaris, to pursue further discussions on the Amended Transaction, including conducting further due diligence, further evaluating the economic terms and implications of the Amended Transaction and negotiating definitive legal agreements.

On February 4, 2013, the Primaris Independent Committee met to consider the final terms of the Amended Transaction, received the Second Fairness Opinion and made its recommendation set out below. Immediately following such meeting, the Board of Trustees met to consider the final terms of the Amended Transaction and to receive the recommendation of the Primaris Independent Committee and the Second Fairness Opinion. Following such consideration, the Board approved the Amended Transaction and made its recommendation as set out below.

Following such meetings, the Amended Arrangement Agreement, the Purchase Agreements and the other Amended Transaction documents were finalized and executed and delivered by the parties thereto, the KingSett Offer was withdrawn in accordance with its terms and the Amended Transaction was announced by joint press release of Primaris, H&R and KingSett Capital.

Second Canaccord Genuity Fairness Opinion

The Primaris Independent Committee and the Primaris Board received an oral opinion, followed up in writing (the "**Second Fairness Opinion**"), from Canaccord Genuity to the effect that as of February 4, 2013, and based upon and subject to the assumptions, limitations and qualifications therein, the consideration payable to the Primaris Unitholders under the Amended Transaction is fair, from a financial point of view, to the Primaris Unitholders. The full text of the Second Fairness Opinion is attached as Appendix "G" to this Information Circular and should be reviewed and considered in its entirety.

Recommendation of Primaris Independent Committee

Having received the Second Fairness Opinion and having considered a number of other factors, including those noted below, and received advice from its financial and legal advisors, the Primaris Independent Committee concluded that the Amended Transaction is in the best interests of Primaris and Primaris Unitholders. Accordingly, the Primaris Independent Committee unanimously recommended that the Primaris Board approve the Amended Transaction and recommend that Primaris Unitholders vote in favour of the Special Resolution.

Recommendation of the Primaris Board

The Primaris Board, after receiving the recommendation of the Primaris Independent Committee and advice from its financial and legal advisors, unanimously concluded that the Amended Transaction is in the best interests of Primaris and Primaris Unitholders. Accordingly, the Primaris Board unanimously approved the Amended Transaction and unanimously recommends that Primaris Unitholders vote in favour of the Special Resolution at the Meeting.

Reasons for the Recommendation

The Board has carefully considered all aspects of the Amended Transaction and has received the benefit of advice from its financial and legal advisors and a recommendation from the Primaris Independent Committee. The Board of Trustees and the Primaris Independent Committee identified a number of factors set out below as being most relevant to its recommendation to Primaris Unitholders to vote FOR the Special Resolution that will implement the Amended Transaction. Neither the Board nor the Primaris Independent Committee considered it practical to, and did not attempt to, assign relative weights to the various factors. In addition, individual members of the Board and the Primaris Independent Committee may have given different weight to different factors. The following discussion of the information and factors considered and evaluated by the Board and the Primaris Independent Committee is not intended to be exhaustive of all factors considered and evaluated by the Board or the Primaris Independent Committee. The conclusions and recommendations of the Board and the Primaris Independent Committee were made after considering the totality of the information and factors considered.

1. The Amended Transaction provides improved value to Primaris Unitholders and represents a premium over the consideration offered in the Initial H&R Transaction and the KingSett Offer.

Under the KingSett Offer, Primaris Unitholders would have received $26.00 in cash per Primaris Unit. Under the Initial H&R Transaction, Primaris Unitholders would have received $28.00 in cash, subject to a maximum cash amount of $700 million and proration if more than the maximum cash amount was elected, or 1.13 H&R Stapled Units (1.13 H&R REIT Units and 1.13 H&R Finance Trust Units). The Amended Transaction increases the maximum cash amount available by approximately $580 million, to a total of approximately $1.28 billion and increases the unit exchange ratio to 1.166 H&R Stapled Units (with approximately 65.2 million H&R Stapled Units to be delivered in aggregate to Primaris Unitholders).

Assuming full proration (all Primaris Unitholders elect cash or all Primaris Unitholders elect H&R Stapled Units and no Primaris Unitholder validly exercises its Dissent Rights), Primaris Unitholders would receive $12.58 in cash and 0.642 H&R Stapled Units for each Primaris Unit. Based on H&R's 20-day VWAP ended January 15, 2013 (the last trading day prior to the announcement of the Initial H&R Transaction) of $23.99, the value of the fully prorated consideration received under the Amended Transaction is $27.98 per Primaris Unit (based on the number of Primaris Units outstanding on February 15, 2013 and assuming all of the 6.30% Debentures and the 6.75% Debentures convert into, and all Primaris Exchangeable Units are exchanged for, Primaris Units), which represents a premium of approximately 21.4% to Primaris' closing price of $23.04 on December 4, 2012 (the last trading day before KingSett Capital announced its intention to make the KingSett Offer).

2. Ownership in H&R and continued ownership in combined entity.

Assuming the successful completion of the Amended Transaction, Primaris Unitholders are expected to own approximately 25% of H&R immediately following such completion. The Board believes that the ownership of H&R Stapled Units will result in a number of benefits to Primaris Unitholders, including the following:

- ***Financial Strength of Combined Entity***. H&R will be the largest diversified REIT in Canada. The increased scale is expected to create operating and capital raising efficiencies, as well as cost of capital advantages, while reducing H&R's exposure to any one property. H&R is expected to maintain its strong balance sheet.
- ***Continued Exposure to Majority of Primaris Assets***. The Board considered the assets, financial condition, results of operations, current business plan and future prospects of the Primaris assets and employee platform, as well as current industry, economic and market conditions in its deliberations. The Amended Transaction preserves the value of a substantial portion of that platform, as developed over the last 10 years. The Board believes that Primaris Unitholders will continue to benefit from being invested in the majority of Primaris' business, numerous organic growth opportunities and attractive acquisition pipeline.
- ***Exposure to Existing H&R Assets and Platform***. The Board believes that the business and operating philosophies of Primaris and H&R are similar with respect to asset and tenant qualities and their disciplined approach to acquisitions. Primaris Unitholders will have the opportunity to benefit from the stability that comes from H&R managing its assets with an emphasis on maintaining stable operating cash flow through long-term leases to creditworthy tenants and from the pursuit of growth opportunities available to it.
- ***Up to 24% Increase in Monthly Distributions***. H&R currently pays a $1.35 distribution per H&R Stapled Unit on an annual basis. Based on this level of distributions, Primaris Unitholders who receive only Non-Cash Consideration will receive an annual per unit pro forma distribution of $1.57 for each Primaris unit exchanged for Non-Cash Consideration, 24% higher than the current annual Primaris level of $1.27 per annum.

3. Form of consideration under the Amended Transaction provides choice and liquidity.

The consideration offered under the Amended Transaction is cash and H&R Stapled Units. Individual Primaris Unitholders may have a preference for cash or H&R Stapled Units depending upon their particular circumstances. The Amended Transaction will, subject only to proration, attempt to address such preferences.

After giving effect to the Amended Transaction (including the acquisition announced by Primaris on February 1, 2013), H&R will have a fair value of approximately $13.1 billion (pro forma as of September 30, 2012) and will have a market capitalization that is significantly larger than that of Primaris, which should significantly increase the ability of Primaris Unitholders that receive H&R Stapled Units to realize liquidity.

4. Tax-deferral opportunity.

By providing Primaris Unitholders the ability to elect Non-Cash Consideration, the Amended Transaction provides an opportunity for Primaris Unitholders resident in Canada for Canadian income tax purposes who hold their Primaris Units as capital property ("**Resident Holders**") to defer a substantial portion of the Canadian income tax that otherwise might be payable if such Primaris Unitholders received all cash. The Amended Transaction has been structured such that Resident Holders who elect to receive H&R Stapled Units will receive their H&R REIT Units on a tax-deferred "roll-over" basis for Canadian income tax purposes. The receipt of H&R Finance Trust Units (expected to represent less than 4% of the fair market value of the total Non-Cash Consideration) will be a taxable event to Resident Holders for Canadian income tax purposes.

For Resident Holders who want to remain invested in this asset class, the Amended Transaction allows them to do so while deferring Canadian income tax on a substantial portion of the accrued gain (if any) that would be realized had such holders sold their Primaris Units in the market for cash. In the event of a disposition of Primaris Units for cash, a Resident Holder would be left with reinvesting only the after tax-proceeds from the disposition and would also incur transaction costs on the subsequent re-investment.

5. The advice received that the Consideration payable under the Amended Transaction is fair from a financial point of view, to Primaris Unitholders.

The Primaris Independent Committee has received a written opinion from Canaccord Genuity to the effect that as of February 4, 2013, and based upon and subject to the assumptions, limitations and qualifications therein, the Consideration payable to the Primaris Unitholders under the Amended Transaction is fair, from a financial point of view, to the Primaris Unitholders. The full text of the opinion is attached as Appendix "G" to the Information Circular and should be reviewed and considered in its entirety in conjunction with the review of the Information Circular.

6. Credibility of counterparties and likelihood of transaction being completed.

H&R and the members of the KingSett Consortium are credible and reputable real estate owners, operators and investors and the Board believes that those parties have the financial capability to complete the Amended Transaction and that H&R has the operational expertise to successfully integrate the portions of Primaris being acquired by H&R. When combined with the reasonableness of the closing conditions that are outside of the control of Primaris, the likelihood of the Amended Transaction being completed is considered by the Board to be high.

7. Process of Primaris Independent Committee.

Since the announcement by KingSett Capital on December 5, 2012 of its intention to make the KingSett Offer, the Primaris Independent Committee, together with management of Primaris and its financial and legal advisors, has undertaken a rigorous process, with more than 100 parties contacted, designed to achieve a result that is financially superior to the KingSett Offer and that delivers greater value for Primaris and the Primaris

Unitholders. The Board carefully considered the outcome of this process, including all transaction proposals received as well as the results of negotiations with H&R with respect to the terms of the Initial Transaction, the results of negotiations with H&R and the KingSett Consortium with respect to the terms of the Amended Transaction and the likelihood of any offers or other transactions emerging from other parties exceeding the value of the Amended Transaction. The Board has unanimously determined, after consultation with its financial and legal advisors, that the consideration offered for the Primaris Units pursuant to the Amended Transaction is fair, that it would be in the best interests of Primaris to support and facilitate the Amended Transaction and enter into the Amended Arrangement Agreement and to recommend that Unitholders vote FOR the Special Resolution implementing the Amended Transaction.

8. Primaris retains the ability to respond to Superior Proposals.

Under the Amended Arrangement Agreement, the Board remains able to respond, in accordance with its fiduciary duties, to unsolicited proposals that are more favourable from a financial point of view than the Amended Transaction. The Termination Payment payable in connection with a Superior Proposal is reasonable in the circumstances and does not preclude other proposals.

9. The Amended Transaction adequately considers the interests of other Primaris Securityholders.

Holders of Primaris Debentures, Primaris Options and Primaris Restricted Units will have the ability to participate in the Amended Transaction and to receive substantially equivalent consideration for their securities as are received by Primaris Unitholders. In the alternative, in the case of Primaris Debentureholders, such holders will continue to be able to hold those securities and, in the case of Primaris Optionholders and Primaris Restricted Unitholders, such holders will receive replacement securities of H&R on substantially similar terms and conditions (including economic terms).

Holders of Primaris Exchangeable Units will have those units redeemed by Primaris in exchange for Primaris Units (which would then participate in the Amended Transaction on the same terms as all other Primaris Units). Notwithstanding this, Primaris and H&R have agreed to co-operate reasonably to identify alternative mechanisms that will provide holders of Exchangeable Units with a more tax efficient manner in which to participate in the Amended Transaction.

10. Protections for Primaris Unitholders.

The Board considered the fact that the Special Resolution must be approved by not less than two-thirds of the votes cast by Primaris Voting Unitholders in person or by proxy at the Meeting to be protective of the rights of Primaris Unitholders. The Board also considered the fact that the Amended Transaction must also be approved by the Court, which will consider the fairness of the Amended Transaction to all Primaris Unitholders. In addition, any registered Primaris Unitholder who opposes the Amended Transaction may, on strict compliance with certain conditions, exercise its Dissent Rights and receive the fair value of the Dissent Units in accordance with the Amended Transaction.

11. All of the Trustees and Officers of Primaris will be voting FOR the Special Resolution.

All of the Trustees and senior executive officers of Primaris have indicated their intention to vote all Primaris Units that they own or exercise control or direction over in favour of the Special Resolution.

Other Considerations

The Primaris Independent Committee and the Board also considered a number of potential risks and other factors resulting from the Amended Transaction and the Amended Arrangement Agreement, including:

- The risks to Primaris and its Unitholders if the Plan of Arrangement is not completed, including the costs to Primaris in pursuing the Plan of Arrangement;
- The conditions to the various counterparties' obligations to complete the Amended Transaction and the right of H&R to terminate the Amended Arrangement Agreement under certain limited circumstances;
- The terms of the Amended Arrangement Agreement in respect of: (i) restricting Primaris from soliciting third parties to make an Acquisition Proposal; (ii) the requirement that in order to constitute a Superior Proposal, among other conditions specified in the Amended Arrangement Agreement, an Acquisition Proposal must result in a transaction more favourable, from a financial point of view, to Primaris Unitholders than the Amended Transaction; and (iii) the fact that if the Amended Arrangement Agreement is terminated under certain circumstances, Primaris may be required to pay the Termination Payment;
- Primaris will fund the cash redemption of its units using proceeds received from the Sale Transactions. Any income (including recaptured capital cost allowance and net realized capital gains) realized on the Sale Transactions will be allocated to the Primaris Unitholders whose Primaris Units are redeemed for Cash Consideration and to Dissenting Unitholders. The Canadian federal income tax consequences to certain Primaris Unitholders of receiving Cash Consideration pursuant to the Amended Transaction may be less attractive as compared to a sale of their Primaris Units in the market for cash in advance of the closing of the Amended Transaction. Affected Primaris Unitholders are advised to consult with their own tax advisors to determine the tax consequences of the Amended Transaction to them. See "*Material Canadian Federal Income Tax Considerations*"; and
- If the Amended Transaction is successful and some Primaris Unitholders who would have preferred to receive only cash as consideration receive H&R Stapled Units as a result of proration, such unitholders may seek to liquidate their H&R Stapled Units in the market. On the other hand, investors whose investments are tied directly or indirectly to market indices may wish to acquire H&R Stapled Units or increase their holdings in H&R as a consequence of the Amended Transaction. These factors may result in volatility in the H&R Stapled Units price for a period of time following Closing.

See "*Risk Factors – Risks Related to the Amended Transaction – The Actual Consideration Received by Primaris Unitholders Will Depend on Proration*".

THE AMENDED TRANSACTION

The following is a summary only of the material terms of the Plan of Arrangement and certain related matters and is qualified in its entirety by the full text of the Plan of Arrangement, a copy of which is attached as Error! Reference source not found. to this Information Circular.

Required Securityholder Approval

If the Special Resolution is passed by the affirmative vote (the "**Primaris Unitholder Approval**") of at least two-thirds (66⅔%) of the votes cast by Primaris Voting Unitholders present in person or represented by proxy at

the Meeting and entitled to vote, and all of the other conditions to closing of the Amended Transaction are satisfied or waived, including receipt of the H&R Unitholder Approval, the Amended Transaction will be implemented by way of a Court-approved plan of arrangement under the ABCA.

The Special Resolution must receive Primaris Unitholder Approval in order for Primaris to seek the Final Order and implement the Amended Transaction on the Effective Date in accordance with the Final Order. Notwithstanding the Primaris Unitholder Approval, Primaris, H&R and the KingSett Consortium reserve the right in certain circumstances to not proceed with the Amended Transaction (including the Sale Transactions) in accordance with the terms of the Amended Arrangement Agreement and the Purchase Agreements.

Treatment of Primaris Securityholders

Primaris Unitholders

Under the terms of the Amended Arrangement Agreement, each Primaris Unitholder will be entitled to receive, in exchange for each Primaris Unit it holds, at such Primaris Unitholder's election, which is limited in the aggregate to the Actual Cash Consideration and proration if cash is either over-subscribed or under-subscribed: (i) the Cash Consideration, being $28.00 in cash, or (ii) the Non-Cash Consideration, being 1.166 H&R Stapled Units (1.166 H&R REIT Units and 1.166 H&R Finance Trust Units). The total amount that will be payable to Primaris Unitholders as Cash Consideration, assuming no Primaris Unitholder validly exercises Dissent Rights, will be $1,278,443,575 (the "**Actual Cash Consideration**"), and it is expected that approximately 65.2 million H&R Stapled Units will be delivered in aggregate to Primaris Unitholders (based on the number of Primaris Units outstanding on February 15, 2013 and assuming all of the 6.30% Debentures and the 6.75% Debentures convert into, and all Primaris Exchangeable Units are exchanged for, Primaris Units prior to the Effective Time). To the extent that any Primaris Unitholder validly exercises Dissent Rights, the amount of the Actual Cash Consideration to be paid to Primaris Unitholders as Cash Consideration will be reduced by the Total Dissent Cash Amount. See "*Procedures for the Surrender of Certificates and Payment of Consideration – Proration*".

Primaris Optionholders

Under the terms of the Amended Arrangement Agreement, each holder of Primaris Options (whether vested or unvested) will be permitted to elect in writing to have Primaris purchase all vested and unvested Primaris Options for cancellation immediately prior to the Effective Time in consideration for a cash payment from Primaris that is equal to the product obtained by multiplying (i) the amount by which the Implied Price exceeds the exercise price per Primaris Unit of each such Primaris Option, by (ii) the number of Primaris Units underlying such Primaris Option (the "**Primaris Option Consideration**"), provided that any such holder concurrently provides to H&R and Primaris a duly executed release, in form and substance acceptable to H&R, acting reasonably, of claims or potential claims arising from H&R's failure to provide equity-linked awards as part of his or her future compensation as an employee or officer of Primaris following the consummation of the Amended Transaction. Any such purchased Primaris Options shall immediately be cancelled by Primaris. Unless and to the extent required by the terms of the Primaris Equity Incentive Plan, the Primaris Board will not accelerate the vesting of any Primaris Options in connection with the Amended Transaction (which does not affect the ability of holders of unvested Primaris Options to have their Primaris Options purchased in accordance with the first sentence of this paragraph). All Primaris Options remaining outstanding at the Effective Time (whether vested or unvested) will be cancelled and all option agreements related thereto shall be terminated and replaced with H&R Replacement Options on substantially similar terms and conditions (including economic terms) and in accordance with the terms of the Primaris Equity Incentive Plan and in the manner specified in the Plan of Arrangement.

Separately, and not as consideration arising in connection with the exchange of Primaris Options, H&R REIT will grant to the former holders of Primaris Options outstanding at the Effective Time corresponding H&R Finance Trust Options to purchase an equivalent number of H&R Finance Trust Units at an exercise price equal to the fair market value of such underlying H&R Finance Trust Units at the time of exercise of such H&R Finance Trust Options.

Primaris Restricted Unitholders

Under the terms of the Amended Arrangement Agreement, each holder of Primaris Restricted Units (whether vested or unvested) will be permitted to elect in writing to have Primaris purchase such Primaris Restricted Units for cancellation immediately prior to the Effective Time in consideration for a cash payment from Primaris that is equal to the product obtained by multiplying (i) the amount by which the Implied Price exceeds the exercise price (which is deemed to be nil) per Primaris Unit of each such Primaris Restricted Unit, by (ii) the number of Primaris Units underlying such Primaris Restricted Unit (the "**Restricted Unit Consideration**"), provided that any such holder concurrently provides to H&R and Primaris a duly executed release, in form and substance acceptable to H&R, acting reasonably, of claims or potential claims arising from H&R's failure to provide equity-linked awards as part of his or her future compensation as an employee or officer of Primaris following the consummation of the Amended Transaction. Any such purchased Primaris Restricted Units shall immediately be cancelled by Primaris. Unless and to the extent required by the terms of the Primaris Equity Incentive Plan, the Primaris Board will not accelerate the vesting of any Primaris Restricted Units in connection with the Amended Transaction (which does not affect the ability of holders of unvested Primaris Restricted Units to have their Primaris Restricted Units purchased in accordance with the first sentence of this paragraph). All Primaris Restricted Units remaining outstanding at the Effective Time will be cancelled and all agreements related thereto shall be terminated and replaced with H&R Replacement Restricted Units on substantially similar terms and conditions (including economic terms) and in accordance with the terms of the Primaris Equity Incentive Plan and in the manner specified in the Plan of Arrangement.

Primaris Debentureholders

In respect of the Primaris Debentures, each holder thereof will have the opportunity to participate in the Amended Transaction as a Primaris Unitholder by validly exercising its conversion rights, such that it receives Primaris Units in accordance with such conversion prior to the Effective Time. In order to elect which consideration such holder would like to receive pursuant to the Amended Transaction, such holder will be required to convert its Primaris Debentures so that it receives Primaris Units in sufficient time before the Election Deadline in order to register its Election. Securityholders who receive Primaris Units upon the conversion of their Primaris Debentures prior to the Effective Time, but who do not make an election prior to the Election Deadline, or for whom H&R determines that their election was not properly made with respect to any securities, will be deemed to have elected to receive Non-Cash Consideration only. See "*Procedures for the Surrender of Certificates and Payment of Consideration – Available Elections and Procedure*". Holders who convert their Primaris Debentures will receive accrued and unpaid interest on such Primaris Debentures up to the date specified in the terms of the applicable Primaris Debenture. Only the holders of Primaris Voting Units that are issued and outstanding on the Record Date will be entitled to vote at the Meeting.

In respect of Primaris Debentures that remain outstanding at the Effective Time, H&R REIT and Primaris will execute the Primaris Debenture Supplemental Indenture, and such other instruments as contemplated and required by the Primaris Debenture Indenture, in order to provide for the assumption by H&R REIT, pursuant to and in accordance with the Plan of Arrangement and Section 17.1 of the Primaris Debenture Indenture, of all of

the obligations of Primaris under the Primaris Debenture Indenture, such that, upon completion of the steps contemplated by Section 2.4(n) of the Plan of Arrangement, the Primaris Debentures will be valid and binding obligations of H&R REIT entitling the holders thereof, as against H&R REIT, to all of the rights of holders of Primaris Debentures under the Primaris Debenture Indenture, as supplemented and amended by the Primaris Debenture Supplemental Indenture. Upon such assumption, the conversion price (the "**Conversion Price**") in respect of the Primaris Debentures will be:

(a) in respect of the 5.40% Debentures, $24.73 such that approximately 40.4367 H&R Stapled Units shall be issued for each $1,000 principal amount of 5.40% Debentures so converted;

(b) in respect of the 6.30% Debentures, $14.32 such that approximately 69.8324 H&R Stapled Units shall be issued for each $1,000 principal amount of 6.30% Debentures so converted; and

(c) in respect of the 6.75% Debentures, $10.51 such that approximately 95.1475 H&R Stapled Units shall be issued for each $1,000 principal amount of 6.75% Debentures so converted.

In accordance with the terms of the Primaris Debentures, holders thereof may also require that all or any part of their Primaris Debentures be purchased following completion of the Amended Transaction at a price equal to 101% of the principal amount plus accrued and unpaid interest. Following the completion of the Amended Transaction, H&R REIT will promptly give written notice to the Primaris Debenture Trustee of such completion, and the Primaris Debenture Trustee will thereafter give notice to the holders of Primaris Debentures of such completion and of the right of such holders to require H&R REIT to purchase its Primaris Debentures on the foregoing terms. In order for a holder of Primaris Debentures to exercise such right, it must deliver to the Primaris Debenture Trustee, not less than five business days prior to the date that is 30 days following the Primaris Debenture Trustee's notice of completion of the Amended Transaction, written notice of the holder's exercise of such right, together with the Primaris Debentures with respect to which the right is being exercised and a duly endorsed form of transfer. H&R REIT will be entitled at its option to satisfy its payment obligation in respect of a holder's exercise of such right, in whole or in part, by delivering H&R Stapled Units to such holder. The number of H&R Stapled Units required to satisfy such payment obligation will be determined by dividing the total purchase price for the Primaris Debentures by 95% of the current market price of the H&R Stapled Units (as calculated pursuant to the Primaris Debenture Indenture). No fractional H&R Stapled Units will be delivered as payment but in lieu thereof H&R REIT will satisfy fractional interests by a cash payment equal to the current market price of such fractional interests.

Primaris Exchangeable Units

Under the terms of the Amended Arrangement Agreement, Primaris Exchangeable Units are to be redeemed in exchange for Primaris Units in accordance with their terms. Primaris Units issued in such circumstances would then participate in the Amended Transaction on the same terms as all other Primaris Units. In order to elect which Consideration a holder of Primaris Exchangeable Units would like to receive in the Amended Transaction, such holder will be required to exchange its Primaris Exchangeable Units for Primaris Units in sufficient time prior to the Election Deadline, and then must register its Election before the Election Deadline. Notwithstanding the foregoing, Primaris and H&R have agreed to co-operate reasonably to identify alternative mechanisms that will provide holders of Primaris Exchangeable Units with a more tax efficient manner in which to participate in the Amended Transaction. Discussions have commenced with the holders of Primaris Exchangeable Units to identify and, if applicable, implement such alternative mechanisms.

Outstanding Securities

As at the close of business on February 15, 2013, there were issued and outstanding 98,485,592 Primaris Units (not including 371,505 Primaris Units held by a subsidiary of Primaris to satisfy obligations in respect of Primaris Exchangeable Units, but which are not considered outstanding for the purposes of voting at the Meeting), 1,328,860 Primaris Options exercisable for 1,328,860 Primaris Units, 160,561 Primaris Restricted Units, $74,980,000 principal amount of 5.40% Debentures, $1,680,000 principal amount of 6.75% Debentures, $14,337,000 principal amount of 6.30% Debentures, and 2,122,261 Primaris Exchangeable Units exchangeable for 2,122,261 Primaris Units.

The Sale Transactions

Subject to the terms of the Purchase Agreements and the Amended Arrangement Agreement, Primaris has agreed to separately sell the Conditional Sale Properties to: (i) KS Acquisition II LP, (ii) RioCan, (iii) CREIF LP and RioCan, (iv) OPB Trust, (v) CREIF LP and OPB Trust, and (vi) KS LP No. 4, as applicable. The Sale Transactions will become effective as contemplated by Section 2.4(b) of the Plan of Arrangement. See "*Purchase Agreements*".

Amended Transaction Mechanics

The following description is qualified in its entirety by reference to the full text of the Plan of Arrangement which is attached as Appendix "F" to this Information Circular. Upon the Amended Transaction becoming effective, the following transactions, among others, will occur and will be deemed to occur in the order set out in the Plan of Arrangement.

Commencing at the Effective Time, all Primaris URP Rights issued pursuant to the Primaris Unitholder Rights Plan shall be cancelled without any payment in respect thereof, the Primaris Unitholder Rights Plan shall terminate and thereafter no person will have any further liability or obligation to the former holders of Primaris URP Rights under such plan and the former holders of Primaris URP Rights will have no further rights under such plan, without any further act or formality, and one minute following such cancellation and termination, each of the steps set out below shall occur in the following order without any further act or formality, with each such step occurring one minute after the completion of the immediately preceding step:

(a) The Primaris Declaration of Trust, and the declaration of trust or other constating document (as applicable) of each Primaris Subsidiary participating in the transactions below, shall be amended to the extent necessary to facilitate the Amended Transaction and the implementation of the steps and transactions described in the Plan of Arrangement. Without limiting the generality of the foregoing, such amendments shall provide that any Taxable Income of Primaris arising as a result of the Sale Transactions (including for the avoidance of doubt any such Taxable Income allocated and made payable to Primaris by the Primaris Subsidiaries) shall be allocated by Primaris to Primaris Unitholders whose Primaris Units are transferred or redeemed pursuant to Section 2.4(g) or (h) of the Plan of Arrangement in proportion to the Primaris Units so transferred or redeemed, and such Taxable Income shall be paid by Primaris to such Primaris Unitholders pursuant to those steps.

(b) The completion of the Sale Transactions shall become effective in accordance with the terms of the Purchase Agreements.

(b.1) Each Primaris Subsidiary that is a trust will allocate and make payable to its beneficiary its Taxable Income for its taxation year ending immediately prior to the commencement of the steps set out in Section 2.4(b.2) of the Plan of Arrangement and each Primaris Subsidiary that is a corporation will increase the stated capital of its shares by such amount as it may specify at any time prior to the Effective Time.

(b.2) Cash will be distributed by the Primaris Subsidiaries (in the case of a partnership, in proportion to the partnership interests held by the partners in such partnership) in successive steps as follows:

(i) each trust or partnership that was the beneficial owner of properties sold pursuant to the Purchase Agreements will distribute to its beneficiary or partners, as applicable, the cash proceeds received by such trust or partnership on the Sale Transactions;

(ii) each Primaris Subsidiary that is a trust or partnership will distribute to its beneficiary or partners, as applicable, such amount, if any, of its cash on hand as it may specify at any time prior to the Effective Time;

(iii) any Primaris Subsidiary that is a corporation receiving a distribution referred to in (i) or (ii) will distribute and/or advance the proceeds of such distribution to its shareholders;

(iv) any Primaris Subsidiary that is a trust or partnership receiving a distribution or advance referred to in (i), (ii) or (iii) will distribute the proceeds of such distribution or advance to its beneficiary or partners, as applicable.

(b.3) If the amount of Taxable Income allocated and made payable by a trust to its beneficiary as contemplated in Section 2.4(b.1) of the Plan of Arrangement exceeds the amount of cash distributed by such trust as contemplated in Section 2.4(b.2) of the Plan of Arrangement, such trust will satisfy its obligation to pay to its beneficiary the balance of the Taxable Income so allocated by issuing units to its beneficiary.

(c) In accordance with the Primaris Declaration of Trust, Primaris shall redeem any Primaris Special Voting Units for an amount equal to the paid-up amount on such Primaris Special Voting Units, the Primaris Exchange Agreements shall terminate and thereafter no person will have any further liability or obligation under such agreements, including for the avoidance of doubt, the former holders of Primaris Special Voting Units. Effective at the time of this step, holders of Primaris Special Voting Units cancelled in this step shall cease to be the holders of such Primaris Special Voting Units and to have any rights as holders of such Primaris Special Voting Units.

(d) H&R REIT shall pay out, as a special distribution on the H&R REIT Units, the amount, if any, that is determined by it prior to the Effective Time to be equal to its *bona fide* best estimate of the amount, if any, of its Taxable Income for the taxation year of H&R REIT that will be deemed, by section 132.2 of the Tax Act (as proposed to be amended pursuant to the Tax Proposals), to end as a result of the QE Transactions (such amount to be reduced to take into account any deductions under subsection 104(6) of the Tax Act in respect of prior distributions during that period).

(e) H&R Finance Trust shall pay out, as a special distribution on the H&R Finance Trust Units, the amount, if any, that is determined by it prior to the Effective Time to be equal to its *bona fide* best estimate of the amount, if any, of its Taxable Income for the taxation year of H&R Finance Trust determined as if its taxation year were deemed, by section 132.2 of the Tax Act (as proposed to be amended pursuant to the Tax Proposals), to end as a result of the QE Transactions (such amount to be reduced to take into account any deductions under subsection 104(6) of the Tax Act in respect of prior distributions during that period).

(f) Primaris shall pay out, as a special distribution on the Primaris Units, the amount, if any, that is determined by it prior to the Effective Time to be equal to its *bona fide* best estimate of the amount, if any, of its Taxable Income for the taxation year of Primaris that will be deemed, by section 132.2 of the Tax Act (as proposed to be amended pursuant to the Tax Proposals), to end as a result of the QE Transactions (such amount to be reduced to take into account any deductions under subsection 104(6) of the Tax Act in respect of prior distributions during that period and determined without regard to any income arising as a result of the Sale Transactions).

(g) Each of the Dissent Units shall be transferred to Primaris (free and clear of all Encumbrances) in consideration for a debt claim against Primaris for the amount determined under Article 4 of the Plan of Arrangement. Effective at the time of this step, (i) the Dissenting Unitholders shall cease to be the holders of such Primaris Units and to have any rights as holders of such Primaris Units, other than the right to be paid fair value for such Primaris Units, as determined under Article 4 of the Plan of Arrangement, (ii) the Dissenting Unitholders' names shall be removed as the holders of such Primaris Units from the registers of Primaris Units maintained by or on behalf of Primaris, and (iii) Primaris shall be deemed to be the transferee of such Primaris Units (free and clear of all Encumbrances) and such Primaris Units shall thereupon be cancelled.

(h) Each Primaris Unit, in respect of which a Primaris Unitholder is entitled to receive Cash Consideration in accordance with and subject to the provisions of Sections 3.1 and 3.2 of the Plan of Arrangement, shall be redeemed and retracted by Primaris. In consideration for the redemption and retraction of such Primaris Units, Primaris shall pay the Cash Consideration for each such Primaris Unit. Effective at the time of this step, (i) holders of Primaris Units redeemed and retracted in this step shall cease to be the holders of such Primaris Units and to have any rights as holders of such Primaris Units, other than the right to be paid the amount set out in the Plan of Arrangement for such Primaris Units, and (ii) such holders' names shall be removed as the holders of such Primaris Units from the registers of Primaris Units maintained by or on behalf of Primaris.

(i) The FT Percentage of each Primaris Unit in respect of which a Primaris Unitholder is entitled to receive Non-Cash Consideration in accordance with, and subject to Sections 3.1 and 3.2 of the Plan of Arrangement, shall be transferred by such Primaris Unitholder to H&R REIT (free and clear of all Encumbrances). In consideration for the transfer of the FT Percentage of each such Primaris Unit:

(i) H&R REIT shall deliver to the former holder of the FT Percentage of such Primaris Unit 1.166 H&R Finance Trust Units; and

(ii) H&R REIT shall grant the Ancillary Rights to the former holder of the FT Percentage of such Primaris Unit which Ancillary Rights, for greater certainty, will constitute the same Ancillary Rights as those that would then have been held by the holder had the holder then been the holder of a number of H&R Stapled Units equal to the number of H&R Finance Trust Units received by such holder.

Effective at the time of this step, (i) holders of the FT Percentage of each Primaris Unit transferred in this step shall cease to be the holders of the FT Percentage of such Primaris Unit and to have any rights as holders of the FT Percentage of such Primaris Unit, (ii) such Primaris Unitholders' names shall be removed as the holders of the FT Percentage of such Primaris Unit from the registers of Primaris Units maintained by or on behalf of Primaris, (iii) H&R REIT shall be deemed to be the transferee of the FT Percentage of all such Primaris Units (free and clear of all Encumbrances) and shall be entered as holder of the FT Percentage of all such Primaris Units in the registers of Primaris Units maintained by or on behalf of Primaris, and (iv) such Primaris Unitholders shall be deemed to be owners of the H&R Finance

Trust Units to which they are entitled, free and clear of all Encumbrances, and shall be entered into the registers of H&R Finance Trust maintained by or on behalf of H&R Finance Trust. H&R REIT shall only deliver to the former holder of the FT Percentage of each Primaris Unit transferred in this step a whole number of H&R Finance Trust Units; such number of H&R Finance Trust Units (the "**Remaining H&R Finance Trust Units**") representing the sum of the fractional H&R Finance Trust Units that Primaris Unitholders are entitled to receive, rounded down to the nearest whole number of H&R Finance Trust Units, and such number of H&R Rights (the "**Remaining H&R Rights**") representing the sum of the fractional H&R Rights that Primaris Unitholders are entitled to receive, rounded down to the nearest whole number of H&R Rights, shall be delivered to the Depositary, as agent for the Primaris Unitholders, to be dealt with as specified in Section 2.7 of the Amended Arrangement Agreement.

(j) This step was intentionally deleted from the Plan of Arrangement.

(k) This step was intentionally deleted from the Plan of Arrangement.

(l) Pursuant to and in accordance with the Primaris Debenture Supplemental Indenture, the Primaris Debentures and the Primaris Debenture Indenture will be amended and supplemented so that the applicable Conversion Price specified therein will become:

(i) in respect of the 5.40% Debentures, $24.73 such that approximately 40.4367 H&R Stapled Units shall be issued for each $1,000 principal amount of 5.40% Debentures so converted;

(ii) in respect of the 6.30% Debentures, $14.32 such that approximately 69.8324 H&R Stapled Units shall be issued for each $1,000 principal amount of 6.30% Debentures so converted; and

(iii) in respect of the 6.75% Debentures, $10.51 such that approximately 95.1475 H&R Stapled Units shall be issued for each $1,000 principal amount of 6.75% Debentures so converted.

(m) Each Primaris Restricted Unit (whether vested or unvested) shall be transferred by the holder thereof to Primaris and thereupon cancelled. In exchange therefor each such former holder of a Primaris Restricted Unit shall receive consideration consisting solely of a substitute restricted unit issued by H&R REIT (an "**H&R Replacement Restricted Unit**"). Each such H&R Replacement Restricted Unit shall constitute a right to receive that number of H&R Stapled Units equal to the product of:

(i) 1.166; and

(ii) the number of Primaris Units subject to such former Primaris Restricted Unit.

If the forgoing calculation results in a H&R Replacement Restricted Unit entitling a holder thereof to a fraction of a H&R Stapled Unit, then the number of H&R Stapled Units to be issued pursuant to such H&R Replacement Restricted Unit shall be rounded down to the next whole number of H&R Stapled Units. The term to expiry, performance conditions, vesting schedule, and all other terms and conditions of such H&R Replacement Restricted Unit shall be the same as the former Primaris Restricted Unit for which it was exchanged, as adjusted to take into account the completion of the Amended Transaction. Effective at the time of this step, (i) holders of Primaris Restricted Units shall cease to be the holders of such Primaris Restricted Units and to have any rights as holders of such Primaris Restricted Units, and (ii) the names of the holders of such Primaris Restricted Units shall be removed as the holders of such Primaris Restricted Units from the registers of Primaris Restricted Units maintained by or on behalf of Primaris.

(n) Pursuant to and in accordance with the definition "qualifying exchange" in Section 132.2 of the Tax Act (as proposed to be amended pursuant to the Tax Proposals), Primaris shall sell, transfer, convey, assign and deliver to H&R REIT, and H&R REIT shall acquire from Primaris, all of the right, title and interest

of Primaris in and to all of its property (other than the Designated Cash) (the "**Primaris Assets**"), free and clear of all Encumbrances other than Permitted Encumbrances, in exchange for:

(i) the issuance by H&R REIT to Primaris of such number of H&R REIT Units (the "**Payment Units**") as is equal to the product obtained by multiplying:

1. 1.166;

2. one (1) divided by the Remaining Percentage; and

3. the number of Primaris Units then outstanding (including, for the avoidance of doubt, Primaris Units then owned by H&R REIT, but excluding the Designated Unit);

(ii) the assumption by H&R REIT of the due and punctual payment of all of the Primaris Debentures as sole obligor, including the agreement to perform substantially all of the covenants of Primaris under the Primaris Debentures as the successor to Primaris by the execution and delivery of the Primaris Debenture Supplemental Indenture; and

(iii) the assumption by H&R REIT of all liabilities of Primaris other than those assumed pursuant to the previous clause.

For the avoidance of doubt, Primaris shall not under any circumstances have any rights in or pursuant to or in respect of any Ancillary Rights.

Effective at the time of this step, Primaris shall be deemed to be the owner of the Payment Units (free and clear of all Encumbrances) and shall be entered in the registers of H&R REIT Units maintained by or on behalf of H&R REIT.

(o) Pursuant to and in accordance with the definition "qualifying exchange" in Section 132.2 of the Tax Act (as proposed to be amended pursuant to the Tax Proposals), Primaris shall redeem and retract all of the outstanding Primaris Units (including, for the avoidance of doubt, Primaris Units then held by H&R REIT) (other than one (1) Primaris Unit held by H&R REIT, such Primaris Unit being the "**Designated Unit**" which shall, for the avoidance of doubt, be retained by H&R REIT) (the "**QE Redemption**") for consideration consisting solely of 1.166 H&R REIT Units per the Remaining Percentage of an outstanding Primaris Unit. No consideration shall be receivable by a former holder of a Primaris Unit (or any portion thereof) for the redemption of such holder's Primaris Unit (or any portion thereof) other than Payment Units on the basis described in the preceding sentence. Upon receipt by H&R REIT of any Payment Units, such Payment Units shall be immediately cancelled by H&R REIT without the payment of any consideration therefor. Effective at the time of this step, (i) holders of Primaris Units redeemed and retracted pursuant to the QE Redemption shall cease to be the holders of such Primaris Units (or any portion thereof) and to have any rights as holders of such Primaris Units, (ii) such former Primaris Unitholders' names shall be removed as the holders of such Primaris Units (or percentage thereof) from the registers of Primaris Units maintained by or on behalf of Primaris, and (iii) such former Primaris Unitholders shall be deemed to be owners of the H&R REIT Units to which they are entitled, free and clear of all Encumbrances, and shall be entered into the registers of H&R REIT maintained by or on behalf of H&R REIT. Primaris shall only deliver to the former holders of Primaris Units redeemed and retracted in this step a whole number of H&R REIT Units; such number of H&R REIT Units (the "**Remaining H&R REIT Units**") as is equal to the sum of the fractional H&R REIT Units that Primaris Unitholders (excluding, for the avoidance of doubt, H&R REIT) are entitled to receive under this step, rounded down to the nearest whole number of H&R REIT Units, shall be delivered by Primaris to the Depositary, as agent for the Primaris Unitholders (excluding, for the avoidance of doubt, H&R REIT), to be dealt with as specified in Section 2.7 of the Amended Arrangement Agreement.

(p) Each Primaris Option (whether vested or unvested) shall be transferred by the holder thereof to Primaris and thereupon cancelled. In exchange therefor each such former holder of a Primaris Option shall receive consideration consisting solely of a substitute option issued by H&R REIT, all pursuant to and in accordance with subsection 7(1.4) of the Tax Act. Each such H&R Replacement Option shall constitute an option to purchase that number of H&R REIT Units as is equal to the product of 1.166 multiplied by the number of Primaris Units subject to such former Primaris Option and at an exercise price per H&R REIT Unit equal to the amount by which (i) the exercise price per Primaris Unit subject to such former Primaris Option immediately prior to the Effective Time divided by 1.166 exceeds (ii) the fair market value at the Effective Time of a H&R Finance Trust Unit, rounded up to the nearest cent. If the foregoing calculation results in a H&R Replacement Option being exercisable for a fraction of a H&R REIT Unit, then the number of H&R REIT Units subject to such H&R Replacement Option shall be rounded down to the next whole number of H&R REIT Units and the total exercise price payable upon exercise of the H&R Replacement Option will be reduced by the exercise price of the fractional H&R REIT Unit. The term to expiry, performance conditions, vesting schedule, and all other terms and conditions of such H&R Replacement Option shall be the same as the former Primaris Option for which it was exchanged, as adjusted to take into account the completion of the Amended Transaction. Effective at the time of this step, (x) holders of all Primaris Options shall cease to be the holders of such Primaris Options and to have any rights as holders of such Primaris Options, and (y) such Primaris Option holders' names shall be removed as the holders of such Primaris Options from the registers of Primaris Options maintained by or on behalf of Primaris.

(q) Separately, and not as consideration arising in connection with the exchange referred to in the immediately preceding step, each holder of a H&R Replacement Option shall be granted by H&R REIT a corresponding option (a "**H&R Finance Trust Option**") to acquire an equivalent number of H&R Finance Trust Units at an exercise price equal to the fair market value of such underlying H&R Finance Trust Units at the time of exercise of such H&R Finance Trust Option. The term to expiry, performance conditions, vesting schedule, and all other terms and conditions of such H&R Finance Trust Option shall be the same as the H&R Replacement Option to which it corresponds

If the CRA Approval is not obtained by March 25, 2013 (or such other date as may be agreed to by Primaris and H&R), Primaris and H&R have agreed to amend the series of transactions set out in the Plan of Arrangement to provide, *inter alia*, that (i) the Sale Transactions will follow rather than precede the QE Transactions, (ii) all Primaris Unitholders will receive H&R REIT Units and H&R Finance Trust Units in consideration for their Primaris Units substantially in the manner currently set out in the Plan of Arrangement for holders entitled to receive Non-Cash Consideration and, (iii) to the extent a former Primaris Unitholder would have received Cash Consideration for a Primaris Unit but for the amendment to the Plan of Arrangement, H&R REIT and H&R Finance Trust will redeem the H&R REIT Units and H&R Finance Trust Units received by such former Primaris Unitholder for aggregate consideration equal to the amount of such Cash Consideration, such redemption to be effected primarily using proceeds received on the Sale Transactions.

Primaris and H&R have also agreed to act reasonably to consider in good faith and with due diligence alternatives to the amended series of transactions described above, taking into account the parties' mutual desire (i) to implement a series of transactions that results in Canadian federal income tax consequences for Primaris, H&R, Primaris Unitholders and H&R Unitholders that are as close as possible to those that would result if the CRA Approval were obtained and no amendment had been made to the Plan of Arrangement, and (ii) subject to the objective in (i), to implement a series of transactions that is as close as possible to the series of transactions described in the Plan of Arrangement. If any such alternative is acceptable to both parties, acting reasonably, and

provided the CRA Approval has not been obtained by March 25, 2013 (or such other date as may be agreed to by Primaris and H&R), Primaris and H&R have agreed to instead amend the Plan of Arrangement to implement such alternative.

Sources of Funds for the Amended Transaction

The aggregate cash component of the purchase price payable pursuant to each Purchase Agreement will be used to fund the payment of the Actual Cash Consideration. Each of the applicable members of the KingSett Consortium has represented and warranted in the applicable Purchase Agreement that such Purchaser has made adequate arrangements to ensure that the required funds are available to consummate the applicable Sale Transaction, in accordance with the terms and conditions of the applicable Purchase Agreement. None of the Sale Transactions is conditional upon financing. It is expected that the aggregate cash component of the purchase prices under the Purchase Agreement will be at least equal to the Actual Cash Consideration.

To the extent that the cash component of the aggregate purchase prices under the Purchase Agreements, as adjusted for the Customary Adjustments and the Make-Whole Adjustment, is more than the Actual Cash Consideration, such excess (and the Total Dissent Cash Amount, if any) will be retained by Primaris (or its Subsidiaries). In the event that the aggregate cash component of the purchase prices under the Purchase Agreements, as adjusted for the Customary Adjustments and the Make-Whole Adjustments, is less than the Actual Cash Consideration (less the Total Dissent Cash Amount, if any), the amount of such deficiency will be paid by Primaris to the Depositary. In addition, any cash payments for Primaris Options or Primaris Restricted Units in accordance with the Amended Arrangement Agreement will be paid by Primaris. Primaris is expected to fund the amounts above, if any, using available cash on hand and existing credit facilities.

PROCEDURES FOR THE SURRENDER OF CERTIFICATES AND PAYMENT OF CONSIDERATION

Letter of Transmittal

If the Special Resolution is passed and the Amended Transaction is implemented, in order to receive the payment for Primaris Units, a registered Primaris Unitholder must complete and sign the applicable Letter(s) of Transmittal enclosed with this Information Circular and deliver such Letter(s) of Transmittal (or a manually executed facsimile thereof) together with the certificate(s) representing the Primaris Units and the other documents required by the instructions set out therein to the Depositary in accordance with the instructions contained in the Letter(s) of Transmittal.

Primaris utilizes the Book Entry System. Accordingly, all Non-Registered Holders of Primaris Units should contact their Intermediary to submit their instructions with respect to the Amended Transaction. These instructions will be forwarded to CDS which will submit the Letter of Transmittal on behalf of all Non-Registered Holders of Primaris Units. If a Primaris Unitholder instructs its Intermediary to make an election or to otherwise receive the Consideration pursuant to the Book Entry System, such Primaris Unitholder thereby expressly acknowledges that such Primaris Unitholder has received and agrees to be bound by the terms of the Letter of Transmittal.

A Primaris Unitholder will not be entitled to sell its Primaris Units on the TSX after the Primaris Unitholder elects to receive its preferred Consideration. If a Primaris Unitholder fails to make a valid election prior to the Election Deadline, the Primaris Unitholder will continue to be able to sell its Primaris Units on the TSX for cash at any time prior to the Effective Time but any purchaser of Primaris Units will be deemed to have elected to receive Non-Cash Consideration for those Primaris Units.

The Letter of Transmittal contains procedural information relating to the Amended Transaction and should be reviewed carefully. The tendering of a Letter of Transmittal will constitute a binding agreement between the Primaris Unitholder, Primaris and H&R upon the terms and subject to the conditions of the Amended Transaction.

In all cases, payment for Primaris Units deposited will be made only after timely receipt by the Depositary of certificate(s) representing the Primaris Units, together the applicable properly completed and duly executed Letter(s) of Transmittal in the form accompanying the Information Circular, or a manually executed facsimile thereof, relating to such Primaris Units, with signatures guaranteed if so required in accordance with the instructions in the Letter of Transmittal, and any other required documents. To make a valid election as to the form of Consideration that a Primaris Unitholder wishes to receive under the Amended Transaction, a registered Primaris Unitholder must sign the applicable Letter(s) of Transmittal and make a proper election (an "**Election**") thereunder and return such Letter(s) of Transmittal with the accompanying certificate(s) representing the Primaris Units to the Depositary prior to 5:00 p.m. (Calgary time) on the date that is two Business Days prior to the Meeting (the "**Election Deadline**"), unless otherwise agreed in writing by H&R and Primaris. If no Election is made or your Letter of Transmittal and the accompanying certificate(s) are not received by the Election Deadline, you will be deemed to have elected to receive the Non-Cash Consideration.

Except as otherwise provided in the instructions to the Letter of Transmittal, any signature on the Letter of Transmittal must be guaranteed by an Eligible Institution. If a Letter of Transmittal is executed by a person other than the registered holder of the certificate(s) deposited therewith, the certificate(s) must be endorsed or be accompanied by an appropriate securities transfer power of attorney duly and properly completed by the registered holder, with the signature on the endorsement panel, or securities transfer power of attorney guaranteed by an Eligible Institution.

All questions as to validity, form, eligibility (including timely receipt) and acceptance of any Primaris Securities deposited pursuant to the Amended Arrangement Agreement will be determined by H&R in its sole discretion. Depositing Primaris Unitholders agree that such determination shall be final and binding. H&R reserves the absolute right to reject any and all deposits which H&R determines not to be in proper form or which may be unlawful for it to accept under the laws of any jurisdiction. H&R reserves the absolute right to waive any defect or irregularity in the deposit of any Primaris Units. There shall be no duty or obligation on H&R, Primaris, the Depositary or any other person to give notice of any defect or irregularity in any deposit of Primaris Units and no liability shall be incurred by any of them for failure to give such notice. H&R's interpretation of the terms and conditions of the Amended Transaction (including the Information Circular and the Letter of Transmittal) shall be final and binding.

The method of delivery of certificates representing Primaris Units and all other required documents is at the option and risk of the person depositing the same, Primaris recommends that such documents be delivered by hand to the Depositary and a receipt obtained or, if mailed, that registered mail with return receipt requested be used and that appropriate insurance be obtained.

Available Elections and Procedure

An Election will have been properly made by a registered Primaris Unitholder only if the Depositary has received, by the Election Deadline, the applicable Letter(s) of Transmittal properly completed and signed and accompanied by the certificate(s) for the Primaris Units to which such Letter(s) of Transmittal relate(s), properly endorsed or otherwise in proper form for transfer.

Primaris utilizes the Book Entry System. Accordingly, all Non-Registered Holders of Primaris Units should contact their Intermediary to submit their instructions with respect to the Consideration they wish to receive in connection with the Amended Transaction. If you are a Non-Registered Holder, you should carefully follow the instructions provided by the Intermediary that holds Primaris Units on your behalf in order to make an election with respect to the form of Consideration you wish to receive.

The determination of H&R as to whether Elections have been properly made or revoked and when Elections and revocations were received by the Depositary will be binding. **PRIMARIS UNITHOLDERS WHO DO NOT MAKE AN ELECTION PRIOR TO THE ELECTION DEADLINE, OR FOR WHOM H&R DETERMINES THAT THEIR ELECTION WAS NOT PROPERLY MADE WITH RESPECT TO ANY SECURITIES, WILL BE DEEMED TO HAVE ELECTED TO RECEIVE NON-CASH CONSIDERATION ONLY.** The Depositary may with the mutual agreement of Primaris and H&R, make such rules as are consistent with the Amended Transaction for the implementation of Elections contemplated by the Amended Transaction and as are necessary or desirable to fully effect such Elections.

Proration

Under the Amended Transaction, each Primaris Unitholder will be entitled to receive, in exchange for each Primaris Unit, at such Primaris Unitholder's election (i) $28.00 in cash, which is limited in the aggregate to the Actual Cash Consideration, or (ii) 1.166 H&R Stapled Units, in each case subject to proration. The Actual Cash Consideration payable under the Amended Transaction is $1,278,443,575 and it is expected that approximately 65.2 million H&R Stapled Units will be received by Primaris Unitholders (based on the number of Primaris Units outstanding on February 15, 2013 and assuming all of the 6.30% Debentures and the 6.75% Debentures convert into, and all Primaris Exchangeable Units are exchanged for, Primaris Units prior to the Effective Time and no Primaris Unitholder validly exercises its Dissent Rights).

If the sum of (x) the aggregate Cash Consideration elected (or deemed to be elected) by all Primaris Unitholders (disregarding any increase or reduction pursuant to the proration process) and (y) the Total Dissent Cash Amount (such sum being the "**Elected Cash**") exceeds the Actual Cash Consideration, then:

(a) the number of Primaris Units for which a Cash Electing Primaris Unitholder (including any Primaris Unitholder deemed to elect cash) has elected to receive Cash Consideration (disregarding any reduction pursuant to this proration process) shall be reduced to that number of whole Primaris Units (rounded down to the nearest whole unit) equal to the product of that number of Primaris Units indicated on such holder's Election and a fraction, the numerator of which is the Actual Cash Consideration and the denominator of which is the Elected Cash; and

(b) the number of Primaris Units for which a Cash Electing Primaris Unitholder shall be entitled to receive Non-Cash Consideration shall be increased by that number of Primaris Units equal to the difference between the number of Primaris Units for which the holder elected to receive Cash Consideration and the number determined in accordance with (a) above.

If the Elected Cash is less than the Actual Cash Consideration (such difference being the "**Cash Shortfall**"), then:

(i) the number of Primaris Units for which a Unit Electing Primaris Unitholder has elected (including for the avoidance of doubt a Primaris Unitholder who is deemed to elect) to receive Non-Cash Consideration (disregarding any reduction pursuant to this proration process) shall be reduced by that number of whole Primaris Units (rounded down to the nearest whole unit) equal to the product

obtained when (A) a fraction, the numerator of which is equal to the Cash Shortfall and the denominator of which is equal to $28.00, is multiplied by (B) a fraction, the numerator of which is the number of Primaris Units in respect of which such Unit Electing Primaris Unitholder has elected (including for the avoidance of doubt a Primaris Unitholder who is deemed to elect) to receive Non-Cash Consideration and the denominator of which is the total number of Primaris Units in respect of which all Unit Electing Primaris Unitholders have elected (including for the avoidance of doubt a Primaris Unitholder who is deemed to elect) to receive Non-Cash Consideration; and

(ii) the number of Primaris Units for which a Unit Electing Primaris Unitholder shall be entitled to receive Cash Consideration shall be increased by that number of Primaris Units equal to the difference between the number of Primaris Units for which the holder elected (including for the avoidance of doubt a Primaris Unitholder who is deemed to elect) to receive Non-Cash Consideration and the number determined in accordance with (i) above.

Delivery of Consideration

It is contemplated that as part of the completion of the Amended Transaction, following receipt of the Final Order and before the Articles of Arrangement are filed, provided that all conditions precedent to the obligations of H&R and Primaris in the Amended Arrangement Agreement have been satisfied or waived, other than those conditions that are only capable of satisfaction at the Effective Time, (i) H&R will provide the Depositary with an irrevocable treasury direction in respect of H&R REIT Units and H&R Finance Trust Units required to implement steps 2.4(i) and (n) in the Plan of Arrangement; and (ii) in accordance with the terms of the Purchase Agreements, Primaris will cause to be provided to the Depositary funds payable to Primaris Subsidiaries on account of the purchase prices payable upon completion of the Sale Transactions up to the Actual Cash Consideration less the Total Dissent Cash Amount, and such additional amounts as may be required as a result of any Customary Adjustments or Make-Whole Adjustments, such direction and funds to be held by the Depositary in escrow (the terms and conditions of such escrow to be satisfactory to H&R, Primaris and the Purchasers, acting reasonably).

Receipt of payment by the Depositary will be deemed to constitute receipt of payment by persons depositing Primaris Units. Under no circumstances will interest accrue or be paid to persons depositing Primaris Units on the purchase price for Primaris Units purchased by H&R or Primaris, regardless of any delay in making such payment.

The Depositary will act as the agent of persons who have deposited Primaris Units pursuant to the Amended Transaction for the purpose of receiving payment from Primaris or H&R, as applicable in accordance with the Plan of Arrangement, and transmitting payment from Primaris or H&R, as applicable in accordance with the Plan of Arrangement, to such persons, and receipt of payment by the Depositary will be deemed to constitute receipt of payment by persons depositing Primaris Units.

Upon surrender to the Depositary for cancellation of certificate(s) which immediately prior to the Effective Time represented one or more Primaris Units, together with the applicable Letter(s) of Transmittal and such additional documents and instruments duly executed and completed as the Depositary may reasonably require, the holder of such surrendered certificate(s) shall, in accordance with the timing set out in Section 2.4 of the Plan of Arrangement, be entitled to receive in exchange therefor, and the Depositary shall deliver to such Primaris Unitholder as soon as practicable after the Effective Time by first-class insured mail, postage prepaid, certificates representing any H&R Stapled Units and a cheque (except for payments exceeding the equivalent of $25 million, which will be made by wire transfer) representing any cash which such Primaris Unitholder has the right to receive under the Amended Transaction, less any amounts withheld pursuant to the Plan of Arrangement, and the

certificate so surrendered shall forthwith be cancelled. Until surrendered, each certificate which represented Primaris Units at the Effective Time will, in accordance with the timing set out in Section 2.4 of the Plan of Arrangement, represent only the right to receive, in the case of certificates held by Dissenting Unitholders, the fair value of the Primaris Units represented by such certificates, and, in the case of all other Primaris Unitholders, the consideration that the former Primaris Unitholder is entitled to in accordance with the terms of the Plan of Arrangement.

As Primaris utilizes the Book Entry System and no certificates are issued to Non-Registered Holders, no new certificates for the Non-Cash Consideration will be delivered to beneficial holders of such Primaris Units in connection with the Amended Transaction.

The Depositary will receive reasonable and customary compensation for its services in connection with the Amended Transaction, will be reimbursed for certain out of pocket expenses and will be indemnified by Primaris against certain liabilities under applicable securities laws and expenses in connection therewith.

Primaris, H&R and the Depositary will be entitled to deduct and withhold from any consideration otherwise payable to a Primaris Unitholder such amounts as Primaris, H&R or the Depositary is required or permitted to deduct and withhold with respect to such payment under applicable Laws.

THE AMENDED ARRANGEMENT AGREEMENT

Summary of the Amended Arrangement Agreement

The Amended Arrangement Agreement has been filed on the SEDAR website of the Canadian Securities Administrators (www.sedar.com) and on Primaris' website at www.primarisreit.com. The following is a summary of certain provisions of the Amended Arrangement Agreement, but is not intended to be complete. Please refer to the Amended Arrangement Agreement for a full description of the terms and conditions thereof. Capitalized terms used in this section "*Summary of the Amended Arrangement Agreement*" but not defined have the meanings given in the Amended Arrangement Agreement.

Representations and Warranties

The Amended Arrangement Agreement contains customary representations and warranties made by Primaris to H&R in respect of Primaris and PRR Investments and customary representations and warranties made by H&R REIT to Primaris in respect of H&R REIT and H&R Finance Trust. Those representations and warranties were made solely for purposes of the Amended Arrangement Agreement, were made as of a specified date and may be subject to contractual standards of materiality different from what may be viewed as material to Primaris Unitholders. For the foregoing reasons, Primaris Unitholders should not rely on the representations and warranties contained in the Amended Arrangement Agreement as statements of factual information at the time they were made or otherwise.

The representations and warranties provided by Primaris in favour of H&R relate to: organization of Primaris; organization of PRR Investments; authority of Primaris relative to the Amended Arrangement Agreement; authority of PRR Investments relative to the Amended Arrangement Agreement; compliance with Laws and the Primaris Declaration of Trust; Primaris material contracts; public filings; Primaris Subsidiaries; reporting issuer status; capitalization and listing; no conflict; financial statements; employment matters; purchase and sale of assets; contingent liabilities; proceedings; records; taxes; absence of certain changes or events, insurance, ownership of assets; Primaris data room information; related party transactions; and, fees and commissions.

The representations and warranties provided by H&R REIT in favour of Primaris relate to: organization of H&R REIT; organization of H&R Finance Trust; authority of H&R REIT relative to the Amended Arrangement Agreement; authority of H&R Finance Trust related to the Amended Arrangement Agreement; compliance with Laws, H&R REIT Declaration of Trust and H&R Finance Trust Declaration of Trust; H&R material contracts; public filings; H&R Material Subsidiaries; reporting issuer status; capitalization and listing; no conflict, financial statements; purchase and sale of assets; contingent liabilities; proceedings; records; taxes; absence of certain changes or events; insurance; ownership of assets; issuance of H&R REIT Units and H&R Finance Trust Units; securities of Primaris; fees and commissions; and residency for Investment Canada Act purposes.

Conditions

The Amended Arrangement Agreement contains certain customary conditions to the completion of the Amended Transaction in favour of each of Primaris and H&R including that: (i) the Special Resolution shall have been approved and adopted by Primaris Voting Unitholders; (ii) the requisite H&R Unitholder approval shall have been obtained; (iii) the requisite Interim Order and the Final Order shall have been obtained; (iv) the Competition Act Approval (Arrangement) and Competition Act Approval (Sale Transactions) shall have been obtained; (v) H&R shall have received conditional listing approval from the TSX for the issuable securities contemplated under the Amended Transaction (and the Primaris Debentures to be assumed by H&R pursuant to the Plan of Arrangement); (vi) documentation relating to H&R's assumption of the obligations under the Primaris Debentures shall have been executed; and (vii) the Purchasers shall have delivered a certificate confirming that the conditions to the closing of the Purchase Agreements have been satisfied or waived and the parties to the Purchase Agreements are ready, willing and able to close the Sale Transactions.

The Amended Arrangement Agreement also contains certain customary conditions to the completion of the Amended Transaction for the sole benefit of H&R including: (i) conditions related to covenants to be performed by Primaris and the correctness of representations and warranties provided by Primaris; (ii) since February 4, 2013, there shall have not occurred a Material Adverse Effect in respect of Primaris; (iii) holders of not greater than 5% of the outstanding Primaris Units will have validly exercised Dissent Rights; (iv) Primaris' receipt of certain lender consents and sufficient availability under Primaris' credit facility to fund obligations under the terms of the Amended Arrangement Agreement; and (v) the aggregate outstanding principal amount of the Existing Mortgages in respect of which the mortgagees are entitled to consent but have not done so shall not exceed $400 million.

The Amended Arrangement Agreement also contains certain customary conditions to the completion of the Amended Transaction for the sole benefit of Primaris including: (i) conditions related to covenants to be performed by H&R and the correctness of representations and warranties provided by H&R; and, (ii) since February 4, 2013, there shall have not occurred a Material Adverse Effect in respect of H&R.

Non-Solicitation Covenants

Termination of Existing Discussions

The Amended Arrangement Agreement requires Primaris to terminate any existing solicitation, discussion, encouragement, negotiation or process with or involving any person (other than H&R, the Purchasers or any of their respective Representatives) with respect to or which could reasonably be expected to lead to an actual or potential Acquisition Proposal and request the return or destruction by third parties of any confidential information previously provided in connection therewith. Primaris is not permitted to release any third party from any confidentiality or standstill agreement with Primaris.

Non-Solicitation Covenant

The Amended Arrangement Agreement further provides that Primaris shall not, except in accordance with the Amended Arrangement Agreement, directly or indirectly, or through any Representative or otherwise: (i) make, solicit, assist, initiate or otherwise facilitate any inquiries, proposals or offers regarding any Acquisition Proposal; (ii) engage in any discussions or negotiations with any person (other than H&R or any of its Representatives) regarding, or provide any information with respect to, or otherwise co-operate in any way with, or assist or participate in, knowingly encourage or otherwise facilitate, any effort or attempt by any person to make or complete any Acquisition Proposal, provided that, for greater certainty, Primaris may respond to any person making an unsolicited Acquisition Proposal that such Acquisition Proposal does not constitute a Superior Proposal when the Primaris Board has so determined; (iii) make a Change in Recommendation; (iv) except as permitted by the Amended Arrangement Agreement, release any person from, terminate, waive, amend, modify any provision of or otherwise forbear the enforcement of, any confidentiality or standstill agreement with such person that would facilitate the making or implementation of any Acquisition Proposal; or (v) accept, approve, endorse, recommend or enter into, or publicly propose to accept, endorse or enter into, any letter of intent, agreement in principle, agreement, arrangement or undertaking providing for any Acquisition Proposal.

Notice to H&R of Acquisition Proposals

Primaris has agreed to promptly (and in any event on the next business day following receipt thereof), provide oral and written notice to H&R of any proposal, inquiry, offer or request (or any amendment thereto) that could reasonably be expected to lead to or constituting an Acquisition Proposal or any amendment thereof, or any request for discussions or negotiations that could reasonably be expected to lead to an Acquisition Proposal, and/or any request for non-public information with respect to any Acquisition Proposal relating to Primaris or any Primaris Subsidiary or for access to properties, books and records or a list of the Primaris Unitholders or any list of securityholders of Primaris or any Primaris Subsidiaries of which Primaris' trustees, officers or other executives are or become aware, or any amendments to the foregoing. Such notice shall include a description of the terms and conditions of any proposal, inquiry, offer or request, (including any amendment thereto) to the extent known and shall include copies (with the identities of the persons making such proposal, inquiry, correspondence, offer or request redacted) of any such proposal, inquiry, correspondence, offer or request or any amendment to any of the foregoing, if in writing or electronic form, and if not in writing or electronic form a description of the terms of such correspondence, sent to Primaris by or on behalf of the person making such Acquisition Proposal. Primaris is required to keep H&R informed on a prompt basis of the status, including any change to the price offered or any other material terms, of any such proposal, inquiry, offer or request, or any amendment to the foregoing.

Ability to Respond to a Superior Proposal

In response to a *bona fide* written unsolicited Acquisition Proposal (including, a variation or other amendment to an Acquisition Proposal made before February 4, 2013) received by Primaris prior to obtaining the Primaris Unitholder Approval that did not result from the breach of Primaris' non-solicitation obligations under the Amended Arrangement Agreement and that the Primaris Board determines in good faith after consultation with its outside legal counsel and financial advisors that such Acquisition Proposal is or could reasonably be expected to lead to a Superior Proposal and that the failure to take the relevant action would be inconsistent with the fiduciary duties of Primaris' trustees, Primaris may (i) furnish information with respect to Primaris and its Subsidiaries to the person making such Acquisition Proposal and its Representatives, provided that Primaris has first entered into a confidentiality and standstill agreement with such person that, taken as a whole, is no less favourable to Primaris than the H&R CA and contains a standstill provision that is no less favourable to H&R than the applicable standstill provision in the H&R CA (provided that no such confidentiality and standstill

agreement shall prevent such person from making, pursuing or completing an Acquisition Proposal in accordance with the non-solicitation provisions of the Amended Arrangement Agreement) and provides a copy of such agreement to H&R with the identities of the persons making such proposal, inquiry, correspondence, offer or request redacted; and (ii) engage in discussions and negotiations with respect to the Acquisition Proposal with the person making such Acquisition Proposal and its Representatives. Primaris may not provide such person and its Representatives with access to information in respect of Primaris and its subsidiaries in respect of one or more Acquisition Proposals made by the person or persons acting jointly or in concert with such person for a period in excess of 21 days in aggregate.

Primaris may enter into an agreement (in addition to any confidentiality agreement contemplated above) with respect to a Superior Proposal including, for greater certainty, a material amendment, change or modification to an Acquisition Proposal made prior to February 4, 2013, if and only if: (i) Primaris has complied in all material respects with its non-solicitation obligations; (ii) the Meeting has not occurred; (iii) the Primaris Board has determined in good faith, after consultation with its outside legal and financial advisors, that such Acquisition Proposal is a Superior Proposal and that the failure to take the relevant action would be inconsistent with its fiduciary duties; (iv) Primaris has delivered written notice to H&R of the determination of the Board that the Acquisition Proposal is a Superior Proposal and of the intention of the Board to approve or recommend such Superior Proposal and/or of Primaris to enter into an agreement with respect to such Superior Proposal, together with a copy of the Acquisition Proposal and all documentation (including all agreements, arrangements and understandings) comprising the Acquisition Proposal to the extent not previously provided (the "**Superior Proposal Notice**"); (v) at least five Business Days have elapsed since the date the Superior Proposal Notice was received by H&R, which five Business Day period is referred to as the "**Right to Match Period**"; (vi) if H&R has offered to amend the terms of the Amended Transaction during the Right to Match Period, the Primaris Board has determined, after consultation with its outside legal and financial advisors, that such Acquisition Proposal continues to be a Superior Proposal when compared to the Amended Transaction as it is proposed to be amended at or prior to the termination of the Right to Match Period; and (vii) Primaris has terminated the Amended Arrangement Agreement and Primaris has paid the Termination Payment.

H&R's Right to Match

During the Right to Match Period, H&R will have the opportunity, but not the obligation, to offer to amend the terms of the Amended Transaction and the Amended Arrangement Agreement, and Primaris shall cooperate with H&R with respect thereto, including negotiating in good faith with H&R to enable H&R to make such adjustments to the terms and conditions of the Amended Arrangement Agreement and the Amended Transaction as H&R deem appropriate and as would permit H&R to proceed with the Amended Transaction and any related transactions on such adjusted terms.

The Primaris Board will review any such offer by H&R to amend the terms of the Amended Transaction and the Amended Arrangement Agreement, to determine in good faith in the exercise of its fiduciary duties, after consultation with its outside legal counsel and financial advisors, whether H&R's offer to amend the Amended Transaction and the Amended Arrangement Agreement, upon its acceptance, would result in the applicable Acquisition Proposal ceasing to be a Superior Proposal as compared against the amendment to the terms of the Amended Transaction and the Amended Arrangement Agreement offered by H&R. If the Primaris Board determines that the applicable Acquisition Proposal would cease to be a Superior Proposal as compared against the amendment to the terms of the Amended Transaction and the Amended Arrangement Agreement offered by H&R, H&R will amend the terms of the Amended Transaction and Primaris and H&R shall enter into an amendment to the Amended Arrangement Agreement reflecting the offer by H&R to amend the terms of the Amended Transaction and the Amended Arrangement Agreement.

Reaffirmation of Recommendation

The Primaris Board will promptly reaffirm its recommendation of the Amended Transaction by press release after: (i) any Acquisition Proposal is publicly announced or made and the Primaris Board determines it is not a Superior Proposal; or (ii) the Primaris Board determines that a proposed amendment to the terms of the Amended Transaction would result in the Acquisition Proposal not being a Superior Proposal when compared against the Amended Transaction as it is proposed to be amended by H&R as at the termination of the Right to Match Period, and H&R has so amended the terms of the Amended Transaction.

Conduct of Primaris' Business Pending the Effective Time

During the period from February 4, 2013 to the Effective Time, Primaris and each of its Subsidiaries have agreed to conduct its and their activities and businesses in the ordinary course (other than to take such pre-closing steps as contemplated by the Purchase Agreements) and comply in all material respects with applicable Laws, and to use its and their commercially reasonable efforts to preserve intact its and their present business organization and goodwill, to preserve intact its and their respective properties and assets, in good standing, to keep available the services of its and their respective officers and employees as a group and to maintain satisfactory relationships with Tenants, suppliers, employees, Governmental Entities and others having business relationships with them.

Primaris has also agreed to a number of negative covenants related to carrying on its business until the earlier of the Effective Time or termination of the Amended Arrangement Agreement.

Conduct of H&R's Business Pending the Effective Time

During the period from February 4, 2013 to the Effective Time, H&R and each of its Subsidiaries have agreed to conduct its and their activities and businesses in the ordinary course and comply in all material respects with applicable Laws, and to use its and their commercially reasonable efforts to preserve intact its and their present business organization and goodwill, to preserve intact its and their respective properties and assets, in good standing, to keep available the services of its and their respective officers and employees as a group and to maintain satisfactory relationships with Tenants, suppliers, employees, Governmental Entities and others having business relationships with them.

H&R has also agreed to a number of negative covenants related to carrying on business until the earlier of the Effective Time or termination of the Amended Arrangement Agreement.

Other Covenants of Primaris

Primaris has agreed to a number of covenants that are customary for an agreement of this nature, including: (i) use commercially reasonable efforts to assist H&R in obtaining the Competition Act Approvals; (ii) use commercially reasonable efforts to obtain necessary consents, waivers, approvals and agreements; (iii) defend all lawsuits or other legal, regulatory or other proceedings challenging the Amended Transaction; (iv) provide such assistance as may be reasonably requested by H&R in obtaining the H&R Unitholder Approval; (v) except in limited circumstances, use commercially reasonable efforts to enforce any confidentiality agreement and/or standstill agreements or provisions it has with any person other than H&R and not waive, relieve any person of or amend any such agreements and/or provisions; (vi) take all necessary steps required by Primaris to complete the Sale Transactions in accordance with the terms of the Purchase Agreements at the time specified in the Plan of Arrangement; (vii) not agree to any material amendment or waiver of, or provide any material consent with respect to, the terms and conditions of the Purchase Agreements that would be materially adverse to H&R,

without the prior written consent of H&R; (viii) use commercially reasonable efforts to satisfy all conditions precedent to the Amended Arrangement Agreement; and (vi) satisfy other covenants customary for agreements of this nature.

Primaris has also agreed that it will, upon request by H&R and at the expense of H&R, undertake such reorganizations of Primaris or its Subsidiaries' business, operations and assets or such other transactions as H&R may request, acting reasonably. Primaris would not be required to undertake any such transaction which, in the opinion of Primaris, acting reasonably, would lead to a number of outcomes, including if it: would reduce the Consideration to be received by Primaris Unitholders, would unreasonably interfere with the ongoing operations of Primaris or any Primaris Subsidiary, would materially prevent, delay or impede the ability of Primaris to consummate the Connected Transactions, relates to the reorganization of any properties that are subject to the Sale Transactions, or other customary conditions for a transaction of this nature.

In the Amended Arrangement Agreement, Primaris agreed to use its commercially reasonable efforts to provide such reasonable and timely co-operation as may be reasonably requested by H&R and that is customary in connection with any H&R financing (the "**H&R Financing**"). However, the parties agreed that neither Primaris nor any of its Subsidiaries will be required to (a) pay any commitment or other similar fee or, except in certain circumstances, incur any other liability in connection with the H&R Financing prior to the Effective Time, and (b) satisfy certain other conditions customary for a transaction of this nature.

Other Covenants of H&R

H&R has agreed to a number of covenants that are customary for an agreement of this nature, including to: (i) use commercially reasonable efforts to obtain the Competition Act Approval (Arrangement); (ii) defend all lawsuits or other legal, regulatory or other proceedings challenging the Amended Transaction; (iii) provide such assistance as may be reasonably requested by Primaris in obtaining the Primaris Unitholder Approval; and (iv) satisfy other covenants customary for agreements of this nature.

Termination by H&R or Primaris

Prior to the Effective Time, either H&R or Primaris may terminate its obligations under the Amended Arrangement Agreement by written notice to the other party if: (a) there is a mutual written agreement to such effect; (b) the Amended Transaction shall not have been consummated by May 29, 2013, except such right shall not be available to any such party whose failure to fulfill any of its obligations has been the principal cause of, or resulted in, the failure of the Effective Time to occur by such date (the "**Outside Date Termination**"); (c) there will be enacted any applicable Law (or amendment to such applicable Law) that makes consummation of the Amended Transaction illegal or otherwise prohibited or enjoins the parties from consummating the Amended Transaction and such applicable Law (if applicable) or enjoinment shall have become final and non-appealable; (d) the Meeting shall have been held and the Primaris Unitholder Approval shall not have been obtained thereat or at any adjournment or postponement thereof (the "**Unitholder Approval Termination**"); or (e) the meetings of the H&R Unitholders shall have been held and the approvals of the H&R Unitholders shall not have been obtained thereat or at any adjournment or postponement thereof.

Termination by Primaris

Prior to the Effective Time, Primaris may terminate its obligations under the Amended Arrangement Agreement: (a) subject to compliance with its non-solicitation obligations and upon payment of the applicable Termination

Payment, prior to obtaining the Primaris Unitholder Approval in order to enter into a binding written agreement with respect to a Superior Proposal (the "**Superior Proposal Termination**"); (b) if Primaris is not in material breach of its obligations under the Amended Arrangement Agreement, H&R has breached any of its representations, warranties, covenants or agreements contained in the Amended Arrangement Agreement, which breach, subject to an applicable cure period, would give rise to the failure of certain conditions set forth in the Amended Arrangement Agreement (the "**H&R Breach Termination**"); or (c) after February 4, 2013, a Material Adverse Effect in respect of H&R shall have occurred.

Termination by H&R

Prior to the Effective Time, H&R may terminate its obligations under the Amended Arrangement Agreement if: (a) prior to obtaining the Primaris Unitholder Approval, (A) the Primaris Board shall have effected a Change in Recommendation, or (B) Primaris is in default of any of the non-solicitation provisions in any material respect, or (C) the Primaris Board fails to publicly recommend the Amended Transaction or fails to publicly recommend that the Primaris Unitholders vote in favour of the Special Resolution as referred to in Section 2.4 of the Amended Arrangement Agreement (collectively, the "**Change in Recommendation Termination**"); (b) if H&R is not in material breach of its obligations under the Amended Arrangement Agreement, Primaris has breached any of its representations, warranties, covenants or agreements contained in the Amended Arrangement Agreement, which breach, subject to an applicable cure period, would give rise to the failure of certain conditions set forth in the Amended Arrangement Agreement (the "**Primaris Breach Termination**"); or (c) after February 4, 2013, a Material Adverse Effect in respect of Primaris shall have occurred.

Termination Payment

Primaris will be required to pay to H&R the sum of $100 million ($70 million being paid to H&R REIT and $30 million to H&R REIT (U.S.) Holdings Inc. (or such other entity as may be specified by H&R REIT (U.S.) Holdings Inc.)) (the "**Termination Payment**") in certain circumstances described below. The Termination Payment is payable if: (a) either the Superior Proposal Termination or Change in Recommendation Termination occurs; or (b) any of the Outside Date Termination, the Unitholder Approval Termination or the Primaris Breach Termination occurs, but only if (A) following February 4, 2013 and prior to the Meeting an Acquisition Proposal shall have been made by any person other than H&R or any affiliate thereof (a "**New Competing Proposal**"), and such New Competing Proposal has not expired, been publicly withdrawn or abandoned prior to the Meeting, and (B) an Acquisition Proposal, that is proposed or made as part of the series of transactions or events that include the making of the New Competing Proposal (a "**Final Competing Proposal**"), is consummated within nine months of termination of the Amended Arrangement Agreement, or a definitive agreement with respect to such Final Competing Proposal is entered within such nine-month period and such Final Competing Proposal is subsequently consummated, and provided that for the purposes of the termination payment provisions all references to "20% or more" in the definition of Acquisition Proposal shall be changed to "50.1% or more".

Insurance and Indemnification of Directors and Officers

H&R has agreed to, and will cause Primaris to, indemnify and hold harmless each present and former trustee, director and officer of Primaris and its Subsidiaries against certain claims arising out of or related to such person's service as a trustee, director or officer of Primaris and/or any of its Subsidiaries or services performed by such persons at the request of Primaris and/or any of its Subsidiaries.

Primaris agreed to (or if Primaris is unable to, H&R will cause Primaris to) obtain and fully pay the premium for the extension of the trustees' and officers' liability coverage of Primaris' and the Primaris Subsidiaries' existing

trustees' and officers' insurance policies for a claims reporting or run off and extended reporting period and claims reporting period of not less than six years from and after the Effective Time with respect to claims meeting certain criteria; provided that the premium for any such extension or run off directors and officers insurance coverage will not exceed 300% of the annual premium of Primaris' existing directors and officers insurance policy.

PURCHASE AGREEMENTS

Summary of the Purchase Agreements

The Purchase Agreements have each been filed on the SEDAR website of the Canadian Securities Administrators (www.sedar.com). The following is a summary of certain provisions of the Purchase Agreements, but is not intended to be complete. Please refer to the Purchase Agreements for a full description of the terms and conditions thereof. Capitalized terms used in this section "Summary of the Purchase Agreements" but not defined have the meanings given in the applicable Purchase Agreement.

Purchase Price

The purchase price payable under each Purchase Agreement will be the obligation of the Purchaser under such agreement. The aggregate purchase price of approximately $1.9 billion payable under the Purchase Agreements consists of a cash component and the assumption of mortgage liabilities. Each of the Purchase Agreements contains certain adjustments to the purchase price, including customary closing adjustments (the "**Customary Adjustments**") for items such as rents, utilities and property taxes, as well as an adjustment in favour of the Purchasers (the "**Make-Whole Adjustments**") in respect of each mortgage being assumed thereunder. The actual cash component payable will be dependent upon the amounts of the Customary Adjustments and Make-Whole Adjustments as well as the actual aggregate principal amounts outstanding under the assumed mortgages on closing of the Sale Transactions.

Representations and Warranties

Each of the Purchase Agreements contains customary representations and warranties made by Primaris to the applicable Purchaser and customary representations and warranties made by the applicable Purchaser to Primaris. Those representations and warranties were made solely for the purposes of the applicable Purchase 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 Primaris Unitholders. For the foregoing reasons, Primaris Unitholders should not rely on the representations and warranties contained in the Purchase Agreements as statements of factual information at the time they were made or otherwise.

The representations and warranties provided by Primaris in favour of each Purchaser with respect to itself, the 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, enforceability of obligations and certain tax matters. Each Purchase Agreement provides that except for the representations and warranties set forth therein, the applicable Purchaser is acquiring the applicable properties on an "as is, where is" basis.

The representations and warranties provided by the applicable Purchaser in favour of Primaris relate to: organization and status, authority, no bankruptcy, required consents, enforceability of obligations, certain tax matters, ownership of Primaris securities, and sufficiency of funds to complete the transactions.

Conditions

Each Purchase Agreement contains certain customary conditions to the completion of the applicable Sales Transaction in favour of each of the parties thereto, including that: (i) the applicable Purchase Agreement shall not have been terminated in accordance with its terms; (ii) on closing, there shall be no Pre-Emptive Rights except those existing on February 4, 2013 that: (a) have resulted in the completion of the sale of such property to a third party (and have resulted in the removal thereof from the Purchased Assets); and (b) in accordance with their terms, have been complied with by Primaris (or as applicable the beneficial owner or nominee) in respect of the applicable Sales Transaction, such that all requisite steps, notices and time periods with respect thereto have been taken or have passed, or such waivers have been obtained, such that the third party beneficiary of each such Pre-Emptive Right does not and will not have a right to acquire the applicable Sales Transaction; (iii) all required consents have been obtained; (iv) all conditions precedent to the obligations of H&R and Primaris of the Amended Arrangement Agreement shall have been satisfied or waived, (v) the Amended Arrangement Agreement has not been terminated; (vi) Competition Act Approval (Arrangement) and Competition Act Approval (Sale Transactions) have been obtained; (vii) the terms of such Purchase Agreement to be complied with or performed by the other party have been complied with or performed in all material respects; and (viii) all representations and warranties of the other party are true and correct in all material respects. Each condition may be waived, in whole or in part, by a party.

The completion of the Sale Transactions is not conditional upon financing. Each Purchaser has represented to Primaris in a Purchase Agreement that it has made adequate arrangements to ensure that the required funds are available to consummate the applicable Sales Transaction. In addition, the Sale Transactions are not subject to a due diligence condition in favour of the Purchasers.

Termination

In the event the Amended Arrangement Agreement is terminated, each party has the right to immediately terminate a Purchase Agreement.

Covenants

Until closing, Primaris and each Purchaser have agreed to use commercially reasonable efforts to satisfy all conditions precedent in the applicable Purchase Agreement. In addition, the parties have agreed to cooperate in ensuring all required consents are obtained and that all required notices and steps in connection with Pre-Emptive Rights are taken and have obligations to keep each party apprised of the status thereof.

In addition, Primaris has made certain covenants in each Purchase Agreement with respect to the relevant properties subject to the Purchase Agreement including that Primaris will, in the period before closing: (i) continue to operate the properties in accordance with its usual business and management practices and existing budgets; (ii) continue to maintain insurance in respect of the purchased assets in accordance with its usual business and management practices; (iii) conduct and cause the beneficial owners of the 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) to keep available the services of its officers and employees as a group and to maintain satisfactory relationships with tenants, suppliers, employees, governmental authorities and others having business relationships with them.

In addition, Primaris has made certain covenants in each Purchase Agreement with respect to the Arrangement including to (i) perform all obligations required to be performed by Primaris under the Amended Arrangement Agreement and do all such other acts and things as may be necessary or desirable in order to consummate and make effective the Connected Transactions (as such term is defined in the Amended Arrangement Agreement); (ii) not amend or modify the Amended Arrangement Agreement in a manner that is materially prejudicial to the applicable Purchaser without its prior written consent; (iii) not take any action or fail to take any action that is intended to or would reasonably be expected to individually or in the aggregate, prevent, materially delay or materially impede its ability or the ability of H&R REIT to consummate the Connected Transactions; (iv) use all commercially reasonable efforts to satisfy all conditions precedent in the Purchase Agreement and in the Amended Arrangement Agreement; (v) provide the Purchaser's solicitor(s) reasonable opportunity to review and comment on the information circular of each of H&R REIT and Primaris; and (vi) use commercially reasonable efforts to provide the Purchaser's solicitors with an opportunity to review and comment upon drafts of materials to filed with the Court in connection with the Interim Order and the Final Order.

VOTING AGREEMENT AND COOPERATION AGREEMENT

Summary of Voting Agreement

On February 4, 2013, KS LP No. 4 and CREIF LP (the "**Locked-Up Unitholders**") entered into the Voting Agreement with H&R REIT and Primaris, pursuant to which the Locked-Up Unitholders, which beneficially own or exercise direction or control over approximately 6,880,000 Primaris Units at the date of this Information Circular (the "**KingSett Units**"), representing over 6.8% of the outstanding Primaris Voting Units as of the date hereof, have agreed, among other things, to vote (or cause to be voted) all of the KingSett Units and any other Primaris Units (and, if applicable, Primaris Debentures or Primaris Exchangeable Units) to which legal or beneficial ownership or the right to vote or the right of disposition is acquired by the Locked-Up Unitholders after the date of the Voting Agreement (the "**Locked-Up Securities**") as follows:

(i) in favour of the approval of the Special Resolution and any of the transactions contemplated by the Amended Arrangement Agreement;

(ii) in favour of any other matter that could reasonably be expected to facilitate the Amended Transaction and is not otherwise prejudicial to the Locked-Up Unitholders in connection with the Sale Transactions;

(iii) against any action that is intended or would reasonably be expected to impede, interfere with, delay, postpone or discourage the Amended Transaction, including for greater certainty, against any Acquisition Proposal; and

(iv) against any action that would result in any breach of any representation, warranty, covenant or agreement or any other obligation of Primaris in the Amended Arrangement Agreement.

The Locked-Up Unitholders have also agreed not to sell, transfer, assign, grant an interest in, pledge, hypothecate or otherwise convey or encumber the Locked-Up Securities or take certain other actions with respect to the Locked-Up Securities, and have agreed to elect, at the request of Primaris made by notice in writing given by February 28, 2013, to receive all Cash Consideration pursuant to the Amended Transaction for their Locked-Up Securities.

The Voting Agreement may be terminated by notice in writing: (i) at any time by mutual consent of H&R REIT, Primaris (until February 28, 2013, unless the notice described above for the Locked-Up Unitholders to elect to receive all Cash Consideration has been provided) and the Locked-Up Unitholders; (ii) by the Locked-Up

Unitholders or H&R REIT if any representation or warranty of H&R REIT or the Locked-Up Unitholders, respectively, shall have been at the date of the Voting Agreement or become untrue or incorrect in any material respect or if H&R REIT or the Locked-Up Unitholders, respectively, shall materially breach any of its covenants in the Voting Agreement which breach is incapable of being cured, or if curable shall remain uncured for 15 days; or (iii) by the Locked-Up Unitholders or H&R REIT if the Amended Arrangement Agreement is terminated in accordance with its terms or the transactions contemplated by the Amended Arrangement Agreement shall not have been completed on or prior to the Outside Date, whichever occurs earlier.

Summary of Cooperation Agreement

On February 4, 2013, H&R and the Purchasers entered into the Cooperation Agreement in respect of the Amended Transaction and related Sale Transactions setting out their agreement and understanding in connection with the actions to be taken by H&R and the Purchasers relating to the Amended Transaction and Sale Transactions. Among other things, H&R and the Purchasers agreed to take certain actions prior to and following completion of the Amended Transaction and Sale Transactions, as well as certain actions in support of the Amended Transaction and Sale Transactions. In addition, the parties to the Cooperation Agreement agreed that KS Acquisition II LP shall be entitled to receive 41.36% of any Termination Payment that becomes payable to H&R pursuant to the Amended Arrangement Agreement.

RIGHTS OF DISSENT

Section 191 of the ABCA provides registered shareholders of a corporation with the right to dissent from certain resolutions that effect extraordinary corporate transactions or fundamental corporate changes. The Interim Order expressly provides registered Primaris Unitholders with the right to dissent from the Special Resolution pursuant to Section 191 of the ABCA, with modifications to the provisions of Section 191 as provided in the Plan of Arrangement and the Interim Order ("**Dissent Rights**"). Any registered Primaris Unitholder who dissents from the Special Resolution in compliance with Section 191 of the ABCA, as modified by the Plan of Arrangement and the Interim Order, will, in the event the Amended Transaction becomes effective, dispose of their Primaris Units to Primaris and will be entitled to be paid the fair value of Primaris Units held by such Dissenting Unitholder determined as of the close of business on the day before the Special Resolution is adopted.

Persons who are beneficial owners of Primaris Units registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only the registered holders of such Primaris Units are entitled to dissent. Accordingly, a beneficial owner of Primaris Units desiring to exercise his or her right to dissent must make arrangements for the registered holder of his or her Primaris Units to dissent on his or her behalf. See Appendix "F" for the full text of the Plan of Arrangement, Appendix "B" for the full text of the Interim Order and Appendix "H" for the full text of Section 191 of the ABCA.

A registered Primaris Unitholder who wishes to dissent must provide a dissent notice to Primaris c/o McCarthy Tétrault LLP, 3300, 421-7th Avenue SW, Calgary, Alberta T2P 4K9, Attention: Sean S. Smyth or by facsimile (403-260-3501) or by email (ssmyth@mccarthy.ca). The ABCA requires strict adherence to the procedures established therein and failure to do so may result in the loss of all dissenters' rights. Accordingly, each Primaris Unitholder who might desire to exercise the dissenters' rights should carefully consider and comply with the provisions of the section, the Plan of Arrangement and Interim Order and consult such Primaris Unitholder's legal advisor.

H&R may elect not to proceed with the Amended Transaction if a specified threshold of Primaris Unitholders validly dissent. See "*The Amended Arrangement Agreement – Summary of the Amended Arrangement Agreement – Conditions*".

The foregoing is only a summary of the dissenting shareholder provisions of the ABCA (as modified by the Plan of Arrangement and the Interim Order), which are technical and complex. It is recommended that any registered Primaris Unitholder wishing to avail himself or herself of his or her Dissent Rights under those provisions seek legal advice, as failure to comply strictly with the provisions of the ABCA (as modified by the Plan of Arrangement and the Interim Order) may prejudice his or her Dissent Rights.

PRINCIPAL LEGAL MATTERS

Securities Laws Matters

Canada

Subject to the next paragraph, the distribution of the H&R REIT Units and H&R Finance Trust Units on the Effective Date pursuant to the Amended Transaction will be made pursuant to exemptions from the prospectus requirements contained in applicable provincial securities legislation in the provinces of Canada. Under applicable provincial securities laws, the H&R REIT Units and H&R Finance Trust Units distributed in connection with the Amended Transaction may be resold in Canada without hold period restrictions, except that any person, company or combination of persons or companies holding a sufficient number of H&R Stapled Units to affect materially the control of H&R will be restricted in reselling such units pursuant to securities laws applicable in Canada.

To the extent necessary, H&R intends to apply to the local securities regulatory authority or regulator in each of the provinces of Canada for an order that will provide H&R REIT and H&R Finance Trust with exemptive relief in respect of the distribution of H&R REIT Units and H&R Finance Trust Units pursuant to the exercise of various convertible securities.

On or following the Effective Date following completion of the steps set out in the Plan of Arrangement and, if necessary, Primaris will apply to cease or be deemed to have ceased to be a reporting issuer in each of the provinces and territories of Canada under which it is currently a reporting issuer (or equivalent).

United States

The H&R REIT Units and H&R Finance Trust Units to be received by Primaris Unitholders pursuant to the Amended Transaction will not be registered under the U.S. Securities Act or any applicable state securities laws and will be issued in reliance on the exemption from the registration requirements of the U.S. Securities Act set forth in Section 3(a)(10) thereof and pursuant to exemptions from registration under any applicable state securities laws. As a result, such H&R REIT Units and H&R Finance Trust Units received in exchange for the Primaris Units pursuant to the Amended Transaction will be freely tradable under U.S. federal securities laws except by persons who are, or within 90 days prior to the Effective Time were, affiliates of H&R. The solicitation of proxies made in connection with this Information Circular is not subject to the requirements of Section 14(a) of the U.S. Exchange Act. Accordingly, this Information Circular has been prepared in accordance with applicable Canadian disclosure requirements, which are different than the requirements applicable to proxy solicitations under the U.S. Exchange Act.

As defined under the U.S. Securities Act, an "affiliate of an issuer is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with the issuer. The determination of whether a person is an "affiliate" is dependent upon all relevant facts and circumstances. Persons who are executive officers, directors or 10% or greater holders of an issuer or who are otherwise able to exert influence over an issuer should consult with their own legal counsel regarding whether they would be considered "affiliates" and whether resales of the H&R Stapled Units will be subject to restrictions imposed by the U.S. Securities Act.

Court Approval Process

A Plan of Arrangement under the ABCA requires court approval. Prior to the mailing of this Information Circular, Primaris and PRR Investments obtained the Interim Order from the Court. The Interim Order is attached as Appendix "B" to this Information Circular. The Interim Order, among other things, provides for the calling and holding of the Meeting and causes to be issued the notice of application for the Final Order of the Court. The Interim Order does not constitute approval of the Plan of Arrangement or the contents of this Information Circular by the Court. Subject to the terms of the Plan of Arrangement, and if the Special Resolution is approved by Primaris Unitholders and the H&R Unitholder Approval is obtained, the date and time of presentation for the hearing of the application for the Final Order at the Court, 601-5th Street SW, Calgary Alberta, T2P 5P7, which is scheduled for March 22, 2013 at 3:00 p.m (Calgary time). Under the terms of the Interim Order, each Primaris Voting Unitholder, each holder of Primaris Convertible Securities, each trustee, the auditors of Primaris and any other interested person will have the right to appear and make submissions at the application for the Final Order. Any person desiring to appear at the hearing of the application for the Final Order is required to indicate his, her or its intention to appear by filing with the Court and serving Primaris at the address set out below, on or before 12:00 p.m. (Calgary time) on March 20, 2013, a Response, including his, her or its address for service, together with all materials on which he, she or it intends to rely at the application. The Response and supporting materials must be delivered, within the time specified, to Primaris at the following address: c/o McCarthy Tétrault LLP, 3300, 421-7th Avenue SW, Calgary, Alberta T2P 4K9, Attention: Sean S. Smyth. Primaris Unitholders who wish to participate in or be represented at the Court hearing for the Final Order should consult their legal advisors as to the necessary requirements.

The H&R Stapled Units (each consisting of one H&R REIT Unit and one H&R Finance Trust Unit) to be delivered pursuant to the Amended Transaction will not be registered under the U.S. Securities Act. Prior to the hearing on the Final Order, the Court will be informed that the Final Order, if granted, will constitute the basis for the exemption from the registration requirements of the U.S. Securities Act set forth in Section 3(a)(10) of the U.S. Securities Act with respect to the H&R REIT Units and H&R Finance Trust Units to be issued pursuant to the Amended Transaction.

The authority of the Court is very broad under the ABCA. Primaris has been advised by its counsel that the Court may make any enquiry it considers appropriate and may make any order it considers appropriate with respect to the Plan of Arrangement. The Court will consider, among other things, the fairness and reasonableness of the Plan of Arrangement to the Primaris Unitholders. The Court may approve the Plan of Arrangement either as proposed or as amended in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court thinks fit.

Regulatory Matters

The Amended Transaction is conditional upon the receipt of certain regulatory approvals or decisions, including Competition Act Approval (Arrangement) and Competition Act Approval (Sale Transactions). Under the

Competition Act, the acquisition of the assets of an operating business or the acquisition of the units of a trust that carries on an operating business in Canada may require pre-merger notification if certain size of parties and size of transaction thresholds are exceeded. It has been determined that pre-merger notification is required in respect of the Amended Transaction and in respect of the Sale Transactions.

Subject to certain limited exceptions, the parties to a notifiable transaction cannot complete the transaction until they have submitted the information prescribed pursuant to Subsection 114(1) of the Competition Act to the Commissioner and the applicable waiting period has expired or been terminated by the Commissioner. The waiting period is 30 calendar days after the day on which the parties to the transaction submit the prescribed information, provided that, before the expiry of this period, the Commissioner has not notified the parties that he requires additional information that is relevant to the Commissioner's assessment of the transaction pursuant to Subsection 114(2) of the Competition Act (a "**Supplementary Information Request**"). In the event that the Commissioner of Competition provides the parties with a Supplementary Information Request, the parties cannot complete the transaction until 30 calendar days after compliance with such Supplementary Information Request, provided that there is no order in effect prohibiting completion at the relevant time. Alternatively, or in addition to filing the prescribed information, a party to a notifiable transaction may apply to the Commissioner for an Advance Ruling Certificate, which may be issued by the Commissioner and precludes him from challenging the transaction based on the information provided, or a "No-Action" Letter, which may be issued by the Commissioner if he does not, at that time, intend to challenge the transaction by making an application under Section 92 of the Competition Act. The Commissioner may challenge a transaction either before the transaction is completed or within one year after it was substantially completed (unless an Advance Ruling Certificate is issued) if he is of the view that the transaction will lead to a substantial lessening or prevention of competition in a relevant market in Canada.

With respect to the Amended Transaction and the Sales Transactions, the parties filed letters requesting Advance Ruling Certificates or, in the alternative, "No-Action" Letters. The parties were notified that, pursuant to the Competition Bureau Fees and Service Standards Handbook for Mergers and Merger-Related Matters, the Amended Transaction and Sale Transactions have been classified as "non-complex".

Stock Exchange Matters

H&R

The H&R Stapled Units are currently listed on the TSX under the symbol "HR.UN". Application has been made for the listing on the TSX of the H&R REIT and H&R Finance Trust Units to be distributed in connection with the Amended Transaction, which listing will be conditional on the satisfaction of certain standard conditions.

Following the completion of this Amended Transaction, until an "Event of Uncoupling" occurs, each H&R REIT Unit received by a Primaris Securityholder may only be transferred together with an H&R Finance Trust Unit and each H&R Finance Trust Unit received by a Primaris Securityholder may only be transferred together with an H&R REIT Unit. See H&R REIT's Annual Information Form dated March 16, 2012, incorporated by reference in this Circular, for further details.

Primaris

The Primaris Units are currently listed on the TSX under the symbol "PMZ.UN". Pursuant to the Amended Transaction, H&R REIT will become the sole unitholder of Primaris, and the Primaris Units are expected to be de-listed from the TSX following the completion of the steps set out in the Plan of Arrangement.

The 6.75% Debentures, 6.30% Debentures and 5.40% Debentures are currently listed on the TSX under the symbols "PMZ.DB", "PMZ.DB.B" and "PMZ.DB.C.", respectively. Pursuant to the Amended Transaction, H&R REIT will assume all of the rights and obligations of Primaris relating to the Primaris Debentures, which, upon completion of the step set out in Section 2.4(n) of the Plan of Arrangement, will be convertible into H&R Stapled Units, based on the revised conversion prices disclosed in the Plan of Arrangement. Application has been made such that, following the Effective Date, such debentures would continue to be listed on the TSX but as obligations of H&R REIT, which listing will be conditional on the satisfaction of certain standard conditions.

MATERIAL CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of McCarthy Tétrault LLP, counsel to Primaris, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to a Primaris Unitholder who:

(a) disposes of a Primaris Unit to Primaris in exchange for Cash Consideration (the "Cash Redemption"); and/or

(b) disposes of:

  (i) the FT Percentage of a Primaris Unit to H&R REIT in exchange for H&R Finance Trust Units and Ancillary Rights (the "FT Unit Sale"), and

  (ii) the Remaining Percentage of a Primaris Unit in exchange for H&R REIT Units (i.e., the QE Redemption); or

(c) is a Dissenting Unitholder.

This summary applies to a Primaris Unitholder who, at all relevant times, for purposes of the Tax Act, (i) deals at arm's length and is not affiliated with Primaris, H&R REIT, H&R Finance Trust and their respective affiliates; (ii) holds Primaris Units as capital property; and (iii) will hold H&R REIT Units and H&R Finance Trust Units, if any, received in exchange for Primaris Units as capital property. Generally, Primaris Units, H&R REIT Units and H&R Finance Trust Units will be considered to be capital property to a Primaris Unitholder provided that the holder does not hold the units in the course of carrying on a business and has not acquired the units in one or more transactions considered to be an adventure or concern in the nature of trade. This summary does not address the consequences to the holders of Primaris Convertible Securities of participating in the Amended Transaction or in connection with a conversion, exercise or exchange of a Primaris Convertible Security for Primaris Units. This summary also does not address all tax consequences of participating in the Amended Transaction to Primaris Unitholders who acquired their Primaris Units on a conversion, exercise, exchange or otherwise in connection with a Primaris Convertible Security. Such holders should consult their own tax advisors.

This summary is based upon the current provisions of the Tax Act and counsel's understanding of the current administrative policies and assessing practices of the CRA published in writing by the CRA prior to the date of this Information Circular. This summary also takes into account all specific proposals to amend the Tax Act that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date of this Information Circular (the "**Tax Proposals**"). This summary assumes that the Tax Proposals will be enacted as currently proposed, but no assurances can be given that this will be the case. Except for the Tax Proposals, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, or changes in the CRA's administrative policies and assessing practices, nor does it take into account other federal or any provincial, territorial or foreign tax legislation or considerations (including any transfer tax considerations), which may differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Primaris Unitholder. This summary is not exhaustive of all Canadian federal income tax considerations. Consequently, Primaris Unitholders are urged to consult their own tax advisors to determine the particular tax effects to them of the Amended Transaction and any other consequences to them in connection with the Amended Transaction under Canadian federal, provincial, territorial or local tax laws and under foreign tax laws, having regard to their own particular circumstances.

Status of Primaris, H&R REIT and H&R Finance Trust

For the purposes of this summary, counsel has relied upon representations and warranties in the Amended Arrangement Agreement that each of Primaris, H&R REIT and H&R Finance Trust has, at all relevant times, qualified and is expected to continue to qualify as a "mutual fund trust" for the purposes of the Tax Act. If any of Primaris, H&R REIT or H&R Finance Trust were not to qualify as a mutual fund trust at any particular time, the income tax considerations described below would, in some respects, be materially different.

Currency

The Tax Act requires all taxpayers to compute their "Canadian tax results" (as defined in the Tax Act) in Canadian currency. Where an amount that is relevant in computing a taxpayer's Canadian tax results is expressed in a currency other than Canadian currency, such amount must be converted to Canadian currency using the rate of exchange quoted by the Bank of Canada at noon on the day such amount first arose, or using such other rate of exchange as is acceptable to the Minister of National Revenue (Canada).

Taxation of Primaris and Primaris Subsidiaries

Sale Transactions

The Sale Transactions will result in the realization by the Primaris Subsidiaries of income, including income resulting from the recapture of capital cost allowance ("**CCA**") in respect of the buildings and other depreciable properties included in the Conditional Sale Properties disposed of by the Primaris Subsidiaries ("**Recapture Income**"). To the extent that the buildings and other depreciable properties included in the Conditional Sales Properties constitute all of the properties of the relevant prescribed class for purposes of the Tax Act of the Primaris Subsidiary effecting the disposition (as expected in most cases), the amount of the Recapture Income will be equal to the amount, if any, by which the lesser of (i) the proceeds of disposition allocated to such properties and (ii) the cost amount of such properties, exceeds the undepreciated capital cost of the particular prescribed class for purposes of the Tax Act. Primaris Subsidiaries will also realize capital gains on the Sale Transactions equal to the amount, if any, by which the proceeds of disposition of the Conditional Sale Properties, net of any reasonable costs of disposition, exceed (or are less than) the cost or capital cost to the applicable Primaris Subsidiary of such Conditional Sale Properties. CCA in respect of properties disposed of on the Sale Transactions will not be available in the fiscal period of Primaris Subsidiaries that includes the Sale Transactions.

Primaris will include in computing its income an amount equal to substantially all of the income (including Recapture Income) and net taxable capital gains arising from the Sale Transactions. In accordance with the Primaris Declaration of Trust, the income of Primaris (including Recapture Income) and net taxable capital gains arising from the Sale Transactions will be allocated to Primaris Unitholders receiving Cash Consideration on the

Cash Redemption and Dissenting Unitholders. Accordingly, Primaris will generally not be liable for tax under Part I of the Tax Act on income and net taxable capital gains arising from the Sale Transactions.

No allocation or distribution of income or capital gains arising from the Sale Transactions will be made in respect of Primaris Units that are neither redeemed on the Cash Redemption nor Dissent Units.

QE Transactions – Transfer of Primaris Assets to H&R REIT and QE Redemption

Provided that Primaris and H&R REIT file an election under section 132.2 of the Tax Act in the manner and time prescribed, the transfer of Primaris Assets to H&R REIT will be part of a "qualifying exchange", as defined in section 132.2 of the Tax Act, thereby allowing Primaris Assets to be transferred to H&R REIT for proceeds of disposition equal to the tax cost of such assets. In such circumstances, there should be no taxable income to Primaris arising from the transfer. Alternatively, the transfer may be organized so as to create income in Primaris equal to the amount of unused or latent losses or available deductions of Primaris. Again, in such circumstance, there should be no net taxable income to Primaris arising from the transfer.

Primaris and H&R REIT have indicated their mutual intention that the amount of taxable gains, if any, realized on the transfer will be limited to the amount of losses or other deductions Primaris has available to offset such gains, with the result that Primaris should not realize any net taxable income or net taxable capital gains as a result of the transfer.

Primaris will not realize a gain or loss on the transfer of H&R REIT Units to Primaris Unitholders on the QE Redemption.

Computation of Income and Taxable Capital Gains of Primaris

The current taxation year of Primaris will be deemed to end on the Effective Date following the transfer of the Primaris Assets to H&R REIT, giving rise to a short taxation year for Primaris (as well as for H&R REIT).

If, based on *bona fide* estimates, Primaris determines that its undistributed taxable income for this short taxation year (without regard to income arising as a result of the Sale Transactions) exceeds prior distributions made to Primaris Unitholders in that period, Primaris will pay a special distribution to Primaris Unitholders in advance of the disposition of Primaris Units by Dissenting Unitholders, the Cash Redemption, the FT Unit Sale and the QE Transactions to ensure that Primaris will not be liable for tax under Part I of the Tax Act for this short taxation year (the "**Primaris Special Distribution**"). Please see "*The Amended Transaction – Amended Transaction Mechanics – (f)*".

Primaris and H&R REIT are seeking approval of the CRA (the "**CRA Approval**") to change the fiscal and taxation year end of certain Primaris Subsidiaries in order to ensure that (i) substantially all of the income and net taxable capital gains earned by such Primaris Subsidiaries up to and including the Effective Date (without regard to income and net taxable capital gains arising as a result of the Sale Transactions) will be allocated to Primaris Unitholders who receive the Primaris Special Distribution, and (ii) substantially all of the income (including Recapture Income) and net taxable capital gains arising as a result of the Sale Transactions will be allocated to Primaris Unitholders whose units are redeemed on the Cash Redemption and Dissenting Unitholders. This summary assumes that the CRA Approval will be obtained, but no assurance can be given in this regard.

Residents of Canada

This portion of the summary applies to a Primaris Unitholder who, at all relevant times, for purposes of the Tax Act and any applicable income tax convention is, or is deemed to be, resident in Canada (a "**Resident Holder**"). Certain Resident Holders whose Primaris Units might not otherwise qualify as capital property may be entitled to have them treated as capital property by making an irrevocable election under subsection 39(4) of the Tax Act. Primaris Unitholders who do not hold their Primaris Units as capital property should consult their own tax advisors regarding their particular circumstances.

This portion of the summary is not applicable to a Primaris Unitholder: (i) that is a "financial institution" for purposes of the mark-to-market rules; (ii) that is a "specified financial institution"; (iii) an interest in which is a "tax shelter investment", (iv) that has elected to determine its Canadian tax results in accordance with a "functional currency", as each term is defined in the Tax Act; or (v) that, at any material time, holds Primaris Units acquired upon the exercise of rights to acquire such Primaris Units in respect of, in the course of, or by virtue of employment with Primaris or any corporation or mutual fund trust not dealing at arm's length for purposes of the Tax Act with Primaris. Such Primaris Unitholders should consult their own tax advisors regarding their particular circumstances. In addition, this summary does not address the deductibility of interest expense incurred by a Primaris Unitholder in connection with debt incurred in connection with the acquisition or holding of Primaris Units, H&R REIT Units or H&R Finance Trust Units.

Disposition of Primaris Units Prior to the Effective Date

Resident Holders who dispose of Primaris Units on the TSX with a settlement date prior to the Effective Date will not receive any distributions or other payments under the Amended Transaction and should not be allocated any income from Primaris in respect thereof (including the Sale Transactions). Such Resident Holders should consult their own tax and investment advisors.

A disposition of a Primaris Unit on the TSX should result in a capital gain (or a capital loss) to a Resident Holder equal to the amount, if any, by which the proceeds of disposition of the Primaris Unit, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Primaris Unit to the Resident Holder immediately prior to the disposition.

Primaris Special Distribution and Pre-Effective Date Distributions

The tax treatment to Resident Holders of the Primaris Special Distribution, if any, will be determined in a manner similar to that applicable to other distributions that have been paid or payable by Primaris to Resident Holders. Since the current taxation year of Primaris will be deemed to end on the Effective Date following the transfer of Primaris Assets to H&R REIT, Primaris Unitholders with taxation years ending before December 31, 2013 may be required to report income from Primaris earlier than they would otherwise have been required.

As stated above, CCA in respect of properties disposed of on the Sale Transactions will not be available in the fiscal period of Primaris Subsidiaries that includes the Sale Transactions. This could affect Primaris' income for its taxation year ending on the Effective Date and, accordingly, the nature of distributions that have been paid or made payable by Primaris in its current taxation year. **Resident Holders should consult their own tax advisors regarding the characterization of such distributions**.

Dissenting Unitholders

A Resident Holder who dissents in respect of the Amended Transaction will be considered to have disposed of such Dissenting Unitholder's Primaris Units to Primaris and will have a right to be paid the fair value of such Primaris Units, as determined in accordance with the Plan of Arrangement. The disposition will result in a capital gain (or a capital loss) to the Dissenting Unitholder equal to the amount, if any, by which the proceeds of disposition of the Primaris Units, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Primaris Units to the Dissenting Unitholder immediately prior to the disposition (which adjusted cost base will take into account any reductions resulting from the Primaris Special Distribution, if any, to be made by Primaris as described above). For this purpose, proceeds of disposition will not include an amount made payable by Primaris to the Dissenting Unitholder that is (i) otherwise required to be included in the Dissenting Unitholder's income, including Recapture Income and net taxable capital gains arising from the Sale Transactions, or (ii) the non-taxable portion of capital gains arising from the Sale Transactions.

A Dissenting Unitholder will generally be required to include in income for its taxation year in which the current taxation year of Primaris ends, the portion of taxable income (including Recapture Income) and net taxable capital gains of Primaris arising from the Sale Transactions that is allocated and made payable to the Dissenting Unitholder. Provided that appropriate designations are made by Primaris, that portion of Primaris' net taxable capital gains that is made payable to a Dissenting Unitholder will effectively retain its character and be treated as such in the hands of such Dissenting Unitholder for purposes of the Tax Act. The non-taxable portion of any net capital gains of Primaris that is made payable to a Dissenting Unitholder will not be included in computing the Dissenting Unitholder's income for the year. Primaris has advised that the amount of Recapture Income is not expected to exceed $3.01 per Dissent Unit.

Cash Redemption – Redemption of a Primaris Unit for Cash Consideration

The disposition of a Primaris Unit pursuant to the Cash Redemption will 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 Primaris Unit, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Primaris Unit to the Resident Holder immediately prior to the Cash Redemption (which adjusted cost base will take into account any reductions resulting from the Primaris Special Distribution, if any, to be made by Primaris as described above). The proceeds of disposition of the Primaris Unit will generally be equal to the amount of the Cash Consideration received by the Resident Holder in exchange therefor, less any amount paid by Primaris to the Resident Holder that is (i) otherwise required to be included in the Resident Holder's income, including Recapture Income and net taxable capital gains arising from the Sale Transactions and/or (ii) the non-taxable portion of capital gains arising from the Sale Transactions.

A Resident Holder who receives Cash Consideration for Primaris Units will generally be required to include in income for its taxation year in which the current taxation year of Primaris ends, the portion of taxable income (including Recapture Income) and net taxable capital gains of Primaris arising from the Sale Transactions that is allocated and paid to such holder. Provided that appropriate designations are made by Primaris, that portion of Primaris' net taxable capital gains that is paid to such a Resident Holder will effectively retain its character and be taxed as such in the hands of such holder for purposes of the Tax Act. The non-taxable portion of any net capital gains of Primaris that is paid to a Resident Holder will not be included in computing the holder's income for the year. Primaris has advised that the amount of Recapture Income is not expected to exceed $3.01 per Primaris Unit redeemed on the Cash Redemption.

Resident Holders who are taxable and who hold their Primaris Units on capital account will want to consider disposing of their Primaris Units on the TSX with a settlement date that is prior to the Effective Date and should consult their own tax and investment advisors with regard to this decision.

FT Unit Sale – Disposition of the FT Percentage of a Primaris Unit in consideration for H&R Finance Trust Units and Ancillary Rights

A disposition of the FT Percentage of a Primaris Unit to H&R REIT in consideration for H&R Finance Trust Units and Ancillary Rights will result in a capital gain (or a capital loss) to a Resident Holder equal to the amount, if any, by which the proceeds of disposition of the FT Percentage of such Primaris Unit, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the FT Percentage of such Primaris Unit to the Resident Holder immediately prior to the disposition (which adjusted cost base will take into account any reductions resulting from the Primaris Special Distribution, if any, to be made by Primaris). The proceeds of disposition of the FT Percentage of a Primaris Unit will generally be equal to the aggregate fair market value (at the time of such disposition) of the H&R Finance Trust Units and the Ancillary Rights received by the Resident Holder in exchange therefor.

The adjusted cost base to a Resident Holder of the FT Percentage of a Primaris Unit immediately prior to the FT Unit Sale should generally be equal to the adjusted cost base at that time to such holder of the whole Primaris Unit multiplied by the FT Percentage.

H&R Finance Trust Units received by the Resident Holder in exchange for the FT Percentage of each Primaris Unit will have a cost equal to their fair market value at the time of their acquisition. For the purpose of determining the adjusted cost base of the H&R Finance Trust Units acquired by the Resident Holder on the FT Unit Sale, the cost of such H&R Finance Trust Units will be averaged with the adjusted cost base of all other H&R Finance Trust Units held as capital property by the Resident Holder immediately before the acquisition.

Counsel understands that Primaris and H&R are of the view that the fair market value of the Ancillary Rights received by Resident Holders on the sale of the FT Percentage of each Primaris Unit is nil and, accordingly, (i) no amount should be attributed to the Ancillary Rights in determining the proceeds of disposition to the Resident Holder of the FT Percentage of each Primaris Unit sold pursuant to the FT Unit Sale and (ii) the cost of the Ancillary Rights to the Resident Holder should be nil.

This determination of value is not binding on the CRA and it is possible that the CRA could take a contrary view. Counsel expresses no opinion on such matters of factual determination.

QE Redemption – Redemption of the Remaining Percentage of a Primaris Unit for H&R REIT Units

Provided that Primaris and H&R REIT file an election under section 132.2 of the Tax Act in the manner and time prescribed, the redemption of the Remaining Percentage of a Resident Holder's Primaris Unit for H&R REIT Units will be part of a "qualifying exchange", as defined in section 132.2 of the Tax Act. Accordingly, on the disposition by a Resident Holder of the Remaining Percentage of a Primaris Unit to Primaris in exchange for H&R REIT Units on the QE Redemption, the Resident Holder's proceeds of disposition for the Remaining Percentage of the Primaris Unit disposed of, and the cost to the Resident Holder of the H&R REIT Units received in exchange therefor, will be deemed to be equal to the adjusted cost base to the Resident Holder of the

Remaining Percentage of such Primaris Unit immediately prior to the QE Redemption (which adjusted cost base will take into account any reductions resulting from the Primaris Special Distribution, if any, to be made by Primaris). The adjusted cost base to a Resident Holder of the Remaining Percentage of a Primaris Unit immediately prior to the QE Redemption should generally not include the adjusted cost base of the FT Percentage of a Primaris Unit disposed of on the FT Unit Sale. For the purpose of determining the adjusted cost base of the H&R REIT Units acquired by a Resident Holder on the QE Redemption, the cost of such H&R REIT Units will be averaged with the adjusted cost base of all other H&R REIT Units held as capital property by the Resident Holder immediately before the exchange.

Holding and Disposing of H&R REIT Units and H&R Finance Trust Units received pursuant to the Amended Transaction

Subsequent to the exchange of Primaris Units for H&R REIT Units pursuant to the QE Redemption, former Primaris Unitholders who elected (or were deemed to have elected) to receive Non-Cash Consideration will own an equal number of H&R REIT Units and H&R Finance Trust Units which will trade together as H&R Stapled Units.

H&R Stapled Units represent ownership of H&R REIT Units and H&R Finance Trust Units.

Participants in the H&R DRIP and H&R Unit Purchase Plan should consult their own tax advisors for advice as to the consequences of participating in such plans.

Qualification of H&R REIT and H&R Finance Trust as "Unit Trusts" and "Mutual Fund Trusts"

To qualify as a mutual fund trust, H&R REIT or H&R Finance Trust, as the case may be, must be a "unit trust" as defined in the Tax Act. A trust will generally qualify as an "open-end" unit trust if at least 95% of the trust's units (by fair market value) are redeemable under their terms and conditions at the demand of the holder for a specified redemption price. A trust will generally qualify as a "closed-end" unit trust if (a) it is resident in Canada, (b) it restricts its undertaking to (i) the investing of its funds in property (other than real property or an interest in real property or an immovable or a real right in an immovable), (ii) the acquiring, holding, maintaining, improving, leasing or managing of any real property or an interest in real property, or of any immovable or a real right in immovables, that is capital property of the trust, or (iii) any combination of the activities described in (i) or (ii), and (c) it complies with certain restrictions relating to the nature of its property and income. Based in part on an advance income tax ruling from the CRA, it is understood that each of H&R REIT and H&R Finance Trust currently qualifies as an open-end unit trust. However, should H&R REIT complete an offering of Preferred Units as contemplated by the Preferred Unit Amendments, it is expected that H&R REIT would cease to so qualify. The Preferred Unit Amendments authorize H&R REIT to convert to a closed-end unit trust in connection with an offering of Preferred Units undertaken by H&R REIT. Based in part on an opinion issued by the CRA in connection with an advance income tax ruling obtained by H&R REIT from the CRA and on a review of H&R REIT's assets and revenues, counsel understands that management of H&R REIT expects that H&R REIT would qualify as a closed-end unit trust at the time of such conversion. In addition, counsel understands that management of H&R REIT intends to conduct the affairs of H&R REIT so that H&R REIT will qualify as a closed-end unit trust at all times following any such conversion, if such a conversion were to occur, though there can be no assurances in this regard.

In addition to qualifying as a unit trust, in order to qualify as a mutual fund trust H&R REIT or H&R Finance Trust, as the case may be, must be resident in Canada, must not, in the case of H&R REIT, be established or maintained primarily for the benefit of non-residents, and must restrict its undertaking to: (i) the investing of its funds in property (other than real property or an interest in real property or an immovable or a real right in an immovable), (ii) the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property) or of any immovable (or real right in immovables) that is capital property of H&R REIT or H&R Finance Trust, as the case may be, or (iii) any combination of the activities described in (i) or (ii). In addition, each such trust must have at least 150 unitholders holding not less than one "block of units" of a class which have an aggregate fair market value of not less than $500. It must also be the case that either (a) units of such class are qualified for distribution to the public (within the meaning of the Tax Act), or (b) in the case of a trust created after 1999, there has been a lawful distribution in a province to the public of units of such class, and under the laws of that province, no prospectus, registration statement or similar document was required to be filed in respect of such distribution. It is understood that H&R REIT Units and H&R Finance Trust Units are currently qualified for distribution to the public and that H&R Finance Trust also meets the condition in (b) above.

If either of H&R REIT and H&R Finance Trust were not to qualify as a unit trust or a mutual fund trust at any particular time, the Canadian federal income tax considerations described herein would, in some respects, be materially different.

Qualification of H&R REIT as a "Real Estate Investment Trust"

As discussed below, the SIFT Rules (as defined below) do not apply in a year to a trust that qualifies as a "real estate investment trust" for the year (the "**REIT Exception**"). If H&R REIT does not satisfy the REIT Exception throughout any particular year, the SIFT Rules will apply to it and the H&R REIT Unitholders for that year. While counsel understands that management of H&R REIT has stated that it intends to manage H&R REIT so that it qualifies for the REIT Exception, no assurances can be given that adverse consequences to H&R REIT and/or H&R REIT Unitholders will not arise as a consequence of the application of the SIFT Rules to H&R REIT.

SIFT Rules

The Tax Act contains rules (the "**SIFT Rules**"), which tax certain publicly-traded or listed trusts and partnerships in a manner similar to corporations and which tax certain distributions from such trusts and partnerships as taxable dividends from a taxable Canadian corporation.

The SIFT Rules apply to any trust or partnership that is a "specified investment flow-through" (a "**SIFT**") and its investors. A SIFT includes a Canadian resident trust (a "**SIFT trust**") where investments in the trust are listed or traded on a stock exchange or other public market, the trust holds one or more "non-portfolio properties" (as defined in the Tax Act), and the trust is not an "excluded subsidiary entity" (as defined in the Tax Act). "Non-portfolio properties" generally include certain investments in real properties situated in Canada and certain investments in corporations and trusts resident in Canada and in partnerships with specified connections in Canada.

Pursuant to the SIFT Rules, a SIFT cannot deduct any part of the amounts payable to unitholders in respect of (i) aggregate net income from businesses it carries on in Canada; (ii) aggregate net income (other than taxable dividends received by the SIFT) from its non-portfolio properties; and (iii) aggregate net taxable capital gains from its disposition of non-portfolio properties. Distributions of SIFT income which a SIFT is unable to deduct will be taxed in the SIFT at rates of tax which approximate the combined federal and provincial corporate tax rates.

Distributions of a SIFT's income that are not deductible to the SIFT will be treated as dividends payable to unitholders from a taxable Canadian corporation. Such dividends deemed to be received by an individual (other than certain trusts) will be included in computing the individual's income for tax purposes and will be subject to the enhanced gross-up and dividend tax credit rules normally applicable to eligible dividends received from taxable Canadian corporations. Such dividends deemed to be received by a unitholder that is a corporation generally will be deductible in computing the corporation's taxable income. Certain corporations, including "private corporations" or "subject corporations" (as such terms are defined in the Tax Act), may be liable to pay a refundable tax under Part IV of the Tax Act of 33⅓% on dividends received or deemed to be received to the extent that such dividends are deductible in computing taxable income.

REIT Exception

Trusts that satisfy the REIT Exception are not subject to the SIFT Rules.

Certain Tax Proposals to amend the Tax Act concerning the income tax treatment of real estate investment trusts and, in particular, the conditions which must be met in order for a trust to qualify for the REIT Exception received first reading in the House of Commons on November 21, 2012 as Bill C-48 (the "**REIT Proposals**"). Assuming that the REIT Proposals, which are generally relieving in nature, are enacted as proposed, they will be effective for the 2011 and subsequent taxation years and, on an elective basis, for earlier taxation years.

Assuming that the REIT Proposals are enacted as proposed, the following conditions must be met (in addition to the trust being resident in Canada throughout the taxation year) in order for a trust to qualify for the REIT Exception:

(a) at each time in the taxation year, the total fair market value at that time of all non-portfolio properties that are "qualified REIT properties" (as described below) held by the trust must be at least 90% of the total fair market value at that time of all non-portfolio properties held by the trust;

(b) not less than 90% of the trust's "gross REIT revenue" (as described below) for the taxation year must be from one or more of the following: "rent from real or immovable properties" (as described below), interest, dispositions of "real or immovable properties" that are capital properties (as described below), dividends, royalties and dispositions of "eligible resale properties" (as described below);

(c) not less than 75% of the trust's gross REIT revenue for the taxation year must be from one or more of the following: rent from real or immovable properties, interest from mortgages or hypothecs on real or immovable properties, and dispositions of real or immovable properties that are capital properties;

(d) at no time in the taxation year can the total fair market value of, stated generally, properties comprised of real or immovable properties that are capital properties, eligible resale properties, cash, deposits in a bank or credit union, indebtedness of Canadian corporations represented by bankers' acceptances and debt issued or guaranteed by governments in Canada be less than 75% of the "equity value" of the trust at that time; and

(e) investments in the trust must be, at any time in the taxation year, listed or traded on a stock exchange or other public market.

Generally, the SIFT Rules contain look-through rules under which a trust could qualify for the REIT Exception where it holds its real properties indirectly through intermediate entities.

Under the REIT Proposals:

(a) "eligible resale property" means real or immovable property (other than capital property) of an entity, (i) that is contiguous to a particular real or immovable property that is capital property or eligible resale property held by the entity or another entity affiliated with the entity, and (ii) the holding of which is ancillary to the holding of the particular property;

(b) "gross REIT revenue", of an entity for a taxation year, means the amount, if any, by which the total of all amounts received or receivable in the taxation year (depending on the method regularly followed by the entity in computing the entity's income) by the entity exceeds the total of all amounts each of which is the cost to the entity of a property disposed of in the taxation year;

(c) "qualified REIT property" of a trust at any time means, generally, a property held by the trust that is at that time:

(i) a real or immovable property that is capital property, an eligible resale property, money and certain indebtedness held by the trust;

(ii) a security of a "subject entity" (as described below) all or substantially all of the gross REIT revenue of which (for the subject entity's taxation year that ends in the trust's taxation year that includes that time) is from maintaining, improving, leasing or managing real or immovable properties that are capital properties of the trust or of an entity of which the trust holds a share or interest;

(iii) a security of a subject entity if the entity holds no property other than (A) legal title to real or immovable properties of the trust or of another subject entity all of the securities of which are held by the trust and (B) property described in (iv) below; and

(iv) ancillary to the earning by the trust of rent from real or immovable property or revenue from dispositions of real or immovable properties that are capital properties, other than (A) an equity of an entity or (B) a mortgage, hypothecary claim, mezzanine loan or similar obligation;

(d) "real or immovable property" includes generally a security of a trust that satisfies (or of any other entity that would, if it were a trust, satisfy) the criteria in (a), (b), (c) and (d) required to qualify for the REIT Exception discussed above and an interest in certain real property or a real right in immovables, but excludes any depreciable property other than a depreciable property included (otherwise than by an election) in CCA Class 1, 3 or 31, a property ancillary to the ownership or utilization of such depreciable property and a lease or leasehold interest in respect of land or such depreciable property;

(e) "rent from real or immovable properties" includes rent or similar payments for the use of or right to use real or immovable properties, as well as payment for services ancillary to the rental of real or immovable properties and customarily supplied or rendered in connection therewith, but does not include any other payments for services supplied or rendered to the tenants of such properties, fees for managing or operating such properties, payment for the occupation, use or right to use a room in a hotel or other similar lodging facility, or rent based on profits; and

(f) "subject entity" means (i) a corporation resident in Canada, (ii) a trust resident in Canada, (iii) a Canadian resident partnership or (iv) a non-resident person, or a partnership that is not a Canadian resident partnership, the principal source of income of which is one or more sources in Canada.

The REIT Exception contains a number of technical tests and the determination as to whether a trust qualifies for the REIT Exception in any particular taxation year can only be made at the end of the taxation year.

H&R REIT has represented in the Amended Arrangement Agreement that H&R REIT has qualified for the REIT Exception, both as currently enacted in the Tax Act and as proposed to be amended by the Tax Proposals, throughout its taxation year ending December 31, 2012 and expects to continue to qualify for the REIT Exception, as currently enacted in the Tax Act and as proposed to be amended by the Tax Proposals, through 2013 and the taxation year of H&R REIT that will be deemed to end as a result of the consummation of the Amended Transaction. There can be no assurance that subsequent investments or activities undertaken by H&R REIT will not result in it failing to comply with the REIT Exception. McCarthy Tétrault LLP, as counsel to Primaris, will not review H&R REIT's compliance with the conditions for the REIT Exception. This summary assumes that H&R REIT has and will continue to qualify for the REIT Exception at all times. If H&R REIT does not qualify, or ceases to qualify, as a real estate investment trust under the REIT Exception, the income tax considerations described below would, in some respects, be materially and adversely different, and the SIFT Rules may have a material adverse effect on the after-tax returns of certain H&R REIT Unitholders (including former Primaris Unitholders).

H&R REIT has represented in the Amended Arrangement Agreement that H&R Finance Trust is not a SIFT trust. Pursuant to the terms of the declaration of trust of H&R Finance Trust, the only properties which H&R Finance Trust is permitted to hold are U.S. Holdco Notes, and certain cash and cash equivalents, none of which constitutes non-portfolio property for purposes of the SIFT Rules, provided H&R Finance Trust does not at any time carry on a business in Canada. Assuming that H&R Finance Trust does not and will not at any time carry on a business in Canada, it follows that H&R Finance Trust will not be a SIFT trust for purposes of the Tax Act.

H&R REIT has investments in certain lower tier partnerships and trusts. In certain circumstances, it is possible that such lower tier entities could themselves be regarded as SIFT trusts or partnerships; however, a lower tier entity will not be regarded as a SIFT trust or partnership where it is an "excluded subsidiary entity", as defined for purposes of the SIFT Rules. H&R REIT has represented in the Amended Arrangement Agreement that each partnership and trust in which H&R REIT has a direct or indirect interest is an excluded subsidiary entity. This summary assumes that each such lower tier entity is an excluded subsidiary entity for these purposes.

The balance of this summary addresses the tax considerations applicable to H&R REIT, H&R Finance Trust and H&R Unitholders, assuming that H&R REIT qualifies at all relevant times for the REIT Exception and that H&R Finance Trust is not at any time a SIFT trust.

On July 20, 2011, the Minister of Finance (Canada) announced proposed amendments to the SIFT Rules which impact certain publicly-traded stapled securities of SIFTs, REITs and corporations, including amendments which will deny a deduction for certain payments made by another entity to a REIT or to a subsidiary of a REIT. Detailed draft legislation to enact these proposals and related explanatory notes were released by the Minister of Finance (Canada) on July 25, 2012 (the "**Stapled Security Proposals**"). Counsel understands that management of each of H&R REIT and H&R Finance Trust has reviewed the Stapled Security Proposals and has concluded that, while the draft legislation appears broader in scope than the proposals as originally announced, the Stapled Security Proposals should not materially adversely affect H&R REIT, H&R Finance Trust or the holders of H&R Stapled Units. However, no assurances can be given in this regard.

Taxation of H&R REIT and H&R Finance Trust

Each of H&R REIT and H&R Finance Trust will be subject to tax under Part I of the Tax Act on its income for the year (including net realized taxable capital gains), less the portion thereof that it deducts in respect of

amounts paid or payable to H&R Unitholders. An amount will be considered to be payable to an H&R Unitholder in a taxation year if it is paid to the H&R Unitholder in the year by H&R REIT or H&R Finance Trust, as applicable, or if the H&R Unitholder is entitled in that year to enforce payment of the amount. With the exception of the short taxation year of H&R REIT resulting from the QE Transactions, the taxation year of H&R REIT and H&R Finance Trust is the calendar year.

H&R REIT has investments in certain lower tier partnerships and trusts, and must generally include its income derived from such investments in computing its income.

H&R Finance Trust must include in computing its income for each taxation year all interest that is received or receivable by H&R Finance Trust on its U.S. Holdco Notes in that year and, in addition (except to the extent otherwise included), must include all interest on its U.S. Holdco Notes that accrues thereon to the end of such year, to the extent such amount was not included in computing its income for a preceding taxation year. In certain circumstances, including in particular where additional U.S. Holdco Notes are acquired by H&R Finance Trust at an amount that differs from the principal amount thereof, it is possible that amounts in respect of interest on U.S. Holdco Notes may be deemed to accrue as interest under the "prescribed debt obligation" rules in the Tax Act, in which case such amounts that are so deemed to accrue would effectively be included in income prior to the actual accrual or receipt of such amounts.

In computing its income for purposes of the Tax Act, each of H&R REIT and H&R Finance Trust may generally deduct reasonable administrative costs, interest and other expenses of a current nature incurred by it for the purpose of earning income. Each may also deduct on a five-year straight line basis (subject to proration for short taxation years) reasonable expenses incurred by it in the course of issuing units or borrowing money. The declaration of trust of each of H&R REIT and H&R Finance Trust indicates that, in computing the trust's taxable income, except as the trustees otherwise determine, H&R REIT and H&R Finance Trust, as applicable, shall claim the maximum amount of CCA and other discretionary deductions available to it under the Tax Act.

The declaration of trust of each of H&R REIT and H&R Finance Trust generally provides that each trust will make distributions in each year to its unitholders in an amount sufficient to ensure that each trust generally will not be liable for tax under Part I of the Tax Act in any year (after taking into account any applicable tax refunds to it and any capital gains refund (defined below) available to the trust in connection with a redemption of units). Where income of H&R REIT or H&R Finance Trust in a taxation year exceeds the total cash distributions for that year from such trust (for example, where interest on U.S. Holdco Notes has accrued, or has been deemed to accrue, but has not been received, or where H&R Finance Trust incurs cash expenses that are not currently deductible in full), such excess income may be distributed to H&R Unitholders in the form of additional units of such trust, following which the units of H&R REIT or H&R Finance Trust, as applicable, will be consolidated. Income of H&R REIT or H&R Finance Trust payable to H&R Unitholders, whether in cash, additional units or otherwise, generally will be deductible by H&R REIT or H&R Finance Trust, as the case may be, in computing its taxable income.

A distribution by H&R REIT or H&R Finance Trust of its property upon a redemption of its units will generally be treated as a disposition by it of such property for proceeds of disposition equal to the fair market value thereof. In the case of a distribution of Subsidiary Securities, H&R REIT or H&R Finance Trust, as applicable, might also be required to include in its income the accrued interest on such Subsidiary Securities not otherwise included in income. H&R REIT or H&R Finance Trust, as the case may be, will realize a capital gain (or sustain a capital loss) to the extent that the proceeds from the disposition (net of amounts included in respect of interest) exceed (or are less than) the adjusted cost base to it of the relevant property and any reasonable costs of disposition.

Losses incurred by H&R REIT or H&R Finance Trust cannot be allocated to unitholders, but may be deducted by H&R REIT or H&R Finance Trust, as applicable, in future years in accordance with the Tax Act.

Each of H&R REIT and H&R Finance Trust will be entitled for 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, the capital gains refund in a particular taxation year may not completely offset the tax liability of H&R REIT or H&R Finance Trust, as applicable, for that taxation year arising in connection with the distribution of the trust's property on the redemption of its units. All or a portion of any income (including taxable capital gains) realized by H&R REIT or H&R Finance Trust, as applicable, as a result of such redemption may, at the discretion of such trust's trustees, be treated as income paid or payable to the redeeming H&R REIT Unitholder or H&R Finance Trust Unitholder, as the case may be, and will be deductible by H&R REIT or H&R Finance Trust, as applicable, in computing its income.

Distributions – H&R Unitholders

An H&R Unitholder will generally be required to include in computing income for a particular taxation year the portion of the net income for tax purposes of H&R REIT and H&R Finance Trust for a taxation year (including net realized taxable capital gains) that is paid or payable to the H&R Unitholder in the particular taxation year, whether such portion is received in cash, additional H&R REIT Units, H&R Finance Trust Units or otherwise.

The after-tax return to H&R Unitholders (other than H&R Unitholders exempt from tax) from an investment in H&R Stapled Units will depend, in part, on the composition for tax purposes of distributions paid by H&R REIT and H&R Finance Trust, portions of which may be fully or partially taxable or may constitute non-taxable returns of capital. The composition for tax purposes of such distributions may change over time, thus affecting the after-tax return to such H&R Unitholders.

Provided appropriate designations are made by H&R REIT and H&R Finance Trust, net taxable capital gains realized by H&R REIT and H&R Finance Trust that are paid or become payable to H&R Unitholders will retain their character as taxable capital gains to H&R Unitholders for purposes of the Tax Act and will be subject to the general rules relating to the taxation of capital gains described below.

The non-taxable portion of any net capital gains of H&R REIT and H&R Finance Trust that is paid or payable, or deemed to be paid or payable, to an H&R Unitholder in a taxation year will not be included in computing the H&R Unitholder's income for the year. Any other amount in excess of the net income and net taxable capital gains of H&R REIT and H&R Finance Trust that is paid or payable, or deemed to be paid or payable, to an H&R Unitholder in a taxation year generally will not be included in the H&R Unitholder's income for the year. An H&R Unitholder will be required to reduce the adjusted cost base of its H&R REIT Units or H&R Finance Trust Units, as applicable, by the portion of any amount (other than proceeds of disposition in respect of the redemption of such units and the non-taxable portion of net capital gains) paid or payable to such H&R Unitholder that was not included in computing the H&R Unitholder's income and will realize a capital gain to the extent that the adjusted cost base of the applicable H&R REIT Units or H&R Finance Trust Units to the H&R Unitholder, as the case may be, would otherwise be a negative amount.

Dispositions of H&R Stapled Units

A holder of H&R Stapled Units who disposes of an H&R Stapled Unit will be required to make a reasonable allocation of the proceeds of such disposition between the H&R REIT Unit and the H&R Finance Trust Unit

represented by the H&R Stapled Unit. The tax implications of such disposition will then be determined as if the H&R Unitholder had separately disposed of one H&R REIT Unit and one H&R Finance Trust Unit for proceeds of disposition as so allocated.

On the disposition or deemed disposition of an H&R REIT Unit or H&R Finance Trust Unit, whether on a redemption or otherwise, the H&R Unitholder will realize a capital gain (or sustain a capital loss) equal to the amount, if any, by which the H&R Unitholder's proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the H&R REIT Unit or the H&R Finance Trust Unit, as applicable, to the H&R Unitholder immediately prior to the disposition. Proceeds of disposition will not include an amount payable by H&R REIT or H&R Finance Trust, as the case may be, that is otherwise required to be included in the H&R Unitholder's income (such as an amount designated as payable by H&R REIT or H&R Finance Trust to a redeeming H&R Unitholder out of capital gains or income of H&R REIT or H&R Finance Trust as described above). In the case of a redemption of H&R REIT Units and H&R Finance Trust Units, H&R REIT will advise the redeeming Unitholder as to the respective redemption prices of the H&R REIT Units, on the one hand, and the H&R Finance Trust Units, on the other hand. Refer to "*Taxation of Capital Gains and Capital Losses*" below.

The adjusted cost base of an H&R REIT Unit and an H&R Finance Trust Unit to an H&R Unitholder will include all amounts paid by the H&R Unitholder for the H&R REIT Unit and the H&R Finance Trust Unit, as the case may be, subject to certain adjustments. An H&R Unitholder who acquires H&R Stapled Units will be required to allocate the cost of each such H&R Stapled Unit between the H&R REIT Unit and the H&R Finance Trust Unit represented by such H&R Stapled Unit. The cost to an H&R Unitholder of additional H&R REIT Units or H&R Finance Trust Units received in lieu of a cash distribution of income (including net capital gains) will be the amount of income (together with the applicable non-taxable portion of net capital gains) distributed by the issue of those respective H&R REIT Units or H&R Finance Trust Units. For the purpose of determining the adjusted cost base of the H&R REIT Units or H&R Finance Trust Units, the cost of newly acquired H&R REIT Units or H&R Finance Trust Units, as applicable, will be averaged with the adjusted cost base of all other H&R REIT Units or H&R Finance Trust Units, as the case may be, held as capital property by the H&R Unitholder immediately before the acquisition.

Where H&R REIT Units or H&R Finance Trust Units are redeemed in consideration for the distribution by H&R REIT or H&R Finance Trust of notes or other property, the proceeds of disposition to the redeeming unitholder will be equal to the fair market value of the notes or other property so distributed less any income or capital gain realized by H&R REIT or H&R Finance Trust, as applicable, in connection with such redemption which is paid or payable to the redeeming unitholder. Where income (including a taxable capital gain) is realized by H&R REIT or H&R Finance Trust upon or in connection with an *in specie* distribution of property on a redemption of H&R REIT Units or H&R Finance Trust Units, the redeeming unitholder will be required to include in income such income as is paid or payable to it. The cost of any property distributed *in specie* by H&R REIT or H&R Finance Trust to a unitholder upon redemption will be equal to the fair market value of that property at the time of the distribution.

An H&R Unitholder to which Subsidiary Securities are distributed by H&R REIT or H&R Finance Trust will be required to include in income interest on the Subsidiary Securities in accordance with the provisions of the Tax Act. To the extent that the H&R Unitholder is required to include in income any interest accrued on the Subsidiary Securities acquired by the H&R Unitholder prior to the date of acquisition, an offsetting deduction may be available.

H&R Unitholders are advised to consult their own tax advisors prior to exercising their redemption rights.

Special Tax on Certain Corporations

An H&R Unitholder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 2/3% on its "aggregate investment income" (as defined in the Tax Act), including taxable capital gains.

Alternative Minimum Tax

In general terms, net income of H&R REIT or H&R Finance Trust paid or payable to an H&R Unitholder who is an individual (other than certain specified trusts) and that is designated as taxable dividends or as net taxable capital gains and capital gains realized on a disposition of H&R REIT Units or H&R Finance Trust Units by such H&R Unitholder may increase the H&R Unitholder's liability for alternative minimum tax.

Taxation of Capital Gains and Capital Losses

One-half of any capital gain realized by a Primaris Unitholder or an H&R Unitholder on the disposition of a Primaris Unit, H&R REIT Unit or H&R Finance Trust Unit and the amount of any net taxable capital gains designated by Primaris, H&R REIT or H&R Finance Trust, as applicable, in respect of such unitholder will be required to be included by the unitholder in computing income as a taxable capital gain under the Tax Act and, subject to the detailed rules in the Tax Act, one-half of any capital loss sustained on a disposition of a Primaris Unit, H&R REIT Unit or H&R Finance Trust Unit may generally be deducted only from taxable capital gains of the unitholder in the year of disposition, in the three preceding taxation years or in any subsequent taxation years, to the extent and under the circumstances described in the Tax Act.

Capital gains realized by an individual (including certain trusts) may give rise to a liability for alternative minimum tax.

Where a Primaris Unitholder or H&R Unitholder that is a corporation or trust (other than a mutual fund trust) disposes of a Primaris Unit, H&R REIT Unit or H&R Finance Trust Unit, as applicable, the unitholder's capital loss from the disposition may be reduced by the amount of any distribution received by the unitholder to the extent such distribution was designated by Primaris, H&R REIT or H&R Finance Trust, as applicable, as being a dividend in accordance with the Tax Act, except to the extent that a loss on a previous disposition of a Primaris Unit, H&R REIT Unit or H&R Finance Trust Unit, as applicable, by the unitholder has been reduced by the distribution. Analogous rules apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Primaris Units, H&R REIT Units or H&R Finance Trust Units.

Where a Primaris Unitholder or H&R Unitholder that is not a corporation, trust or partnership disposes of a Primaris Unit, H&R REIT Unit or H&R Finance Trust Unit, the unitholder's capital loss from the disposition will generally be reduced by the amount of any distribution received by the unitholder to the extent such distribution was designated by Primaris, H&R REIT or H&R Finance Trust, as applicable, as being a capital dividend in accordance with the Tax Act, except to the extent that a loss on a previous disposition of a Primaris Unit, H&R REIT Unit or H&R Finance Trust Unit, as applicable, by the unitholder has been reduced by the distributions.

Eligibility for Investment

In the opinion of McCarthy Tétrault LLP, provided each of H&R REIT and H&R Finance Trust qualifies as a mutual fund trust as of the date of this Information Circular, the H&R REIT Units and H&R Finance Trust Units,

if issued on the date of this Information Circular, would be, on such date, qualified investments for Registered Plans.

Subsidiary Securities received as a result of a redemption *in specie* of H&R REIT Units or H&R Finance Trust Units, as applicable, may not be qualified investments for Registered Plans, and this may give rise to adverse tax consequences to such Registered Plans or the holder of or the annuitant or beneficiary thereunder. Accordingly, Registered Plans should consult with their own tax advisors before deciding to exercise redemption rights in connection with H&R REIT Units or H&R Finance Trust Units.

Notwithstanding that H&R REIT Units and H&R Finance Trust Units may be qualified investments for a TFSA, RRSP or RRIF, the holder of a TFSA, or the annuitant of an RRSP or RRIF, as the case may be, will be subject to a penalty tax if such units are a "prohibited investment" for the particular TFSA, RRSP or RRIF. H&R REIT Units or H&R Finance Trust Units will generally be a "prohibited investment" if the holder of the TFSA or the annuitant of the RRSP or RRIF, as the case may be, (i) does not deal at arm's length with H&R REIT or H&R Finance Trust, as the case may be, for purposes of the Tax Act, (ii) has a "significant interest" (within the meaning of the Tax Act) in such trust, or (iii) has a "significant interest" (within the meaning of the Tax Act) in a corporation, partnership or trust with which such trust does not deal at arm's length for purposes of the Tax Act. Proposed amendments to the Tax Act released on December 21, 2012 propose to delete the condition in (iii) above. In addition, pursuant to such proposed amendments, the H&R REIT Units and H&R Finance Trust Units generally will not be a "prohibited investment" if such units are "excluded property" (as defined in the proposed amendments). Holders of a TFSA and annuitants of an RRSP or RRIF should consult their own tax advisors in regards to the application of these rules in their particular circumstances.

Non-Residents of Canada

This portion of the summary applies to a Primaris Unitholder who, at all relevant times, for purposes of the Tax Act and any applicable income tax convention, (i) is neither resident nor deemed to be resident in Canada, (ii) does not use or hold Primaris Units in a business carried on in Canada, (iii) will not use or hold H&R REIT Units or H&R Finance Trust Units, if any, acquired in exchange for Primaris Units in a business carried on in Canada, and (iv) is not a non-resident insurer (a "**Non-Resident Holder**").

Primaris Special Distribution and Pre-Effective Date Distributions

The tax treatment to Non-Resident Holders of the Primaris Special Distribution, if any, will be determined in a manner similar to that applicable to other distributions that have been paid or payable by Primaris to Non-Resident Holders.

As stated above, CCA in respect of properties disposed of on the Sale Transactions will not be available in the fiscal period of Primaris Subsidiaries that includes the Sale Transactions. This could affect Primaris' income for its taxation year ending on the Effective Date and, accordingly, the nature of distributions that have been paid or made payable by Primaris in its current taxation year. **Non-Resident Holders should consult their own tax advisors regarding the characterization of such distributions and withholding tax implications**.

Cash Redemption and Dissent – Distribution Paid on Redemption of a Primaris Unit for Cash Consideration and Cancellation of a Dissent Unit

A Non-Resident Holder who disposes of a Primaris Unit to Primaris for Cash Consideration or who is a Dissenting Unitholder whose Dissent Unit is cancelled 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 Primaris' income (including Recapture Income but excluding, for greater certainty, taxable capital gains designated by Primaris in respect of the Non-Resident Holder) arising from the Sale Transactions that is paid or credited, or deemed to be paid or credited, in respect of such unit to the Non-Resident Holder in connection with the Cash Redemption or cancellation of the Dissent Unit, as applicable. Primaris has advised that the amount of Recapture Income is not expected to exceed $3.01 per Dissent Unit or Primaris Unit redeemed on the Cash Redemption.

To the extent Primaris designates an amount paid or credited, or deemed to be paid or credited, 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 Primaris' "**TCP Gains Balance**" (within the meaning of the Tax Act) for the taxation year will be subject to Canadian non-resident withholding tax at the rate of 25% if more than 5% of the amounts so designated by Primaris for the taxation year ending on the Effective Date 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 (within the meaning of the Tax Act, "**TCP**"), less amounts deemed to be TCP gains distributions in previous taxation years.

The 25% rate of withholding tax under Part XIII of the Tax Act is subject to reduction pursuant to the provisions of an applicable income tax convention. For example, the reduced rate under the Canada-U.S. Tax Convention is generally 15%. **Non-Resident Holders should consult their own tax advisors for advice having regard to their particular circumstances, including whether an income tax convention applies.**

In addition, 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 Primaris Unit will be a "Canadian property mutual fund investment" to a Non-Resident Holder. Assuming that the Primaris Unit is not TCP to the Non-Resident Holder, as described below, and the Non-Resident Holder is therefore not subject to Part I tax on the disposition of such Primaris Unit on the Cash Redemption or cancellation of the Dissent Unit, as applicable, the Non-Resident Holder will be subject to the Mutual Fund Withholding Tax on the amount by which the payment made by Primaris to the Non-Resident in connection with the Cash Redemption or cancellation of the Dissent Unit, as applicable, exceeds the aggregate of (i) the Non-Resident Holder's share of the income (including Recapture Income) and (ii) capital gains arising from the Sale Transactions which are subject to Canadian withholding tax under Part XIII of the Tax Act as described above.

In effect, the entire amount paid to a Non-Resident Holder on the redemption of a Primaris Unit pursuant to the Cash Redemption or on the cancellation of a Dissent Unit, as applicable, will be subject to Canadian withholding tax. However, 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 Primaris Unit on the Cash Redemption or cancellation of the Dissent Unit, as applicable. 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 Primaris Unit upon the Cash Redemption or the cancellation of a Dissent Unit.

Non-Resident Holders will want to consider disposing of their Primaris Units on the TSX with a settlement date that is prior to the Effective Date and should consult their own tax and investment advisors with regard to this decision.

QE Redemption – Distribution of H&R REIT Units

Provided that Primaris and H&R REIT file an election under section 132.2 of the Tax Act in the manner and time prescribed, the Mutual Fund Withholding Tax will not apply in respect of the distribution of H&R REIT Units on the QE Redemption.

Distributions on H&R REIT Units and H&R Finance Trust Units

A Non-Resident Holder of H&R REIT Units or H&R Finance Trust Units will be subject to Canadian withholding tax under Part XIII of the Tax Act at the rate of 25% on the portion of the trust's income (excluding, for greater certainty, taxable capital gains designated by the trust in respect of the Non-Resident Holder) paid or credited, or deemed to be paid or credited, in respect of such units to the Non-Resident Holder, whether such distributions are paid in cash or *in specie*.

To the extent H&R REIT or H&R Finance Trust, as applicable, designates an amount paid or credited, or deemed to be paid or credited, to the Non-Resident Holder as a taxable capital gain of such Non-Resident Holder, one-half of the lesser of twice the amount so designated in respect of such Non-Resident Holder and such Non-Resident Holder's *pro rata* portion of the trust's TCP Gains Balance (as described above) for the taxation year will be subject to Canadian non-resident withholding tax at the rate of 25% if more than 5% of the amounts so designated by the trust for the 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).

The 25% rate of withholding tax under Part XIII of the Tax Act is subject to reduction pursuant to the provisions of an applicable income tax convention. In the case of the Canada-U.S. Tax Convention, there is uncertainty as to the appropriate rate. **Non-Resident Holders should consult their own tax advisors for advice having regard to their particular circumstances, including whether an income tax convention applies.**

The Mutual Fund Withholding Tax will generally apply in respect of distributions paid or credited to a Non-Resident Holder from H&R REIT that are otherwise not subject to tax under Part I or Part XIII of the Tax Act. However, a Non-Resident Holder may be entitled to file a special Canadian tax return to claim a refund of all or a portion of such tax if the Non-Resident Holder has Canadian property mutual fund losses (as described above).

Dispositions of Primaris Units and H&R Stapled 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 Primaris Units (including a disposition of Primaris Units on the TSX with a settlement date that is prior to the Effective Date), H&R REIT Units or H&R Finance Trust Units unless the Primaris Units, H&R REIT Units or H&R Finance Trust Units, as the case may be, are TCP of the Non-Resident Holder for purposes of the Tax Act and are not "treaty-protected property" of the Non-Resident Holder for purposes of the Tax Act.

Generally, a Primaris Unit, H&R REIT Unit or H&R Finance Trust Unit will not constitute TCP to a Non-Resident Holder at the time of disposition provided that the Non-Resident Holder (alone or in combination with persons with whom the Non-Resident Holder does not deal at arm's length) has not owned 25% or more of the units of Primaris, H&R REIT or H&R Finance Trust, as applicable, at any particular time during the 60-month period that ends at that time.

Even if the Primaris Units, H&R REIT Units or H&R Finance Trust Units, as the case may be, are TCP to the Non-Resident Holder, a taxable capital gain resulting from the disposition of such units will not be included in the Non-Resident Holder's taxable income earned in Canada for the purposes of the Tax Act if, at the time of disposition, the Primaris Units, H&R REIT Units or H&R Finance Trust Units, as applicable, constitute "treaty-protected property" of the Non-Resident Holder for purposes of the Tax Act. Primaris Units, H&R REIT Units and H&R Finance Trust Units will generally be considered treaty-protected property of a Non-Resident Holder for purposes of the Tax Act at the time of disposition if the gain from their disposition would, because of an applicable income tax treaty between Canada and the country in which the Non-Resident Holder is resident for purposes of such treaty, be exempt from tax under the Tax Act.

Non-Resident Holders whose Primaris Units, H&R REIT Units or H&R Finance Trust Units, as the case may be, are TCP should consult their own tax advisors for advice having regard to their particular circumstances, including whether their units constitute treaty-protected property.

Non-Resident Holders who dispose of Primaris Units on the TSX with a settlement date that is prior to the Effective Date should consult their own tax and investment advisors.

A unit of a mutual fund trust is "excluded property" for purposes of section 116 of the Tax Act. Accordingly, the compliance withholding regime under section 116 of the Tax Act will not apply to a disposition of Primaris Units, H&R REIT Units or H&R Finance Trust Units.

General

Canadian non-resident withholding tax imposed under the Tax Act payable by Non-Resident Holders will be withheld and remitted to the CRA on behalf of such Non-Resident Holders.

Non-Resident Holders should consult their own tax advisors with regards to the application of applicable income tax conventions and the availability of any applicable foreign tax credits, exemptions or refunds in respect of any Canadian withholding taxes.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain anticipated U.S. federal income tax considerations for holders of Primaris Units arising from the Amended Transaction, including the disposition of Primaris Units for H&R REIT Units, H&R Finance Trust Units, cash, or any combination thereof, and the ownership and disposition of such securities and cash. This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder as a result of the Amended Transaction or as a result of the acquisition, ownership and disposition of the securities or cash received in connection with the Amended Transaction. In addition, this summary does not take into account the

individual facts and circumstances of any particular holder that may affect the U.S. federal income tax considerations applicable to such holder. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any holder. Moreover, this summary is not binding on the Internal Revenue Service (the "**IRS**") or the U.S. courts, and no assurance can be provided that the conclusions reached in this summary will not be challenged by the IRS or will be sustained by a U.S. court if so challenged. Primaris has not requested, and does not intend to request, a ruling from the IRS or an opinion from legal counsel regarding any of the U.S. federal income tax consequences of the Amended Transaction. Each holder should consult its own tax advisor regarding the U.S. federal, U.S. state and local, and foreign tax consequences of the Amended Transaction and the receipt, ownership and disposition of H&R REIT Units, H&R Finance Trust Units, and cash received in connection with the Amended Transaction.

TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT CIRCULAR 230, U.S. HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS DOCUMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON BY A HOLDER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE INTERNAL REVENUE CODE; (B) THIS SUMMARY WAS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED IN THIS DOCUMENT; AND (C) EACH HOLDER SHOULD SEEK ADVICE BASED ON SUCH HOLDER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

This summary is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury Regulations (final, temporary, and proposed), U.S. court decisions, published IRS rulings and published administrative positions of the IRS, and the Canada-U.S. Tax Convention, that are in effect as of the date of this document. Any of the authorities on which this summary is based could be changed at any time, and any such change could be applied on a retroactive basis and could affect the U.S. federal income tax considerations described in this summary.

For purposes of this summary, a "**U.S. Holder**" is an owner of Primaris Units participating in the Amended Transaction that is (a) an individual who is a citizen or resident of the U.S. for U.S. federal income tax purposes, (b) a corporation, or other entity classified as a corporation for U.S. federal income tax purposes, that is created or organized in or under the laws of the U.S. or any state in the U.S., including the District of Columbia, (c) an estate if the income of such estate is subject to U.S. federal income tax regardless of the source of such income, or (d) a trust if (i) such trust has validly elected to be treated as a U.S. person for U.S. federal income tax purposes or (ii) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of such trust.

For purposes of this summary, a "**Non-U.S. Holder**" is an owner of Primaris Units participating in the Amended Transaction that is not a U.S. Holder.

This summary does not address the U.S. federal income tax considerations of the Amended Transaction to U.S. Holders that are subject to special provisions under the Code, including U.S. Holders that are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; that are financial institutions, insurance companies, real estate investment trusts, or regulated investment companies or that are broker-dealers, dealers, or traders in securities or currencies that elect to apply a mark-to-market accounting method; that have a "functional currency" other than the U.S. dollar; that own Primaris Units as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; that acquired Primaris Units in connection with the exercise of employee stock options or

otherwise as compensation for services; that hold Primaris Units other than as a capital asset within the meaning of Section 1221 of the Code; who are U.S. expatriates or former long-term residents of the United States; and that own or will own directly, indirectly, or by attribution, 10% or more, by voting power or value, of the outstanding Primaris Units, H&R REIT Units, or H&R Finance Trust Units. U.S. Holders that are subject to special provisions under the Code should consult their own tax advisors regarding the U.S. federal, U.S. state and local, and foreign tax consequences of the Amended Transaction.

If an entity that is classified as a partnership (or "pass-through" entity) for U.S. federal income tax purposes holds Primaris Units, the U.S. federal income tax consequences to such partnership (or "pass-through" entity) and the partners of such partnership (or owners of such "pass-through" entity) of participating in the Amended Transaction and owning H&R REIT Units or H&R Finance Trust Units generally will depend on the activities of the partnership (or "pass-through" entity) and the status of such partners (or owners). Partners of entities that are classified as partnerships (and owners of "pass-through" entities) for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences of the Amended Transaction.

This summary does not address the state, local, U.S. federal alternative minimum tax, estate and gift, or foreign tax consequences to holders of the Amended Transaction. Each holder should consult its own tax advisor regarding the state, local, U.S. federal alternative minimum tax, estate and gift, and foreign tax consequences to them of the Amended Transaction.

Characterization of the Stapled Units

Because the Stapled Units consist of interests in two separate entities (each of which has significant assets) and can be separated (i) by a vote of the holders of Stapled Units or (ii) in the event of a bankruptcy, insolvency or similar event, in which case the economic interests of the holders of H&R Finance Trust Units would be expected to diverge from their interests as holders of H&R REIT Units, H&R has taken the position that the H&R REIT Units and the H&R Finance Trust Units should be treated for U.S. federal income tax purposes as two separate instruments, rather than as a single instrument. However, there is a limited amount of legal authority addressing the characterization of stapled financial instruments and, accordingly, there can be no assurance that the IRS will agree with this conclusion or that this position would prevail if the IRS were to challenge this conclusion.

Assuming that the H&R REIT Units and the H&R Finance Trust Units are treated as separate financial instruments and that Finance Trust is classified as a Fixed Investment Trust, as described below under "*Characterization of H&R Finance Trust*", a holder's interest in the Finance Trust Unit included in a Stapled Unit should be treated as direct ownership of an undivided interest in the assets held by H&R Finance Trust. If the IRS were to assert successfully that the Stapled Units are properly treated as a single integrated instrument for U.S. federal income tax purposes, then the holder of Stapled Units might not be treated as the owner of the notes held by H&R Finance Trust.

Holders are urged to consult their own tax advisors regarding the tax consequences that could result from the Stapled Units not being treated as two separate instruments. The remainder of this discussion assumes that the H&R REIT Units and H&R Finance Trust Units will be treated as two separate instruments.

Characterization of H&R Finance Trust

H&R Finance Trust has taken the position that it is an investment trust that is classified as a grantor trust for U.S. federal income tax purposes (hereinafter, a "Fixed Investment Trust"). In general, an investment trust will

qualify as a Fixed Investment Trust if: (i) the trust has a single class of ownership interests, representing undivided beneficial interests in the assets of the trust; and (ii) there is no power under the trust agreement to vary the investment of the holders. If H&R Finance Trust is a Fixed Investment Trust, then it will generally be disregarded for U.S. federal income tax purposes, with the result that the holders of H&R Finance Units will be treated as owning directly a pro rata share of the assets (that is, notes) held by H&R Finance Trust based on the portion of the Stapled Units that is attributable to Finance Trust Units. Moreover, all payments made on the notes held by H&R Finance Trust will be treated as payments made directly to the holders of the Stapled Units in proportion to their interest in H&R Finance Trust.

If Finance Trust is not treated as a Fixed Investment Trust, it will be treated as either a partnership or a corporation for U.S. federal income tax purposes, which could materially adversely affect the tax treatment of holders. In addition, H&R Finance Trust, as either a corporation or a partnership, would be treated as being "related" to one of H&R REIT's United States subsidiaries, and the application of section 163(j) of the Code potentially could reduce such subsidiary's allowable interest deductions and thus, reduce the amount of funds available for distribution by H&R REIT to the holders of Stapled Units. Holders are urged to consult their own tax advisors regarding the tax consequences that could result from H&R Finance Trust not being classified as a Fixed Investment Trust. The remaining discussion assumes that H&R Finance Trust will be classified as a Fixed Investment Trust.

Consequences to U.S. Holders

Disposition of Primaris Units

U.S. Holders that exchange their Primaris Units for H&R REIT Units, H&R Finance Trust Units, and cash, or any combination thereof, will recognize gain or loss on such exchange for U.S. federal income tax purposes. The amount of gain or loss recognized will be equal to the difference between the "amount realized" and the U.S. Holder's aggregate adjusted tax basis in the Primaris Units exchanged. The "amount realized" will equal the aggregate fair market value of the H&R REIT Units, the assets of H&R Finance Trust, and the U.S. dollar value of any Canadian currency received. A U.S. Holder's initial tax basis in a Primaris Unit generally equals such U.S. Holder's initial cost of such unit, and would be adjusted to reflect, among other things, distributions by Primaris that were not treated as dividends for U.S. federal income tax purposes.

Subject to the passive foreign investment company ("**PFIC**") rules discussed below, any gain or loss recognized generally will constitute capital gain or loss, which will be long-term capital gain or loss if the holding period for a Primaris Unit is more than one year. Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code. Gain or loss recognized by a U.S. Holder generally will be treated as U.S. source income or loss.

Primaris does not believe that it is currently a PFIC and, therefore, the rules discussed above should generally apply. However, if Primaris were a PFIC in earlier years, U.S. Holders whose holding period for their Primaris Units includes the period during which it was a PFIC would be subject to the PFIC rules discussed below (under the heading "*Passive Foreign Investment Companies*") upon disposition of their Primaris Units. The rules regarding disposition of stock of a company that was a PFIC at any point during a U.S. Holder's holding period are complex and U.S. Holders are urged to consult their tax advisors regarding the application of these rules to their particular circumstances.

A U.S. Holder's initial tax basis in the H&R REIT Units received will equal their fair market value, and the U.S. Holder's holding period with respect to such units will begin on the day after the U.S. Holder receives such units. A U.S. Holder's initial tax basis in its undivided interests in assets of H&R Finance Trust will equal the fair market value of its interest in such assets.

The rules regarding a U.S. Holder's tax basis in H&R Finance Trust and its assets are complex, and U.S. Holders are urged to consult their tax advisors regarding these rules.

Distributions on H&R REIT Units

Subject to the discussion below under the heading "*Passive Foreign Investment Companies*," a U.S. Holder that receives a cash distribution with respect to the H&R REIT Units will be required to include the amount of such distribution in gross income as a dividend (without reduction for any Canadian income tax withheld from such distribution) to the extent of the current or accumulated "earnings and profits" of H&R REIT, as determined under U.S. federal income tax rules. To the extent that a distribution exceeds the current and accumulated "earnings and profits" of H&R REIT, such distribution will be treated (a) first, as a tax-free return of capital to the extent of a U.S. Holder's tax basis in the H&R REIT Units, and (b) thereafter, as gain from the sale or exchange of such units. However, H&R may not maintain the calculations of earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder therefore may have to assume that any distribution by H&R REIT with respect to H&R REIT Units will constitute ordinary dividend income.

Generally, dividends paid by H&R REIT should be treated as foreign source income for purposes of the foreign tax credit. Dividends paid on the H&R REIT Units generally will not be eligible for the "dividends received deduction" generally available to U.S. corporate shareholders receiving dividends from U.S. corporations.

Dividends paid by H&R REIT generally will be taxed at the preferential tax rates applicable to long-term capital gains if (a) H&R REIT is a "qualified foreign corporation" (as defined below), (b) the U.S. Holder receiving such dividend is an individual, estate, or trust, and (c) certain holding period requirements are met. H&R REIT generally will be a "qualified foreign corporation" if (a) H&R REIT is eligible for the benefits of the Canada-U.S. Tax Convention, or (b) the H&R REIT Units are readily tradable on an established securities market in the U.S. However, even if H&R REIT satisfies one or more of such requirements, H&R REIT will not be treated as a qualified foreign corporation if H&R REIT is a PFIC for the tax year during which H&R REIT pays a dividend or for the preceding tax year. H&R REIT believes that it is currently a PFIC and, thus, dividends paid by H&R REIT will not be taxed at preferential tax rates.

Taxation of H&R Finance Trust Units

Based on H&R Finance Trust's position that it is a Fixed Investment Trust, U.S. Holders of H&R Finance Trust Units will be taxed currently on H&R Finance Trust's income, regardless of whether H&R Finance Trust makes any distributions to such U.S. Holders. Generally, such income will be ordinary income for U.S. federal income tax purposes and, based on the current assets of H&R Finance Trust, will be U.S. source income. If a U.S. Holder has an initial tax basis in its interests in the notes held by H&R Finance Trust that is greater than its share of their face amount, such holder would likely be treated as having bond premium in such notes. The procedures for reporting the income of H&R Finance Trust are complex and U.S. Holders are urged to consult their tax advisors regarding the consequences of holding H&R Finance Trust Units, including the tax basis consequences of income inclusion and cash distributions, and the rules relating to the computation of bond premium.

Passive Foreign Investment Companies

A foreign corporation generally will be considered a PFIC if, for a given tax year, (a) 75% or more of the gross income of the corporation for such tax year is passive income (the "**income test**") or (b) 50% or more of the assets held by the corporation either produce passive income or are held for the production of passive income, based on the fair market value of such assets (the "**asset test**"). "Passive income" includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions.

For purposes of the PFIC income test and assets test described above, if a corporation owns, directly or indirectly, 25% or more of the total value of the outstanding shares of another corporation, the first corporation will be treated as if it (a) held a proportionate share of the assets of such other corporation and (b) received directly a proportionate share of the income of such other corporation. In addition, for purposes of the PFIC income test and asset test described above, "passive income" does not include any interest, dividends, rents, or royalties that are received or accrued by a corporation from a "related person," to the extent such items are properly allocable to the income of such related person that is not passive income.

If a corporation is a PFIC and owns shares of another foreign corporation that also is a PFIC (a "**Subsidiary PFIC**"), under certain indirect ownership rules, a disposition of the shares of the Subsidiary PFIC or a distribution received from the Subsidiary PFIC generally will be treated as an indirect disposition by a U.S. Holder or an indirect distribution received by a U.S. Holder, subject to the rules of Section 1291 of the Code discussed below. To the extent that gain recognized on the actual disposition by a U.S. Holder of shares of a corporation which is a PFIC or income recognized by a U.S. Holder on an actual distribution received on shares of a PFIC was previously subject to U.S. federal income tax under these indirect ownership rules, such amount generally should not be subject to U.S. federal income tax.

H&R REIT expects to be a PFIC for the tax year in which the Amended Transaction occurs and will likely be a PFIC in subsequent years. However, PFIC classification is factual in nature, and generally cannot be determined until the close of the tax year in question. If H&R REIT is a PFIC, the U.S. federal income tax consequences to a U.S. Holder of the acquisition, ownership, and disposition of H&R REIT Units will depend on whether such U.S. Holder makes an election to treat H&R REIT as a "qualified electing fund" or "QEF" under Section 1295 of the Code (a "**QEF Election**") or has made a mark to market election under Section 1296 of the Code (a "**Mark to Market Election**") with respect to the H&R REIT Units. A U.S. Holder that does not make either a QEF Election or a Mark to Market Election with respect to its H&R REIT Units will be referred to in this summary as a "Non-Electing U.S. Holder."

A Non Electing U.S. Holder will be subject to the rules of Section 1291 of the Code with respect to (a) any gain recognized on the sale or other taxable disposition of H&R REIT Units and (b) any "excess distribution" paid on the H&R REIT Units. A distribution generally will be an "excess distribution" to the extent that such distribution (together with all other distributions received in the current tax year) exceeds 125% of the average distributions received during the three preceding tax years (or during a U.S. Holder's holding period for the PFIC units, if shorter).

Under Section 1291 of the Code, any gain recognized on the sale or other taxable disposition of shares of a PFIC and any excess distribution paid on such shares must be ratably allocated to each day in a Non-Electing U.S. Holder's holding period for the PFIC's securities. The amount of any such gain or excess distribution allocated to prior years of such Non-Electing U.S. Holder's holding period for the PFIC shares will be subject to U.S. federal income tax at the highest rate of tax applicable to ordinary income in each such prior year. A

Non-Electing U.S. Holder will be required to pay interest on the resulting tax liability for each such prior year, calculated as if such tax liability had been due in each such prior year. Such a Non-Electing U.S. Holder that is not a corporation must treat any such interest paid as "personal interest", which is not deductible. The amount of any such gain or excess distribution allocated to the current year of such Non-Electing U.S. Holder's holding period for the PFIC's securities will be treated as ordinary income in the current year, and no interest charge will be incurred with respect to the resulting tax liability for the current year.

If a corporation is a PFIC for any tax year during a Non-Electing U.S. Holder's holding period for the securities of such corporation, the corporation will continue to be treated as a PFIC with respect to such Non-Electing U.S. Holder, regardless of whether such corporation ceases to be a PFIC in one or more subsequent years. A Non-Electing U.S. Holder may terminate this deemed PFIC status with respect to the PFIC shares by electing to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above) as if such shares were sold on the last day of the last tax year for which such corporation was a PFIC.

The QEF Election likely will not be available to U.S. Holders of H&R REIT Units because H&R REIT does not expect to provide the necessary information to such holders to make the election.

A U.S. Holder may make a Mark to Market Election with respect to stock of a PFIC only if the securities are marketable stock. A PFIC's shares generally will be "marketable stock" if they are regularly traded on certain stock exchanges. A U.S. Holder that makes a Mark to Market Election with respect to its shares in a PFIC generally will not be subject to the rules of Section 1291 of the Code discussed above. Instead, such U.S. Holder would include in ordinary income, for each tax year in which the corporation is a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the shares in such PFIC as of the close of such tax year over (b) such U.S. Holder's tax basis in such PFIC shares, and would be allowed a deduction in an amount equal to the lesser of (a) the excess, if any, of (i) such U.S. Holder's adjusted tax basis in the PFIC shares over (ii) the fair market value of such PFIC shares as of the close of such tax year or (b) the excess, if any, of (i) the amount included in ordinary income because of such Mark to Market Election for prior tax years over (ii) the amount allowed as a deduction because of such Mark to Market Election for prior tax years. Such U.S. Holder would generally also adjust its tax basis in such PFIC shares to reflect the amount included in gross income or allowed as a deduction because of such Mark to Market Election.

In addition, upon a sale or other taxable disposition of such PFIC shares, a U.S. Holder that makes a Mark to Market Election will recognize ordinary income or loss (not to exceed the excess, if any, of (a) the amount included in ordinary income because of such Mark to Market Election for prior tax years over (b) the amount allowed as a deduction because of such Mark to Market Election for prior tax years). A Mark to Market Election applies to the tax year in which such Mark to Market Election is made and to each subsequent tax year, unless the shares of the PFIC cease to be "marketable stock" or the IRS consents to revocation of such election. Special rules apply if a U.S. Holder makes a Mark to Market Election at the beginning of its holding period.

It is not clear whether H&R REIT Units will be treated as meeting the trading requirements of the Mark to Market Election when they are part of the Stapled Units. If they do not meet these requirements, U.S. Holders of H&R REIT Units will not be permitted to make a Mark to Market Election. U.S. Holders are urged to consult their tax advisors regarding the possibility of making a Mark to Market Election and the consequences of owning shares of a PFIC.

Dispositions of H&R REIT Units or H&R Finance Trust Units

A U.S. Holder will recognize gain or loss on the sale or other taxable disposition of H&R REIT Units or H&R Finance Trust Units in an amount equal to the difference, if any, between (a) the amount of cash plus the

fair market value of any property received and (b) such U.S. Holder's adjusted tax basis in the H&R REIT Units or H&R Finance Trust Units sold or otherwise disposed of. Subject to the PFIC rules discussed above, any such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if the U.S. Holder's holding period for the H&R REIT Units or H&R Finance Trust Units exceeds one year.

Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code. Gain or loss recognized by a U.S. Holder generally will be treated as U.S. source income or loss.

Information Reporting and Backup Withholding

In general, information reporting will apply to dividends paid to U.S. Holders in respect of H&R REIT Units and H&R Finance Trust Units and the proceeds received by U.S. Holders from the sale, exchange or other disposition of H&R REIT Units or H&R Finance Trust Units within the United States unless such U.S. Holders are exempt recipients. A backup withholding tax may apply to such payments if U.S. Holders fail to provide a taxpayer identification number or certification of exempt status or fail to report in full dividend and interest income.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against U.S. Holder's U.S. federal income tax liability, provided that the required information is furnished to the IRS.

In addition, U.S. Holders should be aware of reporting requirements with respect to the holding of certain foreign financial assets, including stock of foreign issuers which is not held in an account maintained by certain financial institution, if the aggregate value of all of such assets exceeds U.S.$50,000. The Treasury and IRS continue to issue new guidance regarding these information reporting requirements, and U.S. Holders should consult their own tax advisors regarding the application of the information reporting rules to H&R REIT Units and H&R Finance Trust Units and their particular situations.

Foreign Tax Credit

A U.S. Holder that pays (whether directly or through withholding) Canadian income tax in connection with the Amended Transaction or in connection with the ownership or disposition of H&R REIT Units or H&R Finance Trust Units may be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian income tax paid. Generally, a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder's income subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a year. The foreign tax credit rules are complex, and each U.S. Holder should consult its own U.S. tax advisor regarding the foreign tax credit rules.

Receipt of Canadian Currency

The amount of any distribution or proceeds paid in Canadian dollars to a U.S. Holder in connection with the ownership of H&R REIT Units and H&R Finance Trust Units or on the sale, exchange or other taxable disposition of H&R REIT Units or H&R Finance Trust Units, or any Canadian dollars received as a result of the Amended Transaction, generally will be equal to the U.S. dollar value of such Canadian dollars based on the exchange rate applicable on the date of receipt (regardless of whether such Canadian dollars are converted into

U.S. dollars at that time). A U.S. Holder that receives Canadian dollars and converts such Canadian dollars into U.S. dollars at a conversion rate other than the rate in effect on the date of receipt may have a foreign currency exchange gain or loss, which generally would be treated as U.S. source ordinary income or loss.

Taxable dividends with respect to H&R REIT Units, if any, that are paid in Canadian dollars will be included in the gross income of a U.S. Holder as translated into U.S. dollars calculated by reference to the exchange rate prevailing on the date of actual or constructive receipt of the dividend, regardless of whether the Canadian dollars are converted into U.S. dollars at that time. If the Canadian dollars received are not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the Canadian dollars equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who receives payment in Canadian dollars and engages in a subsequent conversion or other disposition of the Canadian dollars may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes.

Each U.S. Holder should consult its own U.S. tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of Canadian dollars.

Additional Tax on Passive Income

U.S. Holders that are individuals, estates or trusts will be required to pay up to an additional 3.8% tax on the lesser of (1) the U.S. Holder's "net investment income" for the relevant taxable year and (2) the excess of the U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between $125,000 and $250,000, depending on the individual's circumstances). A U.S. Holder's "net investment income" will generally include, among other things, dividends and capital gains. Such tax will apply to dividends in respect of and to capital gains from the disposition of Primaris Units, H&R REIT Units, and H&R Finance Trust Units unless derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities).

Consequences to Non-U.S. Holders of the Ownership of H&R Finance Trust Units

Interest and Original Issue Discount

Based on the assumption that H&R Finance Trust is a Fixed Investment Trust, Non-U.S. Holders will be treated as owning a pro rata share in the assets held by H&R Finance Trust. Payments of principal and interest on notes from one of H&R REIT's United States subsidiaries held by H&R Finance Trust that are attributable to Non-US. Holders will be treated as payments directly to the Non-U.S. Holders. Subject to the discussion below, interest payments (including payments of original issue discount) on the notes to H&R Finance Trust should qualify as "portfolio interest" under the Code and generally should not be subject to U.S. withholding tax ("Portfolio Interest Exemption") provided that the following requirements are satisfied:

- the Non-U.S. Holder does not actually or constructively own 10% or more of the total combined voting power of all classes of the note issuer's stock entitled to vote;
- the Non-U.S Holder is not a controlled foreign corporation that is related to the issuer of the notes through stock ownership;
- the Non-U.S. Holder is not a bank receiving interest in the ordinary course of its banking business; and
- the Non-U.S. Holder satisfies the statement requirement set forth in section 871(a) and section 881(c) of the Code and the regulations thereunder, which requirement can generally be met by H&R Finance

Trust providing to the notes' issuer a completed IRS Form W-8IMY to which is attached either: (a) a completed IRS Form W-8BEN (or a suitable substitute or successor form) certifying under penalties of perjury that such Non-U.S. Holder is not a U.S person along with completed IRS Forms W-8IMY (or a suitable substitute or successor form) from any other intermediaries through which the H&R Finance Trust Units are held, or (b) an IRS Form W-8IMY from a "qualified intermediary" (as defined under Treasury Regulations) certifying that the qualified intermediary received documentation upon which it can rely to treat the Non-U.S. Holder as not a "U.S. person."

If a Non-U.S. Holder cannot satisfy the requirements of the Portfolio Interest Exemption described above, payments of interest (including original issue discount) attributable to the notes held by H&R Finance Trust that are allocable to such Non-U.S. Holder (or that are allocable to any U.S. Holder that fails to provide documentation and is consequently presumed to be a Non-U.S. Holder) will be subject to a 30% withholding tax unless such Non-U.S. Holder provides H&R Finance Trust with a properly executed IRS Form W-8BEN claiming an exemption from or reduction in withholding under an applicable income tax treaty (such as the Canada-U.S. Tax Convention). In that case, H&R Finance Trust may (i) reduce a subsequent distribution to such holder by the amount of such withholding tax, or (ii) demand reimbursement from such holder.

It is recommended that Non-U.S. Holders consult their tax advisor about the specific methods for satisfying these requirements. A claim for exemption will not be valid if the person receiving the applicable form has actual knowledge, or reason to know, that the statements on the form are false. A Non-U.S. Holder that cannot satisfy the requirements above will be subject to tax under section 871 of the Code. Such Non-U.S. Holder will be entitled to a credit based on amounts withheld. There can be no assurance that the IRS will not challenge the determination that the interest rate on the notes held by H&R Finance Trust represents an arm's length rate and, if successful, any excess amount over arm's length would not be deductible by the issuer of the notes and could be recharacterized as a dividend payment instead of an interest payment for U.S. federal income tax purposes. Such amount would be subject to withholding of U.S. federal income tax at a 30% rate (or a lower rate pursuant to the Canada-U.S. Tax Convention).

Disposition of H&R Finance Trust Units

If the notes held by H&R Finance Trust were successfully recharacterized by the IRS as equity in one of H&R REIT's United States subsidiaries, then such notes would generally be treated as "U.S. real property interests." In such a case any gain realized by a Non-U.S. Holder upon a disposition of the H&R Finance Trust Units held by such holder or upon a redemption of notes by H&R Finance Trust would give rise to income tax under FIRPTA and would, absent a withholding certificate being obtained from the IRS, be subject to U.S. withholding tax. In such a case, any amounts withheld by the transferee of the notes or by the U.S. subsidiary may be credited against the Non-U.S. Holder's U.S. income tax liability and any excess amount withheld may be refunded.

Non-U.S. Holders are urged to consult their own tax advisors regarding the tax consequences that could result from the notes held by H&R Finance Trust being characterized as equity.

Information Reporting

The amount of interest payments to H&R Finance Trust that are allocated to a Non-U.S. Holder and the amount of tax, if any, withheld with respect to such payments will be reported annually to the IRS. Copies of the information returns reporting the interest payments and withholding may also be made available to the tax authorities in the country in which a Non-U.S. Holder resides under the provisions of an applicable income tax treaty.

Consequences to Non-U.S. Holders of the Ownership of H&R REIT Units

Except for certain individual Non-U.S. Holders present in the U.S. for more than 183 days in a year and Non-U.S. Holders engaged in a U.S. trade or business, there should be no U.S. federal income tax consequences for Non-U.S. Holders from the ownership of H&R REIT Units. Non-U.S. Holders that may be subject to special rules are urged to consult their own tax advisors regarding such consequences.

OTHER TAX CONSIDERATIONS

This Information Circular does not address any tax considerations of the Amended Transaction other than certain Canadian federal income tax considerations and certain U.S. federal income tax considerations. Primaris Unitholders who are resident or otherwise taxable in jurisdictions other than Canada and the U.S. should consult their own tax advisors with respect to the tax implications of the Amended Transaction, including any associated filing requirements, in such jurisdictions and with respect to the tax implications in such jurisdictions of owning H&R Stapled Units upon completion of the Amended Transaction.

Primaris Unitholders should also consult their own tax advisors regarding provincial, state or territorial tax considerations of the Amended Transaction or of holding H&R Stapled Units upon completion of the Amended Transaction.

CARVE-OUT FINANCIAL INFORMATION

Appendix "D" to this Information Circular contains the Carve-out Financial Statements for the Primaris Acquisition Portfolio. Appendix "L" to this Information circular contains the related MD&A to such Carve-out Financial Statements.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

Appendix "E" to this Information Circular sets forth information concerning unaudited pro forma financial information on H&R after the Amended Transaction has been affected.

INFORMATION CONCERNING PRIMARIS

Appendix "I" to this Information Circular sets forth information concerning the business of Primaris.

INFORMATION CONCERNING H&R

Appendix "J" to this Information Circular sets forth information concerning the business of H&R.

INFORMATION CONCERNING THE KINGSETT CONSORTIUM

The KingSett Consortium includes the following entities:

KingSett Consortium

The KingSett Consortium includes KingSett Real Estate Growth LP No. 5, CREIF LP and KS LP No. 4, each of which is an affiliate of KingSett Capital. KingSett Capital is Canada's leading private equity real estate

investment business, co-investing with pension fund and high net worth individual clients. KingSett Capital invests through a series of growth funds, mortgage funds and a core investment income fund, each with its own risk/return strategy. KingSett Capital has executed transactions valued at over $12.5 billion in the past 10 years.

OPB Trust

OPB Trust is a special purpose trust formed for purposes of entering into the transactions involving Primaris and certain of its assets. The sole beneficiary of OPB Trust is OPB Real Estate Investments 2 Limited, a corporation incorporated under the *Business Corporations Act* (Ontario) and a wholly-owned subsidiary of Ontario Pension Board.

Ontario Pension Board administers Ontario's Public Service Pension Plan, a defined benefit pension plan serving more than 42,000 members and their employers as well as more than 40,000 pensioners and deferred members. With more than $17 billion in assets, it is one of Canada's largest pension plans. Over the last 20 years, Ontario Pension Board has become one of Canada's leading direct owners of high quality shopping centres.

RioCan Real Estate Investment Trust

RioCan is Canada's largest real estate investment trust with a total capitalization of approximately $13.9 billion as at September 30, 2012. It owns and manages Canada's largest portfolio of shopping centres with ownership interests in a portfolio of 338 retail properties containing more than 80 million square feet, including 49 grocery anchored and new format retail centres containing 12.4 million square feet in the United States through various joint venture arrangements as at September 30, 2012. RioCan's portfolio also includes 10 properties under development in Canada.

INFORMATION CONCERNING H&R POST AMENDED TRANSACTION

Appendix "K" to this Information Circular sets forth information concerning the business of H&R after the Effective Date.

RISK FACTORS

Primaris Unitholders should understand that if the Amended Transaction is completed, some or all Primaris Unitholders will receive H&R Stapled Units pursuant to the Amended Transaction. Accordingly, a Primaris Unitholder who elects or is deemed to have elected to receive Non-Cash Consideration or who will receive Non-Cash Consideration as a result of proration will become a unitholder of H&R. As a result, such Primaris Unitholder will be subject to all of the risks associated with the operations of H&R and the H&R Subsidiaries and the industry in which such entities operate. Those risks include the risk factors described under H&R's Annual Information Form for the year ended December 31, 2011 and its management's discussion and analysis for the three and nine months ended September 30, 2012, both of which are incorporated by reference herein.

Risks Related to the Amended Transaction

The Actual Consideration Received by Primaris Unitholders Will Depend on Proration

Primaris Unitholders will be entitled to receive, at the election of each holder, (a) $28.00 in cash per Primaris Unit; or (b) 1.166 H&R Stapled Units (1.166 H&R REIT Units and 1.166 H&R Finance Trust Units) per

Primaris Unit, in each case subject to proration. The Actual Cash Consideration that will be payable under the Amended Transaction to Primaris Unitholders is approximately $1.28 billion, assuming no Primaris Unitholders validly exercise Dissent Rights. Consequently, a depositing Primaris Unitholder that elects the Non-Cash Consideration in respect of all of its Primaris Units may receive a portion of the Consideration for its deposited Primaris Units in cash and a depositing Primaris Unitholder that elects the Cash Consideration in respect of all of its Primaris Units may receive a portion of the Consideration for its deposited Primaris Units in H&R Stapled Units.

Primaris Unitholders who do not make an Election prior to the Election Deadline, or for whom H&R determines that their Election was not properly made with respect to any securities, will be deemed to have elected to receive Non-Cash Consideration only.

The Amended Transaction is Subject to Satisfaction or Waiver of Several Conditions

The completion of the Amended Transaction is subject to a number of conditions precedent, certain of which are outside the control of Primaris, including receipt of the Final Order, Primaris Unitholder Approval, H&R Unitholder Approval, the satisfaction or waiver of the closing conditions of the Sale Transactions, holders of no more than 5% of the issued and outstanding Primaris Units having exercised Dissent Rights and the receipt of the Competition Act Approval (Arrangement) and Competition Act Approval (Sale Transactions). There can be no certainty, nor can Primaris provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. If the Amended Transaction is not completed, the current market price of the Primaris Units may decline to the extent that the market price reflects a market assumption that the Amended Transaction will be completed.

Occurrence of a Material Adverse Effect in Respect of Primaris or H&R

The completion of the Amended Transaction is subject to the condition that, among other things, on or after February 4, 2013 (the date the Amended Arrangement Agreement was entered into), there shall not have occurred Material Adverse Effect in respect of Primaris or in respect of H&R. Although a Material Adverse Effect excludes certain events, including events in some cases that are beyond the control of the relevant trust, there can be no assurance that a Material Adverse Effect in respect of Primaris or H&R will not occur prior to the Effective Time. If such a Material Adverse Effect occurs, the Amended Transaction may not proceed.

Fees, Costs and Expenses of the Amended Transaction Not Recoverable

If the Amended Transaction is not completed, Primaris will not receive any reimbursement from H&R for most of the fees, costs and expenses it has incurred in connection with the Amended Transaction. Such fees, costs and expenses include, without limitation, legal fees, financial advisor fees, depositary fees and printing and mailing costs, which will be payable whether or not the Amended Transaction is completed.

Another Attractive Take-Over, Merger or Business Combination May Not Be Available

If the Amended Transaction is not completed, there can be no assurance that Primaris will be able to find a party willing to pay an equivalent or more attractive price than the price to be provided by the KingSett Consortium for certain assets and by H&R for the remaining assets under the Amended Transaction or willing to proceed at all with a similar transaction or any alternative transaction.

The Integration of H&R and Primaris May Not Occur as Planned

The Amended Arrangement 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 H&R and Primaris (after giving effect to the Sale Transactions) and enhanced growth opportunities for H&R following completion of the Amended Transaction. The ability to realize the benefits of the Amended Transaction including, among other things, those set forth in this Information Circular under the section entitled "Background to the Amended Transaction – Reasons for the Recommendation", will depend in part on whether H&R's and Primaris' operations can be integrated in an efficient and effective manner. Most operational and strategic decisions and certain staffing decisions with respect to the combined entity have not yet been made. These decisions and the integration of the two entities will present challenges to management, including the integration of systems and personnel of the two entities, and special risks, including possible unanticipated liabilities, unanticipated costs, and the loss of key employees. The performance of the assets in Primaris' portfolio acquired by H&R after completion of the Amended Transaction could be adversely affected if H&R following completion of the Amended Transaction cannot retain key employees to assist in the integration and operation of Primaris and H&R. As a result of these factors, it is possible that the cost reductions and synergies expected from the combination of H&R and Primaris will not be realized.

It is possible that actual results for H&R's projects will differ from H&R's current estimates and assumptions, and these differences may be material. In addition, experience from actual project operations may identify new or unexpected conditions which could increase capital and/or operating costs above H&R's current estimates. If actual results are less favourable than H&R currently estimates, H&R's business, results of operations, financial condition and liquidity could be adversely impacted.

Payment of the Termination Payment

In the event the Amended Arrangement Agreement is terminated, Primaris may in certain circumstances be obligated to pay the Termination Payment to H&R. In addition, the Termination Payment obligations may discourage other parties from participating in an alternative transaction with Primaris even if those parties might be willing to offer greater value to Primaris Unitholders than H&R has offered.

The Exchange Ratio is Fixed and Will Not Reflect any Change in the Market Value of H&R Stapled Units

Primaris Unitholders receiving Non-Cash Consideration will receive a fixed number of H&R REIT Units and H&R Finance Trust Units under the Amended Transaction, rather than H&R REIT Units and H&R Finance Trust Units with a fixed market value. Because the Exchange Ratio will not be adjusted to reflect any change in the market value of H&R REIT Units and H&R Finance Trust Units, the market value of H&R REIT Units and H&R Finance Trust Units received under the Amended Transaction may vary significantly from the market value at the dates referenced in this Information Circular. For example, during the 12-month period ended on February 19, 2013, the trading price of H&R Stapled Units on the TSX varied from a low of $22.45 to a high of $26.29 and closed that period at $22.48. Variations may occur as a result of changes in, or market perceptions of changes in, the business, operations or prospects of H&R, market assessments of the likelihood the Amended Transaction will be consummated, regulatory considerations, general market and economic conditions, metal price changes and other factors over which H&R has no control.

Tax Risk Factors

Qualifying Exchange

The QE Transactions (i.e., the sale of Primaris Assets to H&R REIT in consideration for H&R REIT Units and the QE Redemption) are structured to qualify as a "qualifying exchange" under section 132.2 of the Tax Act (as

proposed to be amended pursuant to the Tax Proposals). If the QE Transactions do not so qualify: (i) the disposition of the Primaris Assets by Primaris to H&R REIT will be a taxable disposition, and (ii) the disposition of a Primaris Unitholder's Primaris Units to Primaris pursuant to the QE Redemption will be a taxable disposition. This could result in material adverse tax consequences to Primaris Unitholders whose units are redeemed pursuant to the QE Redemption.

Gain on FT Unit Sale and Cost in H&R REIT Units Received on QE Redemption

Pursuant to the Plan of Arrangement, each Primaris Unitholder who elects (or is deemed to have elected) to receive H&R Stapled Units will sell the FT Percentage of each Primaris Unit held by such Primaris Unitholder to H&R REIT in exchange for 1.166 H&R Finance Trust Units and Ancillary Rights.

On such a sale, a Primaris Unitholder will realize a capital gain (or sustain a capital loss) equal to the amount, if any, by which the proceeds of disposition of the FT Percentage of each Primaris Unit, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the FT Percentage of such Primaris Unit to the Primaris Unitholder immediately prior to the disposition. The proceeds of disposition of the FT Percentage of the Primaris Unit will generally be equal to the aggregate fair market value (at the time of such disposition) of the H&R Finance Trust Units and the Ancillary Rights received by the Primaris Unitholder in exchange therefor.

It is expected that the fair market value of H&R Finance Trust Units to be issued in connection with the Amended Transaction will be less than 4% of the aggregate fair market value of the total unit consideration received by Primaris Unitholders.

Primaris and H&R are of the view that the fair market value of the Ancillary Rights received by Primaris Unitholders on the sale of the FT Percentage of each Primaris Unit is nil and, accordingly, (i) no amount should be attributed to the Ancillary Rights in determining the proceeds of disposition to the Primaris Unitholder of the FT Percentage of each Primaris Unit sold pursuant to the FT Unit Sale and (ii) the cost of the Ancillary Rights to the Primaris Unit Holder should be nil.

The FT Percentage will be determined based on the fair market value at the Effective Time of an H&R Finance Trust Unit relative to the total fair market value at the Effective Time of an H&R Stapled Unit. Accordingly, the portion of a Primaris Unitholder's adjusted cost base that is available to shelter the amount of gain, if any, for Canadian income tax purposes realized by the Primaris Unitholder on the sale of the FT Percentage of each Primaris Unit for H&R Finance Trust Units and the cost for Canadian income tax purposes to the Primaris Unitholder of H&R REIT Units received on the redemption of the Remaining Percentage of each Primaris Unit will depend on the fair market value at the Effective Time of an H&R Finance Trust Unit relative to the total fair market value at the Effective Time of an H&R REIT Unit and H&R Finance Trust Unit. As the FT Percentage decreases, a smaller portion of a Primaris Unitholder's adjusted cost base will available to shelter the amount of gain, if any, for Canadian income tax purposes realized by the Primaris Unitholder on the sale of the FT Percentage of each Primaris Unit for H&R Finance Trust Units. As the FT Percentage increases, a Primaris Unitholder will have a lower cost in the H&R REIT Units received on the redemption.

Proration

Since the Canadian federal income tax consequences of a sale of Primaris Units in the market for cash and the disposition of Primaris Units on the Cash Redemption for Cash Consideration will differ, certain Resident Holders and Non-Resident Holders will want to consider disposing of their Primaris Units on the TSX with a settlement date that is prior to the Effective Date. See "*Material Canadian Federal Income Tax Considerations*".

There is a risk that if a Primaris Unitholder planned to (i) sell in the market in advance of the Effective Date those Primaris Units for which the Primaris Unitholder would otherwise elect to receive Cash Consideration, and (ii) retain the Primaris Units for which such Primaris Unitholder would like to receive H&R Stapled Units, the Primaris Unitholder may, in fact, receive Cash Consideration and not H&R Stapled Units for some of the retained Primaris Units. This is by virtue of the potential for proration of the Cash Consideration and H&R Stapled Units to be received by Primaris Unitholders.

REIT Exception

H&R REIT intends to conduct its affairs so that it will qualify for the REIT Exception at all times throughout 2013 and beyond. There can be no assurances that the H&R REIT will be able to qualify for the REIT Exception such that H&R REIT and the H&R REIT Unitholders will not be subject to the SIFT Rules in 2013 or in future years. Please refer to the discussion under "*Material Canadian Federal Income Tax Considerations – SIFT Rules*".

Stapled Security Proposals

The Stapled Security Proposals include amendments to the Tax Act which will deny certain deductions to certain entities with publicly traded stapled securities. Management of each of H&R REIT and H&R Finance Trust has reviewed the Stapled Security Proposals and has concluded that such proposals should not materially affect H&R or holders of H&R Stapled Units, but no assurances can be given in this regard. See "*Material Canadian Federal Income Tax Considerations – SIFT Rules*".

Creation and Issuance of Preferred Units

At the annual and special meetings of H&R Unitholders held on June 16, 2011, the holders of H&R REIT Units authorized the trustees of H&R REIT to have the flexibility to amend the declaration of trust of H&R REIT to facilitate the issuance of a new class of preferred equity securities, issuable in series, to be designated as "**Preferred Units**". As at the date of this Information Circular, the trustees of H&R REIT have not yet amended the declaration of trust of H&R REIT to create the Preferred Units and no Preferred Units have been issued, but the trustees of H&R REIT have the ability, and may determine, to create and issue Preferred Units at any time. Once created, Preferred Units of each series will, with respect to the payment of distributions (other than distributions paid solely through the distribution of additional H&R REIT Units) and the distribution of assets of H&R REIT or return of capital in the event of the liquidation, dissolution or winding-up of H&R REIT, whether voluntary or involuntary, or any other return of capital or distribution of assets of H&R REIT among H&R REIT Unitholders for the purpose of winding-up its affairs, be entitled to preference over the H&R REIT Units, and over any other equity interests of H&R REIT ranking by their terms junior to the Preferred Units. The Preferred Units of any series may also be given such other preferences, not inconsistent with the declaration of trust of H&R REIT, over the H&R REIT Units, and any other equity interests of H&R REIT ranking by their terms junior to the Preferred Units, as may be fixed by the trustees of H&R REIT. Further, prior to the creation and issue of Preferred Units, H&R REIT must convert into a "closed-end" unit trust for tax purposes, as Preferred Units will not be redeemable. This will result in restrictions being added to the existing redemption rights of holders of H&R REIT Units.

"Closed-End" Unit Trust Status

In the event that the trustees of H&R REIT determine that it is in the best interests of H&R REIT to create and issue Preferred Units, H&R REIT will be required to convert into a "closed-end" unit trust for purposes of the

Tax Act. Following such a conversion, H&R REIT will need to comply with certain restrictions under the Tax Act relating to the nature of its property and income in order to retain its status as a "unit trust" and a "mutual fund trust" for purposes of the Tax Act. Although management of H&R REIT intends to conduct the affairs of H&R REIT so that it will qualify as a "closed-end" unit trust at all times following any issuance of Preferred Units, no assurances can be given in this regard.

CCA – Effect on Pre-Effective Date Distributions

CCA in respect of the properties disposed of on the Sale Transactions will not be available in the fiscal period of Primaris Subsidiaries that includes the Sale Transactions. This could affect Primaris' income for its taxation year ending on the Effective Date and, accordingly, the nature of distributions for Canadian federal income tax purposes that have previously been paid or made payable to Primaris Unitholders in that year. See "*Material Canadian Federal Income Tax Consequences – Residents of Canada – Primaris Special Distribution and Pre-Effective Date Distributions*" and "*Material Canadian Federal Income Tax Consequences – Non-Residents of Canada – Primaris Special Distribution and Pre-Effective Date Distributions*".

Risks Related to H&R

For a discussion of the risk factors associated with H&R, please refer to the risk factors described in H&R's Annual Information Form for the year ended December 31, 2011 and H&R's management's discussion and analysis for the three and nine months ended September 30, 2012, incorporated by reference in this Information Circular and the risk factors described under the heading "Additional Risk Factors" in Appendix "J" of this Information Circular. Also please refer to any subsequent documents of the type described in Section 11.1 of Form 44-101F1 – *Short Form Prospectus* filed by H&R with any securities commission or similar regulatory authority in Canada subsequent to the date of this Information Circular and prior to the Effective Date.

There are additional risk factors related to H&R following completion of the Amended Transaction, including those set forth below.

Primaris Has Not Verified the Reliability of the Information Regarding H&R Included in, or Which May Have Been Omitted from, this Information Circular

Unless otherwise indicated, all historical information regarding H&R contained in this Information Circular, including all H&R financial information and all pro forma financial information reflecting the pro forma effects of the acquisition of Primaris by H&R REIT, has been derived from H&R's publicly disclosed information or provided by H&R. Although management of Primaris have no reason to doubt the accuracy or completeness of such information, any inaccuracy or material omission in H&R's publicly disclosed information, including the information about or relating to H&R contained in this Information Circular, could result in unanticipated liabilities or expenses, increase the cost of integrating the entities or adversely affect the operational and development plans and results of operations and financial condition of H&R.

The Issuance of a Significant Number of H&R REIT Units and H&R Finance Trust Units and a Resulting "Market Overhang" Could Adversely Affect the Market Price of H&R Stapled Units after Completion of the Amended Transaction

On completion of the Amended Transaction, a significant number of additional H&R Stapled Units will be available for trading in the public market. The increase in the number of H&R Stapled Units may lead to sales of such units or the perception that such sales may occur, either of which may adversely affect the market for, and

the market price of, H&R Stapled Units. The potential that an H&R Unitholder may sell its H&R Stapled Units in the public market (commonly referred to as "market overhang"), as well as any actual sales of such H&R Stapled Units in the public market, could adversely affect the market price of the H&R Stapled Units.

The Business of H&R following completion of the Amended Transaction will be Subject to Risks Currently Affecting the Businesses of Primaris and H&R

For a discussion of the businesses of Primaris and H&R, together with factors to consider in connection with those businesses, see the documents incorporated by reference into this Information Circular including the AIF and H&R's annual information form for the year ended December 31, 2011, both of which are available on their respective SEDAR profiles at www.sedar.com.

Access to Financing

H&R may require additional capital if it decides to develop other properties or make additional acquisitions. H&R may also encounter significant unanticipated liabilities or expenses. Its ability to continue its planned active management of its assets, acquisition of additional properties and the development and construction of projects depends in part on its ability to generate free cash flow from its properties, each of which is subject to certain risks and uncertainties. H&R may be required to obtain additional financing in the future to fund management, acquisition and construction activities of its projects. There can be no assurance that it will be able to obtain the necessary financing in a timely manner, on acceptable terms or at all.

In addition, any additional debt financing, if available, may involve financial covenants which limit H&R's operations.

H&R may not Realize the Benefits of H&R's Real Estate Portfolio following completion of the Amended Transaction

As part of its strategy, H&R will continue its efforts to manage acquire and construct new real estate projects and will have an expanded portfolio of properties as a result of the Amended Transaction. A number of risks and uncertainties are associated with the development of these types of projects, including political, regulatory, design, construction, labour, operating, technical, uncertainties relating to capital and other costs and financing risks.

It is possible that actual results for H&R's projects will differ from H&R's current estimates and assumptions, and these differences may be material. In addition, experience from actual project operations may identify new or unexpected conditions which could increase capital and/or operating costs above H&R's current estimates. If actual results are less favourable than H&R currently estimates, H&R's business, results of operations, financial condition and liquidity could be adversely impacted.

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

Interests of Certain Persons in the Amended Transaction

In considering the Amended Transaction and the unanimous recommendations of the Primaris Independent Committee and the Primaris Board with respect to the Amended Transaction, Primaris Unitholders should be aware that certain executive officers and members of the Primaris Board have certain interests in connection with the Amended Transaction or may receive benefits that may differ from, or be in addition to, the interests of Primaris Unitholders generally, which may present them with actual or potential conflicts of interest in connection with the Amended Transaction. These interests and benefits are described below.

Each of (i) John Morrison, (ii) Louis Forbes, (iii) Leslie Buist, (iv) Devon Jones, (v) Toran Eggert, (vi) Lesley Gibson, (vii) Anne Morash, (viii) Ron Perlmutter and (ix) Patrick Sullivan (collectively, the "**Executive Officers**") is currently employed by Primaris and has an agreement (an "**Executive Employment Agreement**") with Primaris in respect of his or her employment. The Executive Employment Agreement for each of the Executive Officers includes termination arrangements following a change of control.

Each Executive Officer, if his or her employment is terminated due to a change of control within 24 months following the change of control, or, in the case of Mr. Morrison or Mr. Forbes, if such Executive Officer deems in his absolute discretion that the new relationship is unacceptable and resigns his employment within 24 months of a change of control, will receive certain payments. In the case of Mr. Morrison, he would receive earned but unpaid salary and vacation pay plus three years' base salary, STIP awards for the termination year (prorated) plus three years STIP awards, existing Primaris Equity Incentive Plan awards will vest and be exercisable immediately, benefit plan coverage remains in effect for up to three years although such benefits may be paid out by the employer, perquisites remain in effect for three years although such perquisites may be paid out by the employer, pension contributions remain in effect for three years although such pension benefits may be paid out by the employer, and reimbursement of outstanding expenses. In the case of Mr. Forbes, he would receive all earned but unpaid salary and vacation pay plus two times annual base salary, two years STIP awards, existing Primaris Equity Incentive Plan awards vest immediately and are exercisable for 30 days following termination, two times his annual allowance for perquisites, two times his annual pension contributions and reimbursement of outstanding expenses. In the case of the remaining Executive Officers, they would each receive all earned but unpaid salary and vacation pay plus two times annual base salary, two times annual STIP awards, existing Primaris Equity Incentive Plan awards vest immediately and are exercisable for 30 days following termination, two times their annual perquisites, two times their annual pension contributions and reimbursement of outstanding expenses.

Further information with respect to the compensation and the financial holdings and interests of the Board of Trustees and executive officers is contained in Primaris' management information circular dated March 30, 2012, which is incorporated by reference into this Information Circular. See "*Appendix "I" – Information Concerning Primaris – Documents Incorporated By Reference*".

Other than as disclosed elsewhere in this Information Circular and below, no trustee or executive officer of Primaris, 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. As at February 19, 2013, trustees and executive officers of Primaris beneficially owned, directly or indirectly, or exercised control or direction over, the number of Primaris Units, Primaris Options and Primaris Restricted Units disclosed below. All of the Primaris Units held by the executive officers and trustees of Primaris will be treated in the same fashion under the Amended Transaction as Primaris Units held by any other Primaris Unitholder and Primaris Options and Primaris Restricted Units will be treated as set out under "*The Amended Transaction – Treatment of Primaris Securityholders*".

Name and Position	Number of Primaris Units[1]	Number of Restricted Units	Percentage of Outstanding Restricted Units	Number of Options	Percentage of Outstanding Options	Number of H&R Stapled Units[9]
Kerry Adams *Trustee*	17,400	8,224	5.2%	0	—	8,000
William Biggar *Trustee*	11,000[2]	8,224	5.2%	0	—	0
Leslie Buist *Assistant Vice President, Finance*	1,000	0	—	0	—	0
Roland Cardy *Trustee, Chair of the Board*	25,800[3]	8,224	5.2%	0	—	0
Ian Collier *Trustee*	13,000[4]	8,224	5.2%	0	—	0
Toran Eggert *Vice President, Portfolio Management*	0	1,497	1.0%	17,917	1.3%	0
Kenneth Field *Trustee*	10,000[5]	8,224	5.2%	0	—	10,000[10]
Louis M. Forbes *Executive Vice President and Chief Financial Officer*	38,659[6]	12,708	8.1%	236,378	17.8%	0
Lesley Gibson *Vice President, Finance*	3,148[7]	3,762	2.4%	35,523	2.7%	0
Oliver Hobday *Assistant Secretary*	0	580	0.4%	6,944	0.5%	0
Brent Hollister *Trustee*	25,877	8,224	5.2%	0	—	0
Devon Jones *Vice President, Legal & Secretary*	0	4,172	2.7%	38,879	2.9%	0
Anne Morash *Vice President, Development*	100	2,918	1.9%	29,908	2.3%	1,376[11]
John Morrison *President and Chief Executive Officer and Trustee*	60,185[8]	51,735	33.0%	688,775	51.8%	0
Ronald Perlmutter *Vice President, Investments*	3,250	4,702	3.0%	43,798	3.3%	0
Patrick Sullivan *Senior Vice President, Portfolio Management*	0	9,995	6.4%	48,831	3.7%	0

Notes:

(1) The number of Primaris Units indicated in the column represents, in each case, less than 1% of the outstanding Primaris Units. In addition to the holdings noted, an affiliate of Primaris holds 371,505 Primaris Units which are held to be transferred upon the exercise of an equivalent number of outstanding exchangeable units.

(2) All of Mr. Biggar's Primaris Units are held indirectly as follows: 5,000 Primaris Units are held by Mr. Biggar's spouse and 6,000 Primaris Units are held through an RRSP.

(3) Mr. Cardy's Primaris Units are held as follows: 20,500 Primaris Units are held directly by Mr. Cardy, 2,000 Primaris Units are held indirectly by Mr. Cardy's spouse; 2,000 Primaris Units are held indirectly by Gorbay Co. Ltd. and 1,300 Primaris Units are held indirectly through an RRSP.
(4) Mr. Collier's Primaris Units are held as follows: 12,000 Primaris Units are held directly by Mr. Collier and 1,000 Primaris Units are held indirectly through an RRSP.
(5) All of Mr. Field's Primaris Units are held indirectly through an RRSP.
(6) Mr. Forbes' Primaris Units are held as follows: 30,555 Primaris Units are held directly by Mr. Forbes and 8,104 Primaris Units are held indirectly by Mr. Forbes' spouse.
(7) All of Ms. Gibson's Primaris Units are held indirectly through an RRSP.
(8) Mr. Morrison's Primaris Units are held as follows: 58,898 Primaris Units are held directly by Mr. Morrison and 1,287 Primaris Units are held indirectly by Mr. Morrison's spouse.
(9) The number of H&R Stapled Units indicated in the column represents, in each case, less than 1% of the outstanding H&R Stapled Units.
(10) All of Mr. Fields' H&R Stapled Units are held indirectly through an RRSP.
(11) All of Ms. Morash's H&R Stapled Units are held indirectly through a locked-in retirement account, RRSPs and TFSAs.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed elsewhere in this Information Circular, no informed person or any associate or affiliate of any informed person has any material interest, direct or indirect, in any transaction since the commencement of Primaris' most recently completed financial year or in any proposed transaction which has materially affected or would materially affect Primaris or any of its Subsidiaries.

INTERESTS OF EXPERTS

Primaris

The audited Carve-out Financial Statements of the Primaris Acquisition Portfolio, which comprise the statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the statements of income and comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010 together with the report of the auditors thereon dated February 19, 2013 and the notes thereto, included as Appendix "D" in this Information Circular, have been audited by KPMG LLP, Chartered Accountants, Licensed Public Accountants, as set forth in their report thereon, included herein.

KPMG LLP, Chartered Accountants, Licensed Public Accountants have advised that they are independent of Primaris in accordance with professional standards.

Certain legal matters in this Information Circular have been reviewed by McCarthy Tétrault LLP and Cassels Brock & Blackwell LLP on behalf of Primaris and certain U.S. legal matters in this Information Circular have been reviewed by Paul, Weiss, Rifkind, Wharton & Garrison LLP on behalf of Primaris. As of the date hereof, the partners and associates of each of McCarthy Tétrault LLP, Cassels Brock & Blackwell LLP and Paul, Weiss, Rifkind, Wharton & Garrison LLP as a group, own, directly or indirectly, less than 1% of the Primaris Units.

H&R

The audited consolidated statement of financial position of H&R REIT as at December 31, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of comprehensive income (loss), changes in unitholders' equity and cash flows for each of the years in the two year period ended December 31, 2011, audited statement of financial position of H&R Finance Trust as at December 31, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of comprehensive income, changes in unitholders' equity and cash flows for each of the years in the two year period ended December 31, 2011, and audited combined annual statement of financial position of H&R REIT and H&R Finance Trust as at December 31, 2011, December 31, 2010 and January 1, 2010 and the combined statements of comprehensive income (loss), changes in unitholders' equity and cash flows for each of the years in the two year period ended December 31, 2011, incorporated by

reference in this Information Circular, have been audited by KPMG LLP, independent registered chartered accountants, as set forth in their report thereon, included therein and incorporated herein by reference.

KPMG LLP, Chartered Accountants, Licensed Public Accountants have advised that they are independent of H&R in accordance with professional standards.

OTHER BUSINESS

Management knows of no matters to come before the Meeting other than those referred to in the Notice of Meeting. However, if any other matters shall properly come before the Meeting, it is the intention of the persons named in the form of proxy to vote on such matters in accordance with their best judgment.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of Primaris are KPMG LLP at its office located at Bay Adelaide Centre, 333 Bay Street Suite 4600, Toronto, ON M5H 2S5, Canada. The transfer agent and registrar for Primaris is CIBC Mellon Trust Company, at its office located at 320 Bay Street, P.O. Box 1, Toronto, ON M5H 4A6.

The auditors of H&R are KPMG LLP at its office located at Bay Adelaide Centre, 333 Bay Street, Suite 4600, Toronto, Ontario, M5H 2S5. The transfer agent and registrar for H&R is CIBC Mellon Trust Company, at its office located at 320 Bay Street, P.O. Box 1, Toronto, ON M5H 4A6.

ADDITIONAL INFORMATION

Primaris files reports and other information with the Canadian provincial securities commissions. Financial information is provided in Primaris' comparative consolidated financial statements and management's discussion and analysis for the most recently completed financial year ended December 31, 2011 and subsequent interim periods. These reports and information are available to the public free of charge under the Primaris' profile on SEDAR at www.sedar.com and may also be obtained free of charge, upon request of any Primaris Unitholder to the Secretary of Primaris at 1 Adelaide Street East, Suite 900, Toronto, Ontario M5C 2V9 (telephone: (416) 642-7821).

Please contact Kingsdale Shareholder Services Inc. by toll-free telephone in North America at 1-866-581-1571, outside North America at 416-867-2272 or by email at contactus@kingsdaleshareholder.com if you have any questions, or require assistance completing your proxy or voting instruction form.
Please visit www.primarisrealvalue.com

AUDITOR'S CONSENT – KPMG LLP

To the Board of Trustees of Primaris Retail Real Estate Investment Trust:

We have read the management information circular of Primaris Retail Real Estate Investment Trust dated February 19, 2013 relating to the plan of arrangement involving Primaris Retail Real Estate Investment Trust, PRR Investments Inc., H&R Real Estate Investment Trust, H&R Finance Trust, KS Acquisition II LP, OPB Finance Trust II, RioCan Real Estate Investment Trust, KingSett Canadian Real Estate Income Fund LP, KingSett Real Estate Growth LP No. 4 and the unitholders of Primaris Retail Real Estate Investment Trust (the "**Information Circular**"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the inclusion in the above-mentioned Information Circular of our report to the Board of Trustees of Primaris Retail Real Estate Investment Trust on the audited carve-out financial statements of the Primaris Acquisition Portfolio, which comprise the carve-out statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the carve-out statements of income and comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010. Our report is dated February 19, 2013.

KPMG LLP (signed)

Chartered Accountants, Licensed Public Accountants
Toronto, Canada

February 19, 2013

AUDITOR'S CONSENT – KPMG LLP

We have read the management information circular of Primaris Retail Real Estate Investment Trust dated February 19, 2013 relating to the plan of arrangement involving Primaris Retail Real Estate Investment Trust, PRR Investments Inc., H&R Real Estate Investment Trust, H&R Finance Trust, KS Acquisition II LP, OPB Finance Trust II, RioCan Real Estate Investment Trust, KingSett Canadian Real Estate Income Fund LP, KingSett Real Estate Growth LP No. 4 and the unitholders of Primaris Retail Real Estate Investment Trust (the "**Information Circular**"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above mentioned Information Circular of our report to the unitholders of H&R Real Estate Investment Trust ("**H&R REIT**") on the consolidated statements of financial position of H&R REIT as at December 31, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of comprehensive income (loss), changes in unitholders' equity and cash flows of H&R REIT for each of the years in the two year period ended December 31, 2011. Our report is dated March 12, 2012.

We consent to the incorporation by reference in the above mentioned Information Circular of our report to the unitholders of H&R Finance Trust ("**Finance Trust**") on the statements of financial position of Finance Trust as at December 31, 2011, December 31, 2010 and January 1, 2010 and the statements of comprehensive income, changes in unitholders' equity and cash flows of Finance Trust for each of the years in the two year period ended December 31, 2011. Our report is dated March 12, 2012.

We consent to the incorporation by reference in the above mentioned Information Circular of our report to the Board of Trustees of H&R REIT on the combined statements of financial position of H&R REIT and Finance Trust as at December 31, 2011, December 31, 2010 and January 1, 2010 and the combined statements of comprehensive income (loss), changes of unitholders' equity and cash flows of H&R REIT and Finance Trust for each of the years in the two year period ended December 31, 2011. Our report is dated March 12, 2012.

KPMG LLP (signed)

Chartered Accountants, Licensed Public Accountants
Toronto, Canada

February 19, 2013

CONSENT OF CANACCORD GENUITY CORP.

To: the Independent Committee of the Board of Trustees and the Board of Trustees of Primaris Retail Real Estate Investment Trust

We hereby consent to the references within the management information circular of Primaris Retail Real Estate Investment Trust ("**Primaris**") dated February 19, 2013 (the "**Information Circular**") to the fairness opinion of our firm dated February 4, 2013, which we prepared for the Independent Committee of the Board of Trustees of Primaris and the Board of Trustees of Primaris in connection with the amended and restated arrangement agreement dated February 4, 2013 entered into between Primaris, PRR Investments Inc., H&R Real Estate Investment Trust and H&R Finance Trust, to the filing of the foregoing fairness opinion dated February 4, 2013 with securities regulatory authorities and to the inclusion of the full text of the foregoing fairness opinion dated February 4, 2013 as Appendix "G" to the Information Circular. In providing this consent, we do not intend that any persons other than the Independent Committee of the Board of Trustees of Primaris and the Board of Trustees of Primaris rely upon such fairness opinion.

CANACCORD GENUITY CORP. (signed)

Canaccord Genuity Corp.
February 19, 2013

CONSENT OF MCCARTHY TÉTRAULT LLP

To the Board of Trustees of Primaris Retail Real Estate Investment Trust

We hereby consent to the references within the management information circular of Primaris Retail Real Estate Investment Trust dated February 19, 2013 (the "**Information Circular**") to our firm and to the opinions of our firm under "Material Canadian Federal Income Tax Considerations" and to the use of our opinions in the Information Circular.

MCCARTHY TÉTRAULT LLP (signed)

Toronto, Ontario

February 19, 2013

GLOSSARY OF TERMS

In this Information Circular, the following capitalized terms shall have the following meanings, in addition to other terms defined elsewhere in this Information Circular.

"**5.40% Debentures**" means the 5.40% convertible unsecured subordinated debentures of Primaris issued in an initial aggregate principal amount of $75 million in June 2011;

"**6.30% Debentures**" means the 6.30% convertible unsecured subordinated debentures of Primaris issued in an initial aggregate principal amount of $75 million in October 2009;

"**6.75% Debentures**" means the 6.75% convertible unsecured subordinated debentures of Primaris issued in an initial aggregate principal amount of $50 million in June 2004;

"**ABCA**" means the *Business Corporations Act* (Alberta);

"**Acquisition Proposal**" means any offer, proposal or inquiry, whether written or oral, from any person or group of persons acting jointly or in concert relating to, in each case whether in a single transaction or a series of related transactions:

(a) any take-over bid, tender offer or exchange offer that, if consummated, would result in a person or group of persons beneficially owning 20% or more of any class of voting or equity securities of Primaris and/or one or more Primaris Subsidiaries whose assets, revenues or earnings constitute, individually or in the aggregate, 20% or more of the consolidated assets, revenues or earnings of Primaris;

(b) any amalgamation, plan of arrangement, share exchange, business combination, merger, consolidation, recapitalization, reorganization or other similar transaction involving Primaris and/or one or more Primaris Subsidiaries whose assets, revenues or earnings constitute, individually or in the aggregate, 20% or more of the consolidated assets, revenues or earnings of Primaris, or any liquidation, dissolution or winding-up of Primaris and/or one or more Primaris Subsidiaries whose assets, revenues or earnings constitute, individually or in the aggregate, 20% or more of the consolidated assets, revenues or earnings of Primaris;

(c) any direct or indirect acquisition or sale of assets (or any lease, long-term supply arrangement, licence, or other arrangement having the same economic effect as a sale of assets) of Primaris and/or one or more Primaris Subsidiaries which represents, individually or in the aggregate, 20% or more of the consolidated assets or contributed 20% or more of the consolidated revenues or earnings of Primaris;

(d) any direct or indirect sale, issuance or acquisition of the Primaris Units, any other voting or equity interests (or securities convertible into or exercisable for such Primaris Units or other voting or equity interests) of Primaris representing 20% or more of the issued and outstanding voting or equity interests (or rights or interests therein or thereto) of Primaris, or any voting or equity securities of one or more Primaris Subsidiaries whose assets, revenues or earnings constitute, individually or in the aggregate, 20% or more of the consolidated assets, revenues or earnings of Primaris; or

(e) any proposal or offer to do, proposed amendment of, or public announcement of an intention to do, any of the foregoing,

excluding the Connected Transactions and any transaction to which H&R or an H&R Subsidiary is a party and any transaction involving only Primaris and/or one or more Primaris Subsidiaries;

"**Actual Cash Consideration**" has the meaning set out in "*The Amended Transaction – Treatment of Primaris Securityholders – Primaris Unitholders*";

"**Advance Ruling Certificates**" means one or more advance ruling certificates issued by the Commissioner under subsection 102(1) of the Competition Act in respect of the transactions contemplated by the Amended Arrangement Agreement;

"**affiliate**" has the meaning set out in the National Instrument 45-106 – *Prospectus and Registration Exemptions* of the Canadian Securities Administrators;

"**AIF**" means the annual information form of Primaris dated March 2, 2012 (including the documents incorporated by reference therein) for the financial year ended December 31, 2011;

"**Amended Arrangement Agreement**" means the amended and restated arrangement agreement dated February 4, 2013, by and among Primaris, PRR Investments, H&R REIT and H&R Finance Trust, as it may be further amended and restated, supplemented or otherwise modified from time to time in accordance with the terms thereof;

"**Amended Transaction**" means the amended arrangement involving Primaris, PRR Investments, H&R REIT, H&R Finance Trust and the KingSett Consortium to be implemented pursuant to the Plan of Arrangement;

"**Ancillary Rights**" means rights under the H&R Unitholder Rights Plan, H&R DRIP and H&R Unit Purchase Plan, together with the rights, if any, of holders of H&R REIT Units under the Support Agreement;

"**Articles of Arrangement**" means the articles of arrangement of Primaris to be filed by PRR Investments with the Registrar in accordance with the terms of the ABCA after the Final Order is made in accordance with Section 193 of the ABCA, which shall be in form and content satisfactory to Primaris and H&R, each acting reasonably;

"**Book Entry System**" means the book-entry-only issue system in CDS where the issue is registered in CDS' nominee name (CDS & Co.) on the register of the issuer and is deposited with CDS for the life of the issue;

"**Buildings**" means, collectively, the buildings, fixtures, equipment and other improvements situate on the Lands, excluding any and all buildings, fixtures, equipment and Tangible Personal Property of Tenants;

"**Business Day**" means any day, other than a Saturday, Sunday, any statutory holiday in Toronto, Ontario or Calgary, Alberta, or a Jewish Holiday;

"**Canaccord Genuity**" means Canaccord Genuity Corp., a financial advisor to Primaris;

"**Canada-U.S. Tax Convention**" means the Canada-United States Tax Convention (1980), as amended;

"**capital gains refund**" has the meaning set out in "*Material Canadian Federal Income Tax Considerations – Holding and Disposing of H&R REIT Units and H&R Finance Trust Units received pursuant to the Amended Transaction – Taxation of H&R REIT and H&R Finance Trust*";

"**Carve-out Financial Statements**" means the carve-out financial statements of the Primaris Acquisition Portfolio, which comprise the unaudited carve-out statements of financial position as at September 30, 2012, the audited statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the unaudited statements of income and comprehensive income and cash flows for the three and nine month periods ended September 30, 2012 and 2011 and the audited statements of income, comprehensive income and cash flows for the years ended December 31, 2011 and 2010 as well as the unaudited statements of changes in equity for the nine months ended September 30, 2012 and 2011 and the audited statements of changes in equity for the year ended December 31, 2011 and 2010;

"**Cash Consideration**" has the meaning set out in *"Summary – Effects of the Amended Transaction on Primaris Unitholders"*;

"**Cash Electing Primaris Unitholder**" means a Primaris Unitholder who elects Cash Consideration in exchange for one or more of such Primaris Unitholder's Primaris Units pursuant and subject to Section 3.1 and Section 3.2 and the other provisions of the Plan of Arrangement;

"**Cash Redemption**" has the meaning set out in "*Material Canadian Federal Income Tax Considerations*";

"**Cash Shortfall**" has the meaning set out in "*Procedures for the Surrender of Certificates and Payment of Consideration – Proration*";

"**CCA**" has the meaning set out in "*Material Canadian Federal Income Tax Considerations – Taxation of Primaris and Primaris Subsidiaries – Sale Transactions*";

"**CDS**" means CDS Clearing and Depository Services Inc.;

"**Certificate of Arrangement**" means the certificate of arrangement to be issued by the Registrar pursuant to Section 267 of the ABCA in respect of the Articles of Arrangement;

"**Change in Recommendation**" means (i) any amendment, withdrawal, modification or qualification in any manner adverse to H&R and/or the consummation of the Amended Arrangement Agreement of the recommendation of the Primaris Board that Primaris Voting Unitholders vote in favour of the Special Resolution, (ii) any approval, acceptance, recommendation or endorsement by the Primaris Board of, or public proposal by the Primaris Board to approve, accept, recommend or endorse any Acquisition Proposal, (iii) Primaris entering into a written agreement in respect of an Acquisition Proposal (other than a permitted confidentiality and standstill agreement), or (iv) Primaris shall have publicly announced the intention to, or the Primaris Board shall have resolved to, do any of the foregoing.;

"**Change in Recommendation Termination**" has the meaning set out in "*The Amended Arrangement Agreement – Termination by H&R*";

"**Code**" means the Internal Revenue Code of 1986, as amended;

"**Commissioner**" means the Commissioner of Competition appointed under the Competition Act, and any person delegated to perform the Commissioner of Competition's duties;

"**Competition Act**" means the *Competition Act* (Canada);

"**Competition Act Approval (Arrangement)**" means that in respect of the Amended Transaction: (a) the Commissioner shall have issued an Advance Ruling Certificate, or (b) the applicable waiting period under section 123 of the Competition Act shall have expired or been terminated by the Commissioner, or (c) the obligation to submit a notification under Part IX of the Competition Act shall have been waived under paragraph 113(c) of the Competition Act and, in the case of clause (b) or (c), the Commissioner shall have issued a No-Action Letter on terms and conditions, if any, acceptable to Primaris and H&R, each acting reasonably;

"**Competition Act Approval (Sale Transactions)**" means, for each Sales Transaction that is subject to Part IX of the Competition Act: (a) the Commissioner shall have issued an Advance Ruling Certificate, or (b) the applicable waiting period under section 123 of the Competition Act shall have expired or been terminated by the Commissioner, or (c) the obligation to submit a notification under Part IX of the Competition Act shall have been waived under paragraph 113(c) of the Competition Act and, in the case of clause (b) or (c), the Commissioner shall have issued a No-Action Letter on terms and conditions, if any, acceptable to Primaris and the applicable purchaser, each acting reasonably;

"Competition Act Approvals" means Competition Act Approval (Arrangement) and Competition Act Approval (Sale Transactions);

"**Conditional Purchase Agreement #1**" means the conditional purchase and sale agreement dated February 4, 2013 between Primaris and KS Acquisition II LP in respect of the sale by one or more Primaris Subsidiaries and purchase by KS Acquisition II LP of the Conditional Sale Properties #1;

"**Conditional Purchase Agreement #2**" means the conditional purchase and sale agreement dated February 4, 2013 between Primaris and RioCan in respect of the sale by one or more Primaris Subsidiaries and purchase by RioCan of the Conditional Sale Properties #2;

"**Conditional Purchase Agreement #3**" means the conditional purchase and sale agreement dated February 4, 2013 between Primaris, CREIF LP and RioCan in respect of the sale by one or more Primaris Subsidiaries and purchase by CREIF LP and RioCan of the Conditional Sale Properties #3;

"**Conditional Purchase Agreement #4**" means the conditional purchase and sale agreement dated February 4, 2013 between Primaris and OPB Trust in respect of the sale by one or more Primaris Subsidiaries and purchase by OPB Trust of the Conditional Sale Properties #4;

"**Conditional Purchase Agreement #5**" means the conditional purchase and sale agreement dated February 4, 2013 between Primaris, CREIF LP and OPB Trust in respect of the sale by one or more Primaris Subsidiaries and purchase by CREIF LP and OPB Trust of the Conditional Sale Properties #5;

"**Conditional Purchase Agreement #6**" means the conditional purchase and sale agreement dated February 4, 2013 between Primaris and KS LP No. 4 in respect of the sale by one or more Primaris Subsidiaries and purchase by KS LP No. 4 of the Conditional Sale Properties #6;

"**Conditional Sale Properties**" means, collectively, Conditional Sale Properties #1, Conditional Sale Properties #2, Conditional Sale Properties #3, Conditional Sale Properties #4, Conditional Sale Properties #5 and Conditional Sale Properties #6;

"**Conditional Sale Properties #1**" means Eglinton Square (including Englehart Apartments), St. Albert Centre, Driftwood Mall, Place Vertu, Place Fleur de Lys, Aberdeen Mall, Lambton Mall, Heritage Place, Tecumseh Mall, Westbank Shopping Centre, Alliston Mills and Sugarloaf Mall;

"**Conditional Sale Properties #2**" means Oakville Place;

"**Conditional Sale Properties #3**" means Burlington Mall;

"**Conditional Sale Properties #4**" means Woodgrove Centre;

"**Conditional Sale Properties #5**" means Midtown Plaza (including the office tower) and Cornwall Centre;

"**Conditional Sale Properties #6**" means the Yonge Street Properties (338, 363, 369, 377 and 385 Yonge Street);

"**Connected Transactions**" means the Contemplated Transactions including the Sale Transactions and any other transactions contemplated by the Purchase Agreements to effect the Sale Transactions;

"**Consideration**" means, at the election or deemed election of a Primaris Unitholder, (i) $28.00 in cash per Primaris Unit, or (ii) 1.166 H&R REIT Units and 1.166 H&R Finance Trust Units per Primaris Unit, to be paid by the persons and in the manner described in the Plan of Arrangement, provided that (x) the aggregate cash consideration to be paid in respect of Primaris Units shall, if necessary, be prorated among Primaris Units in the manner described in Section 3.2 of the Plan of Arrangement such that such aggregate cash consideration shall equal approximately $1.28 billion and (y) the aggregate number of H&R Stapled Units (each consisting of one H&R REIT Unit and one H&R Finance Trust Unit) receivable by Primaris Unitholders shall, if necessary, be prorated among the Primaris Units in the manner described in Section 3.2 of the Plan of Arrangement to the extent required to accommodate the proration, if any, of the cash consideration;

"**Consideration Units**" means in the aggregate, the H&R Stapled Units to be received by Primaris Unitholders after the Effective Time pursuant to the Plan of Arrangement;

"**Contemplated Transactions**" means the Plan of Arrangement and the other transactions necessary or desirable for the parties to effect the Amended Transaction contemplated under the Amended Arrangement Agreement but excluding the Sale Transactions and any other transactions contemplated by the Purchase Agreements to effect the Sale Transactions;

"**Contract**" means any contract, agreement, license, franchise, lease, arrangement, commitment, understanding, joint venture, partnership or other right or obligation (written or oral) to which Primaris or any Primaris Subsidiary is a party or by which Primaris or any Primaris Subsidiary is bound or affected or to which any of their respective properties or assets is subject excluding all Contracts to be assigned to a third party in accordance with the Sale Transactions;

"**Conversion Price**" has the meaning set out in "*The Amended Transaction – Treatment of Primaris Securityholders – Primaris Debentureholders*";

"**Cooperation Agreement**" means the cooperation agreement dated February 4, 2013 among H&R and the Purchasers;

"**Court**" means the Court of Queen's Bench of Alberta;

"**CRA**" means the Canada Revenue Agency;

"**CRA Approval**" has the meaning set out in "*Material Canadian Federal Income Tax Consequences – Taxation of Primaris and Primaris Subsidiaries – Computation of Income and Taxable Capital Gains of Primaris*".

"**CREIF LP**" means KingSett Canadian Real Estate Income Fund LP;

"**Crown**" means her Majesty the Queen in right of Canada;

"**CRU**" means commercial retail unit;

"**Customary Adjustments**" has the meaning set out in "*The Purchase Agreements – Summary of the Purchase Agreements – Purchase Price*";

"**Depositary**" means CIBC Mellon Trust Company;

"**Designated Cash**" means cash held by Primaris in an amount equal to $1,000;

"**Designated Unit**" has the meaning set out in *"The Amended Transaction – Amended Transaction Mechanics"*;

"**Dissent Cash Factor**" means a whole number (rounded down in all cases) equal to 45% of the total number of Dissent Units;

"**Dissent Rights**" has the meaning set out in "*Rights of Dissent*";

"**Dissent Units**" means the Primaris Units held by Dissenting Unitholders in respect of which Dissent Rights have been and remain validly exercised at the Effective Time;

"**Dissenting Unitholder**" means a registered Primaris Unitholder that duly and validly exercises its Dissent Rights and whose Dissent Rights remain valid immediately prior to the Effective Time;

"**Effective Date**" means the date shown on the Certificate of Arrangement giving effect to the Amended Transaction;

"**Effective Time**" means 10:00 a.m. (Calgary time) or such other time as the parties may agree on the Effective Date;

"**Elected Cash**" has the meaning set out in "*Procedures for the Surrender of Certificates and Payment of Consideration – Proration*";

"**Election**" has the meaning set out in "*Procedures for the Surrender of Certificates and Payment of Consideration – Letter of Transmittal*";

"**Election Deadline**" means 5:00 p.m. (Calgary time) on March 20, 2013 (the date that is two Business Days prior to the Meeting) or in the event of any adjournment or postponement of the Meeting, on the date that is two Business Days prior to such reconvened Meeting;

"**Eligible Institution**" means a Canadian Schedule I chartered bank, a member of the Securities Transfer Agents Medallion Program (STAMP), a member of the Stock Exchanges Medallion Program (SEMP) or a member of the New York Stock Exchange, Inc. Medallion Signature Program (MSP). Members of these programs are usually members of a recognized stock exchange in Canada or the United States, members of the Financial Industry Regulatory Authority or banks and trust companies in the United States;

"**Encumbrance**" includes any hypothec, mortgage, pledge, assignment, charge, lien, claim, security interest, adverse interest, adverse claim, other third person interest or encumbrance of any kind, whether contingent or absolute, and any agreement, option, right or privilege (whether by Laws, contract or otherwise) capable of becoming any of the foregoing;

"**Exchange Ratio**" has the meaning set out in "*Questions and Answers*";

"**Executive Officer**" has the meaning set out in "*Interest of Certain Persons or Companies in Matters to be Acted Upon – Interests of Certain Persons in the Amended Transaction*";

"**Existing Leases**" means those tenancy arrangements with individuals or other entities lawfully in possession of any part of the Buildings or Lands, leases, tenancies, licenses, and agreements to lease made between Primaris, any of the Nominees or their respective agents, as landlord, and those Tenants of the Lands and Buildings listed under H&R in "*Appendix "M" – Asset Allocation Under the Amended Arrangement Agreement*" together with any leases arising in compliance with Section 5.1 of the Amended Arrangement Agreement and the benefit of any guarantees of obligations of the Tenants thereunder, and "**Existing Lease**" means any one of them;

"**Existing Mortgages**" means the existing credit agreements, commitment letters, hypothecs, trust indentures, mortgages and operating line facilities and related security with respect to the loans disclosed to H&R in connection with its due diligence on Primaris, and "**Existing Mortgage**" means any one of them;

"**Final Order**" means the final order of the Court pursuant to Section 193 of the ABCA, in a form acceptable to Primaris and H&R, each acting reasonably, approving the Amended Transaction, as such order may be amended by the Court (with the consent of both Primaris and H&R, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided, however, that any such amendment is acceptable to both Primaris and H&R, each acting reasonably) on appeal;

"**FT Percentage**" means the percentage that the fair market value at the Effective Time of each H&R Finance Trust Unit represents of the fair market value at the Effective Time of an H&R Stapled Unit based on valuation methodology determined by H&R REIT, acting reasonably, and subject to Primaris' approval, acting reasonably (and specified in a written notice delivered to Primaris by H&R REIT no later than 10 Business Days prior to the Effective Date);

"**FT Unit Sale**" has the meaning set out in "*Material Canadian Federal Income Tax Considerations*";

"**Governmental Entity**" means: (i) any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government; (ii) any multinational or supranational body or organization, nation, government, state, province, country, territory, municipality, quasi-government, administrative, judicial or regulatory authority, agency, board, body, bureau, commission, instrumentality, court or tribunal or any political subdivision thereof, or any central bank (or similar monetary or regulatory authority) or taxing authority thereof, or any ministry or department or agency of any of the foregoing; and (iii) any self-regulatory organization or stock exchange, including, without limitation, the TSX;

"**Grant Park Exchange Agreement**" means the exchange agreement between Primaris, PRR Investments, in its capacity as trustee of Primaris Sub Trust, Grant Park Limited Partnership, Grant Park GP Inc. and holders of exchangeable LP units listed in schedule A thereto dated November 30, 2006;

"**Grant Park Exchangeable LP Units**" means the non-voting exchangeable limited partnership units issued by Grant Park Limited Partnership as partial consideration for the acquisition of Grant Park Shopping Centre and the remaining outstanding shares of the nominee titleholder of Grant Park Shopping Centre which are exchangeable for Primaris Units in the manner set out in the Grant Park Limited Partnership Agreement and the Grant Park Exchange Agreement;

"**Grant Park Limited Partnership Agreement**" means the limited partnership agreement dated November 27, 2006 between Grant Park GP Inc., as general partner, and PRR Investments, in its capacity as sole trustee of Primaris Sub Trust, as limited partner;

"**H&R**" means, H&R REIT and H&R Finance Trust, as the context may require;

"**H&R CA**" means the confidentiality agreement dated December 20, 2012 between H&R and Primaris;

"**H&R DRIP**" means the amended and restated unitholder distribution reinvestment plan of H&R REIT and H&R Finance Trust, as amended, supplemented or amended and restated from time to time and includes any document, instrument or agreement in substitution or replacement thereof;

"**H&R Finance Trust**" means H&R Finance Trust, an open-ended limited purpose unit trust governed by the laws of the Province of Ontario;

"**H&R Finance Trust Declaration of Trust**" means the amended and restated declaration of trust of H&R Finance Trust dated November 9, 2011;

"**H&R Finance Trust Option**" has the meaning set out in "*The Amended Transaction – Amended Transaction Mechanics*";

"**H&R Finance Trust Unitholders**" means holders of H&R Finance Trust Units;

"**H&R Finance Trust Units**" means trust units of H&R Finance Trust, and "**H&R Finance Trust Unit**" means one of them;

"**H&R Material Subsidiaries**" means H&R Portfolio LP Trust, H&R Portfolio Limited Partnership, Bow Centre Street Limited Partnership, TT Portfolio Limited Partnership and H & R REIT (U.S.) Holdings Inc.

"**H&R REIT**" means H&R Real Estate Investment Trust, an unincorporated open-ended real estate investment trust governed by the laws of the Province of Ontario;

"**H&R REIT Declaration of Trust**" means the amended and restated declaration of trust of H&R REIT dated June 25, 2012;

"**H&R REIT Unitholders**" means holders of H&R REIT Units;

"**H&R REIT Units**" means trust units of H&R REIT, and "**H&R REIT Unit**" means one of them;

"**H&R Replacement Option**" has the meaning set out in "*Summary – Description of the Amended Transaction*";

"**H&R Replacement Restricted Unit**" has the meaning set out in "*The Amended Transaction – Amended Transaction Mechanics"*;

"**H&R Right**" means a right issued pursuant to the H&R Unitholder Rights Plan;

"**H&R Stapled Unit**" means an H&R REIT Unit and an H&R Finance Trust Unit;

"**H&R Subsidiaries**" means the Subsidiaries of H&R REIT, and "**H&R Subsidiary**" means a Subsidiary of H&R REIT;

"**H&R Unit Purchase Plan**" means the amended and restated unit purchase plan of H&R REIT and H&R Finance Trust, as amended, supplemented or amended and restated from time to time and includes any document, instrument or agreement in substitution or replacement thereof;

"**H&R Unitholder Approval**" means, collectively, the approval at the H&R Unitholder Meetings by ordinary resolutions of the holders of H&R REIT Units and H&R Finance Trust Units of the issuance of H&R REIT Units and H&R Finance Trust Units, respectively, pursuant to the Amended Transaction;

"**H&R Unitholder Meetings**" means the special meetings of H&R REIT Unitholders and H&R Finance Trust Unitholders, including any adjournment or postponement thereof in accordance with the terms of the Amended Arrangement Agreement, to be called for the purpose of obtaining the H&R Unitholder Approval;

"**H&R Unitholder Rights Plan**" means the amended and restated unitholder rights plan agreement dated June 18, 2012 between CIBC Mellon Trust Company and the trustees of H&R REIT, and where the context so requires, any other unitholder rights plan which may be adopted by H&R REIT after the date hereof;

"**H&R Unitholders**" means holders of H&R Stapled Units;

"**IFRS**" means International Financial Reporting Standards issued by the International Accounting Standards Board, and as adopted by the Canadian Institute of Chartered Accountants, as amended from time to time;

"**Implied Price**" means the volume weighed average trading price of a Primaris Unit on the TSX for the five trading days ended on the third Business Day prior to the Effective Date;

"**Information Circular**" means this management information circular dated February 19, 2013, together with all appendices hereto and documents incorporated herein by reference, distributed by Primaris in connection with the Meeting;

"**Initial Arrangement Agreement**" means the arrangement agreement dated as of January 16, 2013, by and among Primaris, PRR Investments, H&R REIT and H&R Finance Trust;

"**Initial Fairness Opinion**" means the opinion of Canaccord Genuity, dated as of January 16, 2013;

"**Initial H&R Transaction**" means the arrangement involving Primaris, PRR Investments, H&R REIT and H&R Finance Trust pursuant to the Initial Arrangement Agreement;

"**Interim Order**" means the interim order of the Court concerning the Amended Transaction under subsection 193(4) of the ABCA, containing declarations and directions with respect to the Amended Transaction and the holding of the Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

"**Intermediary**" has the meaning set out in "*General Proxy Matters – Non-Registered Primaris Unitholders*";

"**Investment Canada Act**" means the *Investment Canada Act* (Canada);

"**IRS**" means the Internal Revenue Service;

"**Jewish Holiday**" means any of the following Jewish holy days which, for the purposes of this Information Circular, are deemed to commence one hour before sunset and end one hour after sundown starts: the first day of Passover, the second day of Passover, the seventh day of Passover, the eighth day of Passover, the first day of Shavuoth, the second day of Shavuoth, the first day of Rosh Hashanah, the second day of Rosh Hashanah, Yom Kippur, the first day of Sukkoth, the second day of Sukkoth, Shemini Azereth and Simchas Torah;

"**Kingsdale**" means Primaris' proxy solicitation agent, Kingsdale Shareholder Services Inc.;

"**KingSett Acquisition Group**" means KS Acquisition II LP together with its general partner, its limited partners and related entities to its limited partners including KS Bidco LP, a wholly-owned subsidiary of KingSett Real Estate Growth LP No. 5, an affiliate of KingSett Capital, OPB Trust and RioCan;

"**KingSett Capital**" means KingSett Capital Inc.;

"**KingSett Circular**" means the take-over bid circular of the KingSett Acquisition Group dated December 10, 2012;

"**KingSett Consortium**" means KS Acquisition II LP, KS LP No. 4, CREIF LP, OPB Trust and RioCan;

"**KingSett Offer**" means the offer by KS Acquisition II LP to purchase all of the outstanding Primaris Units at a price of $26.00 in cash for each Primaris Unit pursuant to the takeover bid circular dated December 10, 2012, as extended on January 17, 2013;

"**KingSett Units**" has the meaning set out in "*Voting Agreement and Cooperation Agreement*";

"**KS Acquisition II LP**" means a limited partnership whose limited partnership interests are owned equally by KS Bidco LP, a wholly-owned subsidiary of KingSett Real Estate Growth LP No. 5, an affiliate of KingSett Capital, and OPB Finance Trust II, an associate of the Ontario Pension Board;

"**KS LP No. 4**" means KingSett Real Estate Growth LP No. 4;

"**Land Titles Act**" means the *Land Titles Act* (Ontario);

"**Lands**" means the lands and premises listed under H&R in "*Appendix "M" – Asset Allocation Under the Amended Arrangement Agreement*";

"**Laws**" means any international, national, provincial, state, municipal and local laws, treaties, statutes, ordinances, judgments, decrees, injunctions, writs, certificates and orders, notices, by-laws, rules, regulations, ordinances, policies, directives or other requirements of any Governmental Entity and the term "applicable" with respect to such Laws and in a context that refers to one or more persons, means such Laws as are applicable to such person or its business, undertaking, property or securities and emanate from a person having jurisdiction over the person or persons or its or their business, undertaking, property or securities, and "**Law**" means any one of them;

"**Letter of Transmittal**" means the letter of transmittal and election form to be forwarded by Primaris to registered Primaris Unitholders together with this Information Circular;

"**Locked-Up Securities**" has the meaning set out in "*Voting Agreement and Cooperation Agreement*";

"**Locked-Up Unitholders**" has the meaning set out in "*Voting Agreement and Cooperation Agreement*";

"**Make-Whole Adjustments**" has the meaning set out in "*Purchase Agreements – Summary of Purchase Agreements – Purchase Price*";

"**Mark to Market Election**" has the meaning set out in "*Certain U.S. Federal Income Tax Considerations – Consequences to U.S. Holders – Passive Foreign Investment Companies*";

"**Material Adverse Effect**" means, when used in connection with a person, any one or more changes, effects, events, occurrences or states of fact, either individually or in the aggregate, that has, or would reasonably be expected to have, a material adverse effect on the financial condition, businesses, operations or results of operations of that person and its Subsidiaries taken as a whole, other than any change, effect, event, occurrence or state of facts:

(a) resulting from the announcement of the Amended Arrangement Agreement or the Connected Transactions;

(b) relating to general economic conditions or securities, financing, banking or capital markets generally in Canada or the United States;

(c) relating to any changes in currency exchange rates, interest rates or inflation;

(d) affecting the Canadian real estate industry in general;

(e) relating to a change in the market trading price or trading volume of securities of that person;

(f) relating to any change in applicable generally accepted accounting principles, including IFRS;

(g) relating to any adoption, proposal, implementation or change in Laws or any interpretation thereof by any Governmental Entity;

(h) relating to any change in global, national or regional political conditions (including the commencement, occurrence or continuation of any strike, riot, lockout, outbreak of illness, war, armed hostilities, act of terrorism or facility takeover for emergency purposes) or any natural disaster;

(i) relating to failure in and of itself to meet any internal or public projections, forecasts, or estimates of revenue or earnings; or

(j) resulting from compliance with the terms of the Amended Arrangement Agreement (other than any obligation to act in the ordinary course of business), including any change in the relationship of such person and its Subsidiaries with its employees, Tenants, lenders, suppliers or contractual counter parties;

provided that the causes underlying such effect referred to in clause (e) and (i) may be taken into account when determining whether a Material Adverse Effect has occurred and provided further, however, that such effect referred to in clause (b), (c), (d), (e), (f), or (g) above does not primarily relate to (or have the effect of primarily relating to) that person and its Subsidiaries, taken as a whole, or materially disproportionately adversely affect that person and its Subsidiaries, taken as a whole, compared to other entities of similar size operating in the industry in which that person and its Subsidiaries operate;

"**Meeting**" means the special meeting of Primaris Unitholders to be held at 10:00 a.m. (Toronto time) on March 22, 2013, to consider, among other matters, the Special Resolution, and any adjournment or postponement thereof;

"**Mutual Fund Withholding Tax**" has the meaning set out in "*Material Canadian Federal Income Tax Considerations – Non-Residents of Canada – Cash Redemption and Dissent – Distribution Paid on (i) Redemption of Primaris Units for Cash Consideration and (ii) Cancellation of Dissent Units"*;

"**No-Action Letter**" means one or more written letters from the Commissioner advising that he does not, at such time, intend to make an application under Section 92 of the Competition Act in respect of the transactions contemplated by the Amended Arrangement Agreement;

"**Nominees**" means those corporations which hold legal title to the interests of Primaris and Primaris Subsidiaries in the Properties;

"**Non-Cash Consideration**" means 1.166 H&R REIT Units and 1.166 H&R Finance Trust Units per Primaris Unit, to be paid by the persons and in the manner described in the Plan of Arrangement;

"**Non-Registered Holder**" has the meaning set out in "*General Proxy Matters – Non-Registered Primaris Unitholders*";

"**Non-Resident Holder**" has the meaning set out in "*Material Canadian Federal Income Tax Considerations – Non-Residents of Canada*";

"**Notice of Meeting**" means the notice of special meeting of Primaris Unitholders dated February 19, 2013 and delivered to Primaris Unitholders with this Information Circular;

"**OPB Trust**" means OPB Finance Trust II, a trust established under the Laws of the Province of Ontario;

"**Outside Date**" means May 29, 2013 or such later date as H&R and Primaris may agree in writing;

"**Outside Date Termination**" has the meaning set out in "*The Amended Arrangement Agreement – Termination by H&R or Primaris*";

"**Payment Units**" has the meaning set out in "*The Amended Transaction – Amended Transaction Mechanics*";

"**Permitted Encumbrances**" means, as of any particular time and in respect of any Property, each of the following Encumbrances:

(k) any subsisting restrictions, exceptions, reservations, limitations, provisos and conditions (including, without limitation, royalties, reservation of mines, mineral rights and timber rights, access to navigable waters and similar rights) expressed in any original grants from the Crown;

(l) restrictive covenants, private deed restrictions, and other similar land use control agreements that do not materially impair the current use, operation or marketability of such Property;

(m) unregistered, undetermined or inchoate construction or mechanic's liens or legal hypothecs incidental to construction of improvements on the Property, a claim for which shall not at the time have been registered against the Property and of which notice in writing shall not at the time have been given to Primaris pursuant to the applicable provincial construction or builder's lien legislation;

(n) any registered liens relating to work done for or for the benefit of a tenant of the Property (a "**Tenant Lien**") so long as:

  (i) Primaris has not assumed responsibility for such Tenant Lien; and

  (ii) Primaris is taking all reasonable steps and proceedings to cause any such Tenant Lien to be discharged or vacated from the Property;

(o) permits, reservations, covenants, servitudes, watercourse, rights of water, rights of access or user licenses, easements, rights-of-way and rights in the nature of easements (including, without in any way limiting the generality of the foregoing, licenses, easements, rights-of-way and rights in the nature of easements for railways, sidewalks, public ways, sewers, drains, gas and oil pipelines, steam and water mains or electric light and power, or telephone and telegraph conduits, poles, wires and cables) in favour of any Governmental Entity or utility company in connection with the development, servicing, use or operation of the Property, which do not materially impair the current use and operation or marketability of the Property;

(p) permits, reservations, covenants, servitudes, rights of access or user licenses, easements, rights-of-way and rights in the nature of easements in favour of any person, in each case registered on title to the Property, which do not in the aggregate materially and adversely affect the value or the use of the Property;

(q) any encroachments, title defects or irregularities existing as of the Effective Time which do not in the aggregate materially and adversely affect the use or value of the Property;

(r) any matters disclosed by a survey (or certificate of location) of the Property provided such matters do not in the aggregate materially and adversely affect the use or value of the Property;

(s) registered development agreements, subdivision agreements, site plan control agreements, servicing agreements and other similar agreements with any Governmental Entity or utility company affecting the development, servicing, use or operation of the Property;

(t) registered cost sharing, servicing, reciprocal or other similar agreements relating to the use and/or operation of the Property;

(u) municipal zoning, land use and building restrictions, by-laws, regulations and ordinances of federal, provincial, municipal or other Governmental Entities, including municipal by-laws and regulations, airport zoning regulations, restrictive covenants and other land use limitations, public or private, by-laws and regulations and other restrictions as to the use of the Property so long as same have been complied with in all material respects or such non-compliance does not materially impair the current use, operation or marketability of the Property;

(v) the Existing Mortgages and related security;

(w) security interests granted in connection with the leasing or financing of personal property and similar transactions (including renewals of existing leases of personal property) in the ordinary course of business to secure the unpaid purchase price or lease cost of such personal property, provided that (A) the personal property leased is readily replaceable without material interference or interruption to the operation of the Property taken as a whole, and (B) such lease is secured only by the personal property leased therein;

(x) the Existing Leases, charges of Existing Leases and all new leases and renewals, extensions, modifications, restatements and replacements thereof entered into subsequent to the date of the Amended Arrangement Agreement in compliance with the terms of the Amended Arrangement Agreement;

(y) servicing agreements and contracts for services to the Property entered into in the ordinary course of business on arm's length terms and conditions;

(z) the exceptions and qualifications contained in section 44(i) of the Land Titles Act (other than paragraphs 1, 2, 3, 4, 5, 6, 11, 12 and 14) or similar exceptions and qualifications contained in similar legislation in which province such Property is located;

(aa) any instrument or other document registered against title to the Property as at the date of the Amended Arrangement Agreement; and

(bb) any matter insured over by an owner's title insurance policy for the Property, provided that such policy remains in full force and effect following the Effective Date;

"**person**" includes an individual, general partnership, limited partnership, corporation, company, limited liability company, body corporate, joint venture, unincorporated organization, other form of business organization, trust, trustee, executor, administrator or other legal representative, government (including any Governmental Entity) or any other entity, whether or not having legal status;

"**PFIC**" means passive foreign investment company;

"**Place Fleur de Lys Exchange Agreement**" means the exchange agreement between Primaris, PRR Investments, in its capacity as trustee of Primaris Sub Trust, Place Fleur de Lys Limited Partnership, Place Fleur de Lys GP Inc. and holders of exchangeable LP units listed in schedule A thereto dated July 20, 2005, as amended and restated on December 20, 2010;

"**Place Fleur de Lys Exchangeable LP Units**" means the non-voting exchangeable limited partnership units issued by Place Fleur de Lys Limited Partnership as partial consideration for the acquisition of partnership interests of the permitted holders of Place Fleur de Lys Exchangeable LP Units which are (i) exchangeable for Primaris Units in the manner set out in the Place Fleur de Lys Limited Partnership Agreement and the Place Fleur de Lys Exchange Agreement, and (ii) connected to the Primaris Special Voting Units;

"**Place Fleur de Lys Limited Partnership Agreement**" means the amended and restated limited partnership agreement dated December 20, 2010 between Place Fleur de Lys GP Inc., as general partner, and PRR Investments, in its capacity as sole trustee of Primaris Sub Trust, as a limited partner and holders of Place Fleur de Lys Exchangeable LP Units;

"**Plan of Arrangement**" means the plan of arrangement, substantially in the form of Appendix "F" hereto, and any amendments or variations thereto made in accordance with the plan of arrangement or upon the direction of the Court in the Final Order with the consent of Primaris and H&R, each acting reasonably;

"**Pre-Emptive Rights**" means any option to purchase, right of first offer, right of first refusal, or other interest or right to acquire or right to offer to acquire a Property (as defined in the applicable Purchase Agreement) or any interest therein;

"**Preferred Units**" has the meaning set out in "*Risk Factors – Risks Related to the Amended Transaction – Tax Risk Factors – Creation and Issuance of Preferred Units*".

"**Preferred Unit Amendments**" has the meaning set out in "*Appendix "J" – Information Concerning H&R – Capital Structure of H&R REIT*".

"**Primaris**" means Primaris Retail Real Estate Investment Trust, an unincorporated open-ended real estate investment trust governed by the laws of the Province of Ontario;

"**Primaris Acquisition Portfolio**" means Primaris, excluding the Purchased Assets pursuant to the Purchase Agreements;

"**Primaris Assets**" has the meaning set out in "*The Amended Transaction – Amended Transaction Mechanics*";

"**Primaris Board**" or "**Board of Trustees**" or "**Board**" means the board of trustees of Primaris as the same is constituted from time to time;

"**Primaris Breach Termination**" has the meaning set out in "*The Amended Arrangement Agreement – Termination by H&R*";

"**Primaris Convertible Securities**" means, collectively, Primaris Debentures, Primaris Exchangeable Units, Primaris Options, Primaris Restricted Units and any other securities (other than Primaris URP Rights) of Primaris or its affiliates, exercisable or exchangeable for or convertible into Primaris Units;

"**Primaris Debenture Indenture**" means, collectively, the trust indenture dated June 28, 2004 among Borealis Retail Real Estate Investment Trust and Primaris Debenture Trustee, as amended and supplemented by the second supplemental trust indenture dated October 6, 2009 among Primaris and Primaris Debenture Trustee and the third supplemental trust indenture dated June 13, 2011 among Primaris and Primaris Debenture Trustee, in each case, governing the terms and conditions of the respective Primaris Debentures;

"**Primaris Debenture Supplemental Indenture**" means a supplemental indenture or supplemental indentures, as applicable, in form and content satisfactory to each of Primaris, H&R REIT and the Primaris Debenture Trustee, acting reasonably, to be entered into by Primaris, H&R REIT and the Primaris Debenture Trustee to evidence the succession of H&R REIT as the successor pursuant to and in accordance with the terms of the Primaris Debenture Indenture;

"**Primaris Debenture Trustee**" means CIBC Mellon Trust Company;

"**Primaris Debentureholders**" means holders of Primaris Debentures;

"**Primaris Debentures**" means the 6.75% Debentures, the 6.30% Debentures and the 5.40% Debentures;

"**Primaris Declaration of Trust**" means the sixth amended and restated declaration of trust of Primaris dated March 1, 2012;

"**Primaris Equity Incentive Plan**" means Primaris' 2008 equity incentive plan approved by Primaris Unitholders at its annual and special meeting on June 18, 2008, as amended May 17, 2011, and as may be further amended, and reconfirmed by Primaris Unitholders from time to time;

"**Primaris Exchange Agreements**" means the Grant Park Exchange Agreement and Place Fleur de Lys Exchange Agreement;

"**Primaris Exchangeable Units**" means the Grant Park Exchangeable LP Units and the Place Fleur de Lys Exchangeable LP Units;

"**Primaris Independent Committee**" means the independent committee of trustees of Primaris appointed by the Primaris Board in connection with the KingSett Offer;

"**Primaris Optionholders**" means the holders of Primaris Options;

"**Primaris Options**" means the outstanding options to purchase Primaris Units granted under the Primaris Equity Incentive Plan or the predecessor thereto;

"**Primaris Restricted Unitholders**" means holders of Primaris Restricted Units;

"**Primaris Restricted Units**" means a restricted unit granted under and subject to the Primaris Equity Incentive Plan;

"**Primaris Securityholders**" mean holders of Primaris Units and Primaris Convertible Securities;

"**Primaris Special Distribution**" has the meaning set out in "*Material Canadian Federal Income Tax Considerations – Taxation of Primaris and Primaris Subsidiaries – Computation of Income and Taxable Capital Gains of Primaris*";

"**Primaris Special Voting Units**" means the voting non-participating trust units issued in association with the Place Fleur de Lys Exchangeable LP Units;

"**Primaris Sub Trust**" means PRR Trust, an open-ended investment unit trust established under the laws of the province of Ontario;

"**Primaris Subsidiaries**" means the Subsidiaries of Primaris, and "**Primaris Subsidiary**" means any one of Primaris Subsidiaries;

"**Primaris Unitholder Approval**" has the meaning set out in "*The Amended Transaction – Required Securityholder Approval*";

"**Primaris Unitholder Rights Plan**" means the unitholder rights plan agreement dated March 3, 2005 between CIBC Mellon Trust Company and Primaris, previously known as Borealis Real Estate Investment Trust, as amended on December 14, 2012, and where the context so requires, any other unitholder rights plan which may be adopted by Primaris after the date hereof;

"**Primaris Unitholders**" means holders of Primaris Units;

"**Primaris Units**" means the issued and outstanding ordinary units of Primaris, including units of Primaris issued on the conversion, exchange or exercise of Primaris Convertible Securities, and the associated Primaris URP Rights, and a "**Primaris Unit**" means any one ordinary unit of Primaris and the associated Primaris URP Right;

"**Primaris URP Rights**" means a right issued pursuant to the Primaris Unitholder Rights Plan;

"**Primaris Voting Unitholders**" means collectively Primaris Unitholders and holders of Primaris Special Voting Units;

"**Primaris Voting Units**" means the Primaris Units and the Primaris Special Voting Units issued in connection with certain exchangeable units;

"**Properties**" means the Lands, the Buildings, the Tangible Personal Property, the Contracts, the Existing Leases, shares in the capital of Nominees, shares in the capital of each general partner of a Subsidiary that is a limited partnership and intellectual property registered in respect of the foregoing, and "Property" means any one of the foregoing Properties;

"**Proxy**" means the form of proxy that accompanies this Information Circular;

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

"**Purchase Agreements**" means collectively, Conditional Purchase Agreement #1, Conditional Purchase Agreement #2, Conditional Purchase Agreement #3, Conditional Purchase Agreement #4; Conditional Purchase Agreement #5; and Conditional Purchase Agreement #6;

"**Purchased Assets**" means, collectively, each Beneficial Owner's (as defined in the applicable Purchase Agreement) and each Nominee's (as defined in the applicable Purchase Agreement) right, title and interest in and to:

(a) the legal and beneficial interest in and to (or as applicable, for Properties (as defined in the applicable Purchase Agreement), if any, located in Quebec, absolute ownership of), the Properties;

(b) the Assumed Leases (as defined in the applicable Purchase Agreement);

(c) the Assumed Contracts (as defined in the applicable Purchase Agreement);

(d) the Chattels (as defined in the applicable Purchase Agreement); and

(e) the Intellectual Property (as defined in the applicable Purchase Agreement);

"**Purchasers**" means collectively, CREIF LP, KS Acquisition II LP, KS LP No. 4, OPB Trust and RioCan;

"**QE Redemption**" has the meaning set out in "*The Amended Transaction – Amended Transaction Mechanics*";

"**QE Transactions**" means the Contemplated Transactions to be consummated pursuant to Sections 2.4(n) and 2.4(o) of the Plan of Arrangement;

"**RDSPs**" means registered disability savings plans;

"**Recapture Income**" has the meaning set out in "*Material Canadian Federal Income Tax Considerations – Taxation of Primaris and Primaris Subsidiaries – Sale Transactions"*;

"**Record Date**" means the record date to determine the entitlement of Primaris Unitholders to receive notice of, and to vote at, the Meeting or any adjournment or postponement thereof, being the close of business (Toronto time) on February 15, 2013;

"**REIT Exception**" has the meaning set out in "*Material Canadian Federal Income Tax Considerations – Holding and Disposing of H&R REIT Units and H&R Finance Trust Units received pursuant to the Amended Transaction – REIT Exception*";

"**REIT Proposals**" has the meaning set out in "*Material Canadian Federal Income Tax Considerations – Holding and Disposing of H&R REIT Units and H&R Finance Trust Units received pursuant to the Amended Transaction – Qualification of H&R REIT as a "Real Estate Investment Trust*";

"**Registrar**" means the Registrar of Corporations or a Deputy Registrar of Corporations appointed under Section 263 of the ABCA;

"**Registered Plans**" means trusts governed by RRSPs, RRIFs, TFSAs, deferred profit sharing plans, RESPs and RDSPs under the Tax Act;

"**Remaining Percentage**" means the remainder of 1 minus the FT Percentage;

"**Representative**" means, in respect of a person, its Subsidiaries and each of its and their respective directors, trustees, officers, employees, agents and other representatives (including any financial, legal or other advisors);

"**Resident Holder**" had the meaning set out in "*Material Canadian Federal Income Tax Considerations – Residents of Canada*";

"**RESPs**" means registered education savings plans;

"**Response**" has the meaning set out in "*Summary – Court Approval*";

"**Right to Match Period**" has the meaning set out in "*The Amended Arrangement Agreement – Non-Solicitation Covenants – Ability to Respond to a Superior Proposal*";

"**RioCan**" means RioCan Real Estate Investment Trust;

"**RRIFs**" means registered retirement income funds;

"**RRSPs**" means registered retirement savings plans;

"**Sale Transactions**" means in respect of (i) the Conditional Sale Properties #1, the sale to and purchase by KS Acquisition II LP of the Conditional Sale Properties #1 pursuant to the terms of Conditional Purchase Agreement #1; (ii) the Conditional Sale Properties #2, the sale to and purchase by RioCan of the Conditional Sale Properties #2 pursuant to the terms of Conditional Purchase Agreement #2; (iii) the Conditional Sale Properties #3, the sale to and purchase by CREIF LP and RioCan of the Conditional Sale Properties #3 pursuant to the terms of Conditional Purchase Agreement #3; (iv) the Conditional Sale Properties #4, the sale to and purchase by OPB Trust of the Conditional Sale Properties #4 pursuant to the terms of Conditional Purchase Agreement #4; (v) the Conditional Sale Properties #5, the sale to and purchase by CREIF LP and OPB Trust of the Conditional Sale Properties #5 pursuant to the terms of Conditional Purchase Agreement #5; and (vi) the Conditional Sale Properties #6, the sale to and purchase by KS LP No. 4 of the Conditional Sale Properties #6 pursuant to the terms of Conditional Purchase Agreement #6;

"**Second Fairness Opinion**" means the opinion of Canaccord Genuity, dated as of February 4, 2013, a copy of which is attached hereto as Appendix "G";

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval;

"**SIFT**" has the meaning set out in "*Material Canadian Federal Income Tax Considerations – Holding and Disposing of H&R REIT Units and H&R Finance Trust Units received pursuant to the Amended Transaction –SIFT Rules*";

"**SIFT Rules**" has the meaning set out in "*Material Canadian Federal Income Tax Considerations – Holding and Disposing of H&R REIT Units and H&R Finance Trust Units received pursuant to the Amended Transaction – SIFT Rules*";

"**SIFT trust**" has the meaning set out in "*Material Canadian Federal Income Tax Considerations – Holding and Disposing of H&R REIT Units and H&R Finance Trust Units received pursuant to the Amended Transaction – SIFT Rules*";

"**Special Resolution**" means the special resolution of the Primaris Voting Unitholders approving the Sale Transactions and the Plan of Arrangement which is to be considered at the Meeting substantially in the form and content of Appendix "A" hereto;

"**Stapled Security Proposals**" has the meaning set out in "*Material Canadian Federal Income Tax Considerations – Holding and Disposing of H&R REIT Units and H&R Finance Trust Units received pursuant to the Amended Transaction – REIT Exception*";

"**STIP**" means the short term incentive plan of Primaris;

"**Subsidiary**" means, with respect to a person, any body corporate of which more than 50% of the outstanding shares or units ordinarily entitled to elect a majority of the board of directors or trustees thereof (whether or not units or shares of any other class or classes shall or might be entitled to vote upon the happening of any event or contingency) are at the time owned or over which voting control or direction is exercised, directly or indirectly, by such person and shall include any body corporate, partnership, trust, joint venture or other entity over which such person exercises direction or control or which is in a like relation to a subsidiary, and "**Subsidiaries**" means collectively more than one Subsidiary;

"**Subsidiary Securities**" means the notes of H&R Portfolio LP Trust and U.S. Holdco;

"**Superior Proposal**" means a *bona fide* Acquisition Proposal to purchase or otherwise acquire, directly or indirectly, by means of a merger, take-over bid, amalgamation, plan of arrangement, business combination or similar transaction (i) more than 50% of the Primaris Units (other than the Primaris Units beneficially owned by the party making such Acquisition Proposal), or (ii) more than 50% of the assets of Primaris and any Primaris Subsidiaries taken as a whole, that, in either case:

(a) did not result from a breach of any agreement between any one or more of the persons making such Acquisition Proposal and its affiliates and Primaris or a breach of Section 7.2(a) of the Amended Arrangement Agreement in any material respect;

(b) is made in writing after the date hereof, including any variation or other amendment of any Acquisition Proposal made prior to the date hereof;

(c) is not subject to any due diligence condition; and

(d) the Primaris Board has determined in good faith (after consultation with its financial advisors and outside legal counsel) (i) is reasonably capable of being completed in accordance with its terms without undue delay taking into account, to the extent considered appropriate by the Primaris Board, all legal, financial, regulatory and other aspects of such Acquisition Proposal and the person or persons making such Acquisition Proposal, (ii) would, if consummated in accordance with its terms (but not assuming away any

risk of non-completion), result in a transaction more favourable from a financial point of view to Primaris Unitholders than the Amended Transaction (taking into consideration any adjustment to the terms and conditions of the Amended Transaction proposed by H&R pursuant to Section 7.2 of the Amended Arrangement Agreement), and (iii) in respect of which any required financing to complete such Acquisition Proposal has been demonstrated to be available to the satisfaction of the Primaris Board, acting in good faith;

"**Superior Proposal Termination**" has the meaning set out in "*The Amended Arrangement Agreement – Termination by Primaris*";

"**Support Agreement**" means the support agreement dated October 1, 2008, as amended and restated as of May 29, 2009 and as of June 14, 2011, between the trustees of H&R REIT and the trustees of H&R Finance Trust;

"**Tangible Personal Property**" means all machinery, equipment, tools, furniture, office equipment, computer hardware, supplies, spare parts, vehicles and other items of tangible personal property of every kind owned or leased by Primaris or a Primaris Subsidiary or used in the Lands or Buildings or in their respective businesses (wherever located and whether or not carried on the books of Primaris or a Primaris Subsidiary) with the exclusion of such items owned, leased or used in connection with the Conditional Sale Properties, together with (i) all replacements thereof, additions and alterations thereto, and substitutions therefor, made between the date hereof and the Effective Time and (ii) any express or implied warranty by the manufacturers or sellers or lessors of any item or component part thereof and all maintenance records and other documents relating thereto;

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time;

"**Tax Proposals**" has the meaning set out in "*Material Canadian Federal Income Tax Considerations*";

"**Taxable Income**" means income (including net realized taxable capital gains) determined in accordance with the Tax Act (read without reference to paragraph 82(1)(b) and subsection 104(6));

"**TCP**" has the meaning set out in "*Material Canadian Federal Income Tax Considerations – Non-Residents of Canada – Dispositions of Primaris Units and H&R Stapled Units*";

"**TCP Gains Balance**" has the meaning set out in "*Material Canadian Federal Income Tax Consequences – Non-Residents of Canada – Cash Redemption and Dissent*";

"**Tenants**" means all persons having a right to occupy any rentable area of a Building pursuant to an Existing Lease; and "**Tenant**" means any one of the Tenants;

"**Termination Payment**" has the meaning set out in "*The Amended Arrangement Agreement – Termination Payment and Option*";

"**TFSAs**" means tax-free savings accounts;

"**Total Dissent Cash Amount**" means the number, equal to the product of the Cash Consideration and the Dissent Cash Factor;

"**Transfer Agent**" means CIBC Mellon Trust Company or such other person as may from time to time be appointed by Primaris as the registrar and transfer agent for the Primaris Units;

"**Trustees' Circular**" means the trustees' circular of Primaris dated December 19, 2012;

"**TSX**" means the Toronto Stock Exchange;

"**Unit Electing Primaris Unitholder**" means a Primaris Unitholder who elects (including for the avoidance of doubt a Primaris Unitholder who is deemed to elect) Non-Cash Consideration in exchange for one or more of such Primaris Unitholder's Primaris Units pursuant and subject to Section 3.1 and Section 3.2 and the other provisions of the Plan of Arrangement;

"**Unitholder Approval Termination**" has the meaning set out in "*The Amended Arrangement Agreement – Termination by H&R or Primaris*";

"**U.S.**" or "**United States**" means the United States of America, its territories and possessions, any State of the United States and the District of Columbia;

"**U.S. Exchange Act**" means the United States *Securities Exchange Act of 1934*, as amended;

"**U.S. GAAP**" means U.S. generally accepted accounting principles, as amended from time to time;

"**U.S. Holdco**" has the meaning set out in "*Appendix "J" – Information Concerning H&R*";

"**U.S. Holdco Note Indenture**" means a note indenture dated as of October 1, 2008 and supplemented by the first supplemental indenture made as of March 31, 2009, between U.S. Holdco, as issuer, and CIBC Mellon Trust Company, as trustee, which provides for the issuance of unsecured subordinated notes, in one or more series, in registered form denominated in U.S. dollars, as amended, supplemented or amended and restated from time to time;

"**U.S. Holdco Notes**" means interest bearing unsecured subordinated notes issued by U.S. Holdco to H&R Finance Trust pursuant to the U.S. Holdco Note Indenture;

"**U.S. Securities Act**" means the United States *Securities Act of 1933*;

"**Voting Agreement**" means the voting agreement dated February 4, 2013 among KS LP No. 4, CREIF LP, H&R REIT and Primaris;

"**Voting Instruction Form**" has the meaning set out in "*General Proxy Matters – Non-Registered Primaris Unitholders*"; and

"**Yonge Street Properties**" means, collectively, the lands and premises municipally known as 363/365 Yonge Street, 377 Yonge Street, 385 Yonge Street, 369/371 Yonge Street and 338 Yonge Street, Toronto, Ontario, together with all easements, rights-of-way and interests appurtenant thereto, and all Buildings situate thereon.

APPROVAL OF THE BOARD OF TRUSTEES

The contents and the sending of the Notice of Meeting and this Information Circular have been approved by the Primaris Board.

DATED February 19, 2013

BY ORDER OF THE BOARD OF TRUSTEES OF PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

"*Roland A. Cardy*"

Roland A. Cardy
Trustee and Chair of the Board

APPENDIX "A"
SPECIAL RESOLUTION

BE IT RESOLVED THAT:

1. The sale by Primaris Retail Real Estate Investment Trust ("**Primaris**") of certain properties pursuant to (i) a conditional purchase and sale agreement dated February 4, 2013 between Primaris and KS Acquisition II LP ("**KS**") ("**Sales Agreement # 1**"); (ii) a conditional purchase and sale agreement dated February 4, 2013 between Primaris and RioCan Real Estate Investment Trust ("**RioCan**") ("**Sales Agreement # 2**"); (iii) a conditional purchase and sale agreement dated February 4, 2013 between Primaris, KingSett Canadian Real Estate Income Fund LP ("**CREIF**"), and RioCan ("**Sales Agreement # 3**"): (iv) a conditional purchase and sale agreement dated February 4, 2013 between Primaris and OPB Finance Trust II ("**OPB**") ("**Sales Agreement #4**"); (v) a conditional purchase and sale agreement dated February 4, 2013 between Primaris, CREIF and OPB ("**Sales Agreement #5**"); and (vi) a conditional purchase and sale agreement dated February 4, 2013 between Primaris and KingSett Real Estate Growth LP No. 4 ("**Sales Agreement # 6**", and together with Sales Agreement #1, Sales Agreement #2, Sales Agreement #3, Sales Agreement #4 and Sales Agreement #5, the "**Sales Agreements**"), all as more particularly described in the management information circular of Primaris dated February 19, 2013, and all transactions contemplated thereby are approved and authorized.

2. The Sales Agreements (as each may be amended from time to time) and all transactions contemplated therein, and the actions of the trustees of Primaris in approving the Sales Agreement and the actions of the trustees and officers of Primaris in executing and delivering each of the Sales Agreements and causing the performance by Primaris of its obligations thereunder, are approved, ratified and confirmed.

3. The arrangement (the "**Amended Transaction**") under section 193 of the *Business Corporations Act* (Alberta), all as more particularly described and set forth in the plan of arrangement attached as Appendix "F" to the management information circular of Primaris dated February 19, 2013 (as it may be amended from time to time in accordance with the Arrangement Agreement (as defined below), the "**Plan of Arrangement**"), and all transactions contemplated thereby are approved and authorized.

4. The Plan of Arrangement and the completion of each of the steps described in the Plan of Arrangement (whether contemplated as part of the Plan of Arrangement or otherwise) are approved and authorized.

5. The amended and restated arrangement agreement dated February 4, 2013 among Primaris, PRR Investments Inc. ("**PRR Investments**"), H&R Real Estate Investment Trust and H&R Finance Trust (as it may be amended from time to time, the "**Arrangement Agreement**") and all transactions contemplated therein, and the actions of the trustees of Primaris in approving the Amended Transaction, the Plan of Arrangement and the Arrangement Agreement and the actions of the trustees and officers of Primaris in executing and delivering the Arrangement Agreement and causing the performance by Primaris of its obligations thereunder, are approved, ratified and confirmed.

6. PRR Investments is authorized to apply for a final order from the Court of Queen's Bench of Alberta to approve the Amended Transaction on the terms set forth in the Arrangement Agreement and the Plan of Arrangement (as they may be amended from time to time in accordance with the Arrangement Agreement).

7. Notwithstanding that this resolution has been duly passed by the unitholders of Primaris or that the Amended Transaction has been approved by the Court of Queen's Bench of Alberta, the trustees of Primaris are authorized, without further notice to, or approval of, the unitholders of Primaris (i) to amend the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement or the Plan of Arrangement, and (ii) subject to the terms of the Arrangement Agreement, not to proceed with the arrangement contemplated by the Plan of Arrangement and to revoke this resolution at any time prior to the Effective Time (as defined in the Arrangement Agreement).

8. Each officer or director of PRR Investments is authorized, on behalf of Primaris, to execute, with or without corporate seal, and, if appropriate, deliver for filing with the Registrar of Corporations under the *Business*

Corporations Act (Alberta) articles of arrangement and such other documents and instruments and do all other things as are necessary or desirable to give effect to the Amended Transaction in accordance with the Arrangement Agreement, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument, and the taking of any such action.

9. Each trustee and officer of Primaris is authorized to do all such acts and things and to execute and deliver all such documents as in such trustee's or officer's opinion may be necessary or desirable to complete the transactions hereby approved and authorized, such determination to be conclusively evidenced by the execution and delivery of such document or the doing of any such act or thing.

APPENDIX "B"
INTERIM ORDER

Form 27
Alberta Rules of Court
Rule 3.65

COURT FILE NO.	**1301-01920**
COURT	**Court of Queen's Bench of Alberta**
JUDICIAL CENTRE	**Calgary**

CLERK OF THE COURT
FILED

FEB 19, 2013

JUDICIAL CENTRE
OF CALGARY

APPLICANTS

PRR INVESTMENTS INC., PRR TRUST, and PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

DOCUMENT

INTERIM ORDER

PARTIES FILING THIS DOCUMENT

PRR INVESTMENTS INC., PRR TRUST, and PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTIES FILING THIS DOCUMENT

McCARTHY TÉTRAULT LLP
Barristers and Solicitors
Suite 3300, 421-7th Avenue S.W.
Calgary, Alberta, Canada, T2P 4K9
Attention: Sean S. Smyth
Telephone: (403) 260-3698 Facsimile: (403) 260-3501
File No.: 193931-449357

DATE ON WHICH ORDER WAS PRONOUNCED: Tuesday, February 19, 2013

PLACE AT WHICH ORDER WAS PRONOUNCED: Calgary, Alberta

NAME OF JUDGE WHO MADE THIS ORDER: The Honourable Mr. Justice A. D. Macleod

UPON the Originating Application of PRR INVESTMENTS INC. (the "**Primaris Trustee**"), PRR TRUST (the "**Primaris Sub-Trust**") and PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST (the "**Target**"), filed herein, coming before this Honourable Court for an initial order in connection with a proposed arrangement (the "**Arrangement**") pursuant to the *Business Corporations Act*, R.S.A. 2000, c. B-9 (the "**ABCA**"); **AND UPON** reading the Affidavit of Devon Jones sworn February 14, 2013 (the "**Devon Affidavit**") and the exhibits referred to therein including, among other exhibits, the "Draft Meeting Materials" (as defined in the said affidavit); **AND UPON** reading the Affidavit of Angie Fredell, sworn February 15, 2013 appending as Exhibit "A" a letter from counsel for the Executive Director of the Alberta Securities Commission (the "**Executive Director**") advising that the Executive Director: (a) acknowledges receipt of the Originating Application; (b) neither consents to nor opposes this application for an interim order; (c) does not wish to receive a copy of this Interim Order or of the Final Meeting Materials (as defined herein); and (d) requires notice of the application for final order contemplated herein (the "**Application for Final Order**") together with the materials on which the parties intend to rely; **AND UPON** being advised that, if ultimately granted at the Application for Final Order, the approval of the Arrangement by this Honourable Court will constitute the basis for an exemption from the registration requirements of the Unites States *Securities Act of 1933*, as amended, pursuant to Section 3(a)(10) thereof, with respect to the exchange of securities; **AND UPON** hearing the submissions of counsel;

NOW, THEREFORE, IT IS HEREBY ORDERED AND DECLARED THAT:

Declarations

1. Capitalized and bolded terms used and not otherwise defined herein shall have the same meanings given to them in the Originating Application.

2. Pursuant to Section 21 of the *Trustee Act*, RSA 2000, c. T-8, it is expedient to grant, and this Honourable Court does hereby grant, to the Primaris Trustee, the trustees of Target, the trustees of H&R REIT and the trustees of H&R Finance Trust such powers as are necessary and incidental, and as may not be set forth in the Primaris Sub-Trust Declaration of Trust, the Target Declaration of Trust the H&R REIT Declaration of Trust and the H&R Finance Trust Declaration of Trust, to call and conduct the Target Unitholder Meeting, to seek the requisite approvals of the Primaris Voting Unitholders and holders of units of H&R REIT and H&R Finance Trust and to seek the approval of this Honourable Court as set forth herein using the procedures set forth in Section 193 of the ABCA (modified to the extent necessary to reflect the unincorporated nature of these trusts) and, if at the

Application for Final Order the Arrangement is approved by this Honourable Court, to implement the Plan of Arrangement.

3. The Plan of Arrangement sets forth a series of transactions that is an "arrangement" within the meaning of the ABCA and it would be impracticable to undertake the transactions set forth in the Plan of Arrangement pursuant to any other provision(s) of the ABCA.

4. The Arrangement shall be conducted as an arrangement under the process set forth in Section 193 of the ABCA.

5. This Court has the express jurisdiction to consider and, after a hearing at which all individuals affected by the Arrangement shall have the right to be heard (as set forth herein), to determine whether the Arrangement is brought in good faith and is fair from a substantive and procedural point of view to all parties affected by the Arrangement, including, to the individuals to whom it is proposed that securities will be issued, or with whom it is proposed that securities will be exchanged, under the Plan of Arrangement.

The Target Unitholder Meeting

6. Target shall call and conduct the Target Unitholder Meeting to permit the Primaris Voting Unitholders the opportunity to consider the Plan of Arrangement and, if thought advisable, to approve, with or without variation, the Arrangement Resolution approving the Arrangement. Such other business as may properly be brought before the Target Unitholder Meeting or any adjournment thereof, whether in furtherance of the implementation of the Arrangement or otherwise, may also be conducted.

Target Unitholder Meeting Materials

7. The Primaris Trustee will, on behalf of Target, compile and print the Final Meeting Materials that will consist of:

(a) a final version of the Draft Meeting Materials that is completed and amended as necessary or desirable; provided, however, that the foregoing will in all respects be substantially similar to the Draft Meeting Materials and shall conform and comply with this Interim Order;

(b) the Originating Application;

(c) a true copy of this Interim Order; and

(d) such other materials as may be necessary or advisable to properly conduct the Target Unitholder Meeting.

Service of the Final Meeting Materials

8. Subject to paragraph 10 hereof, the Final Meeting Materials shall be sent by prepaid ordinary mail at least 21 days prior to the date of the Target Unitholder Meeting to the following (collectively, the "**Notice Recipients**"):

(a) Primaris Voting Unitholders who are registered as such as at the Record Date by providing sufficient copies of the Final Meeting Materials to the transfer agent of Target sufficiently in advance of the date that is 21 days prior to the date of the Target Unitholder Meeting with directions that the Final Meeting Materials are to be transmitted as soon as practicable thereafter to the Primaris Voting Unitholders at the addresses as they may appear on the registers of Target as at the Record Date;

(b) holders of Convertible Securities at the addresses shown in Target's records as at the Record Date;

(c) the trustees of Target at the addresses shown in Target's records; and

(d) the auditors of Target at their place of business in Toronto, Ontario.

9. In calculating the 21 day period referenced in the preceding paragraph, the date of mailing shall be included and the date of the Target Unitholder Meeting shall be excluded.

10. Notwithstanding paragraph 8 hereof, the Final Meeting Materials may be sent to a Notice Recipient by any means as is expressly acknowledged in writing by the recipient to have effected delivery and, in the case of the holders of Options and Restricted Units that are employees or trustees of Target and the trustees and auditors of Target, transmission by e-mail shall be good and sufficient service.

11. The addressees of such mailing shall be deemed to have received the Final Meeting Materials on the date of mailing and such mailing shall constitute good and sufficient service of:

(a) the contents of the Final Meeting Materials;

(b) notice of the Target Unitholder Meeting;

(c) notice of the Application for Final Order; and

(d) all other notices given and information provided in the Final Meeting Materials.

12. Service of the Final Meeting Materials on the Executive Director is dispensed with. Target shall provide to the Executive Director the materials he has requested in his letter appended to the Affidavit of A. Brisebois.

13. The only persons entitled to notice of the Target Unitholder Meeting shall be the Notice Recipients.

14. The accidental omission to give notice of the Target Unitholder Meeting to or the non-receipt of the notice by one or more of the Notice Recipients shall not invalidate any resolution passed or proceedings taken at the Target Unitholder Meeting.

Notice of Adjournment, Amendments, Updates or Supplements Prior to Target Unitholder Meeting

15. Any notice of an adjournment of the Target Unitholder Meeting and any amendments, updates or supplements to any of the information provided in the Final Meeting Materials that is deemed necessary or advisable prior to the Target Unitholder Meeting, including for greater certainty disclosure of any material change to any of the parties to the Arrangement or affected by the Plan of Arrangement may be communicated to Notice Recipients by press release or by prepaid ordinary mail in the same manner as provided herein for delivery of the Final Meeting Materials, or by such other means as is determined by the trustees of Target to be the most appropriate and effective means of communication in the circumstances. Notice of any such amendment, update or supplement, if given by press release or ordinary prepaid mail, shall be deemed to have been received by the Notice Recipients and all other persons entitled to such notice on the day that is 2 days following such press release or date of mailing.

Solicitation of Proxies

16. Target is hereby authorized to solicit proxies from Primaris Voting Unitholders, directly or through their officers, directors and employees and through such agents or representatives as they may retain for that purpose, by mail, telephone or such other forms and means of personal or electronic communication as they may determine.

Dissent Rights

17. Registered Target Unitholders are hereby given the right to dissent from the Arrangement Resolution (the "**Dissent Right**") and, on exercising such Dissent Right in accordance with this Interim Order, and Article 4 of the Plan of Arrangement, and shall have the right to receive the fair value of their Target Units in accordance with this Interim Order and Article 4 of the Plan of Arrangement. The Dissent Right shall conform with Section 191 of the ABCA, and Section 191 of the ABCA shall be incorporated into the Dissent Right, except as follows:

(a) subsections 191(1) and (2) of the ABCA shall be of no force or effect;

(b) subject to sub-paragraphs (f), (g) and (h) hereof, defined terms used in Section 191 of the ABCA such as "corporation", "shareholder", "dissenting shareholder" and other similar references applicable to a corporation shall be deleted and replaced with comparable terms applicable to a trust and, for greater certainty but without limiting the generality of the foregoing:

(i) "corporation" shall mean Target;

(ii) "shareholder" shall mean a Registered Target Unitholder; and

(iii) "dissenting shareholder" shall mean a Registered Target Unitholder that exercises the Dissent Right in strict accordance herewith in respect of any and all Target Units held by that Registered Target Unitholder and who does not withdraw the exercise of the Dissent Right prior to the Effective Time (a "**Dissenting Target Unitholder**");

(c) notwithstanding any provision of Section 191 of the ABCA to the contrary, only a Registered Target Unitholder may exercise the Dissent Right granted hereby and may only exercise such right as provided herein;

(d) CDS & Co., as the sole Registered Target Unitholder, may exercise the Dissent Right on behalf of a beneficial holder of Target Units, but may only do so in respect of all of that beneficial holder's interest in Target Units and in respect of all such Target Units held by that beneficial holder;

(e) a Dissenting Target Unitholder who fails to comply with the provisions of the Dissent Right has no right to make a claim pursuant to the Dissent Right or otherwise pursuant to

Section 191 of the ABCA but shall instead receive the consideration to be given under the Plan of Arrangement as though no Dissent Right was exercised in respect thereof;

(f) the "resolution" referenced in subsection 191(5) of the ABCA shall mean the Arrangement Resolution and the written objection (the "**Objection**") required to be sent by a dissenting shareholder pursuant to subsection 191(5) of the ABCA must be sent by courier, post, or personal service to Target in care of McCarthy Tétrault LLP, 3300, 421 – 7th Avenue S.W., Calgary, Alberta, T2P 4K9, Attention: Sean S. Smyth or by facsimile at (403) 260-3501 or by e-mail at ssmyth@mccarthy.ca and must be received at or before 12:00 p.m. (Calgary time) on the business day that is two (2) business days immediately preceding the Target Unitholder Meeting (the "**Dissent and Appearance Notice Deadline**") or in the event that the Target Unitholder Meeting is adjourned or postponed to a later date, at 12:00 p.m. (Calgary time) on the business day that is two (2) business days before the date to which the Target Unitholder Meeting is adjourned notwithstanding that the Target Unitholder did not receive actual notice of the Target Unitholder Meeting or of their right to dissent; and

(g) notwithstanding any provision of Section 191 of the ABCA or this Interim Order to the contrary, Section 191 of the ABCA including, without limitation, those parts of subsections 191(3), (7), (12)(c), (13)(b), and (13)(c) of the ABCA, that refer to a dissenting shareholder receiving payment from a corporation shall be interpreted to mean a right to receive payment from Target;

(h) notwithstanding any provision of Section 191 of the ABCA or this Interim Order to the contrary, the words "the corporation" in subsections 191(6)(a), (7), (10), (12), (13), (18) and (20) of the ABCA shall be deleted and replaced with Target;

(i) subsection 191(14) of the ABCA shall be deleted from the Dissent Right and, instead, in accordance with the Plan of Arrangement and in the sequence contemplated thereby, each of the Target Units ("**Dissenting Units**") held by Dissenting Target Unitholders shall be transferred to Target, free and clear of all Encumbrances (as defined in the Arrangement Agreement) in consideration for a debt claim against Target for the amount determined under Article 4 of the Plan of Arrangement and, effective at the time of this step in the Plan of Arrangement:

(i) such Dissenting Target Unitholders shall cease to be the holders of such Target Units and shall cease to have any rights as Target Unitholders in respect of such Target Units, other than the right to be paid fair value for such Target Units by Target, as determined under Article 4 of the Plan of Arrangement;

(ii) such Dissenting Target Unitholders' names shall be removed as the holders of such Target Units from the registers of Target Units maintained by or on behalf of Target; and

(iii) Target shall be deemed to be the transferee of such Target Units (free and clear of all Encumbrances) and such Target Units shall thereupon be cancelled;

(j) subsection 191(15) of the ABCA shall be deleted from the Dissent Right;

(k) subsection 191(16) of the ABCA shall be deleted from the Dissent Right and, instead, it shall be a provision of the Dissent Right that a Dissenting Target Unitholder may withdraw their exercise of the Dissent Right until the Effective Time; and

(l) subsection 191(19) of the ABCA shall be deleted from the Dissent Right and, instead, the Dissent Right shall provide that notwithstanding that a judgment has been given in favour of a Dissenting Target Unitholder under subsection 191(13)(b) of the ABCA, if subsection 191(20) of ABCA applies, the Dissenting Target Unitholder, by written notice delivered to Target within 30 days after receiving the notice in subsection 191(18) of the ABCA, may withdraw the Dissenting Target Unitholders' notice of the exercise of the Dissent Right, in which case Target shall be deemed to consent to the withdrawal and the Dissenting Target Unitholder shall instead receive the consideration to be given under the Plan of Arrangement as though no Dissent Right was exercised in respect thereof.

Adjournment of the Target Unitholder Meeting

18. Subject to the terms of the Arrangement Agreement and in addition to the right to adjourn the Target Unitholder Meeting provided in paragraph 23 hereof, if the trustees of Target deem it advisable, Target is authorized to adjourn and postpone the Target Unitholder Meeting on one or more occasions, without the necessity of first convening the Target Unitholder Meeting or first obtaining any vote of the Primaris Voting Unitholders respecting the adjournment or postponement

or setting a new Record Date. Target is further authorized to adjourn or postpone the consideration of the Arrangement Resolution without the necessity of first convening the Target Unitholder Meeting or first obtaining any vote of the Primaris Voting Unitholders respecting the adjournment or postponement, without limiting its ability to carry on with such other business as may properly be brought before the Primaris Voting Unitholders at the Target Unitholder Meeting. Notice of any such adjournment or postponement shall be given in accordance with paragraph 15 hereof.

Conduct of the Target Unitholder Meeting

19. The Target Unitholder Meeting shall be called, held and conducted in accordance with the Final Meeting Materials, the terms of this Interim Order, any further orders of the Court as may be granted, and the rulings and directions of the Chair of the Target Unitholder Meeting. To the extent of any discrepancy or inconsistency among the foregoing, the terms of this Interim Order shall prevail.

20. The Chair of the Target Unitholder Meeting shall be any person nominated by the trustees of Target for that purpose.

21. The scrutineer of the Target Unitholder Meeting (the "**Scrutineer**") shall be appointed by the Chair of the Target Unitholder Meeting at the Target Unitholder Meeting.

22. The only persons entitled to attend the Target Unitholder Meeting shall be:

(a) the Notice Recipients or their proxy holders as evidenced by a validly completed form of proxy prepared specifically for use at the Target Unitholder Meeting;

(b) trustees, officers, employees, and solicitors of the parties to the Arrangement Agreement;

(c) employees, officers and directors of the auditor of Target;

(d) employees, officers and directors of the Scrutineer;

(e) the Executive Director and his representatives; and

(f) other persons with the permission of the Chair of the Target Unitholder Meeting.

23. Only Primaris Voting Unitholders who are registered as such as at the Record Date and holders of proxies of the foregoing shall be entitled to vote at the Target Unitholder Meeting in respect of the Arrangement Resolution.

24. The quorum at the Target Unitholder Meeting shall be two or more Primaris Voting Unitholders entitled pursuant to the foregoing paragraph to vote at the Target Unitholder Meeting, personally present or represented by proxy and representing in the aggregate not less than 5% of the combined Target Units and Special Voting Units held by the Registered Primaris Voting Unitholders entitled to be voted at such Target Unitholder Meeting. Subject to the Arrangement Agreement, if a quorum is not present at the time appointed for the Target Unitholder Meeting, or within a reasonable time thereafter as the Chair of the Target Unitholder Meeting may determine, the persons present and entitled to vote may adjourn the Target Unitholder Meeting to a fixed time and place. At such adjourned Target Unitholder Meeting, the Primaris Voting Unitholders entitled pursuant to the foregoing paragraph to vote at the Target Unitholder Meeting that are personally present or represented by proxy shall form a quorum.

25. The Primaris Voting Unitholders entitled to vote at the Target Unitholder Meeting shall vote together as one class with each such Primaris Voting Unitholder being entitled to one vote for each Target Unit or Special Voting Unit they hold.

26. The procedure for the use of proxies at the Target Unitholder Meeting, the communication of voting instructions to intermediaries and the revocation of such proxies and voting instructions shall be as set out in the Final Meeting Materials or as the Chair of the Target Unitholder Meeting shall determine.

27. The only proxies to be counted at the Target Unitholder Meeting shall be those tendered on behalf of Registered Primaris Voting Unitholders on completed forms of proxy prepared for the purposes of the Target Unitholder Meeting included in the Final Meeting Materials.

28. The Chair of the Target Unitholder Meeting may waive generally any time limits for the deposit of proxies or communication of voting instructions, if in the exercise of his discretion he deems it advisable to do so.

Application for Final Order

29. If:

(a) the Arrangement Resolution is approved by not less than 66 ⅔% of the votes cast by Primaris Voting Unitholders present in person or by proxy and entitled to vote as provided herein at the Target Unitholder Meeting; and

(b) if all other conditions precedent to the completion of the Arrangement have been satisfied or waived;

the Application for Final Order may proceed, but shall not be compelled by anything in the Interim Order to proceed, on March 22, 2013 at 3:00 pm at the Calgary Court Centre, 601 – 5th Street S.W., Calgary, Alberta.

Appearance of Interested Persons at Application for Final Order

30. Any Notice Recipient or other interested party desiring to appear and make submissions at the Application for Final Order is required to file with this Honourable Court and serve upon Target in care of McCarthy Tétrault LLP, 3300, 421 – 7th Avenue S.W., Calgary, Alberta, T2P 4K9, Attention: Sean S. Smyth or by facsimile at (403) 260-3501 or by e-mail at ssmyth@mccarthy.ca on or before the Dissent and Appearance Notice Deadline, a notice of intention to appear, including the following:

(a) if the person is a Notice Recipient, which category of Notice Recipient they are;

(b) if the person is not a Notice Recipient, the basis upon which they claim to be an interested party that should be entitled to appear and be heard by this Honourable Court;

(c) an address for service within Calgary or, alternatively, a telephone number for service by facsimile or an e-mail address;

(d) whether such Notice Recipient or interested party intends to support or oppose the Application for Final Order or make submissions, and

(e) any evidence or materials which such party intends to present to this Court.

31. In the event that the Application for Final Order is adjourned, only those parties appearing before this Honourable Court on the initial return date of the Application for Final Order, and those interested parties serving a Notice of Intention to Appear in accordance with this Order, shall have notice of the adjourned date.

Leave to Vary Interim Order

32. The Applicants shall be entitled at any time to apply on reasonable notice to H&R REIT and H&R Finance Trust but without advance notice to the Notice Recipients or the Executive Director to vary this Interim Order. If an application to vary this Interim Order is brought, this Honourable Court shall first determine what notice of the application, if any, shall be given and, what notice, if any, of the variance granted by this Honourable Court is to be given, and in either case to whom and how such notice is to be given.

"A.D. MACLEOD"

J. C. C. Q. B. A.

APPENDIX "C"
ORIGINATING APPLICATION

Form 7
Alberta Rules of Court
Rule 3.8

COURT FILE NO. **1301-01920**

COURT **Court of Queen's Bench of Alberta**

JUDICIAL CENTRE **Calgary**

CLERK OF THE COURT
FILED

FEB 14, 2013

JUDICIAL CENTRE
OF CALGARY

APPLICANTS **PRR INVESTMENTS INC., PRR TRUST, and PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST**

DOCUMENT

ORIGINATING APPLICATION

under the *Business Corporations Act*, RSA 2000, c. B-9, s. 193 as amended and the *Trustee Act*, RSA 2000, c. T-8, s. 21, as amended

PARTIES FILING THIS DOCUMENT **PRR INVESTMENTS INC., PRR TRUST and PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTIES FILING THIS DOCUMENT

McCARTHY TÉTRAULT LLP
Barristers and Solicitors
Suite 3300, 421-7th Avenue S.W.
Calgary, Alberta, Canada, T2P 4K9
Attention: Sean S. Smyth
Telephone: (403) 260-3698 Facsimile: (403) 260-3501
File No.: 193931-449357

NOTICE

An application for an initial order in respect of an arrangement transaction pursuant to Section 193(4) of the *Business Corporations Act*, RSA 2000, as amended (the "**ABCA**"), and the *Trustee Act*, RSA 2000, c. T-8, s. 21, as amended, has been scheduled to be heard on the Commercial List as follows:

Date:	TUESDAY, FEBRUARY 19, 2013
Time:	9:00 a.m.
Where:	Calgary Courts Centre, 601-5th Street SW, Calgary Alberta, T2P 5P7
Before:	The Honourable Mr. Justice A.D. Macleod

At the foregoing application, the Court will be asked to schedule the date and time of the hearing for a final order pursuant to Section 193(9) of the ABCA.

BASIS FOR THIS CLAIM:

Introduction

1. The Applicants, PRR INVESTMENTS INC. (the "**Primaris Trustee**"), PRR TRUST ("**Primaris Sub-Trust**") and PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST ("**Target**") request that this Honourable Court consider and approve an arrangement (the "**Arrangement**") that the Primaris Trustee, Target, H&R REAL ESTATE INVESTMENT TRUST ("**H&R REIT**") and H&R FINANCE TRUST ("**H&R Finance Trust**") have agreed to implement pursuant to: (i) Section 193 of the *Business Corporations Act*, RSA 2000, c. B-9, as amended (the "**ABCA**"); (ii) an arrangement agreement (the "**Arrangement Agreement**") made among the Primaris Trustee, Target, H&R REIT and H&R Finance Trust effective as of January 16, 2013, and amended and restated on February 4, 2013; and (iii) a plan of arrangement appended to the Arrangement Agreement as Schedule "B" (the "**Plan of Arrangement**").

2. Capitalized terms used herein have the meanings given to them in the Arrangement Agreement and the Plan of Arrangement unless defined herein.

3. At the initial application, this Honourable Court will be asked to grant an interim order pursuant to Section 193(4) of the ABCA and Section 21 of the *Trustee Act*, RSA 2000, c. T-8, as amended (the "**Trustee Act**") in the form attached to this Originating Application as Schedule "A" (the "**Interim Order**") in which this Honourable Court would:

(a) declare that this Honourable Court has and exercises the jurisdiction to consider and determine the matters raised by this Originating Application;

(b) declare, pursuant to Section 21 of the Trustee Act, that it is expedient to grant to the respective trustees of the trusts that are party to the Arrangement such powers as are necessary and incidental, and as may not be set forth in the respective declarations of trust applicable to the trusts that are party to the Arrangement, to call and conduct the Target Unitholder Meeting, to seek the requisite approvals of the Primaris Voting Unitholders (as defined herein), and to seek the approval of this Honourable Court using the procedures set forth in Section 193 of the ABCA (modified to the extent necessary to reflect the unincorporated nature of these trusts) and, if at the Application for Final Order the Arrangement is approved by this Honourable Court, to implement the Plan of Arrangement;

(c) declare that the Arrangement is an "arrangement" within the meaning of the ABCA and that the application for approval of the Arrangement shall be conducted under the process set forth in Section 193 of the ABCA;

(d) establish the procedure by which a special meeting (the "**Target Unitholder Meeting**") of:

(i) the holders ("**Target Unitholders**") of issued and outstanding units of Target (the "**Target Units**") registered as such (the "**Registered Target Unitholders**") as at February 15, 2013 (the "**Record Date**") which, for greater certainty, includes the Target Unitholders that become Registered Target Unitholders as at the Record Date through the conversion, exchange or exercise of convertible securities ("**Convertible Securities**"); and

(ii) the holders ("**Special Voting Unitholders**") of issued and outstanding voting non-participating trust units of Target (the "**Special Voting Units**") registered as such (the "**Registered Special Voting Unitholders**") as at the Record Date;

will be called and conducted so that they may consider and, if thought to be advisable, pass, with or without variation, a special resolution approving of the Arrangement in the form appended to the Arrangement Agreement as Schedule "A" (the "**Arrangement Resolution**");

(e) grant to Registered Target Unitholders the right to dissent from the Arrangement Resolution (the "**Dissent Rights**") and declare that such Dissent Rights shall parallel Section 191 of the ABCA as amended by the Interim Order and the Plan of Arrangement;

(f) establish the time and place after the Target Unitholder Meeting is concluded at which this Honourable Court will hear and consider the application for a final order (the "**Application for Final Order**");

(g) establish the procedures to be followed by any interested party desiring to be heard at the Application for Final Order; and

(h) grant such other relief as set out therein.

4. At the Application for Final Order, this Honourable Court will be asked to grant an order (the "**Final Order**") in which this Honourable Court would:

(a) declare that the applicable statutory procedures have been met;

(b) declare that the application has been put forth in good faith;

(c) declare that the Arrangement is fair and reasonable to all persons affected by the Arrangement;

(d) approve of the Arrangement pursuant to Section 193(9) of the ABCA;

(e) declare that the Arrangement will, upon filing the Articles of Arrangement pursuant to Section 193 of the ABCA, become effective in accordance with its terms and will be binding on all persons affected by the Arrangement at the time (the "**Effective Time**") and on the date (the "**Effective Date**") on which the Arrangement becomes effective; and

(f) grant such other and further orders, declarations and directions as the Court may deem reasonable and necessary.

Information About the Primaris Trustee

5. The Primaris Trustee was incorporated under the *Business Corporations Act*, RSO 1990, c B.16 and was continued into Alberta under the provisions of the ABCA on January 30, 2013.

6. The Primaris Trustee is the sole trustee of the Primaris Sub-Trust.

Information About the Primaris Sub-Trust

7. The Primaris Sub-Trust is a trust established pursuant to a declaration of trust of the Primaris Sub-Trust dated January 2, 2002 (the "**Primaris Sub-Trust Declaration of Trust**").

8. Target is the sole beneficiary of the Primaris Sub-Trust.

Information About Target

9. Target is an unincorporated, open-ended real estate investment trust established on March 28, 2003, by a declaration of trust under, and governed by, the laws of Ontario, as amended and restated.

10. The document that currently governs Target is the sixth amended and restated declaration of trust of Target dated March 1, 2012 (the "**Target Declaration of Trust**").

11. Target owns and operates enclosed shopping centres throughout Canada. Target owns 35 income-producing properties comprising approximately 14.7 million square feet located in Canada, including a number of properties in Alberta.

12. Target is a "reporting issuer" (or the equivalent) in each of the provinces and territories of Canada including pursuant to the *Securities Act*, R.S.A. 2000, c. S-4 (the "***Securities Act***"). The Executive Director of the Alberta Securities Commission (the "**Executive Director**") has been given notice of this Application pursuant to Section 193(8) of the ABCA.

13. The Target Units are listed on the Toronto Stock Exchange (the "TSX") under the symbol "PMZ.UN". As of January 31, 2013, there were 98,781,654 issued and outstanding Target Units of which 98,420,149 are eligible to vote.

14. Additional Target Units may be issued or transferred, as applicable, on the conversion, exchange or exercise of the Convertible Securities. As of January 31, 2013, the Convertible Securities consisted of the following:

(a) 1,328,860 options ("**Options**") to purchase Target Units granted pursuant to Target's Equity Incentive Plan which are exercisable for 1,328,860 Target Units at various exercise prices that were established from time-to-time. As at the date of this Originating Application, all of the Options are expected to be "in-the-money" based on a deemed transaction value of $28.00 per Target Unit. The Options are addressed in the Plan of Arrangement.

(b) 160,561 restricted units ("**Restricted Units**") granted under and subject to Target's Equity Incentive Plan which can be settled by the issuance of 160,561 Target Units. The Restricted Units are addressed in the Plan of Arrangement.

(c) Debentures (the "**Target Debentures**") which consist of:

(i) 5.40% convertible unsecured subordinated debentures of Target initially issued in an aggregate principal amount of $75 million in June 2011 which are convertible into Target Units at a conversion price of $28.84 per Target Unit;

(ii) 6.30% convertible unsecured subordinated debentures of Target initially issued in an aggregate principal amount of $75 million in October 2009 which are convertible into Target Units at a conversion price of $16.70 per Target Unit; and

(iii) 6.75% convertible unsecured subordinated debentures of Target initially issued in an aggregate principal amount of $50 million in June 2004 which are convertible into Target Units at a conversion price of $12.25 per Target Unit.

(d) 2,122,261 exchangeable limited partnership units (the "**Exchangeable Units**") which are exchangeable for 2,122,261 Target Units and which consist of:

(i) non-voting exchangeable limited partnership units (the "**Grant Park Exchangeable LP Units**") issued by Grant Park Limited Partnership as partial consideration for the acquisition of Grant Park Shopping Centre and the remaining outstanding shares of the nominee titleholder of Grant Park Shopping Centre which are exchangeable for Target Units in the manner set out in the Grant Park Limited Partnership Agreement and the Grant Park Exchange Agreement; and

(ii) non-voting exchangeable limited partnership units ("**Place Fleur de Lys Exchangeable LP Units**") issued by Place Fleur de Lys Limited Partnership as partial consideration for the acquisition of partnership interests of the permitted holders of Place Fleur de Lys Exchangeable LP Units which are:

(A) exchangeable for Target Units in the manner set out in the Place Fleur de Lys Limited Partnership Agreement, and

(B) connected to the Special Voting Units.

15. Apart from the currently issued and outstanding Target Units and Target Units that may be issued on the conversion, exchange or exercise of Convertible Securities, the capital of Target also includes 1,750,756 Special Voting Units of Target which were issued in association with the Place Fleur de Lys Exchangeable LP Units.

16. The Target Unitholders and Special Voting Unitholders (collectively, the "**Primaris Voting Unitholders**") and those that are entitled to become Target Unitholders on the conversion, exchange or exercise of the Convertible Securities are individuals, corporations, partnerships, and

other entities who hold (or will hold) these securities in registered form or beneficially through depositories and brokerages.

Information About H&R

17. H&R REIT is an open-ended real estate investment trust, which owns a North American portfolio of 42 office, 115 industrial and 138 retail properties comprising over 45 million square feet and 2 development projects, with a fair value of approximately $10 billion.

18. H&R Finance Trust is an unincorporated investment trust, which invests exclusively in notes issued by a body corporate incorporated in the United States of America (the "**United States**") which is a subsidiary of H&R REIT. The current outstanding principal amount of the notes owed to H&R Finance Trust is 162.5 million United States dollars.

19. The document that governs H&R REIT is the amended and restated declaration of trust dated as of June 25, 2012 (the "**H&R REIT Declaration of Trust**").

20. The document that governs H&R Finance Trust is the amended and restated declaration of trust dated as of November 9, 2011 (the "**H&R Finance Trust Declaration of Trust**").

21. Each of H&R REIT and H&R Finance Trust is a "reporting issuer" (or the equivalent) in each of the provinces of Canada including pursuant to the *Securities Act*.

22. In 2008, H&R REIT completed a reorganization pursuant to a previous plan of arrangement that was approved by this Honourable Court which resulted in each issued and outstanding H&R REIT unit (an "**H&R REIT Unit**") and a unit of H&R Finance Trust (an "**H&R Finance Trust Unit**") trading together (collectively, an "**H&R Stapled Unit**") on the TSX under the trading symbol "HR.UN".

Right to Dissent from the Arrangement Resolution

23. As an element of fairness (a subject which is to be considered at the Application for Final Order), it is proposed that the Court exercise its discretion pursuant to Section 193(4)(c)(iv) of the ABCA and declare that Registered Target Unitholders shall be granted dissent rights and that such dissent rights shall conform to those set forth in Section 191 of the ABCA as modified by the Interim Order and the Plan of Arrangement (the "**Dissent Rights**").

The Plan of Arrangement

24. If the Arrangement is implemented, at the election of a Target Unitholder, each Target Unitholder, other than Dissenting Target Unitholders, will receive the following for each Target Unit (the "**Consideration**"), either (i) $28.00 in cash, subject to the "Actual Cash Consideration" of approximately $1.28 billion, or (ii) 1.166 H&R Stapled Units (i.e., 1.166 H&R REIT Units and 1.166 H&R Finance Trust Units) (the "**Non-Cash Consideration**"), in each case subject to proration. In the event Target Unitholders elect less or more cash than the Actual Cash Consideration, the Actual Cash Consideration and Non-Cash Consideration will be prorated among Target Unitholders so that the Actual Cash Consideration is paid.

25. There are a number of conditions precedent to the implementation of the Arrangement. The conditions precedent are set forth in the Arrangement Agreement.

26. If the conditions precedent set forth in the Arrangement Agreement are satisfied or waived, then, at the Effective Time, each of the steps set out in Section 2.4 of the Plan of Arrangement shall occur in order without any further act or formality, with each such step occurring one (1) minute after the completion of the immediately preceding step.

Definition of Arrangement and Impracticability

27. If implemented, the Plan of Arrangement will effectively result in:

(a) a sale by certain subsidiaries of Target of certain assets to members of a consortium led by KingSett Capital for cash consideration and the assumption of certain liabilities (the "**Asset Sales**");

(b) a series of exchanges of securities of Target (namely, Target Units) for: (i) cash to be funded using the proceeds of the Asset Sales; (ii) securities of H&R Finance Trust (namely, H&R Finance Trust Units); and (iii) securities of H&R REIT (namely, H&R REIT Units which will be immediately cancelled when received by H&R REIT and, in all other cases, will, together with the H&R Finance Trust Units described in (ii), constitute H&R Stapled Units); [ABCA, s. 193(1)(f)];

(c) further exchanges of securities of Target (namely, certain of the Convertible Securities) for other securities of H&R REIT [ABCA, s. 193(1)(f)] and the separate grant by H&R REIT of additional securities to the holders of any Options so exchanged;

(d) the transfer of substantially all of the remaining property of Target (namely, the Target Assets) in exchange for the consideration described in paragraph 2.4(n) of the Plan of Arrangement [ABCA, s. 193(e)];

(e) other transactions that are included within the broad definition of "arrangement" which "includes, but is not restricted to" the categories enumerated in ABCA, s. 193(1); and

(f) a combination of the foregoing [ABCA, s. 193(1)(i)].

28. The exchanges of securities contemplated by the Plan of Arrangement are not a "take-over bid" within the meaning of the ABCA and would not be a "take-over bid" even if Target and the Primaris Sub-Trust were corporations [ABCA, s. 194(g)].

29. The Arrangement sets forth a series of complicated transactions that cannot be effected under any other single provision or combination of provisions of the ABCA. [ABCA, s. 193(3)].

30. In any event, it is impracticable to effect the Arrangement under any other provision or provisions of the ABCA except as an arrangement pursuant to Section 193 of the ABCA [ABCA, s. 193(3)] by reason that:

(a) the Order of this Honourable Court approving the proposed Arrangement in accordance with Section 193 of the ABCA will permit the Arrangement to be carried out in a particular sequence on the same day, thereby eliminating delay, excessive costs and other inconveniences that would be associated with proceeding by way of sequential transactions;

(b) undertaking the Arrangement as an arrangement pursuant to Section 193 of the ABCA will allow Target Unitholders who are resident in Canada to receive H&R Stapled Units pursuant to prospectus exemptions under the securities laws of various Canadian jurisdictions; and

(c) undertaking the Arrangement as an arrangement pursuant to Section 193 of the ABCA will provide certainty to all of the parties affected by the Arrangement in relation to certain tax consequences derived from the ability to conclude the transaction as a sequential series of arranged transactions.

U.S. Securities Laws

31. Further to the issue of impracticability, certain of the Target Unitholders reside in the United States. Undertaking the Arrangement as an arrangement pursuant to Section 193 of the ABCA will allow United States resident Target Unitholders to receive securities of H&R REIT and H&R Finance Trust in exchange pursuant to an exemption from the registration requirements of the United States *Securities Act of 1933*, as amended (the "**1933 Act**") pursuant to Section 3(a)(10) of the 1933 Act. Apart from Section 193 of the ABCA, no other provision, or combination of provisions, of the ABCA provide for the judicial scrutiny of the fairness of the terms and conditions of the Plan of Arrangement that is necessary to invoke the exemptions provided by Section 3(a)(10) of the 1933 Act.

32. In the affidavit materials filed in support of this Application, the Court is advised that:

> Section 3(a)(10) of the 1933 Act provides an exemption from the registration requirements of the 1933 Act for the issuance and exchange of securities where the terms and conditions of such issuance and exchange are approved by a court expressly authorized by law to grant such approval, after a hearing upon the fairness of such terms and conditions at which all persons to whom it is proposed to issue securities in such exchange shall have the right to appear.
>
> H&R REIT and H&R Finance Trust that will issue and exchange securities in implementing the Arrangement intend to use the final order approving the Arrangement, if granted by this Honourable Court, as the basis for an exemption from the registration requirements of the 1933 Act pursuant to Section 3(a)(10) thereof with respect to the issuance of securities pursuant to the Plan of Arrangement.

33. Further to the foregoing, Section 2.23 of the Arrangement Agreement provides:

> 2.23 U.S. Securities Laws
>
> The parties agree that the Arrangement will be carried out with the intention that all H&R Stapled Units issued to Target Unitholders on completion of the Arrangement will be issued by H&R in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereunder. In order to ensure the availability of the exemption under Section 3(a)(10) of the U.S. Securities Act, the Parties agree that the Arrangement will be carried out on the following basis:
>
> (a) the procedural and substantive fairness of the terms and conditions of the Arrangement will be subject to the approval of the Court;
>
> (b) the Court will be advised as to the intention of the parties to rely on the exemption provided by Section 3(a)(10) of the U.S. Securities Act prior to the hearing required to approve the procedural and substantive fairness of the terms and conditions of the Arrangement;
>
> (c) the Court will be required to satisfy itself as to the procedural and substantive fairness of the terms and conditions of the Arrangement to the Target Unitholders subject to the Arrangement;

(d) Target will ensure that each Target Unitholder will be given adequate notice advising them of their right to attend the hearing of the Court to approve the procedural and substantive fairness of the terms and conditions of the Arrangement and providing them with sufficient information necessary for them to exercise that right;

(e) the Target Unitholders will be advised that the H&R Stapled Units issued pursuant to the Arrangement have not been registered under the U.S. Securities Act and will be issued by H&R in reliance on the exemption provided by Section 3(a)(10) of the U.S. Securities Act;

(f) the Final Order approving the terms and conditions of the Arrangement that is obtained from the Court will expressly state that the Arrangement is approved by the Court as being procedurally and substantively fair to the Target Unitholders;

(g) the Interim Order approving the Target Unitholder Meeting will specify that each Target Unitholder will have the right to appear before the Court at the hearing of the Court to give approval of the Arrangement so long as they enter an appearance within a reasonable time;

(h) the Court will hold a hearing before approving the procedural and substantive fairness of the terms and conditions of the Arrangement; and

(i) the Final Order shall include a statement substantially to the following effect: "This Order will serve as a basis of a claim to an exemption, pursuant to Section 3(a)(10) of the U.S. Securities Act, from the registration requirements otherwise imposed by that act, regarding the distribution of securities of H&R in connection herewith".

34. Obtaining an exemption from the registration requirements of the 1933 Act eliminates substantial cost and delay that would be associated with the registration of the applicable securities under the 1933 Act.

Calling the Target Unitholder Meeting

35. To obtain the requisite approval of the Primaris Voting Unitholders, it is proposed that Target shall call the Target Unitholder Meeting so that the Primaris Voting Unitholders may consider, among other things, the Arrangement and the Plan of Arrangement and, if thought advisable, to approve the Arrangement Resolution with or without variation.

36. The manner by which notice of the Target Unitholder Meeting will be given is set forth in the form of proposed Interim Order. In summary, it is proposed that:

(a) The Primaris Trustee will, on behalf of Target, compile and print materials (the "**Final Meeting Materials**") with the cooperation and assistance of H&R REIT and H&R Finance Trust which will consist of:

(i) a final version of the draft form of the Management Information Circular and other materials marked as Exhibit "H" to the Affidavit of Devon Jones sworn February 14, 2013 (the "**Draft Meeting Materials**") that is completed and amended

as necessary or desirable; provided however, that the foregoing will in all respects be substantially similar to the Draft Meeting Materials and shall conform and comply with the Interim Order granted, if any;

(ii) this Originating Application;

(iii) a true copy of such interim order as may be granted by this Honourable Court; and

(iv) such other materials as may be necessary or advisable to properly conduct the Target Unitholder Meeting.

(b) The Final Meeting Materials will be sent by prepaid ordinary mail, or by such other means as is acknowledged by the recipient to have effected delivery, at least 21 days prior to the date of the Target Unitholder Meeting to:

(i) Primaris Voting Unitholders who are registered as such as at the Record Date by providing sufficient copies of the Final Meeting Materials to the transfer agent of Target sufficiently in advance of the date that is 21 days prior to the date of the Meeting with directions that the Final Meeting Materials are to be transmitted as soon as practicable thereafter to the Primaris Voting Unitholders at the addresses as they may appear on the registers of Target as at the Record Date;

(ii) holders of Convertible Securities as at the Record Date at the addresses shown in Target's records;

(iii) the trustees of Target at the addresses shown in Target's records; and

(iv) the auditors of Target at their place of business in Toronto, Ontario.

Notice to the Executive Director

37. Each of Target, H&R REIT and H&R Finance Trust is a "reporting issuer" within the meaning of the *Securities Act*, however, because they are each a trust they are not each a "distributing corporation" within the meaning of the ABCA. Nevertheless, notice of this Originating Application was given to the Executive Director of the Alberta Securities Commission (the "**Executive Director**") as would be required by Section 193(8) of the ABCA if the trusts were each a "distributing corporation".

38. Notice of this application has been given to the Executive Director.

39. At the time of filing this Application, the position of the Executive Director is not known.

40. The Applicant proposes to provide such notice of the Target Unitholder Meeting and Application for Final Order in this matter to the Executive Director as the Executive Director may indicate he requires in his response to receiving notice of this Originating Application.

Conducting the Target Unitholder Meeting

41. The manner in which the Target Unitholder Meeting will be conducted is set forth in the Interim Order. In summary, it is proposed that the Target Unitholder Meeting will be conducted in accordance with the Final Meeting Materials, the Target Declaration of Trust (as amended by the Interim Order), the terms of such interim order as may be granted, any further orders of the Court as may be granted, and the rulings and directions of the Chair of the Target Unitholder Meeting.

42. It is proposed that only the Primaris Voting Unitholders and who are registered as such as of the Record Date shall be entitled to vote at the Target Unitholder Meeting in respect of the Arrangement Resolution.

43. It is proposed that the Primaris Voting Unitholders shall vote together as one class, each Primaris Voting Unitholder being entitled to one vote for each Target Unit or Special Voting Unit (as the case may be) that is held.

Application for Final Order

44. It is proposed that if the Arrangement Resolution is approved by:

(a) not less than 66 ⅔% of the Primaris Voting Unitholders present in person or by proxy and entitled to vote as provided herein at the Target Unitholder Meeting; and

(b) if all other conditions precedent to the completion of the Arrangement have been satisfied or waived;

the Application for Final Order may proceed, but shall not be compelled by anything in the Interim Order to proceed, on a date to be fixed by this Honourable Court in the Interim Order.

Notice of Application for Final Order of Notice of Intention to Appear

45. It is proposed that notice of the Application for Final Order be given simultaneously with the delivery of, and in the manner set forth in, the Final Meeting Materials and that such notice be deemed to be good and sufficient notice of the Application for Final Order.

46. It is proposed that any individual that is affected by the Arrangement shall be heard at the Application for Final Order on complying with the procedures set forth in the Interim Order.

Implementation

47. If this Honourable Court determines and declares that the Plan of Arrangement was brought forward in good faith and that it is fair and reasonable to all individuals affected by the Arrangement, from a procedural and substantive point of view, and approves of the Arrangement in a final order pursuant to Section 193(9) of the ABCA, it is proposed that Target shall be at liberty to file articles of arrangement to effect the Arrangement.

REMEDIES SOUGHT:

WHEREFORE THE APPLICANTS, PRR INVESTMENTS INC., PRR TRUST and PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST REQUEST that this Honourable Court grant the relief described in paragraphs 3 and 4 of this Originating Application.

AFFIDAVIT AND OTHER EVIDENCE TO BE USED IN SUPPORT OF THIS APPLICATION:

48. In support of this Originating Application the Applicant will rely on the following evidence:

(a) Affidavit of Devon Jones sworn February 14, 2013, and the exhibits thereto;

(b) a supplemental affidavit to be sworn and filed to advise as to the position of the Executive Director in respect of the application for Interim Order;

(c) a supplemental affidavit to be sworn and filed after the Meeting is completed and before the Application for Final Order and the exhibits that will be appended thereto; and

(d) such other materials as counsel may advise and this Honourable Court may allow.

APPLICABLE ACTS OR REGULATIONS:

49. *Business Corporations Act*, R.S.A. 2000, c. B-9, ss. 191 and 193.

50. *Trustee Act*, RSA 2000, c. T-8, s. 21

SCHEDULE "A" TO THE ORIGINATING APPLICATION

PROPOSED INTERIM ORDER

APPENDIX "D"
CARVE-OUT FINANCIAL STATEMENTS

Carve-Out Financial Statements of

PRIMARIS ACQUISITION PORTFOLIO

Three and nine months ended September 30, 2012 and 2011 and years ended December 31, 2011 and 2010

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of Primaris Retail Real Estate Investment Trust

We have audited the accompanying carve-out financial statements of the Primaris Acquisition Portfolio, which comprise the carve-out statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the carve-out statements of income and comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Carve-Out Financial Statements

Management is responsible for the preparation and fair presentation of these carve-out financial statements in accordance with the financial reporting framework subsection 3.11(6) of National Instrument 52-107, Acceptable Accounting Principles and Auditing Standards, for carve-out financial statements, and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

Auditors Responsibility

Our responsibility is to express an opinion on these carve-out financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve-out financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the carve-out financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the carve-out financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the carve-out financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the carve-out financial statements present fairly, in all material respects, the carve-out financial position of the Primaris Acquisition Portfolio as at December 31, 2011, December 31, 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and 2010 in accordance with the financial reporting framework subsection 3.11(6) of National Instrument 52-107, Acceptable Accounting Principles and Auditing Standards, for carve-out financial statements.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 to the carve-out financial statements which describes the basis of presentation.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

February 19, 2013
Toronto, Canada

PRIMARIS ACQUISITION PORTFOLIO

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

	September 30, 2012	December 31, 2011	December 31, 2010	January 1, 2010
	(Unaudited)			
Assets				
Non-current assets:				
Investment properties (note 4)	$ 2,092,800	$ 1,992,500	$ 1,864,500	$ 1,626,400
Current assets:				
Rents receivable (note 5)	2,432	4,252	3,117	2,376
Other assets and receivables (note 6)	16,035	22,139	9,166	10,108
Cash and cash equivalents	–	–	6,500	15,452
	18,467	26,391	18,783	27,936
	$ 2,111,267	$ 2,018,891	$ 1,883,283	$ 1,654,336
Liabilities and Equity				
Non-current liabilities:				
Mortgages payable (note 7)	$ 700,446	$ 822,238	$ 738,552	$ 687,466
Convertible debentures (note 8)	115,857	268,766	196,703	189,847
Exchangeable units (note 11)	51,741	45,079	43,325	37,239
Accounts payable and other liabilities (note 10)	4,296	1,205	533	410
Deferred tax liability (note 15)	–	–	–	159,433
	872,340	1,137,288	979,113	1,074,395
Current liabilities:				
Current portion of mortgages payable (note 7)	126,128	18,654	52,125	12,715
Bank indebtedness (note 9)	910	6,779	10,000	15,000
Accounts payable and other liabilities (note 10)	36,074	36,918	34,189	34,792
Distribution payable	9,501	8,251	6,809	6,358
	172,613	70,602	103,123	68,865
	1,044,953	1,207,890	1,082,236	1,143,260
Equity (note 11)	1,066,314	811,001	801,047	511,076
Subsequent events (note 25)				
	$ 2,111,267	$ 2,018,891	$ 1,883,283	$ 1,654,336

See accompanying notes to carve-out financial statements.

PRIMARIS ACQUISITION PORTFOLIO

Carve-Out Statements of Income and Comprehensive Income
(In thousands of dollars)

Three months and nine months ended September 30, 2012 and 2011
and years ended December 31, 2011 and 2010

	Three months ended September 30,		Nine months ended September 30		Years ended December 31,	
	2012	2011	2012	2011	2011	2010
	(Unaudited)		(Unaudited)			
Revenue:						
Minimum rent	$ 31,595	$ 31,458	$ 94,767	$ 95,704	$ 128,921	$ 121,009
Recoveries from tenants	19,995	19,833	60,199	59,846	80,915	73,743
Percentage rent	320	299	698	819	1,274	1,087
Parking	33	26	83	72	98	132
Other income	1,517	90	2,398	336	435	468
	53,460	51,706	158,145	156,777	211,643	196,439
Expenses:						
Property operating	13,156	12,611	38,459	38,215	52,162	48,835
Property taxes	9,444	9,483	28,551	28,913	38,405	33,906
Ground rent	313	320	940	908	1,222	1,178
General and administrative	3,331	2,080	9,533	7,730	9,840	9,150
Depreciation	257	286	1,000	757	1,039	1,433
	26,501	24,780	78,483	76,523	102,668	94,502
Income from operations	26,959	26,926	79,662	80,254	108,975	101,937
Finance income	2	1	51	67	136	64
Finance costs (note 12)	(17,042)	(11,647)	(65,150)	(58,226)	(83,616)	(78,561)
Fair value adjustment on investment properties (note 4)	76,242	(8,440)	88,343	21,036	119,930	56,604
Gain on sale of land	–	–	–	–	–	74
Income before income taxes	86,161	6,840	102,906	43,131	145,425	80,118
Deferred income tax recovery (note 15)	–	–	–	–	–	158,763
Net income for the period	86,161	6,840	102,906	43,131	145,425	238,881
Other comprehensive income (loss):						
Amortization of cash flow hedges	65	66	195	199	265	272
Deferred loss on cash flow hedge	(368)	–	(333)	–	–	–
Tax effect on cash flow hedges	–	–	–	–	–	670
	(303)	66	(138)	199	265	942
Comprehensive income for the period	$ 85,858	$ 6,906	$ 102,768	$ 43,330	$ 145,690	$ 239,823

See accompanying notes to carve-out financial statements.

PRIMARIS ACQUISITION PORTFOLIO

Carve-Out Statements of Changes in Equity
(In thousands of dollars)

Nine months ended September 30, 2012 and 2011
and years ended December 31, 2011 and 2010

September 30, 2012 (unaudited)	Amount of units issued	Contributed surplus	Cumulative net income (loss), less net distributions	Accumulated other comprehensive net income (loss)	Total
Equity, beginning of period	$ 1,124,856	$ 543	$ (313,490)	$ (908)	$ 811,001
Net income for the period	–	–	102,906	–	102,906
Net distributions	–	–	(126,960)	–	(126,960)
Amortization of cash flow hedges	–	–	–	195	195
Deferred loss on cash flow hedge	–	–	–	(333)	(333)
Unit-based compensation plan (note 11(d))	1,310	–	–	–	1,310
Issuance of units under distribution reinvestment plan	11,672	–	–	–	11,672
Issuance of units, net of costs	109,845	–	–	–	109,845
Conversion of convertible debentures to units	155,269	–	–	–	155,269
Conversion of exchangeable units	1,409	–	–	–	1,409
Equity, end of period	$ 1,404,361	$ 543	$ (337,544)	$ (1,046)	$ 1,066,314

September 30, 2011 (unaudited)	Amount of units issued	Contributed surplus	Cumulative net income (loss), less net distributions	Accumulated other comprehensive net income (loss)	Total
Equity, beginning of period	$ 847,827	$ 543	$ (46,150)	$ (1,173)	$ 801,047
Net income for the period	–	–	43,131	–	43,131
Net distributions	–	–	(388,150)	–	(388,150)
Amortization of cash flow hedges	–	–	–	199	199
Unit-based compensation plan (note 11(d))	935	–	–	–	935
Issuance of units under distribution reinvestment plan	6,635	–	–	–	6,635
Issuance of units, net of costs	249,496	–	–	–	249,496
Conversion of convertible debentures to units	15,889	–	–	–	15,889
Conversion of exchangeable units	597	–	–	–	597
Purchase of units under normal course issuer bid	(589)	–	–	–	(589)
Equity, end of period	$ 1,120,790	$ 543	$ (391,169)	$ (974)	$ 729,190

PRIMARIS ACQUISITION PORTFOLIO

Carve-Out Statements of Changes in Equity (continued)
(In thousands of dollars)

Nine months ended September 30, 2012 and 2011
and years ended December 31, 2011 and 2010

December 31, 2011	Amount of units issued	Contributed surplus	Cumulative net income (loss), less net distributions	Accumulated other comprehensive net income (loss)	Total
Equity, beginning of year	$ 847,827	$ 543	$ (46,150)	$ (1,173)	$ 801,047
Net income for the year	–	–	145,425	–	145,425
Net distributions	–	–	(412,765)	–	(412,765)
Amortization of cash flow hedges	–	–	–	265	265
Unit-based compensation plan (note 11(d))	935	–	–	–	935
Issuance of units under distribution reinvestment plan	8,714	–	–	–	8,714
Issuance of units, net of costs	249,446	–	–	–	249,446
Conversion of convertible debentures to units	17,926	–	–	–	17,926
Conversion of exchangeable units	597	–	–	–	597
Purchase of units under normal course issuer bid	(589)	–	–	–	(589)
Equity, end of year	$ 1,124,856	$ 543	$ (313,490)	$ (908)	$ 811,001

December 31, 2010	Amount of units issued	Contributed surplus	Cumulative net income (loss), less net distributions	Accumulated other comprehensive net income (loss)	Total
Equity, beginning of year	$ 741,743	$ 543	$ (229,095)	$ (2,115)	$ 511,076
Net income for the year	–	–	238,881	–	238,881
Net distributions	–	–	(55,936)	–	(55,936)
Amortization of cash flow hedges	–	–	–	272	272
Reversing tax effect on cash flow hedges	–	–	–	670	670
Unit-based compensation plan (note 11(d))	727	–	–	–	727
Issuance of units under distribution reinvestment plan	3,525	–	–	–	3,525
Issuance of units, net of costs	93,511	–	–	–	93,511
Conversion of convertible debentures to units	7,846	–	–	–	7,846
Conversion of exchangeable units	1,605	–	–	–	1,605
Purchase of units under normal course issuer bid	(1,130)	–	–	–	(1,130)
Equity, end of year	$ 847,827	$ 543	$ (46,150)	$ (1,173)	$ 801,047

See accompanying notes to carve-out financial statements.

PRIMARIS ACQUISITION PORTFOLIO

Carve-Out Statements of Cash Flows
(In thousands of dollars)

Three months and nine months ended September 30, 2012 and 2011
and years ended December 31, 2011 and 2010

	Three months ended September 30,		Nine months ended September 30		Years ended December 31,	
	2012	2011	2012	2011	2011	2010
	(Unaudited)		(Unaudited)			
Cash flows from operating activities:						
Net income for the period	$ 86,161	$ 6,840	$ 102,906	$ 43,131	$ 145,425	$ 238,881
Adjustments for:						
Amortization of tenant improvement allowances	1,389	1,063	4,262	3,212	4,390	4,546
Amortization of tenant inducements	50	33	150	83	148	215
Amortization of straight-line rent	(126)	(196)	(190)	(681)	(911)	(1,426)
Value of units and options granted under unit-based compensation plan	1,370	(131)	4,306	1,593	1,957	1,765
Depreciation of fixtures and equipment	257	286	1,000	757	1,039	1,433
Net finance costs	17,040	11,646	65,099	58,159	83,480	78,497
Fair value adjustment on investment properties	(76,242)	8,440	(88,343)	(21,036)	(119,930)	(56,604)
Gain on sale of land	–	–	–	–	–	(74)
Deferred income taxes	–	–	–	–	–	(158,763)
	29,899	27,981	89,190	85,218	115,598	108,470
Change in other non-cash operating working capital (note 13)	8,319	(25,818)	8,406	(39,130)	(13,432)	(4,610)
Leasing commissions	(109)	(67)	(278)	(114)	(384)	(269)
Tenant improvement allowances	(5,806)	(4,166)	(9,314)	(7,479)	(11,721)	(2,483)
Tenant inducements	(25)	–	(25)	–	(15)	(1,000)
Net cash generated from operating activities	32,278	(2,070)	87,979	38,495	90,046	100,108
Interest received	2	1	51	67	136	64
Cash flows from (used in) operating activities	32,280	(2,069)	88,030	38,562	90,182	100,172
Cash flows from financing activities:						
Mortgage principal repayments	(4,926)	(4,707)	(14,584)	(12,627)	(17,360)	(13,993)
Proceeds of new mortgage financing	–	–	–	110,000	110,000	105,000
Repayment of financing	–	(5,394)	–	(42,433)	(42,433)	–
Advance (repayment) of bank indebtedness	910	(3,000)	(5,869)	(3,000)	(3,221)	(5,000)
Interest paid	(14,342)	(16,835)	(44,186)	(45,157)	(58,667)	(51,390)
Capitalization of debt placement costs	(189)	(45)	(484)	(1,073)	(1,037)	(1,017)
Cash received on exercise of options	–	101	829	457	457	214
Issuance of units	–	–	115,058	260,590	260,590	97,983
Unit issue costs	43	(17)	(5,213)	(11,094)	(11,144)	(4,472)
Redemption of convertible debenture	(9,458)	–	(9,458)	–	–	–
Issuance of convertible debentures	–	–	–	75,000	75,000	–
Convertible debenture issue costs	–	–	–	(3,029)	(3,029)	–
Net distributions	(38,033)	6,591	(115,988)	(382,118)	(405,282)	(54,696)
Purchase of units under normal course issuer bid	–	(589)	–	(589)	(589)	(1,130)
Cash flows from (used in) financing activities	(65,995)	(23,895)	(79,895)	(55,073)	(96,715)	71,499

PRIMARIS ACQUISITION PORTFOLIO

Carve-Out Statements of Cash Flows (continued)
(In thousands of dollars)

Three months and nine months ended September 30, 2012 and 2011
and years ended December 31, 2011 and 2010

	Three months ended September 30,		Nine months ended September 30		Years ended December 31,	
	2012	2011	2012	2011	2011	2010
	(Unaudited)		(Unaudited)			
Cash flows from investing activities:						
Acquisitions of investment properties (note 3)	–	–	–	–	(3,005)	(169,322)
Additions to buildings and building - improvements	464	(1,310)	(3,521)	(5,393)	(8,053)	(6,691)
Additions to recoverable improvements	(1,295)	(2,775)	(3,041)	(3,370)	(8,352)	(4,564)
Additions to fixtures and equipment	(212)	(62)	(1,573)	(104)	(390)	(134)
Proceeds of disposition	–	20,016	–	20,016	19,833	88
Cash flows from (used in) in investing activities	(1,043)	15,869	(8,135)	11,149	33	(180,623)
Decrease in cash and cash equivalents	(34,758)	(10,095)	–	(5,362)	(6,500)	(8,952)
Cash and cash equivalents, beginning of period	34,758	11,233	–	6,500	6,500	15,452
Cash and cash equivalents, end of period	$ –	$ 1,138	$ –	$ 1,138	$ –	$ 6,500
Supplemental disclosure of non-cash operating, financing and investing activities:						
Value of units issued from conversion of convertible debentures	$ 108,581	$ 2,138	$ 155,269	$ 15,889	$ 17,926	$ 7,846
Value of units issued under distribution reinvestment plan	4,517	2,480	11,672	6,635	8,714	3,525
Value of units issued under unit - based compensation	–	94	481	478	478	513
Value of units issued upon exchange	–	–	1,409	597	597	1,605
Deferred loss on cash flow hedge	(368)	–	(333)	–	–	–

See accompanying notes to carve-out financial statements.

PRIMARIS ACQUISITION PORTFOLIO

Notes to Carve-Out Financial Statements
(In thousands of dollars)

Three months and nine months ended September 30, 2012 and 2011
and years ended December 31, 2011 and 2010

The Primaris Acquisition Portfolio (the "Portfolio") as presented in these carve-out financial statements is not a legal entity and represents the combination of the investment properties and the corporate accounts of Primaris Retail Real Estate Investment Trust ("Primaris") to be acquired by H&R Real Estate Investment Trust ("H&R").

These carve-out financial statements have been prepared on a carve-out basis from the financial statements of Primaris, and present the financial position, results of operations and cash flows of the investment properties and the corporate accounts of Primaris to be acquired by H&R, excluding the results of the remaining investment properties which are being acquired by a consortium led by KingSett Capital, as if they had been accounted for on a stand-alone basis.

Because the Portfolio was part of Primaris, these carve-out financial statements depict the unitholders' equity in net assets, representing the amount associated specifically with the Portfolio. Management's estimates, when necessary, have been used to prepare such allocations.

These carve-out financial statements have been prepared for the specific purpose of reporting on the assets, liabilities, revenue, expenses, and unitholders' equity in the net assets of the Portfolio included in, and for the inclusion in, the information circular relating to the transaction and plan of arrangement involving, among others, Primaris, H&R and the KingSett Capital Consortium.

These carve-out financial statements are not necessarily indicative of the results that would have been attained if the Portfolio had been operating as a separate legal entity during the periods presented and, therefore, are not necessarily indicative of future operating results.

The registered office of Primaris and, therefore, the Portfolio is 1 Adelaide Street East, Suite 900, Toronto, Ontario M5C 2V9.

1. Basis of preparation:

(a) Statement of compliance:

The carve-out financial statements are prepared in accordance with a financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107, Acceptable Accounting Principles and Auditing Standards, for carve-out financial statements ("subsection 3.11(6)"). Subsection 3.11(6) requires the Portfolio to select from a specified list of financial reporting frameworks. The financial reporting framework selected by the Portfolio to prepare these carve-out financial statements is International Financial Reporting Standards ("IFRS"). These are the Portfolio's first carve-out financial statements prepared in accordance with IFRS and the Portfolio adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards. A reconciliation of how the transition to IFRS has affected the Portfolio's carve-out financial position, performance and cash flows has not been presented as the Portfolio has not presented carve-out financial statements in previous years. The date of transition to IFRS was January 1, 2010.

These carve-out financial statements were approved by the Primaris' Board of Trustees on February 19, 2012.

(b) Basis of measurement:

These carve-out financial statements have been prepared on a historical cost basis, except for the following material items in the carve-out statements of financial position:

- Convertible debentures measured at fair value;
- Investment properties measured at fair value;
- Exchangeable units measured at fair value;
- Liabilities for unit-based payment arrangements measured at fair value; and
- Cash flow hedges measured at fair value.

These carve-out financial statements are presented in Canadian dollars, which is Primaris' functional currency.

1. Basis of preparation (continued):

(c) Use of estimates and judgments:

The preparation of these carve-out financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Significant judgments and key estimates:

The following are significant judgments and key estimates that affect the reported amounts of assets and liabilities at the date of the carve-out financial statements and the reported amounts of revenue and expenses during the periods reported:

(i) Property valuations:

Investment properties, which are carried on the carve-out statements of financial position at fair value, are valued by either qualified external valuation professionals or by management. Each property is subject to an external appraisal at least once every three years. The valuations are based on a number of assumptions, such as appropriate discount rates and capitalization rates and estimates of future rental income, operating expenses and capital expenditures. The valuation of investment properties is one of the principal estimates and uncertainties of these carve-out financial statements. Refer to note 4 for further information on estimates and assumptions made in the determination of the fair value of investment properties.

1. Basis of preparation (continued):

(ii) Income taxes:

Primaris is a mutual fund trust and a real estate investment trust ("REIT") pursuant to the Income Tax Act (Canada). Under current tax legislation, Primaris is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to Unitholders each year. Primaris is a REIT if it meets prescribed conditions under the Income Tax Act (Canada) relating to the nature of its assets and revenue (the "REIT Conditions"). Primaris has reviewed the REIT Conditions and has assessed their interpretation and application to the Primaris' assets and revenue, and it has determined that it qualifies as a REIT for the periods reported.

2. Significant accounting policies:

The accounting policies set out below have been applied consistently to all reporting periods presented in these carve-out financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS.

(a) Principles of consolidation:

These carve-out financial statements include the accounts of all entities in which the Portfolio has a controlling interest. All intercompany transactions and balances have been eliminated upon consolidation.

(b) Investment properties:

Investment properties include land and buildings held primarily to earn rental income or for capital appreciation or for both, rather than for use in the production for supply of goods or services or for sale in the ordinary course of business.

2. Significant accounting policies (continued):

On acquisition, investment properties are initially recorded at cost. Subsequent to initial recognition, the Portfolio 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 the carve-out statements of financial position dates. Related fair value gains and losses are recognized in net income in the reporting periods in which they arise.

Subsequent capital expenditures are recorded to investment properties only when it is probable that future economic benefits of the expenditure will flow to the Portfolio and the cost can be measured reliably.

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

(c) Leasing costs:

Leasing costs include commissions paid to external leasing agents and payments to tenants. Leasing costs are included as components of the fair value of investment properties.

Payments to tenants under lease obligations are characterized either as tenant improvements or as tenant inducements. The obligation is determined to be a tenant improvement when the payment to the tenant was spent on leasehold improvements. Otherwise, the obligations under the lease are treated as tenant inducements. Both tenant improvements and tenant inducements are amortized on a straight-line basis over the term of the lease as a reduction of revenue.

(d) Cash and cash equivalents:

Cash and cash equivalents include cash and short-term investments, such as bankers' acceptances and treasury bills, with initial maturity dates of less than 90 days.

2. Significant accounting policies (continued):

(e) Fixtures and equipment:

Fixtures and equipment, including leasehold improvements and computer hardware, are recorded at cost less accumulated depreciation and net accumulated impairment losses. Depreciation expense is recorded on a straight-line basis over the estimated useful life of each asset. The depreciation method and useful lives are reviewed at each annual reporting date and adjusted if appropriate. Gains or losses arising from the derecognition of fixtures and equipment are determined as the difference between the net disposal proceeds and the carrying amount.

(f) Convertible debentures:

The convertible debentures are convertible into trust units of Primaris. As Primaris' trust units are redeemable at the option of the holder and are, therefore, considered puttable instruments in accordance with IAS 32, Financial Instruments - Presentation ("IAS 32"), the convertible debentures are considered a liability containing liability-classified embedded derivatives. The Portfolio has elected to record the full outstanding amount of each convertible debenture at its fair value with the changes being recognized in net income.

(g) Exchangeable units:

The exchangeable units of subsidiaries of Primaris are exchangeable into Primaris' trust units ("the trust units") at the option of the holder. The exchangeable units are considered puttable instruments and are required to be classified as financial liabilities. Further, the exchangeable units are classified as fair value through profit or loss and are, therefore, measured at fair value at each reporting period with any changes in fair value recognized in net income. The distributions paid on the exchangeable units are accounted for as finance costs (note 12).

(h) Primaris' trust units:

Primaris' trust units (the "trust units") are redeemable at the option of the holder and, therefore, are considered puttable instruments. Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case, the puttable instruments may be presented as equity. The trust units meet the conditions of IAS 32 and are, therefore, classified and presented as equity.

2. Significant accounting policies (continued):

(i) Finance income and finance costs:

Finance income comprises interest income on funds invested and the amortization of gains on hedging instruments that are recognized in net income. Interest income is recognized as it accrues in net income, using the effective interest method.

Finance costs comprise interest expensed on borrowings, distributions on exchangeable units classified as liabilities, fair value changes recognized on financial assets and liabilities, the amortization of losses on hedging instruments that are recognized in net income, and debt placement costs.

Debt placement costs associated with financial liabilities, measured at amortized cost, are presented with the related debt instrument and amortized using the effective interest rate over the anticipated life of the related debt.

Debt placement costs associated with the issuance of convertible debentures, which are recorded at fair value, are expensed as incurred.

(j) Revenue recognition:

Revenue from investment properties includes minimum rent earned from tenants under lease agreements, percentage rent, property tax and operating cost recoveries and other incidental income, and is recognized as revenue over the term of the underlying leases. All predetermined minimum rent adjustments in lease agreements are accounted for on a straight-line basis over the term of the respective leases. Percentage rent is not recognized until a tenant's actual sales reach the sales threshold as set out in the tenant's lease.

(k) Lease payments:

Payments made under operating leases are recognized in net income on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

2. Significant accounting policies (continued):

(l) Employee benefits:

The Portfolio maintains a defined contribution pension plan.

A defined contribution pension plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net income in the years during which services are rendered by employees.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount estimated to be paid under short-term cash bonus or profit-sharing plans.

(m) Unit-based compensation:

The Portfolio has a unit-based compensation plan that awards options and/or units to employees and trustees. The Portfolio has a unit option plan, which provides holders with the right to receive trust units, which are puttable. The Portfolio measures these amounts at fair value at the grant date and compensation expense is recognized over the vesting period. The amounts are fair valued at each reporting period and the change in fair value is recognized as compensation expense. The unit-based compensation is presented as a liability.

(n) Financial instruments:

Financial instruments are classified as one of the following: (i) held-to-maturity, (ii) loans and receivables, (iii) financial liabilities, (iv) financial assets or financial liabilities at fair value through profit or loss, or (v) available-for-sale. Financial instruments are recognized initially at fair value. Financial instruments classified as held-to-maturity, loans and receivables, or financial liabilities are subsequently measured at amortized cost. Financial assets and liabilities classified as fair value through profit and loss are measured at fair value with unrealized gains and losses recognized in net income. Available-for-sale financial instruments are subsequently measured at fair value, with unrealized gains and losses recognized in other comprehensive income (loss).

2. Significant accounting policies (continued):

The Portfolio classifies its cash and cash equivalents, rents receivable and other receivables as loans and receivables, and classifies mortgages payable, bank indebtedness, accounts payable and other liabilities, and distribution payable as other liabilities; and designates exchangeable units and convertible debentures as financial liabilities at fair value through profit or loss. The Portfolio has neither available-for-sale nor held-to-maturity instruments.

Where financial instruments are reported at their amortized cost, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the carrying amount of the respective asset or liability at inception.

All derivative instruments, including embedded derivatives, that are not designated in an effective hedging relationship, are recorded at fair value and any changes in fair value are recognized in net income.

(o) Income taxes:

Primaris is a mutual fund trust and a REIT pursuant to the Income Tax Act (Canada). Under current tax legislation, a REIT is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided that its taxable income is fully distributed to unitholders. Primaris qualified as a REIT effective December 31, 2010. The Primaris intends to continue to qualify as a REIT and to make distributions not less than the amount necessary to ensure that the Primaris will not be liable to pay income taxes. Accordingly, no current or deferred income taxes have been recorded in the carve-out financial statements after qualification.

(p) Hedging:

The instruments that are used in hedging transactions are formally assessed both at the inception of a transaction and on an ongoing basis as to whether the hedging instruments are highly effective in offsetting changes in fair values of hedged items.

2. Significant accounting policies (continued):

In as cash flow hedge, the change in fair value of the hedging derivative, to the extent effective, is recorded in other comprehensive income (loss) until the asset or liability being hedged affects the carve-out statements of income and comprehensive income, at which time, the related change in fair value of the hedging derivative is recognized in net income over the life of the hedged item. Hedge ineffectiveness, if any, is recognized in net income immediately.

(q) Future accounting changes:

(i) IAS 1, Presentation of Financial Statements ("IAS 1"):

The Portfolio intends to adopt the amendments to IAS 1 in its financial statements for the annual period beginning on January 1, 2013. The Portfolio does not expect IAS 1 to have a significant impact on its carve-out financial statements and will not early adopt the new standard.

(ii) IFRS 9, Financial Instruments ("IFRS 9"):

IFRS 9 was issued to replace IAS 39, Financial Instruments - Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of its financial assets. The standard is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. Management does not expect IFRS 9 to have significant impact on its carve-out financial statements and will not early adopt the new standard.

(iii) IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"):

IFRS 12 outlines the disclosures for interests in subsidiaries, joint ventures and associates. The standard requires the Portfolio to disclose information that enables users of financial statements to evaluate the nature, risks and financial effects associated with its interests in other entities. This standard is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. Management does not expect IFRS 12 to have a significant impact on its carve-out financial statements and will not early adopt the new disclosures.

2. Significant accounting policies (continued):

(iv) IFRS 13, Fair Value Measurement ("IFRS 13"):

IFRS 13 provides a single source of guidance on how to measure fair value where fair value is already required or permitted by other IFRS standards (except IFRS 2, Share-Based Payment, and IAS 17, Leases). The standard also enhances disclosure requirements for information about fair value measurements and the use of management's judgment. This standard is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. Management does not expect IFRS 13 to have a significant impact on its carve-out financial statements and will not early adopt the new standard.

3. Acquisitions:

During the year ended December 31, 2011, the Portfolio purchased a property adjacent to an existing shopping centre in Alberta.

During the year ended December 31, 2010, the Portfolio completed the purchase of Cataraqui Centre located in Kingston, Ontario.

The purchases have been accounted for as asset acquisitions with the results of operations included in these carve-out financial statements from the date of acquisition. The purchase price allocation to net assets was as follows:

	December 31, 2011	December 31, 2010
Investment properties	$ 3,005	$ 169,838
Other assets	–	1,552
Other liabilities	–	(2,068)
Purchase price paid in cash, including acquisition costs of $5 (December 31, 2010 - $3,264)	$ 3,005	$ 169,322

In 2010, the Portfolio arranged third-party mortgage funding of $105,000 with respect to the purchase of Cataraqui Centre. The loan has a term of 10 years and bears interest at 5.3%.

4. Investment properties:

	September 30, 2012	December 31, 2011	December 31, 2010
	(Unaudited)		
Balance, beginning of period	$ 1,992,500	$ 1,864,500	$ 1,626,400
Acquisitions of investment properties, including acquisition costs of nil (December 31, 2011 - $5; December 31, 2010 - $3,264)	–	3,005	169,838
Additions:			
Capital expenditures	6,562	16,405	11,255
Direct leasing costs	9,617	12,120	3,752
Dispositions	–	(19,833)	(14)
Fair value adjustment on investment properties	88,343	119,930	56,604
Amortization of leasing costs and straight-line rents included in revenue	(4,222)	(3,627)	(3,335)
Balance, end of period	$ 2,092,800	$ 1,992,500	$ 1,864,500

During 2011, the Portfolio sold two shopping centres. The Portfolio was released from a mortgage of $5,394 on one of the properties sold. The proceeds of the sale of the second property, in the amount of $13,027, were held in escrow pending registration of a mortgage against a different shopping centre in the Portfolio. Upon registration in early 2012, these funds were released to the Portfolio.

Investment properties are stated at fair value. The fair value was determined by a combination of valuations made by independent external appraisers having appropriate professional qualifications and internal management valuations primarily using a discounted cash flow model.

4. Investment properties (continued):

(a) External appraisals:

Each property is subject to an external appraisal at least once in every three years.

Aggregate fair value of properties externally appraised for the quarter ending:

	Nine months ended September 30, 2012	Year ended December 31, 2011	Year ended December 31, 2010[1]
	(Unaudited)		
March 31	$ 141,800	$ 21,900	$ –
June 30	191,600	457,000	–
September 30	299,000	44,600	167,600[2]
December 31	–	241,700	189,500
Year-to-date total	$ 632,400	$ 765,200	$ 357,100

[1] All properties were valued by external appraisals on January 1, 2010.
[2] Includes properties acquired during the quarter at their fair values.

(b) Internal appraisals:

Fair values were primarily determined by using a discounted cash flow model. Using this model, discount rates were applied to the projected annual operating cash flows, generally over a term of 10 years, including a terminal value based on a capitalization rate to estimated year 11 cash flows. As at December 31, 2011 and December 31, 2010, the fair values of investment properties purchased during the year were determined to be equal to the purchase price, net of acquisition costs.

4. Investment properties (continued):

Valuations are most sensitive to changes in discount rates and capitalization rates. Primaris received quarterly capitalization rate reports from independent external appraisers and these reports support management's view on the investment metrics used for the Portfolio. Below are the key rates used in the modeling process for both internal and external appraisals:

	September 30, 2012			December 31, 2011			December 31, 2010			January 1, 2010		
	Maximum	Minimum	Weighted average	Maximum	Minimum	Weighted average	Maximum	Minimum	Weighted average	Maximum	Minimum	Weighted average
		(Unaudited)										
Discount rate	8.0%	6.3%	6.9%	8.3%	6.5%	7.1%	8.8%	7.0%	7.5%	9.3%	7.5%	8.0%
Terminal cap rate	7.0%	5.3%	5.9%	7.3%	5.5%	6.1%	8.3%	6.0%	6.6%	8.8%	6.5%	7.0%
Investment horizon (years)	10	10	10	10	10	10	10	10	10	10	10	10

4. Investment properties (continued):

(c) Fair value sensitivity:

Valuations are most sensitive to change in discount rates and capitalization rates. The following table summarizes the rate sensitivity:

Fair value of investment properties	Capitalization rate sensitivity increase (decrease)	Weighted average Discount rate	Weighted average Terminal cap rate	Fair value variance	% change	Debt to total assets
(Unaudited)						
$ 2,403,800	(0.75)%	6.1%	5.2%	$ 311,000	14.9 %	38.3%
2,290,600	(0.50)%	6.4%	5.4%	197,800	9.5 %	40.2%
2,187,300	(0.25)%	6.6%	5.7%	94,500	4.5 %	42.1%
2,092,800	September 30, 2012	6.9%	5.9%	–	–	44.0%
2,006,000	0.25 %	7.1%	6.2%	(86,800)	(4.1)%	45.9%
1,926,000	0.50 %	7.4%	6.4%	(166,800)	(8.0)%	47.8%
1,852,100	0.75 %	7.6%	6.7%	(240,700)	(11.5)%	49.6%

Two land leases meet the definition of a finance lease and are included in the fair value of investment properties.

Included in investment properties is $22,373 (December 31, 2011 - $22,450; December 31, 2010 - $17,668; January 1, 2010 - $16,052) of net improvements to be recovered from tenants.

The investment properties have been pledged as security for Primaris' mortgages payable and bank indebtedness.

5. Rents receivable:

	September 30, 2012	December 31, 2011	December 31, 2010	January 1, 2010
	(Unaudited)			
Rents receivable, net of allowance of $1,039 (December 31, 2011 - $948; December 31, 2010 - $795; January 1, 2010 - $991)	$ 1,148	$ 443	$ 2,140	$ 344
Accrued recovery revenue	580	2,177	179	453
Accrued percentage rent	300	363	360	639
Other amounts receivable	404	1,269	438	940
	$ 2,432	$ 4,252	$ 3,117	$ 2,376

6. Other assets and receivables:

	September 30, 2012	December 31, 2011	December 31, 2010	January 1, 2010
	(Unaudited)			
Prepaid realty taxes	$ 9,074	$ 3,093	$ 2,815	$ 1,145
Prepaid ground rent	401	271	240	240
Fixtures and equipment, net of accumulated depreciation of $2,029 (December 31, 2011 - $2,445; December 31, 2010 - $2,120; January 1, 2010 - $686)	4,888	4,315	4,964	6,263
Other assets	1,672	1,433	1,147	2,460
Escrow funds (note 4)	–	13,027	–	–
	$ 16,035	$ 22,139	$ 9,166	$ 10,108

The proceeds of the sale of a property in 2011, in the amount of $13,027, were being held in escrow pending registration of a mortgage against a different shopping centre in the Portfolio. Upon registration, these funds were released to the Portfolio in early 2012.

7. Mortgages payable:

Mortgages payable are secured by investment properties and, in many cases, by corporate guarantees, and bear interest at fixed rates ranging between 5.0% and 7.2% as at September 30, 2012 (December 31, 2011 - 5.0% and 7.2%; December 31, 2010 - 5.1% and 7.2%; January 1, 2010 - 5.1% and 7.2%). The weighted average interest rate for the mortgages payable, excluding the finance costs, is 5.5% as at September 30, 2012 (December 31, 2011 - 5.5%; December 31, 2010 - 5.6%; January 1, 2010 - 5.6%). Mortgages payable mature at various dates between 2013 and 2021.

7. Mortgages payable (continued):

	September 30, 2012	December 31, 2011	December 31, 2010	January 1, 2010
	(Unaudited)			
Mortgages payable	$ 830,369	$ 844,954	$ 794,747	$ 703,740
Mark-to-market adjustment, net	89	109	128	577
Debt placement costs, net of accumulated amortization of $3,029 (December 31, 2011 - $2,781; December 31, 2010 - $1,950; January 1, 2010 - $1,795)	(3,884)	(4,171)	(4,198)	(4,136)
	826,574	840,892	790,677	700,181
Less current portion	(126,128)	(18,654)	(52,125)	(12,715)
	$ 700,446	$ 822,238	$ 738,552	$ 687,466

Included in the current portion as at September 30, 2012 is $100,528 for a debt maturing on July 1, 2013 that was refinanced subsequent to September 30, 2012 (note 25).

Future principal payments on the mortgages payable are as follows as at September 30, 2012:

	Payments on maturity	Total annual payments	Total
			(Unaudited)
2012 (remainder)	$ –	$ 4,993	$ 4,993
2013	107,168	19,146	126,314
2014	–	18,585	18,585
2015	89,718	18,412	108,130
2016	26,863	16,182	43,045
Thereafter	484,363	44,939	529,302
	$ 708,112	$ 122,257	$ 830,369

8. Convertible debentures:

	6.75% convertible debentures	5.85% convertible debentures	6.30% convertible debentures	5.40% convertible debenture	September 30, 2012 Total	December 31, 2011 Total	December 31, 2010 Total	January 1, 2010 Total
					(Unaudited)			
Principal balance, beginning of period	$ 2,789	$ 93,476	$ 68,937	$ 75,000	$ 240,202	$ 179,252	$ 185,477	$ –
Issued	–	–	–	–	–	75,000	–	–
Conversions	(866)	(84,018)	(48,645)	–	(133,529)	(14,050)	(6,225)	–
Redemptions	–	(9,458)	–	–	(9,458)	–	–	–
Principal balance, end of period	1,923	–	20,292	75,000	97,215	240,202	179,252	185,477
Fair value adjustment	1,872	–	12,165	4,605	18,642	28,564	17,451	4,370
	$ 3,795	$ –	$ 32,457	$ 79,605	$ 115,857	$ 268,766	$ 196,703	$ 189,847

Fair value is calculated using the quoted market price on September 30, 2012, December 31, 2011, December 31, 2010 and January 1, 2010.

8. Convertible debentures (continued):

The full terms of the convertible debentures are contained in the public offering documents and the following table summarizes some of the terms:

Debenture series	Principal balance, September 30, 2012	Maturity	Interest rate	Conversion price	Redemption date after
	(Unaudited)				
PMZ.db	$ 1,923	June 30, 2014	6.75%	$ 12.25	June 30, 2010
PMZ.db.a	–	August 1, 2014	5.85%	22.55	August 1, 2012
PMZ.db.b	20,292	September 30, 2015	6.30%	16.70	October 1, 2014
PMZ.db.c	75,000	November 30, 2018	5.40%	28.84	December 1, 2016

Under certain circumstances, redemption of the convertible debentures may occur sooner than the redemption date.

(a) PMZ.db. convertible debentures:

During the nine months ended September 30, 2012, holders of $866 (December 31, 2011 - $1,059; December 31, 2010 - $1,903) of convertible debentures at face value exercised their option to convert to units. A total of 70,684 units (December 31, 2011 - 86,444; December 31, 2010 - 155,355) were issued on conversion. As at September 30, 2012, the face value of this series of debentures was $1,923 (December 31, 2011 - $2,789; December 31, 2010 - $3,848; January 1, 2010 - $5,751).

(b) PMZ.db.a convertible debentures:

During the nine months ended September 30, 2012, holders of $84,018 (December 31, 2011 - nil; December 31, 2010 - nil) of convertible debentures at face value exercised their option to convert to units. A total of 3,725,847 units (December 31, 2011 - nil; December 31, 2010 - nil) were issued on conversion. On August 17, 2012, the Portfolio redeemed the remaining $9,458 of convertible debentures at face value. As at September 30, 2012, the face value of this series of debentures was nil (December 31, 2011 - $93,476; December 31, 2010 - $93,476; January 1, 2010 - $93,476).

8. Convertible debentures (continued):

(c) PMZ.db.b convertible debentures:

During the nine months ended September 30, 2012, holders of $48,645 (December 31, 2011 - $12,991; December 31, 2010 - $4,322) of convertible debentures at face value exercised their option to convert to units. A total of 2,912,860 units (December 31, 2011 - 777,891; December 31, 2010 - 258,799) were issued on conversion. As at September 30, 2012, the face value of this series of debentures was $20,292 (December 31, 2011 - $68,937; December 31, 2010 - $81,928; January 1, 2010 - $86,250).

(d) PMZ.db.c convertible debentures:

On June 22, 2011, the Portfolio issued $75,000 of 5.40% convertible debentures. No holders have exercised their option to convert to units. As at September 30, 2012, the face value of this series of debentures was $75,000. Issuance costs of $3,029 were expensed when incurred.

9. Bank indebtedness:

Primaris has an operating line of $100,000 that expires on July 31, 2013. The operating line is secured by fixed charges on certain investment properties and a corporate guarantee. Draws on the operating line are subject to certain conditions; interest is at prime plus applicable premiums or, at the option of Primaris, at bankers' acceptance rates, plus applicable premiums. As at September 30, 2012, $910 of the operating line was in use (December 31, 2011 - $6,779; December 31, 2010 - $10,000; January 1, 2010 - $15,000). Subsequent to September 30, 2012, Primaris renewed its operating line for $138,000 with a July 31, 2013 expiry date.

10. Accounts payable and other liabilities:

	September 30, 2012	December 31, 2011	December 31, 2010	January 1, 2010
	(Unaudited)			
Accounts payable and accrued liabilities	$ 37,554	$ 34,951	$ 31,762	$ 33,113
Tenant deposits	2,429	2,886	2,506	1,624
Deferred revenue	387	286	454	465
	40,370	38,123	34,722	35,202
Less non-current portion of accounts payable and accrued liabilities	(4,296)	(1,205)	(533)	(410)
	$ 36,074	$ 36,918	$ 34,189	$ 34,792

11. Equity:

The Portfolio includes the units of Primaris, which is authorized to issue an unlimited number of trust units. Each trust unit represents a single vote at any meeting of unitholders and entitles the unitholder to receive a pro rata share of all Primaris distributions. The unitholders have the right to require the Portfolio to redeem their trust units on demand. Upon receipt of the redemption notice by the Portfolio, all rights to and under the trust units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per trust unit ("Redemption Price"), as determined by a market formula. The Redemption Price will be paid in accordance with the conditions provided for in the Declaration of Trust.

The trust units are liability instruments because the trust units are redeemable at the option of the holder. The trust units meet the conditions of IAS 32 and are, therefore, classified and presented as equity.

Primaris has also issued exchangeable units. As at September 30, 2012, there were 2,122,261 exchangeable units issued and outstanding by subsidiaries of the Portfolio with a carrying value of $51,741 (December 31, 2011 - 2,187,261 units with a carrying value of $45,079; December 31, 2010 - 2,217,261 units with a carrying value of $43,325; January 1, 2010 - 2,307,261 units with a carrying value of $37,239). These exchangeable units are economically equivalent to trust units and are entitled to receive distributions equal to those provided to holders of trust units. However, these units are not the class of instruments subordinate to all other classes of instruments. As a result, they are not eligible for equity presentation and are presented as liabilities. Exchangeable units are recognized at fair value, which is calculated using the quoted market price of the trust units at the end of each reporting period.

11. Equity (continued):

Since the exchangeable units are presented as liabilities, the distributions on these units are recognized as part of finance costs (note 12).

(a) Units outstanding:

	September 30, 2012		December 31, 2011		December 31, 2010	
	Units	Amount	Units	Amount	Units	Amount
	(Unaudited)					
Trust units, beginning of period	80,552,971	$ 1,124,856	66,577,418	$ 847,827	60,227,333	$ 741,743
Issuance of units under the distribution reinvestment plan	509,562	11,672	422,088	8,714	193,208	3,525
Conversion of debentures (note 8)	6,709,391	155,269	864,335	17,926	414,134	7,846
Purchase of units under normal course issuer bid	–	–	(31,000)	(589)	(60,000)	(1,130)
Units issued under equity compensation arrangement	60,123	1,310	40,130	935	48,993	727
Units issued, net of costs	5,002,500	109,845	12,650,000	249,446	5,663,750	93,511
Conversion of exchangeable units	65,000	1,409	30,000	597	90,000	1,605
Trust units, end of period	92,899,547	$ 1,404,361	80,552,971	$ 1,124,856	66,577,418	$ 847,827
Exchangeable units, beginning of period	2,187,261	$ 45,079	2,217,261	$ 43,325	2,307,261	$ 37,239
Conversion to trust units	(65,000)	(1,409)	(30,000)	(597)	(90,000)	(1,605)
Fair value adjustment	–	8,071	–	2,351	–	7,691
Exchangeable units end of period	2,122,261	$ 51,741	2,187,261	$ 45,079	2,217,261	$ 43,325
Total trust units and exchangeable units, end of period	95,021,808		82,740,232		68,794,679	

The Portfolio issued 5,002,500 units on May 22, 2012, 11,000,000 units on June 13, 2011 and 1,650,000 units on June 20, 2011. Subsequent to September 30, 2012, 4,904,750 units were issued.

11. Equity (continued):

(b) Distribution reinvestment plan:

The Portfolio has a distribution reinvestment plan that allows unitholders to use the monthly cash distributions paid on their existing units to purchase additional units directly from the Portfolio. Unitholders who elect to participate in the distribution reinvestment plan will receive a further distribution, payable in units, equal in value to 3% of each cash distribution.

(c) Normal course issuer bid:

Pursuant to its issuer bid (note 19), the Portfolio repurchased and cancelled nil units for no amount during the three and nine months ended September 30, 2012 (December 31, 2011 - $589; December 31, 2010 - $1,130). No convertible debentures were repurchased in the three and nine months ended September 30, 2012 (December 31, 2011 - nil; December 31, 2010 - nil).

(d) Unit-based compensation plan:

In order to provide long-term compensation to certain officers, employees and Trustees of the Portfolio, there may be grants of restricted units or options, which are subject to certain restrictions. Under the Portfolio's unit-based compensation plan, the maximum number of total units available for grant is limited to 7% of the issued and outstanding units at the time the plan was approved.

For restricted units granted to Trustees, the units vest at the earlier of two events: (i) four years from the grant date; and (ii) Trustee departure. As the Trustees can control when the restricted share units vest, they were considered fully vested when issued. Upon exchange of the restricted share units, the Trustees have the option to settle in cash instead of units issued from treasury and, therefore, the awards are classified as cash-settled unit-based payments and presented as liabilities. The restricted share units accrue distributions in the form of additional grants of restricted share units with all the same terms. These restricted share units are recognized as liabilities, which are indexed to changes in fair value of the trust units.

11. Equity (continued):

Restricted units granted to employees are recognized based on the grant date fair value. The awards will be satisfied by trust units issued from treasury. Since trust units are redeemable at the option of the holder, the restricted share units are classified as cash-settled unit-based payments and presented as liabilities. The restricted units are subject to vesting conditions and are subject to forfeiture until the employees have been employed by the Portfolio for a specified period of time. The restricted share units accrue cash distributions during the vesting period and accrued distributions will be paid when the restricted units vest. These restricted share units are recognized as liabilities, which are indexed to changes in fair value of the trust units.

Option values are initially calculated based on the grant date fair value. Typically, options vest 25% at the end of the year the award was granted, and a further 25% at the end of each of the following three years. Since trust units are redeemable at the option of the unitholder, the options are classified as cash-settled unit-based payments and are recognized as liabilities, which are to be indexed to changes in fair value of the options.

11. Equity (continued):

The Portfolio accounts for its unit-based compensation using the fair value method, under which compensation expense is recognized over the vesting period. Unit-based compensation expense and assumptions used in the calculation thereof are as follows:

	September 30, 2012	December 31, 2011	December 31, 2010
	(Unaudited)		
Unit-based compensation[(1)]:			
Compensation expense	$ 1,289	$ 1,292	$ 801
Fair value adjustments	3,017	665	963
Unit options granted	466,647	308,148	490,132
Unit option holding period (years)	7	7	7
Volatility rate	18.25%	20.0%	22.0%
Distribution yield	5.60%	6.1%	7.2%
Risk-free interest rate	1.70%	3.1%	3.1%
Weighted average fair value, at grant date:			
Options	$ 1.80	$ 2.37	$ 2.29
Restricted share units	21.38	20.14	16.87

[(1)] Of the equity awards granted in 2010, $1,000 was classified as transition expense in 2009 and not included in the above compensation expense.

11. Equity (continued):

The number of options outstanding changed as follows:

	Nine months ended September 30, 2012		Year ended December 31, 2011		Year ended December 31, 2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	(Unaudited)					
Balance, beginning of period	932,793	$ 17.43	664,775	$ 15.73	201,588	$ 12.20
Granted	466,647	$ 21.54	308,148	$ 20.32	490,132	$ 17.50
Exercised	(56,863)	$ 14.58	(40,130)	$ 11.40	(20,000)	$ 10.70
Expired/forfeited	(2,637)	$ 20.32	–	$ –	(6,945)	$ 16.81
Balance, end of period	1,339,940	$ 18.98	932,793	$ 17.43	664,775	$ 15.73
Exercisable, end of period	471,334		508,334		308,251	

As at September 30, 2012, the following options were outstanding:

Exercise price	Number of options	Remaining weighted average life (in years)
	(Unaudited)	
$10.70	28,088	3.2
$14.06	90,000	3.9
$16.81	255,258	4.2
$17.17	3,878	4.4
$17.25	203,216	4.4
$20.32	292,853	5.2
$21.54	466,647	6.2
$10.70 - $21.54	1,339,940	5.1

11. Equity (continued):

The number of restricted share units outstanding changed as follows:

	Nine months ended September 30, 2012	December 31, 2011	December 31, 2010
	(Unaudited)		
Balance, beginning of period	103,190	53,037	6,659
Granted	47,715	50,153	47,568
Exercised	(3,260)	–	–
Cancelled/forfeited	(615)	–	(1,190)
Balance, end of period	147,030	103,190	53,037
Exercisable, end of period	29,154	23,696	11,208

As at September 30, 2012, the carrying value of total unit-based compensation liability was $7,910 (December 31, 2011 - $4,091; December 31, 2010 - $2,502; January 1, 2010 - $1,359).

12. Finance costs:

	Three months ended September 30,		Nine months ended September 30		Years ended December 31,	
	2012	2011	2012	2011	2011	2010
	(Unaudited)		(Unaudited)			
Mortgages payable	$ 11,151	$ 11,452	$ 33,653	$ 33,970	$ 45,324	$ 40,148
Convertible debentures	1,881	3,567	8,192	8,972	12,535	11,160
Bank indebtedness	95	480	500	1,144	1,385	897
Amortization of cash flow hedges	65	66	195	199	265	272
Amortization of debt placement costs	250	339	770	806	1,065	955
Interest incurred	13,442	15,904	43,310	45,091	60,574	53,432
Distributions on exchangeable units	647	667	1,950	2,006	2,673	2,736
Convertible debenture issuance costs	–	–	–	3,029	3,029	–
Fair value adjustment on convertible debentures	1,213	(3,721)	11,820	5,989	14,989	14,702
Fair value adjustment for exchangeable units	1,740	(1,203)	8,070	2,111	2,351	7,691
	$ 17,042	$ 11,647	$ 65,150	$ 58,226	$ 83,616	$ 78,561

13. Change in other non-cash operating working capital:

	Three months ended September 30,		Nine months ended September 30		Years ended December 31,	
	2012	2011	2012	2011	2011	2010
	(Unaudited)		(Unaudited)			
Rents receivable	$ 364	$ 525	$ 1,820	$ 426	$ (1,135)	$ (741)
Other assets and receivables, excluding fixtures and equipment and escrow funds	3,125	3,273	6,677	(5,907)	(595)	1,195
Escrow funds	–	(13,027)	–	(13,027)	(13,027)	–
Accounts payable and other liabilities	4,836	(16,582)	(71)	(20,610)	1,344	(4,615)
Mortgage mark-to-market adjustment, net	(6)	(7)	(20)	(12)	(19)	(449)
	$ 8,319	$ (25,818)	$ 8,406	$ (39,130)	$ (13,432)	$ (4,610)

14. Segment disclosure:

Substantially all of the Portfolio's assets are in and its revenue is derived from the Canadian real estate industry segment. No single tenant accounts for more than 3.4% (December 31, 2011 - 3.7%; December 31, 2010 - 6.3%) of the Portfolio's minimum rent.

15. Income taxes:

The Income Tax Act (Canada) contains legislation (the "SIFT Rules") affecting the tax treatment of "specified investment flow-through" trusts ("SIFT"). A SIFT includes a publicly-traded trust. The SIFT Rules provide for a transition period until 2011 for publicly-traded trusts like Primaris, which existed prior to November 1, 2006. Under the SIFT Rules, distributions of certain types of income by a SIFT are not deductible in computing the SIFT's taxable income, and a SIFT is subject to tax on such income at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. The SIFT Rules do not apply to a publicly-traded trust that qualifies as a REIT under the Income Tax Act (Canada). Primaris completed the necessary tax restructuring to qualify as a REIT effective December 31, 2010. For years before it qualified, Primaris recorded deferred tax liabilities in respect of temporary differences expected to reverse after qualification. Such deferred tax liability for the Portfolio was reversed as an adjustment to deferred income tax expense in income and as an adjustment to other comprehensive income during the fourth quarter of 2010, when Primaris became a qualifying REIT.

15. Income taxes (continued):

The tax effects of temporary differences that give rise to significant portions of the deferred tax of the Portfolio are as follows:

	January 1, 2010
Investment properties	$ 159,465
Deferred net loss on cash flow hedges	670
Other, net	(702)
Deferred tax	$ 159,433

16. Total employee benefits:

The following amounts were expensed in relation to the Portfolio' employees:

	Three months ended September 30,		Nine months ended September 30,		Years ended December 31,	
	2012	2011	2012	2011	2011	2010
	(Unaudited)		(Unaudited)			
Salaries, wages and benefits	$ 8,398	$ 7,451	$ 25,490	$ 21,643	$ 30,474	$ 25,993
Pension expense	308	559	977	1,574	1,001	932
Unit-based compensation	1,370	(131)	4,306	1,593	1,957	1,765
	$ 10,076	$ 7,879	$ 30,773	$ 24,810	$ 33,432	$ 28,690

17. Related parties:

The remuneration of key management personnel and trustee compensation which for purposes of the carve-out financial statements are the same as Primaris was as follows:

	Three months ended September 30,		Nine months ended September 30,		Years ended December 31,	
	2012	2011	2012	2011	2011	2010
	(Unaudited)		(Unaudited)			
Salaries, fees, incentives and short-term benefits	$ 884	$ 524	$ 1,964	$ 1,549	$ 2,404	$ 2,066
Post-employment benefits	31	19	69	64	85	75
Unit-based compensation	–	–	1,118	1,161	1,161	1,004
	$ 915	$ 543	$ 3,151	$ 2,774	$ 3,650	$ 3,145

18. Subsidiaries:

The significant wholly owned entities included in the Portfolio's carve-out financial statements are as follows:

PRR Trust
Primaris Management Inc.
ORG Leasing Inc.
GPCO Trust
South Cambridge Shopping Centre Limited Partnership
Dufferin Mall Limited Partnership
Northland Professional Centre Limited Partnership
Grant Park Limited Partnership

19. Capital management:

The Portfolio manages its capital structure in order to support ongoing property operations, developments and acquisitions, as well as to generate stable and growing cash distributions. The Portfolio defines its capital structure to include: mortgages payable, bank indebtedness, acquisition facilities, convertible debentures, exchangeable units and trust units. There were no changes to the Portfolio's approach to capital management for the nine months ended September 30, 2012.

The Portfolio reviews its capital structure on an ongoing basis. The Portfolio adjusts its capital structure in response to investment opportunities, the availability of capital and anticipated changes in economic conditions and their impact on the Portfolio. The Portfolio also adjusts its capital structure for budgeted development projects and distributions.

Primaris' strategy is driven in part by external requirements from certain of its lenders and by policies as set out under the Declaration of Trust. Primaris' Declaration of Trust requires that Primaris:

(a) will not incur any new indebtedness on its properties in excess of 75% of the property's market value;

(b) will not incur any indebtedness that would cause the Debt to Total Assets Ratio (as defined in the Declaration of Trust) to exceed 65%; and

(c) will not incur floating rate indebtedness aggregating more than 15% of Total Assets.

In addition, Primaris is required by its lenders under the operating line to meet four financial covenants, as defined in the agreement:

(a) a Debt to Total Assets Ratio of not more than 60%;

(b) an Interest Coverage Ratio of greater than 1.75;

(c) a Debt Service Coverage Ratio of greater than 1.5; and

(d) a minimum equity of $800,000.

19. Capital management (continued):

For the nine months ended September 30, 2012 and the year ended December 31, 2011, Primaris met all externally imposed requirements.

The Portfolio's mortgage lenders require security for their loans. The security can include: a mortgage, an assignment of the leases and rents receivable, corporate guarantees and assignment of insurance policies.

20. Financial risk management:

(a) Financial risk management:

In the normal course of business, the Portfolio is exposed to a number of risks that can affect its operating performance. Risk management policies and processes are reviewed regularly to reflect changes in market conditions and the Portfolio's own activities. These risks, and the actions taken to manage them, are as follows:

(i) Credit risk:

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to pay the rents due under their lease commitments. The Portfolio attempts to mitigate the risk of credit loss by ensuring that its tenant mix is diversified and by limiting its exposure to any one tenant. Thorough credit assessments are conducted in respect of new leasing and tenant deposits are obtained when warranted.

The Portfolio's exposure to credit risk is based on business risks associated with the retail sector of the economy. The Portfolio measures this risk-by-tenant concentration across the portfolio.

The Portfolio establishes an allowance for doubtful accounts that represents the estimated losses with respect to rents receivable. The amounts that comprise the allowance are determined on a tenant-by-tenant basis based on the specific factors related to the tenant.

The Portfolio places its cash and cash equivalent investments with Canadian financial institutions with high credit ratings. Credit ratings are actively monitored and these financial institutions are expected to meet their obligation.

20. Financial risk management (continued):

(ii) Liquidity risk:

Liquidity risk is the risk that the Portfolio will not have sufficient access to cash, lines of credit and new debt and equity to fund its financial obligations as they fall due.

The Portfolio manages cash from operations and capital structure to ensure there are sufficient resources to operate the investment properties, fund anticipated leasing, make capital and development expenditures, meet its debt servicing obligations, fund general administrative costs and make distributions. The Portfolio monitors compliance with debt covenants, estimating lease renewals and property acquisitions and dispositions. Staggering loan maturity dates mitigates the Portfolio's exposure to large amounts maturing in any one year and the risk that lenders will not refinance.

The Portfolio's exposure to refinancing risk arises from maturing mortgages payable, convertible debentures and the operating line. Maturing debt funding requirements are typically sourced from new capital from external sources. The ability to obtain funding, or favourable funding, depends on several factors, including current economic climate and quality of the underlying assets being refinanced.

The contractual future principal and interest payments on the Portfolio's mortgages payable as at September 30 are as follows:

	(Unaudited)
2012 (remainder)	$ 16,106
2013	167,690
2014	55,493
2015	142,931
2016	72,818
Thereafter	596,792
	$ 1,051,830

A schedule of mortgage principal repayment obligations is provided in note 7. Maturities of the convertible debentures, which under certain circumstances may be repaid through the issuance of units, are provided in note 8. Details on Primaris' operating line, on which $910 was utilized on September 30, 2012, are disclosed in note 9.

20. Financial risk management (continued):

(iii) Market risk:

All of the Portfolio's investment properties are focused on the Canadian retail sector. Market risk is the risk that changes in market prices, such as interest rates and equity prices, will affect Portfolio's financial instruments. All of the Portfolio's operations are denominated in Canadian dollars, resulting in no direct foreign exchange risk.

The Portfolio's existing mortgages payable are all at fixed interest rates. The Portfolio staggers the maturities of its mortgages payable in order to minimize the exposure to future interest rate fluctuation.

Convertible debentures, exchangeable units and unit-based compensation liabilities are recorded at their fair value based on market trading prices. An increase of $1.00 in the underlying price of the trust units would result in an increase to liabilities, and decrease in net income and equity as follows:

- Convertible debentures $972;
- Exchangeable units $2,122; and
- Unit-based compensation $871.

(b) Fair values:

In addition to those financial instruments carried at fair values, the fair values of the Portfolio's financial assets and financial liabilities, together with the contractual carrying amounts shown in the carve-out statements of financial position, are as follows:

	September 30, 2012		December 31, 2011		December 31, 2010		January 1, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	(Unaudited)							
Mortgages payable	$ 830,369	$ 896,616	$ 844,954	$ 911,774	$ 794,747	$ 828,058	$ 703,740	$ 679,273

20. Financial risk management (continued):

The Portfolio uses various methods in estimating the fair values recognized in the carve-out financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values.

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

The following summarizes the significant methods and assumptions used in estimating fair values of the Portfolio's financial instruments:

(i) Mortgages payable:

The fair value of the Portfolio's mortgages payable is estimated based on the present value of future payments, discounted at the yield on a Government of Canada bond with the nearest maturity date to the underlying mortgage, plus an estimated credit spread at the reporting date for a comparable mortgage (Level 2).

(ii) Convertible debentures:

The fair value of the convertible debentures is estimated based on the market trading prices of the convertible debentures (Level 1).

(iii) Exchangeable units:

The fair value of the exchangeable units is estimated based on the market trading prices of the Portfolio's units (Level 1).

20. Financial risk management (continued):

(iv) Unit-based compensation:

The fair value of unit options granted is estimated using a binomial model for option valuation (Level 2).

The fair value of the restricted share units granted is estimated based on the market trading prices of the trust units (Level 1).

(v) Other financial assets and liabilities:

The carrying values of cash and cash equivalents, rents receivable, other assets and receivables, bank indebtedness, accounts payable and other liabilities and distribution payable approximate their fair values due to their short-term nature.

(vi) Cash flow hedge:

The fair value of the cash flow hedging instrument is estimated on market trading prices of the underlying bonds (Level 2).

21. Hedge:

In June 2012, the Portfolio entered into derivative contracts with a Schedule I Canadian chartered bank that are scheduled to mature February 1, 2013. This derivative was completed to mitigate the risk of interest rate volatility in anticipation of the placement of a $125,000 new fixed rate, five-year debt, principally to repay loans maturing during the first quarter of 2013.

The Portfolio achieved an effective qualifying hedge on the five-year Government of Canada bond yield of 1.448%, including the cost of the hedge. The credit spread on this anticipated loan is unknown as of September 30, 2012.

At September 30, 2012, the notional amount of the contracts was $103,821, and the fair value was $333. As at September 30, 2012, the fair value of the contracts was recorded in accounts payable and other liabilities. In addition, during the nine months ended September 30, 2012, a $333 loss on the cash flow hedge was recognized in other comprehensive income (loss).

Subsequent to September 30, 2012, the hedging derivative was terminated for a gain of $157.

22. Minimum rent revenue:

The Portfolio enters into long-term lease contracts with tenants for space in its properties. Initial lease terms are generally between 3 and 10 years, with longer terms for anchor tenants at the Portfolio's retail properties. Leases generally provide for the tenant to pay the Portfolio base rent, with provisions for contractual increases in base rent over the term of the lease, plus operating cost and realty tax recoveries.

Future minimum rental revenue is as follows:

	(Unaudited)
2012 (remainder)	$ 139,166
2013	139,499
2014	128,537
2015	111,848
2016	328,004
	$ 847,054

23. Operating leases:

Future minimum operating lease payments are as follows:

	Operating leases	Ground rent	Total
	(Unaudited)	(Unaudited)	(Unaudited)
2012 (remainder)	$ 441	$ 338	$ 779
2013	1,811	1,350	3,161
2014	1,811	1,350	3,161
2015	1,763	1,350	3,113
2016	1,791	1,350	3,141
Thereafter	5,256	33,900	39,156
	$ 12,873	$ 39,638	$ 52,511

During the three and nine months ended September 30, 2012, the Portfolio recognized operating lease payments, net of incentives, totalling $473 and $1,327, respectively (December 31, 2011 - $1,404; December 31, 2010 - $1,357).

24. Commitments and contingencies:

(a) Under the terms of a memorandum of agreement dated June 7, 1971 between The City of Calgary and Oxford Properties Group Inc. ("OPGI") as assumed, assigned and amended from time to time, including without limiting the generality of the foregoing, by a development amending agreement between The City of Calgary, Marathon Realty Company Limited and The Cadillac Fairview Corporation Limited, OPGI is obligated to pay for certain roadway construction near Northland Village and such roadway construction obligation remains registered on title for this property. OPGI has indemnified Primaris for up to $30,000 in respect of this obligation. These obligations were assumed by an affiliate of OPGI.

(b) The Portfolio 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 significant adverse effect on the carve-out financial statements.

(c) At September 30, 2012, the Portfolio has issued letters of credit in the amount of $825 (December 31, 2011 - $817; December 31, 2010 - $94; January 1, 2010 - nil).

25. Subsequent events:

(a) Subsequent to September 30, 2012, the Portfolio completed the purchase of two shopping centres for $317,600. The acquisition was completed on November 30, 2012. In order to finance the acquisition:

(i) The Portfolio issued $115,016 of units before issuance costs. The issuance closed on November 9, 2012.

(ii) The Portfolio placed mortgages on the two properties: a $114,000 mortgage loan for a term of 10 years at a fixed interest rate of 4.034% and a $76,000 mortgage loan for a term of seven years at a fixed interest rate of 3.682%.

(iii) The Portfolio also used Primaris' operating line to fund this transaction.

25. Subsequent events (continued):

(b) Subsequent to September 30, 2012, the Portfolio refinanced an existing mortgage with an original maturity date of July 1, 2013. The mortgage balance at September 30, 2012 of $100,528 was refinanced for $120,000 for a term of 10 years at a fixed rate of 4.132%. The loan commenced in November 2012 and matures October 31, 2022.

(c) Subsequent to September 30, 2012, the Portfolio repaid maturing mortgages totaling $43,749.

(d) Subsequent to September 30, 2012, the Portfolio agreed to purchase two shopping centres and seven complimentary properties for $376,680. In order to finance the acquisition, the vendor is providing $339,012 of financing and the balance will be funded by a draw on the operating line. The acquisition is expected to be completed in March 2013 and is subject to normal closing conditions.

(e) Subsequent to September 30, 2012, Primaris entered into agreements with financial advisors regarding a potential takeover of Primaris for a minimum of approximately $9 million. This amount is expected to be expensed in the fourth quarter of 2012.

(f) Subsequent to September 30, 2012, Primaris reached an agreement to dispose of the Portfolio to H&R in a series of transactions structured in accordance with the terms of the amended and restated Arrangement Agreement dated February 4, 2013.

APPENDIX "E"
UNAUDITED PRO FORMA FINANCIAL STATEMENTS

Pro Forma Consolidated Financial Statements of

H&R REAL ESTATE INVESTMENT TRUST

Nine months ended September 30, 2012 and
year ended December 31, 2011
(Unaudited)

H&R REAL ESTATE INVESTMENT TRUST

Pro Forma Consolidated Statement of Financial Position

September 30, 2012
(Unaudited)

	H&R REIT September 30, 2012	Change in accounting policy (note 3)	H&R REIT September 30, 2012 adjusted	Primaris Carve out September 30, 2012	Subtotal September 30, 2012	Pro forma adjustments	Note 2	Total September 30, 2012
Assets								
Real estate assets:								
Investment properties	$ 6,164,009	$ 1,803,144	$ 7,967,153	$ 2,092,800	$ 10,059,953	$ 319,331	b, c	
						291,869	b	$ 10,671,153
Properties under development	1,777,392	110,622	1,888,014	–	1,888,014	–		1,888,014
Accrued rent receivable	170,806	(170,806)	–	–	–	–		–
	8,112,207	1,742,960	9,855,167	2,092,800	11,947,967	611,200		12,559,167
Mortgages and amount receivable	6,920	–	6,920	–	6,920	–		6,920
Assets classified as held for sale	47,631	–	47,631	–	47,631	–		47,631
Restricted cash	34,708	–	34,708	–	34,708	–		34,708
Option derivative	19,826	–	19,826	–	19,826	–		19,826
Accounts receivable	10,042	–	10,042	2,432	12,474	–		12,474
Prepaid expenses and sundry assets	26,114	–	26,114	11,147	37,261	677	b, c	37,938
Fixtures and equipment (net of depreciation of $2,029)	–	–	–	4,888	4,888	–		4,888
Derivative instruments	1,787	–	1,787	–	1,787	–		1,787
Cash and cash equivalents	37,438	–	37,438	–	37,438	119,562	i	157,000
	$ 8,296,673	$ 1,742,960	$ 10,039,633	$ 2,111,267	$ 12,150,900	$ 731,439		$ 12,882,339
Liabilities and Unitholders' Equity								
Liabilities:								
Mortgages payable	$ 4,156,781	$ –	$ 4,156,781	$ 826,574	$ 4,983,355	$ 189,281	b, c	
						70,575	b, d	$ 5,243,211
Debentures payable	1,215,520	–	1,215,520	115,857	1,331,377	1,391	b, f	1,332,768
Notes payable	154,076	–	154,076	–	154,076	54,462	b	208,538
Exchangeable units	136,972	–	136,972	51,741	188,713	6,303	e	
						(58,044)	e	136,972
Unit options payable	12,345	–	12,345	–	12,345	–		12,345
Derivative instruments	656	–	656	–	656	–		656
Bank indebtedness	18,651	–	18,651	910	19,561	16,344	c	
						(18,651)	i	17,254
Accounts payable and accrued liabilities	169,575	–	169,575	40,370	209,945	4,467	b, c	214,412
Distribution payable	–	–	–	9,501	9,501	–		9,501
Unitholders' equity	2,432,097	1,742,960	4,175,057	1,066,314	5,241,371	58,044	e	
						109,916	b	
						138,213	i	
						1,393,412	b	
						(1,234,274)	b	5,706,682
	$ 8,296,673	$ 1,742,960	$ 10,039,633	$ 2,111,267	$ 12,150,900	$ 731,439		$ 12,882,339

See accompanying notes to pro forma consolidated financial statements.

H&R REAL ESTATE INVESTMENT TRUST

Pro Forma Consolidated Statements of Comprehensive Income

Nine months ended September 30, 2012
(Unaudited)

	H&R REIT September 30, 2012	Change in accounting policy (note 3)	H&R REIT September 30, 2012 adjusted	Primaris Carve out September 30, 2012	Subtotal September 30, 2012	Pro forma adjustments	Note 2	Total September 30, 2012
Property operating income:								
Rentals from investment properties	$ 604,807	$ –	$ 604,807	$ 158,145	$ 762,952	$ 24,171	c	$ 787,123
Property operating costs	(194,891)	–	(194,891)	(67,950)	(262,841)	(9,426)	c	(272,267)
	409,916	–	409,916	90,195	500,111	14,745		514,856
Finance costs	(189,732)	(337)	(190,069)	(65,099)	(255,168)	11,820	f	
						8,070	e	
						1,950	h	
						(5,459)	c	
						8,729	h	(230,058)
Fair value adjustment on real estate assets	–	222,449	222,449	88,343	310,792	(88,343)	g	222,449
Amortization and depreciation	(167,659)	163,571	(4,088)	(1,000)	(5,088)	–		(5,088)
Impairment gain (loss)	(1,903)	1,903	–	–	–	–		–
Trust expenses (general and administration)	(13,276)	–	(13,276)	(9,533)	(22,809)	–		(22,809)
Gain (loss) on sale of investment properties	3,780	(2,801)	979	–	979	–		979
Loss on foreign exchange	(2,485)	–	(2,485)	–	(2,485)	–		(2,485)
Income before income taxes	38,641	384,785	423,426	102,906	526,332	(48,488)		477,844
Income tax expense	(424)	–	(424)	–	(424)	–		(424)
Net Income	38,217	384,785	423,002	102,906	525,908	(48,488)		477,420
Other comprehensive loss:								
Unrealized (loss) on translation of U.S. denominated foreign operations	(16,308)	(6,470)	(22,778)	–	(22,778)	–		(22,778)
Transfer of realized loss on cash flow hedges to income	299	–	299	–	299	–		299
Amortization of deferred net loss on cash flow hedges	–	–	–	195	195	–		195
Deferred loss on cash flow hedges	–	–	–	(333)	(333)	–		(333)
	(16,009)	(6,470)	(22,479)	(138)	(22,617)	–		(22,617)
Total comprehensive income all attributable to unitholders	$ 22,208	$ 378,315	$ 400,523	$ 102,768	$ 503,291	$ (48,488)		$ 454,803

H&R REAL ESTATE INVESTMENT TRUST

Pro Forma Consolidated Statements of Comprehensive Income (continued)

Year ended December 31, 2011
(Unaudited)

	H&R REIT December 31, 2011	Change in accounting policy (note 3)	H&R REIT December 31, 2011 adjusted	Primaris Carve out December 31, 2011	Subtotal December 31 2011	Pro forma adjustments	Note 2	Total December 31, 2011
Property operating income:								
Rentals from investment properties	$ 656,911	$ –	$ 656,911	$ 211,643	$ 868,554	$ 32,228	c	$ 900,782
Property operating costs	(219,997)	–	(219,997)	(91,789)	(311,786)	(12,567)	c	(324,353)
	436,914	–	436,914	119,854	556,768	19,661		576,429
Finance costs	(280,886)	(10,416)	(291,302)	(80,451)	(371,753)	14,989	f	
						2,351	e	
						2,673	h	
						(7,257)	c	
						11,442	h	(347,555)
Fair value adjustment on real estate assets	–	199,870	199,870	119,930	319,800	(119,930)	g	199,870
Amortization and depreciation	(177,717)	173,272	(4,445)	(1,039)	(5,484)	–		(5,484)
Impairment gain (loss)	(6,892)	6,892	–	–	–	–		–
Impairment reversal	2,852	(2,852)	–	–	–	–		–
Trust expenses (general and administration)	(15,018)	–	(15,018)	(9,840)	(24,858)	–		(24,858)
Gain (loss) on sale of investment properties	3,260	(3,801)	(541)	–	(541)	–		(541)
Transaction costs	–	–	–	–	–	(27,000)	b	(27,000)
Transaction costs on issuance of debentures	(2,813)	–	(2,813)	(3,029)	(5,842)	–		(5,842)
Income before income taxes	(40,300)	362,965	322,665	145,425	468,090	(103,071)		365,019
Income tax expense	(285)	–	(285)	–	(285)	–		(285)
Net Income	(40,585)	362,965	322,380	145,425	467,805	(103,071)		364,734
Other comprehensive income:								
Unrealized gain on translation of U.S. denominated foreign operations	2,211	3,782	5,993	–	5,993	–		5,993
Transfer of realized loss on cash flow hedges to income	385	–	385	–	385	–		385
Amortization of deferred net loss on cash flow hedges	–	–	–	265	265	–		265
	2,596	3,782	6,378	265	6,643	–		6,643
Total comprehensive income all attributable to unitholders	$ (37,989)	$ 366,747	$ 328,758	$ 145,690	$ 474,448	$ (103,071)		$ 371,377

See accompanying notes to pro forma consolidated financial statements.

H&R REAL ESTATE INVESTMENT TRUST

Notes to Pro Forma Consolidated Financial Statements
(In thousands of dollars)

Nine months ended September 30, 2012 and year ended December 31, 2011
(Unaudited)

H&R Real Estate Investment Trust (the "REIT") is an unincorporated open-ended trust domiciled in Canada. The REIT owns, operates and develops commercial properties across Canada and in the United States. The principal office and centre of administration of the REIT is located at 3625 Dufferin Street, Suite 500, Toronto, Ontario M3K 1N4. Each unitholder participates pro rata in distributions of income and, in the event of termination of the REIT, participates pro rata in the net assets remaining after satisfaction of all liabilities.

On October 1, 2008, the REIT completed an internal reorganization pursuant to a Plan of Arrangement (the "H&R Plan of Arrangement") as described in the REIT's information circular dated August 20, 2008. The H&R Plan of Arrangement resulted in, among other things, the creation on October 1, 2008 of H&R Finance Trust ("Finance Trust"). Each unitholder received, for each REIT unit held, a unit of Finance Trust. Each issued and outstanding Finance Trust unit is stapled to a unit of the REIT on a one-for-one basis so as to form stapled units ("Stapled Units"), and such Stapled Units are listed and posted for trading on the Toronto Stock Exchange under the symbol HR.UN.

1. Basis of presentation:

The accompanying unaudited pro forma consolidated financial statements (the "Pro Forma") give effect to the REIT's acquisition of Primaris Retail Real Estate Investment Trust ("Primaris") after the sale of 18 Primaris properties to a KingSett Capital led consortium becoming the sole unitholder of Primaris in accordance with a statutory plan of arrangement ("Plan of Arrangement"). Primaris is an unincorporated open-ended real estate investment trust, created pursuant to a Declaration of Trust dated March 28, 2003, as amended and restated.

1. Basis of presentation (continued):

This Pro Forma has been prepared in accordance with the accounting policies in the unaudited condensed interim consolidated financial statements of the REIT for the nine months ended September 30, 2012, except for the change in accounting policies as described in note 3. These accounting policies are in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. This Pro Forma does not include all the information and disclosures required by IFRS for annual financial statements, and has been prepared from the following financial statements as at September 30, 2012 and for the nine months ended September 30, 2012 and year ended December 31, 2011. These financial statements are included or incorporated by reference in this Circular.

	Nine months ended September 30, 2012	Year ended December 31, 2011
REIT financial statements	Unaudited	Audited
Primaris carve out financial statements	Unaudited	Audited

The unaudited pro forma consolidated statement of financial position gives effect to the acquisition of Primaris described in note 2 as if it had occurred on September 30, 2012. The unaudited pro forma consolidated statements of comprehensive income give effect to the acquisition of Primaris and related transactions as described in note 2 as if they had occurred on January 1, 2011.

The accounting policies used in this Pro Forma are consistent with those in the unaudited condensed interim consolidated financial statements of the REIT for the nine months ended September 30, 2012 except for the change in accounting policies as described in note 3. Where the accounting policies used by Primaris did not align with those of the REIT, the REIT's policy was adopted and the impact was included in the Pro Forma adjustments.

The Pro Forma is 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 consolidated operating results or the financial position of Primaris.

2. Pro Forma adjustments:

The Pro Forma adjustments have been prepared to account for the impact of the acquisition of Primaris as contemplated in the Management Information Circular with respect to the proposed Plan of Arrangement as described below:

(a) The arrangement:

The Pro Forma assumes the KingSett Capital led consortium will acquire certain assets of Primaris for approximately $1.9 billion less the assumption of liabilities, with the remainder paid in cash. The REIT will acquire substantially all of the remaining assets of Primaris and Primaris will become a wholly-owned subsidiary of the REIT. Primaris unitholders will be entitled to receive, at the election of each holder, (i) $28.00 in cash per Primaris unit, subject to the actual cash consideration or (ii) 1.166 REIT Stapled Units (representing 1.166 REIT units and 1.166 Finance Trust units) per Primaris unit. The REIT's expected consideration for the acquisition of Primaris will be the equivalent of approximately $1.4 billion to be satisfied by the issuance of stapled units.

(b) Acquisition of Primaris:

The identifiable assets and liabilities assumed including the events disclosed in 2(c) below, have been recorded at their provisional fair values had the acquisition occurred on September 30, 2012. the provisional values in accordance with the recognition and measurement principles of IFRS are as follows:

Investment properties	$ 2,704,000
Accounts receivable	2,432
Prepaid expenses and sundry assets	11,824
Fixtures and equipment	4,888
Mortgages payable	(1,086,430)
Debentures payable	(117,248)
Bank indebtedness	(17,254)
Accounts payable and accrued liabilities	(44,837)
Distributions payable	(9,501)
	$ 1,447,874
Purchase price settled by:	
Issuance of REIT units	$ 1,393,412
Issuance of Finance Trust units, loaned back to a subsidiary of the REIT	54,462
	$ 1,447,874

2. Pro Forma adjustments (continued):

The estimated transaction costs relating to the acquisition of Primaris of $27,000 have been included in the unaudited pro forma consolidated statements of comprehensive income for the year ended December 31, 2011, in accordance with IFRS on business combinations.

The unitholders' equity of Primaris prior to the transaction of $1,219,871 is eliminated from equity in the Pro Forma.

(c) Acquisitions of investment properties made by Primaris in fourth quarter of 2012:

The Pro Forma has been adjusted to reflect the acquisition of two shopping centres in the fourth quarter of 2012. The total purchase price for the investment properties was $319,331 which was financed by two new mortgages totaling $189,281, the issuance of Primaris units totaling $109,916 and the remainder by way of cash drawn from its operating line.

The net assets acquired based on preliminary allocations are as follows:

Investment properties	$ 319,331
Prepaid expenses and sundry assets	677
Mortgages payable	(189,281)
Accounts payable	(4,467)
Net purchase price	$ 126,260
Source of funding:	
Equity raised	$ 109,916
Bank indebtedness	16,344
	$ 126,260

Adjustments have been made to reflect the Pro Forma results for these properties acquired by Primaris in the fourth quarter of 2012 to reflect a full period of operations resulting in increases of $24,171 and $9,426 for the nine months ended September 30, 2012 and $32,228 and $12,567 for the year ended December 31, 2011 in rentals from investment properties and property operating costs, respectively.

2. Pro forma adjustments (continued):

The interest expense from mortgages payable was also adjusted to reflect the new mortgages assumed on the acquisitions made by Primaris in the fourth quarter of 2012. This resulted in an increase to finance costs of $5,459 for the nine months ended September 30, 2012 and $7,257 for the year ended December 31, 2011.

(d) Mortgages payable:

Adjustments have been made to the mortgages payable to remeasure the mortgages payable to their fair value to take effect of the Plan of Arrangement as if it occurred as at September 30, 2012. The remeasurement resulted in a mortgage premium of $70,575.

The Pro Forma assumes that mortgage consents required from the lenders on the change of control will be obtained.

(e) Exchangeable units:

Holders of Primaris exchangeable units will have those units redeemed by Primaris in exchange for Primaris units. Upon the redemption of the exchangeable units, the holders will then participate in the Amended Transaction on the same terms as other Primaris unitholders. The exchangeable units have been converted to units in the Pro Forma at the market value of such units on the date of exchange. For the purposes of the Pro Forma, no changes in fair value have been assumed in the unaudited pro forma consolidated statements of comprehensive income.

(f) Fair value adjustment on convertible debentures:

Convertible debentures are redeemable at the option of the holder and are, therefore, considered puttable instruments. The convertible debentures are considered a liability containing liability-classified embedded derivatives. The REIT has elected to record the full amount of the convertible debentures at their fair value with the changes in fair value being recognized in comprehensive income. The fair value of the convertible debentures for Primaris was remeasured to take effect of the Plan of Arrangement as if it occurred as at September 30, 2012. The remeasurement resulted in an increase of $1,391. The Pro Forma assumes that the holders of the convertible debentures have not exercised their conversion rights.

2. Pro forma adjustments (continued):

For the purposes of the unaudited pro forma consolidated statements of comprehensive income, no changes in fair value of the convertible debentures have been assumed.

(g) Fair value adjustment on real estate assets:

Subsequent to initial recognition, real estate assets will be adjusted to their fair values at each reporting period with changes in fair value recorded in comprehensive income. For the purposes of the unaudited pro forma consolidated statements of comprehensive income, no changes in fair value of the real estate assets have been assumed.

(h) Finance costs:

Finance costs have been adjusted to reflect the amortization of the estimated mark-to-market premium resulting from the fair valuing of the mortgages payable assumed on the effective date of the amended transaction. The adjustment for the nine months ended September 30, 2012 is $8,729 and for the year ended December 31, 2011 is $11,442.

Exchangeable units will represent equity upon their conversion to units. As a result of the conversion, for the nine months ended September 30, 2012 and for the year ended December 31, 2011, the distributions on exchangeable units have been reclassified to equity from finance costs.

(i) REIT & Finance Trust Equity Raise:

The Pro Forma was adjusted to reflect the issuance of Stapled Units by the REIT and Finance Trust on November 22, 2012. This issuance of Stapled Units resulted in an increase to cash and cash equivalents of $119,562, a decrease in bank indebtedness of $18,651 and an increase in unitholders' equity of $138,213.

2. Pro forma adjustments (continued):

(j) Restricted units and options of Primaris:

Primaris has granted restricted units and options to employees of Primaris as unit based compensation. Under the terms of the Amended Arrangement Agreement, each holder of Primaris restricted units/options (whether vested or unvested) will be permitted to elect in writing to have Primaris purchase such Primaris restricted units /options for cancellation immediately prior to the effective time in consideration for a cash payment from Primaris. All Primaris restricted units/options remaining outstanding at the effective time (whether vested or unvested) shall be cancelled and all agreements relating thereto shall be terminated and replaced with replacement restricted units/options of the REIT on substantially similar terms and conditions (including economic terms) and in accordance with the terms of the Primaris Equity Incentive Plan and in the manner specified in the Plan of Arrangement.

The Pro Forma assumes that the restricted units and options will be replaced with REIT restricted units/options on substantially similar terms, and as such, no adjustment has been made.

(k) Primaris special distribution:

It is assumed within the Pro Forma that a Primaris special distribution will not be required to be made to Primaris unitholders.

3. Change in accounting policies:

During the fourth quarter of 2012, the REIT elected to record investment properties at fair value. This change in accounting policy has been applied on a retrospective basis. The REIT no longer depreciates investment properties but continues to amortize deferred leasing expenses and tenant inducements. Additionally, accrued rent receivable is no longer recorded as a separate asset as it is considered to be implicit in the fair value of real estate assets.

Pro Forma Combined Financial Statements of

H&R REAL ESTATE INVESTMENT TRUST and H&R FINANCE TRUST

Nine months ended September 30, 2012 and
year ended December 31, 2011
(Unaudited)

H&R REAL ESTATE INVESTMENT TRUST
H&R FINANCE TRUST

Pro Forma Combined Statement of Financial Position

September 30, 2012
(Unaudited)

	H&R REIT & H&R Finance Trust September 30, 2012	Change in accounting policy (note 3)	H&R REIT & H&R Finance Trust September 30, 2012 adjusted	Primaris Carve out September 30, 2012	Subtotal September 30, 2012	Pro forma adjustments	Note 2	Total September 30, 2012
Assets								
Real estate assets:								
Investment properties	$ 6,164,009	$ 1,803,144	$ 7,967,153	$ 2,092,800	$ 10,059,953	$ 319,331	b, c	
						291,869	b	$ 10,671,153
Properties under development	1,777,392	110,622	1,888,014	–	1,888,014	–		1,888,014
Accrued rent receivable	170,806	(170,806)	–		–	–		–
	8,112,207	1,742,960	9,855,167	2,092,800	11,947,967	611,200		12,559,167
Mortgages and amount receivable	6,920	–	6,920	–	6,920	–		6,920
Assets classified as held for sale	47,631	–	47,631	–	47,631	–		47,631
Restricted cash	34,708	–	34,708	–	34,708	–		34,708
Accounts receivable	10,042	–	10,042	2,432	12,474	–		12,474
Prepaid expenses and sundry assets	26,114	–	26,114	11,147	37,261	677	b, c	37,938
Fixtures and equipment (net of depreciation of $2,029)	–	–	–	4,888	4,888	–		4,888
Derivative instruments	1,787	–	1,787	–	1,787	–		1,787
Cash and cash equivalents	37,509	–	37,509	–	37,509	124,486	i	162,355
	$ 8,276,918	$ 1,742,960	$ 10,019,878	$ 2,111,267	$ 12,131,145	$ 736,723		$ 12,867,868
Liabilities and Unitholders' Equity								
Liabilities:								
Mortgages payable	$ 4,156,781	$ –	$ 4,156,781	$ 826,574	$ 4,983,355	$ 189,281	b, c	
						70,575	b, d	$ 5,243,211
Debentures payable	1,215,520	–	1,215,520	115,857	1,331,377	1,391	b, f	1,332,768
Exchangeable units	136,972	–	136,972	51,741	188,713	6,303	e	
						(58,044)	e	136,972
Unit options payable	12,345	–	12,345	–	12,345	–		12,345
Derivative instruments	656	–	656	–	656	–		656
Bank indebtedness	18,651	–	18,651	910	19,561	16,344	c	
						(18,651)	i	17,254
Accounts payable and accrued liabilities	169,724	–	169,724	40,370	210,094	4,467	b, c	214,561
Distribution payable	–	–	–	9,501	9,501	–		9,501
Unitholders' equity	2,566,269	1,742,960	4,309,229	1,066,314	5,375,543	58,044	e	
						109,916	b	
						143,497	i	
						1,447,874	b	
						(1,234,274)	b	5,900,600
	$ 8,276,918	$ 1,742,960	$ 10,019,878	$ 2,111,267	$ 12,131,145	$ 736,723		$ 12,867,868

See accompanying notes to pro forma combined financial statements.

H&R REAL ESTATE INVESTMENT TRUST
H&R FINANCE TRUST

Pro Forma Combined Statements of Comprehensive Income

Nine months ended September 30, 2012
(Unaudited)

	H&R REIT & H&R Finance Trust September 30, 2012	Change in accounting policy (note 3)	H&R REIT & H&R Finance Trust September 30, 2012 adjusted	Primaris Carve out September 30, 2012	Subtotal September 30, 2012	Pro forma adjustments	Note 2	Total September 30, 2012
Property operating income:								
Rentals from investment properties	$ 604,807	$ –	$ 604,807	$ 158,145	$ 762,952	$ 24,171	c	$ 787,123
Property operating costs	(194,891)	–	(194,891)	(67,950)	(262,841)	(9,426)	c	(272,267)
	409,916	–	409,916	90,195	500,111	14,745		514,856
Finance costs	(186,332)	(337)	(186,669)	(65,099)	(251,774)	11,820	f	
						8,070	e	
						1,950	h	
						(5,459)	c	
						8,729	h	(226,664)
Fair value adjustment on real estate assets	–	222,449	222,449	88,343	310,792	(88,343)	g	222,449
Amortization and depreciation	(167,659)	163,571	(4,088)	(1,000)	(5,088)	–		(5,088)
Impairment gain (loss)	(1,903)	1,903	–	–	–	–		–
Trust expenses (general and administration)	(13,560)	–	(13,560)	(9,533)	(23,093)	–		(23,093)
Gain (loss) on sale of investment properties	3,780	(2,801)	979	–	979	–		979
Loss on foreign exchange	(7,915)	–	(7,915)	–	(7,915)	–		(7,915)
Income before income taxes	36,327	384,785	421,112	102,906	524,012	(48,488)		475,524
Income tax expense	(424)	–	(424)	–	(424)	–		(424)
Net income	35,903	384,785	420,688	102,906	523,588	(48,488)		475,100
Other comprehensive loss:								
Unrealized loss on translation of U.S. denominated foreign operations	(16,308)	(6,470)	(22,778)	–	(22,778)	–		(22,778)
Transfer of realized loss on cash flow hedges to income	299	–	299	–	299	–		299
Amortization of deferred net loss on cash flow hedges	–	–	–	195	195	–		195
Deferred loss on cash flow hedges	–	–	–	(333)	(333)	–		(333)
	(16,009)	(6,470)	(22,479)	(138)	(22,617)	–		(22,617)
Total comprehensive income all attributable to unitholders	$ 19,894	$ 378,315	$ 398,209	$ 102,768	$ 500,971	$ (48,488)		$ 452,483

H&R REAL ESTATE INVESTMENT TRUST
H&R FINANCE TRUST

Pro Forma Combined Statements of Comprehensive Income (continued)

Year ended December 31, 2011
(Unaudited)

	H&R REIT & H&R Finance Trust December 31, 2011	Change in accounting policy (note 3)	H&R REIT & H&R Finance Trust December 31, 2011 adjusted	Primaris Carve out December 31, 2011	Subtotal December 31, 2011	Pro forma adjustments	Note 2	Total December 31, 2011
Property operating income:								
Rentals from investment properties	$ 656,911	$ –	$ 656,911	$ 211,643	$ 868,554	$ 32,228	c	$ 900,782
Property operating costs	(219,997)	–	(219,997)	(91,789)	(311,786)	(12,567)	c	(324,353)
	436,914	–	436,914	119,854	556,768	19,661		576,429
Finance costs	(268,613)	(10,416)	(279,029)	(80,451)	(359,494)	14,989	f	
						2,351	e	
						2,673	h	
						(7,257)	c	
						11,442	h	(335,296)
Fair value adjustment on real estate assets	–	199,870	199,870	119,930	319,800	(119,930)	g	199,870
Amortization and depreciation	(177,717)	173,272	(4,445)	(1,039)	(5,484)	–		(5,484)
Impairment gain (loss)	(6,892)	6,892	–	–	–	–		–
Impairment reversal	2,852	(2,852)	–	–	–	–		–
Trust expenses (general and administration)	(15,366)	–	(15,366)	(9,840)	(25,206)	–		(25,206)
Gain (loss) on sale of investment properties	3,260	(3,801)	(541)	–	(541)	–		(541)
Gain on foreign exchange	3,383	–	3,383	–	3,383	–		3,383
Transaction costs	–	–	–	–	–	(27,000)	b	(27,000)
Transaction costs on issuance of debentures	(2,813)	–	(2,813)	(3,029)	(5,842)	–		(5,842)
Income before income taxes	(24,992)	362,965	337,973	145,425	483,384	(103,071)		380,313
Income tax expense	(285)	–	(285)	–	(285)	–		(285)
Net Income	(25,277)	362,965	337,688	145,425	483,099	(103,071)		380,028
Other comprehensive income:								
Unrealized gain on translation of U.S. denominated foreign operations	2,211	3,782	5,993	–	5,993	–		5,993
Transfer of realized loss on cash flow hedges to income	385	–	385	–	385	–		385
Amortization of deferred net loss on cash flow hedges	–	–	–	265	265	–		265
	2,596	3,782	6,378	265	6,643	–		6,643
Total comprehensive income all attributable to unitholders	$ (22,681)	$ 366,747	$ 344,066	$ 145,690	$ 489,742	$ (103,071)		$ 386,671

See accompanying notes to pro forma combined financial statements.

H&R REAL ESTATE INVESTMENT TRUST
H&R FINANCE TRUST

Notes to Pro Forma Combined Financial Statements
(In thousands of dollars)

Nine months ended September 30, 2012 and year ended December 31, 2011
(Unaudited)

These unaudited pro forma combined financial statements (the "Pro Forma") include the accounts of H&R Real Estate Investment Trust (the "REIT") and H&R Finance Trust ("Finance Trust"), (collectively, the "Trusts"). These combined financial statements are presented as supplementary information to the financial statements of the REIT and Finance Trust.

The REIT is an unincorporated open-ended trust domiciled in Canada. The REIT owns, operates and develops commercial properties across Canada and in the United States. The principal office and centre of administration of the REIT is located at 3625 Dufferin Street, Suite 500, Toronto, Ontario M3K 1N4. Each unitholder participates pro rata in distributions of income and, in the event of termination of the REIT, participates pro rata in the net assets remaining after satisfaction of all liabilities.

On October 1, 2008, the REIT completed an internal reorganization pursuant to a Plan of Arrangement (the "H&R Plan of Arrangement") as described in the REIT's information circular dated August 20, 2008. The H&R Plan of Arrangement resulted in, among other things, the creation on October 1, 2008 of Finance Trust. Each unitholder received, for each REIT unit held, a unit of Finance Trust. Each issued and outstanding Finance Trust unit is stapled to a unit of the REIT on a one-for-one basis so as to form stapled units ("Stapled Units"), and such Stapled Units are listed and posted for trading on the Toronto Stock Exchange under the symbol HR.UN.

1. Basis of presentation:

The accompanying Pro Forma gives effect to the REIT's acquisition of Primaris Retail Real Estate Investment Trust ("Primaris") after the sale of 18 Primaris properties to a KingSett Capital led consortium becoming the sole unitholder of Primaris in accordance with a statutory plan of arrangement ("Plan of Arrangement"). Primaris is an unincorporated open-ended real estate investment trust, created pursuant to a Declaration of Trust dated March 28, 2003, as amended and restated.

1. Basis of presentation (continued):

The Pro Forma has been prepared in accordance with the accounting policies in the unaudited condensed interim combined financial statements of the Trusts for the nine months ended September 30, 2012, except for the change in accounting policies as described in note 3. These accounting policies are in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. This Pro Forma does not include all the information and disclosures required by IFRS for annual financial statements, and has been prepared from the following financial statements as at September 30, 2012 and for the nine months ended September 30, 2012 and year ended December 31, 2011. These financial statements are included or incorporated by reference in this Circular.

	Nine months ended September 30, 2012	Year ended December 31, 2011
REIT & Finance Trust combined financial statements	Unaudited	Audited
Primaris carve out financial statements	Unaudited	Audited

The unaudited pro forma combined statement of financial position gives effect to the acquisition of Primaris described in note 2 as if it had occurred on September 30, 2012. The unaudited pro forma combined statements of comprehensive income give effect to the acquisition of Primaris and related transactions as described in note 2 as if they had occurred on January 1, 2011.

The accounting policies used in this Pro Forma are consistent with those in the unaudited condensed interim combined financial statements of the Trusts for the nine months ended September 30, 2012, except for the change in accounting policies as described in note 3. Where the accounting policies used by Primaris did not align with those of the REIT, the REIT's policy was adopted and the impact was included in the Pro Forma adjustments.

The Pro Forma is 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 consolidated operating results or the financial position of Primaris.

2. Pro Forma adjustments:

The Pro Forma adjustments have been prepared to account for the impact of the acquisition of Primaris as contemplated in the Circular with respect to the proposed Plan of Arrangement as described below:

(a) The arrangement:

The Pro Forma assumes the KingSett Capital led consortium will acquire certain assets of Primaris for approximately $1.9 billion less the assumption of liabilities, with the remainder paid in cash. The REIT will acquire substantially all of the remaining assets of Primaris and Primaris will become a wholly-owned subsidiary of the REIT. Primaris unitholders will be entitled to receive, at the election of each holder, (i) $28.00 in cash per Primaris unit, subject to the actual cash consideration or (ii) 1.166 Stapled Units (representing 1.166 REIT units and 1.166 Finance Trust units) per Primaris unit. The REIT's expected consideration for the acquisition of Primaris will be the equivalent of approximately $1.4 billion to be satisfied by the issuance of stapled units.

(b) Acquisition of Primaris:

The identifiable assets and liabilities assumed including the events disclosed in 2(c) below, have been recorded at their provisional fair values had the acquisition occurred on September 30, 2012. The provisional values in accordance with the recognition and measurement principles of IFRS are as follows:

Investment properties	$ 2,704,000
Accounts receivable	2,432
Prepaid expenses and sundry assets	11,824
Fixtures and equipment	4,888
Mortgages payable	(1,086,430)
Debentures payable	(117,248)
Bank indebtedness	(17,254)
Accounts payable and accrued liabilities	(44,837)
Distributions payable	(9,501)
	$ 1,447,874
Purchase price settled by:	
Issuance of stapled units	$ 1,447,874

2. Pro Forma adjustments (continued):

The estimated transaction costs relating to the acquisition of Primaris of $27,000 have been included in the unaudited pro forma combined statements of comprehensive income for the year ended December 31, 2011, in accordance with IFRS on business combinations.

The unitholders' equity of Primaris prior to the transaction of $1,219,871 is eliminated from equity in the Pro Forma.

(c) Acquisitions of investment properties made by Primaris in fourth quarter of 2012:

The Pro Forma has been adjusted to reflect the acquisition of two shopping centres in the fourth quarter of 2012. The total purchase price for the investment properties was $319,331 which was financed by two new mortgages totaling $189,281, the issuance of Primaris units totaling $109,916 and the remainder by way of cash drawn from its operating line.

The net assets acquired based on preliminary allocations are as follows:

Investment properties	$ 319,331
Prepaid expenses and sundry assets	677
Mortgages payable	(189,281)
Accounts payable and accrued liabilities	(4,467)
Net purchase price	$ 126,260
Source of funding:	
Equity raised	$ 109,916
Bank indebtedness	16,344
	$ 126,260

2. Pro Forma adjustments (continued):

Adjustments have been made to reflect the Pro Forma results for these properties acquired by Primaris in the fourth quarter of 2012 to reflect a full period of operations resulting in increases of $24,171 and $9,426 for the nine months ended September 30, 2012 and $32,228 and $12,567 for the year ended December 31, 2011 in rentals from investment properties and property operating costs, respectively.

The interest expense from mortgages payable was also adjusted to reflect the new mortgages assumed on the acquisitions made by Primaris in the fourth quarter of 2012. This resulted in an increase to finance costs of $5,459 for the nine months ended September 30, 2012 and $7,257 for the year ended December 31, 2011.

(d) Mortgages payable:

Adjustments have been made to the mortgages payable to remeasure the mortgages payable to their fair value to take effect of the Plan of Arrangement as if it occurred as at September 30, 2012. The remeasurement resulted in a mortgage premium of $70,575.

The Pro Forma assumes that mortgage consents required from the lenders on the change of control will be obtained.

(e) Exchangeable units:

Holders of Primaris exchangeable units will have those units redeemed by Primaris in exchange for Primaris units. Upon the redemption of the exchangeable units, the holders will then participate in the Amended Transaction on the same terms as other Primaris unitholders. The exchangeable units have been converted to units in the Pro Forma at the market value of such units on the date of exchange. For the purposes of the Pro Forma, no changes in fair value have been assumed in the unaudited pro forma combined statements of comprehensive income.

2. Pro Forma adjustments (continued):

(f) Fair value adjustment on convertible debentures:

Convertible debentures are redeemable at the option of the holder and are, therefore, considered puttable instruments. The convertible debentures are considered a liability containing liability-classified embedded derivatives. The REIT has elected to record the full amount of the convertible debentures at their fair value with the changes in fair value being recognized in comprehensive income. The fair value of the convertible debentures for Primaris was remeasured to take effect of the Plan of Arrangement as if it occurred as at September 30, 2012. The remeasurement resulted in an increase of $1,391. The Pro Forma assumes that the holders of the convertible debentures have not exercised their conversion rights.

For the purposes of the unaudited pro forma combined statements of comprehensive income, no changes in fair value of the convertible debentures have been assumed.

(g) Fair value adjustment on real estate assets:

Subsequent to initial recognition, real estate assets will be adjusted to their fair values at each reporting period with changes in fair value recorded in comprehensive income. For the purposes of the unaudited pro forma combined statements of comprehensive income, no changes in fair value of the real estate assets have been assumed.

(h) Finance costs:

Finance costs have been adjusted to reflect the amortization of the estimated mark-to-market premium resulting from the fair valuing of the mortgages payable assumed on the effective date of the amended transaction. The adjustment for the nine months ended September 30, 2012 is $8,729 and for the year ended December 31, 2011 is $11,442.

Exchangeable units will represent equity upon their conversion to units. As a result of the conversion, for the nine months ended September 30, 2012 and for the year ended December 31, 2011, the distributions on exchangeable units have been reclassified to equity from finance costs.

2. Pro Forma adjustments (continued):

(i) REIT & Finance Trust Equity Raise:

The Pro Forma was adjusted to reflect the issuance of Stapled Units by the REIT and Finance Trust on November 22, 2012. This issuance of Stapled Units resulted in an increase to cash and cash equivalents of $124,846, a decrease in bank indebtedness of $18,651 and an increase in unitholders' equity of $143,497.

(j) Restricted units and options of Primaris:

Primaris has granted restricted units and options to employees of Primaris as unit based compensation. Under the terms of the Amended Arrangement Agreement, each holder of Primaris restricted units/options (whether vested or unvested) will be permitted to elect in writing to have Primaris purchase such Primaris restricted units/options for cancellation immediately prior to the effective time in consideration for a cash payment from Primaris. All Primaris restricted units/options remaining outstanding at the effective time (whether vested or unvested) shall be cancelled and all agreements relating thereto shall be terminated and replaced with replacement restricted units/options of the REIT on substantially similar terms and conditions (including economic terms) and in accordance with the terms of the Primaris Equity Incentive Plan and in the manner specified in the Plan of Arrangement.

The Pro Forma assumes that the restricted units and options will be replaced with REIT restricted units/options on substantially similar terms, and as such, no adjustment has been made.

(k) Primaris special distribution:

It is assumed within the Pro Forma that a Primaris special distribution will not be required to be made to Primaris unitholders.

3. Change in accounting policies:

During the fourth quarter of 2012, the REIT elected to record investment properties at fair value. This change in accounting policy has been applied on a retrospective basis. The REIT no longer depreciates investment properties but continues to amortize deferred leasing expenses and tenant inducements. Additionally, accrued rent receivable is no longer recorded as a separate asset as it is considered to be implicit in the fair value of real estate assets.

APPENDIX "F"
PLAN OF ARRANGEMENT

Plan of Arrangement under Section 193
of the
***Business Corporations Act* (Alberta)**

ARTICLE 1
INTERPRETATION

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

(a) "**5.40% Debentures**" means the 5.40% convertible unsecured subordinated debentures of Target issued in an initial aggregate principal amount of $75 million in June 2011;

(b) "**6.30% Debentures**" means the 6.30% convertible unsecured subordinated debentures of Target issued in an initial aggregate principal amount of $75 million in October 2009;

(c) "**6.75% Debentures**" means the 6.75% convertible unsecured subordinated debentures of Target issued in an initial aggregate principal amount of $50 million in June 2004;

(d) "**ABCA**" means the *Business Corporations Act* (Alberta);

(e) "**Actual Cash Consideration**" has the meaning set out in Section 3.2;

(f) "**affiliate**" means an "affiliate" as defined in National Instrument 45-106 – *Prospectus and Registration Exemptions*;

(g) "**Ancillary Rights**" means rights under the H&R Unitholder Rights Plan, H&R DRIP and H&R Unit Purchase Plan, together with the rights, if any, of holders of H&R REIT Units under the Support Agreement;

(h) "**Arrangement**", "**herein**", "**hereof**", "**hereto**", "**hereunder**" and similar expressions mean and refer to the arrangement pursuant to section 193 of the ABCA set forth in this Plan of Arrangement as supplemented, modified or amended, and not to any particular article, section or other portion hereof;

(i) "**Arrangement Agreement**" means the amended and restated arrangement agreement dated February 4, 2013 among H&R REIT, H&R Finance Trust, Target and Primaris Trustee, including all schedules annexed thereto, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof;

(j) "**Arrangement Resolution**" means the special resolution in respect of the Arrangement to be considered at the Target Unitholder Meeting;

(k) "**Articles of Arrangement**" means the articles of arrangement in respect of the Arrangement required under subsection 193(10) of the ABCA to be sent to the Registrar after the Final Order has been granted, giving effect to the Arrangement;

(l) "**Business Day**" means any day, other than a Saturday, Sunday, any statutory holiday in Toronto, Ontario or Calgary, Alberta, or a Jewish Holiday;

(m) "**Cash Consideration**" means $28.00 in cash per Target Unit to be paid by the persons and in the manner described in this Plan of Arrangement;

(n) "**Cash Electing Unitholder**" means a Target Unitholder who elects Cash Consideration in exchange for one or more of such Target Unitholder's Target Units pursuant and subject to Section 3.1 and Section 3.2 and the other provisions of this Plan of Arrangement;

(o) "**Certificate**" means the certificate or certificates or confirmation of filing which may be issued by the Registrar pursuant to subsection 193(11) of the ABCA;

(p) "**Convertible Securities**" means, collectively, Target Debentures, Exchangeable Units, Options, Restricted Units and any other securities (other than URP Rights) of Target or its affiliates, exercisable or exchangeable for or convertible into Target Units;

(q) "**Court**" means the Court of Queen's Bench of Alberta;

(r) "**CREIF LP**" means KingSett Canadian Real Estate Income Fund LP;

(s) "**Depositary**" means CIBC Mellon Trust Company, in its capacity as depositary for the Arrangement, or such other entity chosen by the parties to act as depositary for the Arrangement;

(t) "**Designated Cash**" means cash held by Target in an amount equal to $1,000;

(u) "**Designated Unit**" has the meaning set out in Section 2.4(o);

(v) "**Dissent Cash Factor**" means a whole number (rounded down in all cases) equal to 45% of the total number of Dissenting Units;

(w) "**Dissent Right**" means the right of a registered Target Unitholder in accordance with the Interim Order and Section 4.1 of this Plan of Arrangement, to dissent to the Arrangement Resolution and to be paid the fair value of the Target Units in respect of which the Target Unitholder dissents;

(x) "**Dissenting Target Unitholders**" means registered holders of Target Units who validly exercise the Dissent Rights and whose Dissent Rights remain valid immediately prior to the Effective Time;

(y) "**Dissenting Units**" means the Target Units held by Dissenting Target Unitholders in respect of which Dissent Rights have been and remain validly exercised at the Effective Time;

(z) "**Effective Date**" means the date on which the Articles of Arrangement are filed with the Registrar;

(aa) "**Effective Time**" means 10:00 a.m. (Calgary time) or such other time as the parties may agree on the Effective Date;

(bb) "**Election Deadline**" means 5:00 p.m. (Calgary time) on the date that is two Business Days prior to the Target Unitholder Meeting;

(cc) "**Encumbrance**" includes any hypothec, mortgage, pledge, assignment, charge, lien, claim, security interest, adverse interest, adverse claim, other third person interest or encumbrance of any kind, whether contingent or absolute, and any agreement, option, right or privilege (whether by Laws, contract or otherwise) capable of becoming any of the foregoing;

(dd) "**Equity Incentive Plan**" means Target's 2008 equity incentive plan approved by Target Unitholders at its annual and special meeting on June 18, 2008, as amended, and reconfirmed by Target Unitholders from time to time;

(ee) "**Exchangeable Units**" means the Grant Park Exchangeable LP Units and the Place Fleur de Lys Exchangeable LP Units;

(ff) "**Exchange Agreements"** means the Grant Park Exchange Agreement and Place Fleur de Lys Exchange Agreement;

(gg) "**Final Order**" means the order of the Court approving the Arrangement pursuant to subsection 193(9) of the ABCA, as such order may be amended by the Court (with the consent of both H&R REIT and Target, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to both H&R REIT and Target, each acting reasonably) on appeal;

(hh) "**FT Percentage**" means the percentage that the fair market value at the Effective Time of each H&R Finance Trust Unit represents of the fair market value at the Effective Time of a H&R Stapled Unit based on valuation methodology determined by H&R REIT, acting reasonably, and subject to Target's approval, acting reasonably (and specified in a written notice delivered to Target by H&R REIT no later than 10 Business Days prior to the Effective Date);

(ii) "**Governmental Entity**" means: (i) any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government; (ii) any multinational or supranational body or organization, nation, government, state, province, country, territory, municipality, quasi-government, administrative, judicial or regulatory authority, agency, board, body, bureau, commission, instrumentality, court or tribunal or any political subdivision thereof, or any central bank (or similar monetary or regulatory authority) or taxing authority thereof, or any ministry or department or agency of any of the foregoing; and (iii) any self-regulatory organization or stock exchange, including, without limitation, the TSX;

(jj) "**Grant Park Exchange Agreement**" means the exchange agreement between Target, PRR Investments Inc., in its capacity as trustee of Primaris Sub Trust, Grant Park Limited Partnership, Grant Park GP Inc. and holders of exchangeable LP units listed in schedule A thereto dated November 30, 2006;

(kk) "**Grant Park Exchangeable LP Units**" means the non-voting exchangeable limited partnership units issued by Grant Park Limited Partnership as partial consideration for the acquisition of Grant Park Shopping Centre and the remaining outstanding shares of the nominee titleholder of Grant Park Shopping Centre which are exchangeable for Target Units in the manner set out in the limited partnership agreement dated November 27, 2006 and the Grant Park Exchange Agreement;

(ll) "**H&R DRIP**" means the amended and restated unitholder distribution reinvestment plan of H&R REIT and H&R Finance Trust, as amended, supplemented or amended and restated from time to time and includes any document, instrument or agreement in substitution or replacement thereof;

(mm) "**H&R Finance Trust**" means H&R Finance Trust, a trust established under the laws of the Province of Ontario;

(nn) "**H&R Finance Trust Declaration of Trust**" means the amended and restated declaration of trust of H&R Finance Trust dated November 9, 2011;

(oo) "**H&R Finance Trust Option**" has the meaning set out in Section 2.4(q);

(pp) "**H&R Finance Trust Unit**" means a trust unit of H&R Finance Trust;

(qq) "**H&R REIT**" means H&R Real Estate Investment Trust, a trust organized under the laws of the Province of Ontario;

(rr) "**H&R REIT Declaration of Trust**" means the amended and restated declaration of trust of H&R REIT dated June 25, 2012;

(ss) "**H&R REIT Units**" means trust units of H&R REIT;

(tt) "**H&R Replacement Option**" has the meaning set out in Section 2.4(p);

(uu) "**H&R Replacement Restricted Unit**" has the meaning set out in Section 2.4(m);

(vv) "**H&R Right**" means a right issued pursuant to the H&R Unitholder Rights Plan;

(ww) "**H&R Stapled Unit**" means a H&R REIT Unit and a H&R Finance Trust Unit;

(xx) "**H&R Unitholder Rights Plan**" means the amended and restated unitholder rights plan agreement dated June 18, 2012 between CIBC Mellon Trust Company and the trustees of H&R REIT, and where the context so requires, any other unitholder rights plan which may be adopted by H&R REIT after the date hereof;

(yy) "**H&R Unit Purchase Plan**" means the amended and restated unit purchase plan of H&R REIT and H&R Finance Trust, as amended, supplemented or amended and restated from time to time and includes any document, instrument or agreement in substitution or replacement thereof;

(zz) "**Interim Order**" means the interim order of the Court concerning the Arrangement under subsection 193(4) of the ABCA, as such order may be amended by the Court (with the consent of both H&R REIT and Target, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to both H&R REIT and Target, each acting reasonably) on appeal;

(aaa) "**Jewish Holiday**" means any of the following Jewish holy days which, for the purposes of this Plan of Arrangement, are deemed to commence one hour before sunset and end one hour after sundown starts: the first day of Passover, the second day of Passover, the seventh day of Passover, the eighth day of Passover, the first day of Shavuoth, the second day of Shavuoth, the first day of Rosh Hashanah, the second day of Rosh Hashanah, Yom Kippur, the first day of Sukkoth, the second day of Sukkoth, Shemini Azereth and Simchas Torah;

(bbb) "**KS Acquisition II LP**" means a limited partnership whose limited partnership interests are owned equally by KS Bidco LP, a wholly-owned subsidiary of KingSett Real Estate Growth LP No. 5, an affiliate of KingSett Capital, and OPB Finance Trust II, an associate of Ontario Pension Board;

(ccc) "**KS LP No. 4**" means KingSett Real Estate Growth LP No. 4;

(ddd) "**Laws**" means any international, national, provincial, state, municipal and local laws, treaties, statutes, ordinances, judgments, decrees, injunctions, writs, certificates and orders, notices, by-laws, rules, regulations, ordinances, policies, directives or other requirements of any Governmental Entity and the term "applicable" with respect to such Laws and in a context that refers to one or more persons, means such Laws as are applicable to such person or its business, undertaking, property or securities and emanate from a person having jurisdiction over the person or persons or its or their business, undertaking, property or securities;

(eee) "**Letter of Transmittal and Election Form**" means the letter of transmittal and election form accompanying the Target Information Circular sent to the Target Unitholders;

(fff) "**Non-Cash Consideration**" means 1.166 H&R REIT Units and 1.166 H&R Finance Trust Units per Target Unit, to be paid by the persons and in the manner described in this Plan of Arrangement;

(ggg) ''**OPB Trust**'' means OPB Finance Trust II, a trust established under the Laws of the Province of Ontario;

(hhh) "**Option**" means options to purchase Target Units granted pursuant to the Equity Incentive Plan;

(iii) "**party**" means a party to the Arrangement Agreement, unless the context otherwise requires;

(jjj) "**Payment Units**" has the meaning set out in Section 2.4(n);

(kkk) "**person**" includes an individual, general partnership, limited partnership, corporation, company, limited liability company, body corporate, joint venture, unincorporated organization, other form of business organization, trust, trustee, executor, administrator or other legal representative, government (including any Governmental Entity) or any other entity, whether or not having legal status;

(lll) "**Permitted Encumbrances**" has the meaning set out in Section 1.1 of the Arrangement Agreement;

(mmm) "**Place Fleur de Lys Exchange Agreement**" means the amended and restated exchange agreement between Target, PRR Investments Inc., in its capacity as trustee of Primaris Sub Trust,

Place Fleur de Lys Limited Partnership, Place Fleur de Lys GP Inc. and holders of exchangeable LP units listed in schedule A thereto dated December 20, 2010;

(nnn) "**Place Fleur de Lys Exchangeable LP Units**" means the non-voting exchangeable limited partnership units issued by Place Fleur de Lys Limited Partnership as partial consideration for the acquisition of partnership interests of the permitted holders of Place Fleur de Lys Exchangeable LP Units which are (i) exchangeable for Target Units in the manner set out in the amended and restated limited partnership agreement dated December 20, 2010 and the Place Fleur de Lys Exchange Agreement, and (ii) connected to the Special Voting Units;

(ooo) "**Purchase Agreements**" has the meaning set out in Section 1.1 of the Arrangement Agreement;

(ppp) "**Primaris Sub Trust**" means PRR Trust, an open-ended investment unit trust established under the laws of the province of Ontario;

(qqq) "**Primaris Trustee**" means PRR Investments Inc., a corporation continued under the laws of the Province of Alberta;

(rrr) "**QE Redemption**" has the meaning set out in Section 2.4(o);

(sss) "**QE Transactions**" has the meaning set out in Section 2.19 of the Arrangement Agreement;

(ttt) "**Registrar**" means the Registrar of Corporations duly appointed under section 263 of the ABCA;

(uuu) "**Remaining H&R Finance Trust Units**" has the meaning set out in Section 2.4(i);

(vvv) "**Remaining H&R REIT Units**" has the meaning set out in Section 2.4(o);

(www) "**Remaining H&R Rights**" has the meaning set out in Section 2.4(i);

(xxx) "**Remaining Percentage**" means 1 – FT Percentage;

(yyy) "**Remaining Stapled Unit**" has the meaning set out in Section 3.5;

(zzz) "**Requested Redemption Notice**" has the meaning set out in Section 1.1 of the Arrangement Agreement;

(aaaa) "**Restricted Unit**" means a restricted unit granted under and subject to the Equity Incentive Plan;

(bbbb) "**RioCan**" means RioCan Real Estate Investment Trust;

(cccc) "**Sale Transactions**" has the meaning set out in Section 1.1 of the Arrangement Agreement;

(dddd) "**Special Voting Units**" means the voting non-participating trust units issued in association with the Place Fleur de Lys Exchangeable LP Units;

(eeee) "**Special Voting Unitholders**" means holders of Special Voting Units;

(ffff) "**Subsidiary**" means, with respect to a person, any body corporate of which more than 50% of the outstanding shares or units ordinarily entitled to elect a majority of the board of directors or trustees thereof (whether or not units or shares of any other class or classes shall or might be entitled to vote upon the happening of any event or contingency) are at the time owned or over which voting control or direction is exercised, directly or indirectly, by such person and shall include any body corporate, partnership, trust, joint venture or other entity over which such person exercises direction or control or which is in a like relation to a subsidiary;

(gggg) "**Support Agreement**" means the support agreement dated October 1, 2008, as amended and restated as of May 29, 2009 and as of June 14, 2011, between the trustees of H&R REIT and the trustees of H&R Finance Trust;

(hhhh) "**Target**" means Primaris, an unincorporated open-ended real estate investment trust created by the Target Declaration of Trust and governed by the Laws of the Province of Ontario;

(iiii) "**Target Assets**" has the meaning set out in Section 2.4(n);

(jjjj) "**Target Debenture Indenture**" means, collectively, the trust indenture dated June 28, 2004 among Borealis Retail Real Estate Investment Trust and Target Debenture Trustee, as amended and supplemented by the second supplemental trust indenture dated October 6, 2009 among Target and Target Debenture Trustee and the third supplemental trust indenture dated June 13, 2011 among Target and Target Debenture Trustee, in each case, governing the terms and conditions of the respective Target Debentures;

(kkkk) "**Target Debenture Supplemental Indenture**" means a supplemental indenture or supplemental indentures, as applicable, in form and content satisfactory to each of Target, H&R REIT and the Target Debenture Trustee, acting reasonably, to be entered into by Target, H&R REIT and the Target Debenture Trustee to evidence the succession of H&R REIT as the successor pursuant to and in accordance with the terms of the Target Debenture Indenture;

(llll) "**Target Debenture Trustee**" means CIBC Mellon Trust Company;

(mmmm) "**Target Debentures**" means the 6.75% Debentures, the 6.30% Debentures and the 5.40% Debentures;

(nnnn) "**Target Declaration of Trust**" means the sixth amended and restated declaration of trust of Target dated March 1, 2012;

(oooo) "**Target Information Circular**" means the notice of Target Unitholder Meeting and accompanying management information circular, including all schedules, appendices and exhibits thereto, sent to, among others, Voting Unitholders in connection with the Target Unitholder Meeting, as amended, supplemented or otherwise modified from time to time;

(pppp) "**Target Subsidiaries**" means the Subsidiaries of Target, and "**Target Subsidiary**" means any one of the Target Subsidiaries;

(qqqq) "**Target Unitholder Meeting**" means the special meeting of Voting Unitholders, including any adjournment or postponement thereof in accordance with the terms of the Arrangement Agreement, called and held in accordance with the Interim Order to consider the Arrangement Resolution;

(rrrr) "**Target Unitholder Rights Plan**" means the unitholder rights plan agreement dated March 3, 2005 between CIBC Mellon Trust Company and Target, as previously known as Borealis Real Estate Investment Trust, and where the context so requires, any other unitholder rights plan which may be adopted by Target after the date hereof;

(ssss) "**Target Unitholders**" means the holders from time to time of Target Units;

(tttt) "**Target Units**" means the issued and outstanding ordinary units of Target, including units of Target issued on the conversion, exchange or exercise of Convertible Securities, and the associated URP Rights, and a "**Target Unit**" means any one ordinary unit of Target and the associated URP Right;

(uuuu) "**Taxable Income**" means income (including net realized taxable capital gains) determined in accordance with the Tax Act (read without reference to paragraph 82(1)(b) and subsection 104(6));

(vvvv) "**Tax Act**" means the *Income Tax Act* (Canada), provided that for purposes of this Plan of Arrangement any proposed amendments to the Tax Act publicly announced by the Department of Finance (Canada), to the extent not withdrawn or superseded, shall be treated as having been enacted and to have come into force as provided in the proposed amendments;

(wwww) "**Total Dissent Cash Amount**" means a number equal to the product of the Cash Consideration and the Dissent Cash Factor;

(xxxx) "**TSX**" means the Toronto Stock Exchange;

(yyyy) "**Unit Electing Unitholder**" means a Target Unitholder who elects (including for the avoidance of doubt a Target Unitholder who is deemed to elect) Non-Cash Consideration in exchange for one or more of such Target Unitholder's Target Units pursuant and subject to Section 3.1 and Section 3.2 and the other provisions of this Plan of Arrangement;

(zzzz) "**URP Right**" means a right issued pursuant to the Target Unitholder Rights Plan; and

(aaaaa) "**Voting Unitholders**" means the Target Unitholders and Special Voting Unitholders.

1.2 Unless otherwise stated, all references in this Plan of Arrangement to sums of money are expressed in, and all payments provided for herein shall be made in, Canadian currency and "Cdn.$" or "$" refers to Canadian dollars.

1.3 The division of this Plan of Arrangement into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement.

1.4 Unless reference is specifically made to some other document or instrument, all references herein to "Articles" and "Sections" are to articles and sections of this Plan of Arrangement;

1.5 Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa; words importing any gender shall include all genders. Wherever the term "includes" or "including" is used, it shall be deemed to mean "includes, without limitation" or "including, without limitation", respectively.

1.6 In the event that the date on which any action is required to be taken hereunder by any of the parties is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

1.7 A period of time is to be computed as beginning on the day following the event that began the period and ending at 4:30 p.m. on the last day of the period, if the last day of the period is a Business Day, or at 4:30 p.m. on the next Business Day if the last day of the period is not a Business Day. If the date on which any action is required or permitted to be taken under this Plan of Arrangement by a person is not a Business Day, such action shall be required or permitted to be taken on the next succeeding day which is a Business Day.

1.8 References to time herein or in any Letter of Transmittal and Election Form are to local time, Calgary, Alberta, Canada.

1.9 References to any legislation or to any provision of any legislation shall include any legislative provision substituted therefor and all regulations, rules and interpretations issued thereunder or pursuant thereto, in each case as the same may have been or may hereafter be amended or re-enacted from time to time.

ARTICLE 2
THE ARRANGEMENT

Arrangement Agreement

2.1 This Plan of Arrangement is made pursuant to and subject to the provisions of the Arrangement Agreement.

Binding Effect

2.2 This Plan of Arrangement, upon the filing of the Articles of Arrangement and the issue of the Certificate, if any, shall become effective on, and be binding on H&R REIT, H&R Finance Trust, Target, Primaris Sub Trust, Primaris Trustee, KS Acquisition II LP, OPB Trust, RioCan, CREIF LP, KS LP No. 4, all registered holders of Target Units, including Dissenting Target Unitholders, all holders and beneficial owners of

Options, Restricted Units, URP Rights, Target Debentures and Special Voting Units, the registrar and transfer agent of each of Target, H&R REIT, H&R Finance Trust, the Depositary, and all other persons, at and after, the Effective Time without any further act or formality required on the part of any person.

2.3 The Articles of Arrangement and Certificate shall be filed and issued, respectively, with respect to this Arrangement in its entirety. The Certificate shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of Section 2.4 has become effective in the sequence and at the times set out therein. If no Certificate is required to be issued by the Registrar pursuant to subsection 193(11) of the ABCA, the Arrangement shall become effective on the date the Articles of Arrangement are filed with the Registrar pursuant to subsection 193(10) of the ABCA.

Arrangement

2.4 Commencing at the Effective Time, all URP Rights issued pursuant to the Target Unitholder Rights Plan shall be cancelled without any payment in respect thereof, the Target Unitholder Rights Plan shall terminate and thereafter no person will have any further liability or obligation to the former holders of URP Rights under such plan and the former holders of URP Rights will have no further rights under such plan, without any further act or formality, and one (1) minute following such cancellation and termination occurring, each of the steps set out below shall occur in the following order without any further act or formality, with each such step occurring one (1) minute after the completion of the immediately preceding step:

(a) The Target Declaration of Trust, and the declaration of trust or other constating document (as applicable) of each Target Subsidiary participating in the transactions below, shall be amended to the extent necessary to facilitate the Arrangement and the implementation of the steps and transactions described herein. Without limiting the generality of the foregoing, such amendments shall provide that any Taxable Income of Target arising as a result of the Sale Transactions (including for the avoidance of doubt any such Taxable Income allocated and made payable to Target by the Target Subsidiaries) shall be allocated by Target to Target Unitholders whose Target Units are transferred or redeemed pursuant to Section 2.4(g) or (h) in proportion to the Target Units so transferred or redeemed, and such Taxable Income shall be paid by Target to such Target Unitholders pursuant to those steps.

(b) The completion of the Sale Transactions shall become effective in accordance with the terms of the Purchase Agreements.

(b.1) Each Target Subsidiary that is a trust will allocate and make payable to its beneficiary its Taxable Income for its taxation year ending immediately prior to the commencement of the steps set out in Section 2.4(b.2) and each Target Subsidiary that is a corporation will increase the stated capital of its shares by such amount as it may specify at any time prior to the Effective Time.

(b.2) Cash will be distributed by the Target Subsidiaries (in the case of a partnership, in proportion to the partnership interests held by the partners in such partnership) in successive steps as follows:

(i) each trust or partnership that was the beneficial owner of properties sold pursuant to the Purchase Agreements will distribute to its beneficiary or partners, as applicable, the cash proceeds received by such trust or partnership on the Sale Transactions;

(ii) each Target Subsidiary that is a trust or partnership will distribute to its beneficiary or partners, as applicable, such amount, if any, of its cash on hand as it may specify at any time prior to the Effective Time;

(iii) any Target Subsidiary that is a corporation receiving a distribution referred to in (i) or (ii) will distribute and/or advance the proceeds of such distribution to its shareholders;

(iv) any Target Subsidiary that is a trust or partnership receiving a distribution or advance referred to in (i), (ii) or (iii) will distribute the proceeds of such distribution or advance to its beneficiary or partners, as applicable.

(b.3) If the amount of Taxable Income allocated and made payable by a trust to its beneficiary as contemplated in Section 2.4(b.1) exceeds the amount of cash distributed by such trust as contemplated in Section 2.4(b.2), such trust will satisfy its obligation to pay to its beneficiary the balance of the Taxable Income so allocated by issuing units to its beneficiary.

(c) In accordance with the Target Declaration of Trust, Target shall redeem any Special Voting Units for an amount equal to the paid-up amount on such Special Voting Units, the Exchange Agreements shall terminate and thereafter no person will have any further liability or obligation under such agreements, including for the avoidance of doubt, the former holders of Special Voting Units. Effective at the time of this step, holders of Special Voting Units cancelled in this step shall cease to be the holders of such Special Voting Units and to have any rights as holders of such Special Voting Units.

(d) H&R REIT shall pay out, as a special distribution on the H&R REIT Units, the amount, if any, that is determined by it prior to the Effective Time to be equal to its bona fide best estimate of the amount, if any, of its Taxable Income for the taxation year of H&R REIT that will be deemed, by section 132.2 of the Tax Act, to end as a result of the QE Transactions (such amount to be reduced to take into account any deductions under subsection 104(6) of the Tax Act in respect of prior distributions during that period).

(e) H&R Finance Trust shall pay out, as a special distribution on the H&R Finance Trust Units, the amount, if any, that is determined by it prior to the Effective Time to be equal to its bona fide best estimate of the amount, if any, of its Taxable Income for the taxation year of H&R Finance Trust determined as if its taxation year were deemed, by section 132.2 of the Tax Act, to end as a result of the QE Transactions (such amount to be reduced to take into account any deductions under subsection 104(6) of the Tax Act in respect of prior distributions during that period).

(f) Target shall pay out, as a special distribution on the Target Units, the amount, if any, that is determined by it prior to the Effective Time to be equal to its bona fide best estimate of the amount, if any, of its Taxable Income for the taxation year of Target that will be deemed, by section 132.2 of the Tax Act, to end as a result of the QE Transactions (such amount to be reduced to take into account any deductions under subsection 104(6) of the Tax Act in respect of prior distributions during that period and determined without regard to any income arising as a result of the Sale Transactions).

(g) Each of the Dissenting Units shall be transferred to Target (free and clear of all Encumbrances) in consideration for a debt claim against Target for the amount determined under Article 4. Effective at the time of this step, (i) the Dissenting Target Unitholders shall cease to be the holders of such Target Units and to have any rights as holders of such Target Units, other than the right to be paid fair value for such Target Units, as determined under Article 4, (ii) the Dissenting Target Unitholders' names shall be removed as the holders of such Target Units from the registers of Target Units maintained by or on behalf of Target, and (iii) Target shall be deemed to be the transferee of such Target Units (free and clear of all Encumbrances) and such Target Units shall thereupon be cancelled.

(h) Each Target Unit in respect of which a Target Unitholder is entitled to receive Cash Consideration in accordance with and subject to the provisions of Sections 3.1 and 3.2, shall be redeemed and retracted by Target. In consideration for the redemption and retraction of such Target Units, Target shall pay the Cash Consideration for each such Target Unit. Effective at the time of this step, (i) holders of Target Units redeemed and retracted in this step shall cease to be the holders of such Target Units and to have any rights as holders of such Target Units, other than the right to be paid the amount set out herein for such Target Units, and (ii) such holders' names shall be removed as the holders of such Target Units from the registers of Target Units maintained by or on behalf of Target.

(i) The FT Percentage of each Target Unit in respect of which a Target Unitholder is entitled to receive Non-Cash Consideration in accordance with, and subject to Sections 3.1 and 3.2, shall be transferred by such Target Unitholder to H&R REIT (free and clear of all Encumbrances). In consideration for the transfer of the FT Percentage of each such Target Unit:

(i) H&R REIT shall deliver to the former holder of the FT Percentage of such Target Unit 1.166 H&R Finance Trust Units; and

(ii) H&R REIT shall grant the Ancillary Rights to the former holder of the FT Percentage of such Target Unit which Ancillary Rights, for greater certainty, will constitute the same Ancillary Rights as those that would then have been held by the holder had the holder then been the holder of a number of H&R Stapled Units equal to the number of H&R Finance Trust Units received by such holder.

Effective at the time of this step, (i) holders of the FT Percentage of each Target Unit transferred in this step shall cease to be the holders of the FT Percentage of such Target Unit and to have any rights as holders of the FT Percentage of such Target Unit, (ii) such Target Unitholders' names shall be removed as the holders of the FT Percentage of such Target Unit from the registers of Target Units maintained by or on behalf of Target, (iii) H&R REIT shall be deemed to be the transferee of the FT Percentage of all such Target Units (free and clear of all Encumbrances) and shall be entered as holder of the FT Percentage of all such Target Units in the registers of Target Units maintained by or on behalf of Target, and (iv) such Target Unitholders shall be deemed to be owners of the H&R Finance Trust Units to which they are entitled, free and clear of all Encumbrances, and shall be entered into the registers of H&R Finance Trust maintained by or on behalf of H&R Finance Trust. H&R REIT shall only deliver to the former holder of the FT Percentage of each Target Unit transferred in this step a whole number of H&R Finance Trust Units; such number of H&R Finance Trust Units (the "**Remaining H&R Finance Trust Units**") representing the sum of the fractional H&R Finance Trust Units that Target Unitholders are entitled to receive, rounded down to the nearest whole number of H&R Finance Trust Units, and such number of H&R Rights (the "**Remaining H&R Rights**") representing the sum of the fractional H&R Rights that Target Unitholders are entitled to receive, rounded down to the nearest whole number of H&R Rights, shall be delivered to the Depositary, as agent for the Target Unitholders, to be dealt with as specified in Section 2.7 of the Arrangement Agreement.

(j) [Intentionally deleted.]

(k) [Intentionally deleted.]

(l) Pursuant to and in accordance with the Target Debenture Supplemental Indenture, the Target Debentures and the Target Debenture Indenture will be amended and supplemented so that the applicable "Conversion Price" specified therein will become:

(i) in respect of the 5.40% Debentures, $24.73 such that approximately 40.4367 H&R Stapled Units shall be issued for each $1,000 principal amount of 5.40% Debentures so converted;

(ii) in respect of the 6.30% Debentures, $14.32 such that approximately 69.8324 H&R Stapled Units shall be issued for each $1,000 principal amount of 6.30% Debentures so converted; and

(iii) in respect of the 6.75% Debentures, $10.51 such that approximately 95.1475 H&R Stapled Units shall be issued for each $1,000 principal amount of 6.75% Debentures so converted.

(m) Each Restricted Unit (whether vested or unvested) shall be transferred by the holder thereof to Target and thereupon cancelled. In exchange therefor each such former holder of a Restricted Unit shall receive consideration consisting solely of a substitute restricted unit issued by H&R

REIT (a "**H&R Replacement Restricted Unit**"). Each such H&R Replacement Restricted Unit shall constitute a right to receive that number of H&R Stapled Units equal to the product of:

(i) 1.166; and

(ii) the number of Target Units subject to such former Restricted Unit.

If the forgoing calculation results in a H&R Replacement Restricted Unit entitling a holder thereof to a fraction of a H&R Stapled Unit, then the number of H&R Stapled Units to be issued pursuant to such H&R Replacement Restricted Unit shall be rounded down to the next whole number of H&R Stapled Units. The term to expiry, performance conditions, vesting schedule, and all other terms and conditions of such H&R Replacement Restricted Unit shall be the same as the former Restricted Unit for which it was exchanged, as adjusted to take into account the completion of the Arrangement. Effective at the time of this step, (i) holders of Restricted Units shall cease to be the holders of such Restricted Units and to have any rights as holders of such Restricted Units, and (ii) the names of the holders of such Restricted Units shall be removed as the holders of such Restricted Units from the registers of Restricted Units maintained by or on behalf of Target.

(n) Pursuant to and in accordance with the definition "qualifying exchange" in section 132.2 of the Tax Act, Target shall sell, transfer, convey, assign and deliver to H&R REIT, and H&R REIT shall acquire from Target, all of the right, title and interest of Target in and to all of its property (other than the Designated Cash) (the "**Target Assets**"), free and clear of all Encumbrances other than Permitted Encumbrances, in exchange for:

(i) the issuance by H&R REIT to Target of such number of H&R REIT Units (the "**Payment Units**") as is equal to the product obtained by multiplying:

1. 1.166;

2. one (1) divided by the Remaining Percentage; and

3. the number of Target Units then outstanding (including, for the avoidance of doubt, Target Units then owned by H&R REIT, but excluding the Designated Unit);

(ii) the assumption by H&R REIT of the due and punctual payment of all of the Target Debentures as sole obligor, including the agreement to perform substantially all of the covenants of Target under the Target Debentures as the successor to Target by the execution and delivery of the Target Debenture Supplemental Indenture; and

(iii) the assumption by H&R REIT of all liabilities of Target other than those assumed pursuant to the previous clause.

For the avoidance of doubt, Target shall not under any circumstances have any rights in or pursuant to or in respect of any Ancillary Rights.

Effective at the time of this step, Target shall be deemed to be the owner of the Payment Units (free and clear of all Encumbrances) and shall be entered in the registers of H&R REIT Units maintained by or on behalf of H&R REIT.

(o) Pursuant to and in accordance with the definition "qualifying exchange" in Section 132.2 of the Tax Act, Target shall redeem and retract all of the outstanding Target Units (including, for the avoidance of doubt, Target Units then held by H&R REIT) (other than one (1) Target Unit held by H&R REIT, such Target Unit being the "Designated Unit" which shall, for the avoidance of doubt, be retained by H&R REIT) (the "**QE Redemption**") for consideration consisting solely of 1.166 H&R REIT Units per the Remaining Percentage of an outstanding Target Unit. No consideration shall be receivable by a former holder of a Target Unit (or any portion thereof) for the redemption of such holder's Target Unit (or any portion thereof) other than Payment Units on the basis described in the preceding sentence. Upon receipt by H&R REIT of any Payment Units, such Payment Units shall be immediately cancelled by H&R REIT without the payment of any

consideration therefor. Effective at the time of this step, (i) holders of Target Units redeemed and retracted pursuant to the QE Redemption shall cease to be the holders of such Target Units (or any portion thereof) and to have any rights as holders of such Target Units, (ii) such former Target Unitholders' names shall be removed as the holders of such Target Units (or percentage thereof) from the registers of Target Units maintained by or on behalf of Target, and (iii) such former Target Unitholders shall be deemed to be owners of the H&R REIT Units to which they are entitled, free and clear of all Encumbrances, and shall be entered into the registers of H&R REIT maintained by or on behalf of H&R REIT. Target shall only deliver to the former holders of Target Units redeemed and retracted in this step a whole number of H&R REIT Units; such number of H&R REIT Units (the "**Remaining H&R REIT Units**") as is equal to the sum of the fractional H&R REIT Units that Target Unitholders (excluding, for the avoidance of doubt, H&R REIT) are entitled to receive under this step, rounded down to the nearest whole number of H&R REIT Units, shall be delivered by Target to the Depositary, as agent for the Target Unitholders (excluding, for the avoidance of doubt, H&R REIT), to be dealt with as specified in Section 2.7 of the Arrangement Agreement.

(p) Each Option (whether vested or unvested) shall be transferred by the holder thereof to Target and thereupon cancelled. In exchange therefor each such former holder of an Option shall receive consideration consisting solely of a substitute option issued by H&R REIT (a "**H&R Replacement Option**"), all pursuant to and in accordance with subsection 7(1.4) of the Tax Act. Each such H&R Replacement Option shall constitute an option to purchase that number of H&R REIT Units as is equal to the product of 1.166 multiplied by the number of Target Units subject to such former Option and at an exercise price per H&R REIT Unit equal to the amount by which (i) the exercise price per Target Unit subject to such former Option immediately prior to the Effective Time divided by 1.166 exceeds (ii) the fair market value at the Effective Time of a H&R Finance Trust Unit, rounded up to the nearest cent. If the foregoing calculation results in a H&R Replacement Option being exercisable for a fraction of a H&R REIT Unit, then the number of H&R REIT Units subject to such H&R Replacement Option shall be rounded down to the next whole number of H&R REIT Units and the total exercise price payable upon exercise of the H&R Replacement Option will be reduced by the exercise price of the fractional H&R REIT Unit. The term to expiry, performance conditions, vesting schedule, and all other terms and conditions of such H&R Replacement Option shall be the same as the former Option for which it was exchanged, as adjusted to take into account the completion of the Arrangement. Effective at the time of this step, (i) holders of all Options shall cease to be the holders of such Options and to have any rights as holders of such Options, and (ii) such Option holders' names shall be removed as the holders of such Options from the registers of Options maintained by or on behalf of Target.

(q) Separately, and not as consideration arising in connection with the exchange referred to in the immediately preceding step, each holder of a H&R Replacement Option shall be granted by H&R REIT a corresponding option (a "**H&R Finance Trust Option**") to acquire an equivalent number of H&R Finance Trust Units at an exercise price equal to the fair market value of such underlying H&R Finance Trust Units at the time of exercise of such H&R Finance Trust Option. The term to expiry, performance conditions, vesting schedule, and all other terms and conditions of such H&R Finance Trust Option shall be the same as the H&R Replacement Option to which it corresponds

ARTICLE 3
ELECTION, CONSIDERATION AND CERTIFICATES

Election in respect of the Consideration to be received for Exchange of Target Units

3.1 Subject to Section 3.2 and the other provisions of this Article 3, each Target Unitholder will be entitled, with respect to each Target Unit held by such Target Unitholder at the Effective Time, to make an election at or prior to the Election Deadline to receive:

(a) Cash Consideration; or

(b) Non-Cash Consideration.

3.2 The aggregate Cash Consideration payable by Target under the Arrangement is $ 1,278,443,575 (the "Actual Cash Consideration").

(a) If the sum of (x) the aggregate Cash Consideration elected (or deemed to be elected) by all Target Unitholders (disregarding any increase or decrease pursuant to this Section 3.2) and (y) the Total Dissent Cash Amount (such sum being the "**Elected Cash**") exceeds the Actual Cash Consideration, then:

(i) the number of Target Units for which a Cash Electing Unitholder has elected to receive Cash Consideration (disregarding any reduction pursuant to this Section 3.2) shall be reduced to that number of whole Target Units (rounded down to the near whole unit) equal to the product of that number of Target Units indicated on such holder's cash election and a fraction, the numerator of which is the Actual Cash Consideration and the denominator of which is the Elected Cash; and

(ii) the number of Target Units for which a Cash Electing Unitholder shall be entitled to receive Non-Cash Consideration shall be increased by that number of Target Units equal to the difference between the number of Target Units for which the holder elected to receive Cash Consideration and the number determined in accordance with (a)(i) above.

(b) If the Elected Cash is less than the Actual Cash Consideration (such difference being the "**Cash Shortfall**"), then:

(i) the number of Target Units for which a Unit Electing Unitholder has elected (including for the avoidance of doubt a Target Unitholder who is deemed to elect) to receive Non-Cash Consideration (disregarding any reduction pursuant to this Section 3.2) shall be reduced by that number of whole Target Units (rounded down to the nearest whole unit) equal to the product obtained when (A) a fraction, the numerator of which is equal to the Cash Shortfall and the denominator of which is equal to $28.00, is multiplied by (B) a fraction, the numerator of which is the number of units in respect of which such Unit Electing Unitholder has elected (including for the avoidance of doubt a Target Unitholder who is deemed to elect) to receive Non-Cash Consideration and the denominator of which is the total number of units in respect of which all Unit Electing Unitholders have elected (including for the avoidance of doubt a Target Unitholder who is deemed to elect) to receive Non-Cash Consideration; and

(ii) the number of Target Units for which a Unit Electing Unitholder shall be entitled to receive Cash Consideration shall be increased by that number of Target Units equal to the difference between the number of Target Units for which the holder elected (including for the avoidance of doubt a Target Unitholder who is deemed to elect) to receive Non-Cash Consideration and the number determined in accordance with (b)(i) above.

For the avoidance of doubt, the Target Units to be redeemed and retracted in exchange for Cash Consideration pursuant to Section 2.4(h) shall consist of the number of Target Units of a Target Unitholder determined in accordance with this Section 3.2.

Method of Election and Deemed Election

3.3 The election to receive either Cash Consideration or Non-Cash Consideration shall be made by Target Unitholders entitled to make such election by depositing with the Depositary, prior to the Election Deadline, a Letter of Transmittal and Election Form, duly completed and executed in the manner described therein, with such election indicated therein, together with the unit certificates representing such Target Unitholders' Target Units and accompanied by such other documents and instruments as the Depositary may reasonably require.

3.4 If a valid election has not been made by or on behalf of a Target Unitholder at or prior to the Election Deadline, such Target Unitholder shall be deemed to have elected to receive only Non-Cash Consideration in exchange for each of such Target Unitholder's Target Units pursuant to the Arrangement and subject to Section 3.1 and Section 3.2 and the other provisions of this Plan of Arrangement.

Stapled Units and Target Unit Certificates

3.5 For greater certainty, following completion of the steps specified in Section 2.4, each outstanding H&R REIT Unit delivered to a former Target Unitholder (other than, for the avoidance of doubt, H&R REIT) or the Depositary hereunder, together with each outstanding H&R Finance Trust Unit delivered to such former Target Unitholder or the Depositary hereunder, constitutes a validly issued "Stapled Unit", as provided in the H&R REIT Declaration of Trust and the H&R Finance Trust Declaration of Trust (accompanied by the corresponding Ancillary Rights). Each Remaining H&R REIT Unit delivered to the Depositary hereunder, together with each Remaining H&R Finance Trust Unit delivered to the Depositary hereunder, constitutes a "**Remaining Stapled Unit**".

3.6 After completion of the steps specified in Section 2.4, each certificate formerly representing Target Units (exclusive of the Designated Unit) shall represent only the right to receive, in the case of certificates held by Dissenting Target Unitholders, the fair value of the Target Units represented by such certificates, and, in the case of all other Target Unitholders, the Cash Consideration or the certificates representing Non-Cash Consideration, as the case may be, that the former Target Unitholder is entitled to in accordance with the terms of the Arrangement upon such Target Unitholder depositing with the Depositary the certificate and such other documents and instruments as the Depositary may reasonably require and subject to compliance with the requirements set forth in this Article 3.

H&R Replacement Options and H&R Finance Trust Options

3.7 For greater certainty, following completion of the steps specified in Section 2.4, each outstanding H&R Replacement Option delivered to a former holder of Options hereunder, together with each outstanding H&R Finance Trust Option delivered to a former holder of Options hereunder, constitutes a validly issued option to acquire H&R Stapled Units, as provided in the H&R REIT Declaration of Trust and the H&R Finance Trust Declaration of Trust.

Payment of Consideration by Depositary

3.8 In accordance with the timing set out in Section 2.4, the Depositary shall, in the case of Target Unitholders entitled to Cash Consideration in accordance with the terms of the Arrangement, cause individual cheques (or, if requested by such Target Unitholders, wire transfers) and, in the case of Target Unitholders entitled to Non-Cash Consideration in accordance with the terms of the Arrangement, cause certificates representing H&R Stapled Units, to be sent to those persons who have deposited the certificates for such Target Units and such documents and instruments required by the Depositary pursuant to Section 3.3 and 3.4. Such cheques, wire transfers and certificates shall be:

(a) in the case of cheques and certificates, forwarded by first class mail, postage pre-paid, to the person and at the address specified in the relevant Letter of Transmittal and Election Form or, if no address has been specified therein, at the address specified for the particular Target Unitholder in the register of Target Unitholders of Target Units;

(b) in the case of wire transfers, sent to an account specified in the relevant Letter of Transmittal and Election Form; or

(c) if requested by such Target Unitholder in the Letter of Transmittal and Election Form, made available or caused to be made available at the Depositary for pick up by such Target Unitholder. Cheques and certificates mailed pursuant hereto will be deemed to have been delivered at the time of delivery thereof to the post office.

3.9 All amounts receivable by Target Unitholders and holders of Restricted Units pursuant to the Arrangement shall be without interest and any interest earned on funds held in trust by the Depositary for Target Unitholders or holders of Restricted Units shall be for the sole benefit of H&R REIT.

3.10 The Depositary shall make the registrations provided in this Plan of Arrangement (to be in the name of a Target Unitholder) in the name of each Target Unitholder or as otherwise instructed in the Letter of Transmittal and Election Form deposited by such Target Unitholder and shall deliver certificates representing H&R Stapled Units in accordance with Section 3.8 and this Section 3.10. In the event of a transfer of ownership of Target Units that was not registered in the securities register of Target, a certificate representing the proper number of H&R Stapled Units may be issued to the transferee if the certificate representing such Target Units is presented to the Depositary as provided above, accompanied by all documents required to evidence and effect such transfer and to evidence that any applicable taxes have been paid.

Distributions with Respect to Unsurrendered Certificates

3.11 No distributions declared or made with respect to the Target Units with a record date after the Effective Time shall be paid to a Target Unitholder for any unsurrendered certificate which immediately prior to the Effective Time represented outstanding Target Units.

Lost Instruments of Certificates

3.12 In the event that any instrument or certificate which immediately prior to the Effective Time represented one or more outstanding Target Units that were cancelled or transferred pursuant to Section 2.4 shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Target Unitholder claiming such instrument or certificate to be lost, stolen or destroyed, the Depositary will issue in exchange for such lost, stolen or destroyed instrument or certificate a certified cheque representing the appropriate aggregate amount of Cash Consideration or a certificate representing the Non-Cash Consideration, as applicable, deliverable to such Target Unitholder in accordance with the provisions of Sections 3.8 and 3.10. When authorizing such payment in exchange for any lost, stolen or destroyed instrument or certificate, the Target Unitholder to whom such payment is to be issued shall, as a condition precedent to the issuance thereof, give a bond satisfactory to H&R REIT, Target and the Depositary in such sum as H&R REIT, Target or the Depositary may direct, acting reasonably, or otherwise indemnify H&R REIT, Target and the Depositary in a manner satisfactory to H&R REIT, Target and the Depositary, acting reasonably, against any claim that may be made against H&R REIT, Target or the Depositary with respect to the instrument or certificate alleged to have been lost, stolen or destroyed.

Extinction of Rights

3.13 Any instrument or certificate which immediately prior to the Effective Time represented outstanding Target Units that were cancelled, redeemed or transferred pursuant to Section 2.4 (or an affidavit of loss and bond or other indemnity pursuant to Section 3.12), together with such other documents or instruments required by such former Target Unitholder to receive payment for its Target Units that is not deposited with all other instruments required by Section 3.6 on or prior to the sixth anniversary of the Effective Date shall cease to represent a claim or interest of any kind or nature against Target and H&R REIT. On

such date, the aggregate Cash Consideration and Non-Cash Consideration to which the former Target Unitholder referred to in the preceding sentence was ultimately entitled shall be deemed to have been surrendered for no consideration to H&R REIT and shall be returned to H&R REIT by the Depositary. None of H&R REIT, Target or the Depositary shall be liable to any person in respect of any amount for Target Units delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

Withholding Rights

3.14 H&R REIT, H&R Finance Trust, Target and the Depositary shall be entitled to deduct and withhold from any payment to any person pursuant to this Plan of Arrangement, such amounts as H&R REIT, H&R Finance Trust, Target or the Depositary, as the case may be, determines, acting reasonably, are required or permitted pursuant to the Tax Act or any successor provision thereto to be deducted and withheld with respect to such payment under the Tax Act, the United States Internal Revenue Code of 1986, or any provision of federal, provincial, territorial, state, local or foreign tax law, in each case, as amended. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to such person as the remainder of the payment in respect of which such deduction and withholding was made; provided that, such withheld amounts are actually remitted to the appropriate taxing authority.

ARTICLE 4
DISSENTING SECURITYHOLDERS

Dissent Rights

4.1 Each registered holder of Target Units shall have the right to dissent with respect to the Arrangement in accordance with the Interim Order. A Dissenting Target Unitholder shall, at the time of the step set out in Section 2.4(g), cease to have any rights as a holder of Dissenting Units and shall only be entitled to be paid the fair value of the holder's Dissenting Units by Target. A Dissenting Target Unitholder who is paid the fair value of the holder's Dissenting Units, shall be deemed to have transferred the holder's Dissenting Units to Target at the time of the step set out in Section 2.4(g), notwithstanding the provisions of section 191 of the ABCA and such Dissenting Units shall thereupon be cancelled. The fair value of the Dissenting Units shall be determined as of the close of business on the last business day before the day on which the Arrangement is approved by the holders of Target Units at the Target Unitholder Meeting.

Recognition of Dissenting Unitholders

4.2 In no circumstances shall H&R REIT or Target or any other person be required to recognize a person exercising Dissent Rights unless such person is the registered holder of those Target Units in respect of which such rights are sought to be exercised. For greater certainty, in no case shall H&R REIT or Target or any other person be required to recognize a Dissenting Target Unitholder as a holder of Target Units in respect of which Dissent Rights have been validly exercised after the completion of the transfer under Section 2.4(g), and the names of such Dissenting Target Unitholders shall be removed from Target's register of Target Unitholders in respect of Dissenting Units for which Dissent Rights have been validly exercised as of the time of the step set out in Section 2.4(g). In addition to any other restrictions in section 191 of the ABCA, no person who has voted in favour of the Arrangement shall be entitled to dissent with respect to the Arrangement.

Rights of Dissenting Unitholders

4.3 A Dissenting Target Unitholder who for any reason is not entitled to be paid the fair value of the holder's Dissenting Units shall be treated as if the holder had participated in the Arrangement on the same basis as a non-dissenting Target Unitholder notwithstanding the provisions of section 191 of the ABCA.

ARTICLE 5
AMENDMENTS

5.1 H&R REIT and Target may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must be: (a) set out in writing; (b) approved by H&R REIT and Target; (c) filed with the Court and, if made following the Target Unitholder Meeting, approved by the Court; and (d) communicated to holders of Target Units if and as required by the Court.

5.2 Any amendment to this Plan of Arrangement may be proposed by H&R REIT or Target at any time prior to the Target Unitholder Meeting (provided that H&R REIT and Target shall have consented thereto) with or without any other prior notice or communication, and if so proposed and accepted by the persons voting at the Target Unitholder Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.

5.3 Any amendment, modification and/or supplement to this Plan of Arrangement that is approved or directed by the Court following the Target Unitholder Meeting shall be effective only if (a) it is consented to in writing by each of H&R REIT and Target (in each case, acting reasonably), and b) if required by the Court, it is consented to by some or all of the Target Unitholders voting in the manner directed by the Court.

5.4 Any amendment, modification and/or supplement to this Plan of Arrangement may be made following the Effective Date unilaterally by H&R REIT, provided that it concerns a matter which, in the reasonable opinion of H&R REIT, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement.

5.5 This Plan of Arrangement may be withdrawn prior to the Effective Time in accordance with the terms of the Arrangement Agreement.

ARTICLE 6
FURTHER ASSURANCES

6.1 Notwithstanding that the transactions and events set out herein shall occur and be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, 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, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order further to document or evidence any of the transactions or events set out herein. H&R REIT and Target may agree not to implement this Plan of Arrangement, notwithstanding the passing of the Arrangement Resolution and receipt of the Final Order.

APPENDIX "G"
SECOND FAIRNESS OPINION – CANACCORD GENUITY CORP.

CANACCORD Genuity

CANACCORD GENUITY CORP.

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February 4, 2013

The Board of Trustees (and the Independent Committee thereof)
of Primaris Retail REIT
1 Adelaide Street East, Suite 900
Toronto, ON
M5C 2V9

To the Board of Trustees:

Canaccord Genuity Corp. ("**Canaccord Genuity**" or "**we**") understands that Primaris Retail Real Estate Investment Trust ("**Primaris**" or the "**Trust**"), its wholly-owned subsidiary, PRR Investments Inc. ("**Primaris Trustee**"), H&R Real Estate Investment Trust and H&R Finance Trust (collectively "**H&R**") propose to amend their previously announced arrangement agreement dated January 16, 2013 to allow a consortium led by KingSett Capital Inc. ("**KingSett**") to participate in the proposed transaction to acquire certain properties from Primaris (the "**Amended Arrangement**"). You have informed us that the KingSett consortium, which consists of certain KingSett funds, Ontario Pension Board ("**OPB**") and RioCan Real Estate Investment Trust ("**RioCan**"), would acquire 18 of Primaris' shopping centres for cash consideration, with separate purchases made by each of the consortium members (the "**KingSett Asset Sales**"). We understand that the proceeds received by Primaris from the KingSett Asset Sales will be used to redeem trust units of Primaris (the "**Units**") held by unitholders ("**Unitholders**") who elect to receive cash under the Amended Arrangement.

Pursuant to the Amended Arrangement, Unitholders will be entitled to elect to receive 1.166 stapled units of H&R ("**H&R Units**"), which we expect will result in total H&R Unit consideration of approximately 65.2 million H&R Units, or $28.00 in cash, subject to an aggregate cash amount (the "**Actual Cash Consideration**") of approximately $1.28 billion. We further understand that, in the event that Unitholders elect more or less cash than is available, the total consideration will be prorated, with the actual consideration mix to be received by each Unitholder adjusted so that Unitholders receive the Actual Cash Consideration. Assuming full proration (i.e. all Unitholders elect cash or all Unitholders elect H&R units) and based on the Units outstanding on January 31, 2013 (assuming all of the Primaris 6.75% Debentures and 6.30% Debentures are converted), each Unitholder will receive $12.58 in cash and 0.6420 H&R Units for each Unit. The Amended Agreement is subject to approvals by the

Vancouver
San Francisco
Calgary
Houston
Toronto
Montreal
New York
Boston
Edinburgh
London

Offices in Canada are offices of Canaccord Genuity Corp. a member of the Canadian Investor Protection Fund,
Investment Industry Regulatory Organization of Canada (IIROC), and the Toronto Stock Exchange (TSX).
Offices in the United States are offices of Canaccord Genuity Inc. Offices in the United Kingdom are offices of Canaccord Genuity Limited.

Unitholders and Alberta Court of the Queen's Bench and the satisfaction or waiver of other customary closing conditions.

As you know, Unitholders have received an offer from KS Acquisition II LP ("**KSA**") for the purchase of all of the outstanding Units for $26.00 per Unit in cash (the "**KSA Offer**"). We understand that, in connection with the entering into of the agreements pursuant to the KingSett Asset Sale and the Amended Arrangement, the KSA Offer will be withdrawn and that certain affiliates of KingSett that own approximately 7% of the Units have agreed to support the Amended Arrangement.

The Trust has retained Canaccord Genuity to provide advice and assistance to the Trust and its board of trustees (the "**Board**") and to the independent committee thereof (the "**Independent Committee**") in evaluating, *inter alia*, the Amended Arrangement, including the preparation and delivery to the Board (and Independent Committee) of Canaccord Genuity's opinion (the "**Opinion**") as to the fairness, from a financial point of view, of the consideration payable under the Amended Arrangement to the Unitholders.

On February 4, 2013, at the request of the Independent Committee, Canaccord Genuity orally delivered the Opinion to the Independent Committee and the Board based on the scope of review and subject to the analyses, assumptions, limitations and qualifications set out herein. This Opinion provides the same opinion, in writing, as of February 4, 2013. Canaccord Genuity understands that this letter will form an exhibit to, and will be referenced in, the Trust's information circular (the "**Circular**") to be filed by the Trust under applicable laws, regulations, policies and rules and mailed to Unitholders in connection with the Amended Arrangement and the transactions contemplated thereby.

All dollar amounts herein are expressed in Canadian dollars, unless stated otherwise.

Engagement

Canaccord Genuity was initially contacted by the Trust regarding a potential advisory assignment on December 5, 2012, and was formally engaged by the Trust pursuant to an agreement between the Trust and Canaccord Genuity dated December 6, 2012 (the "**Engagement Agreement**"). The Engagement Agreement provides the terms upon which Canaccord Genuity has agreed to act as financial advisor to the Trust and the Board of Trustees in connection with reviewing and assessing various strategic alternatives that may be available to the Trust, including any potential transaction involving the acquisition of control of the Trust by a third party, and to perform such financial advisory services for the Trust as are customary in transactions of this nature. Pursuant to the Engagement Agreement, the Trust and the Board of Trustees have requested that we prepare and deliver this Opinion.

The terms of the Engagement Agreement provide that Canaccord Genuity is to be paid certain fees for its services as financial advisor, including a monthly work fee, a fee upon delivery of this Opinion (no part of which is contingent upon this Opinion being favourable or upon success of the Amended Arrangement or any alternative

transaction), and either a fee payable upon completion of any change of control transaction (which is, in part, dependent upon the value of any such transaction) or a fee payable upon successfully remaining independent should the KSA Offer fail or be withdrawn and no alternative transaction completed. In addition, the Trust has agreed to reimburse Canaccord Genuity for its reasonable out-of-pocket expenses and to indemnify Canaccord Genuity in respect of certain liabilities that might arise in connection with its engagement.

Relationship with Interested Parties

Neither Canaccord Genuity nor any of its affiliates is an issuer insider, associated entity, or affiliated entity (as those terms are defined in Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*) of the Trust, Primaris Trustee, H&R, KingSett, OPB, RioCan or any of their respective associates, affiliates or subsidiaries (collectively, the "**Interested Parties**") nor an advisor to any person, company or trust other than to the Trust with respect to the Amended Arrangement. Canaccord Genuity has not been engaged to provide any financial advisory services nor has it participated in any financings involving the Interested Parties within the past two years, other than the services provided under the Engagement Agreement and as disclosed herein. Other than pursuant to the Engagement Agreement, Canaccord Genuity has not entered into any other agreements or arrangements with any Interested Party with respect to any future dealings. However, Canaccord Genuity and its affiliates act as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have long or short positions in the securities of one or more Interested Parties and, from time to time, may have executed or may execute transactions on behalf of such companies or clients for which it receives or may receive commission or other compensation. As an investment dealer, Canaccord Genuity and its affiliates conduct research on securities and may, in the ordinary course of their business, provide research reports and investment advice to their clients on investment matters, including with respect to the Interested Parties and the Amended Arrangement. In addition, Canaccord Genuity and its affiliates may, in the ordinary course of their business, provide investment banking and other financial services to one or more of the Interested Parties in the future.

Previously, Canaccord Genuity was a syndicate member in an offering of

(i) Units that closed on November 9, 2012;

(ii) Units that closed on May 22, 2012;

(iii) Subscription Receipts of the Trust that closed on June 13, 2011;

(iv) RioCan trust units that closed on September 19, 2012;

(v) RioCan trust units that closed on April 20, 2012;

(vi) RioCan preferred shares that closed on November 30, 2011;

(vii) RioCan trust units that closed on November 4, 2011;

(viii) RioCan trust units that closed on September 2, 2011;

(ix) RioCan preferred shares that closed on January 26, 2011; and

(x) RioCan trust units that closed on December 21, 2010,

in each case earning commissions for its involvement as syndicate member.

Credentials of Canaccord Genuity

Canaccord Genuity is an independent investment bank providing a full range of corporate finance, merger and acquisition, financial restructuring, sales and trading, and equity research services. Canaccord Genuity has professionals and offices across Canada, as well as in the United States, Europe and China. This Opinion represents the opinion of Canaccord Genuity and the form and content herein have been approved for release by a committee of its principals, each of whom is experienced in merger, acquisition, divestiture and fairness opinion matters.

Scope of Review

In arriving at its Opinion, Canaccord Genuity has reviewed, analysed, considered and relied upon (without attempting to independently verify the completeness or accuracy thereof) or carried out, among other things, the following:

1. The press release issued by KingSett Capital on December 5, 2012, in which KingSett Capital announced its intention to, as part of a consortium, make an all cash offer to acquire the Units of the Trust;
2. the take-over bid circular filed by or on behalf of KSA and dated December 10, 2012;
3. annual reports of the Trust for each of the fiscal years ended December 31, 2009, 2010, and 2011;
4. the audited consolidated financial statements and associated management discussion & analysis of the Trust as at and for each of the fiscal years ended December 31, 2009, 2010, and 2011;
5. the unaudited interim consolidated financial statements and associated management discussion & analysis of the Trust as at and for the three and nine months ended September 30, 2012;
6. annual information forms of the Trust for each of the fiscal years ended December 31, 2009, 2010, and 2011;
7. the notice of meeting and management information circulars of the Trust with respect to the annual meetings of Unitholders for each of the fiscal years ended December 31, 2009, 2010, and 2011;

8. recent press releases and other public documents filed by the Trust on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com;

9. discussions with the Trust's senior management concerning the Trust's financial condition, its future business prospects, the background of the KSA Offer as set out in the Trustee's Circular and potential alternatives to the KSA Offer;

10. financial projections provided by management of the Trust for the fiscal years ending December 31, 2012 through 2015;

11. certain other internal financial, operational and corporate information prepared or provided by the management of Primaris;

12. the investor presentations dated November 2012 prepared by Primaris management;

13. discussions with the Board of Trustees;

14. discussions with the Trust's legal counsel;

15. the Trustee's Circular dated as of December 19, 2012;

16. the February 4, 2013 draft of the arrangement agreement (as amended);

17. the investor presentation of H&R prepared in connection with the previously announced arrangement agreement dated January 16, 2013;

18. the investor presentation of H&R prepared in connection with the Amended Arrangement dated February 5, 2013;

19. discussions with H&R's senior management concerning H&R's financial condition, and its future business prospects;

20. the presentation by H&R's senior management concerning the integration and future business prospects of the pro forma entity subject to the Amended Arrangement;

21. annual reports of H&R for each of the fiscal years ended December 31, 2009, 2010, and 2011;

22. the audited consolidated financial statements and associated management discussion & analysis of H&R as at and for each of the fiscal years ended December 31, 2009, 2010, and 2011;

23. the unaudited interim consolidated financial statements and associated management discussion & analysis of H&R as at and for the three and nine months ended September 30, 2012;

24. annual information forms of H&R for each of the fiscal years ended December 31, 2009, 2010, and 2011;

25. the notice of meeting and management information circulars of H&R with respect to the annual meetings of its unitholders for each of the fiscal years ended December 31, 2009, 2010, and 2011;

26. recent press releases and other public documents filed by H&R on SEDAR;

27. public information relating to the business, operations, financial performance and stock or unit trading history of selected public companies considered by Canaccord Genuity to be relevant;

28. public information with respect to comparable transactions considered by Canaccord Genuity to be relevant;

29. selected reports published by equity research analysts and industry sources regarding the Trust, H&R and other comparable public entities considered by Canaccord Genuity to be relevant;

30. selected public market trading statistics and relevant financial information in respect of the Trust, H&R and other comparable public entities considered by Canaccord Genuity to be relevant;

31. representations contained in certificates, addressed to Canaccord Genuity and dated the date hereof, from senior officers of the Trust as to the completeness and accuracy of the information upon which this Opinion is based and certain other matters; and

32. such other corporate, industry and financial market information, investigations and analyses as Canaccord Genuity considered necessary or appropriate in the circumstances.

Canaccord Genuity has not, to the best of its knowledge, been denied access by the Trust or H&R to any information requested by Canaccord Genuity. Canaccord Genuity did not meet with the auditors of the Trust or H&R and has assumed the accuracy and fair presentation of, and has relied upon, the audited consolidated financial statements of the Trust and H&R and the reports of their respective auditors thereon.

Prior Valuations

The Trust has represented to Canaccord Genuity that there have not been any prior valuations (as defined in Canadian Securities Administrators' Multilateral Instrument 61-101 *–Protection of Minority Security Holders in Special Transactions*) of the Trust or its material assets or its securities in the past two years which have not been provided to Canaccord Genuity for review. Canaccord Genuity did not receive any such valuations for review.

Assumptions and Limitations

This Opinion is subject to the assumptions, explanations and limitations set forth below.

Canaccord Genuity has not prepared a formal valuation or appraisal of the Trust or H&R, or any of their respective securities or assets and this Opinion should not be construed as such. Canaccord Genuity has, however, conducted such analyses as it considered necessary in the circumstances. In addition, this Opinion is not, and should not be construed as, advice as to the price at which any securities of Primaris or H&R may trade at any future date. This Opinion addresses only the fairness, from a financial point of view, of the consideration payable under the Amended Arrangement to the

holders of Units and does not address any other aspect or implication of the Amended Arrangement. We have assumed that all draft documents referred to under "Scope of Review" above are accurate reflections, in all material respects, of the final form of such documents, the Circular will be distributed to Unitholders, the disclosure therein will be complete and accurate in all material respects and such distribution and disclosure will comply, in all material respects, with the requirements of all applicable laws. We are not legal, tax or accounting experts, have not been engaged to review any legal, tax or accounting aspects of the Amended Arrangement and express no opinion concerning any legal, tax or accounting matters concerning the Amended Arrangement. Without limiting the generality of the foregoing, Canaccord Genuity has not reviewed and is not opining upon the tax treatment under the Amended Arrangement to the holders of Units.

With the Board of Trustees' approval and as provided for in the Engagement Agreement, Canaccord Genuity has relied upon the completeness, accuracy and fair presentation of all of the financial and other information, data, documents, advice, opinions, representations and other materials, whether in written, electronic or oral form, obtained by it from public sources or provided to it by the Trust or H&R, or any of their respective senior management, associates, affiliates, consultants, agents and advisors or otherwise (collectively, the "**Information**"), and we have assumed that this Information did not omit to state any material fact or any fact necessary to be stated to make such Information not misleading. This Opinion is conditional upon the completeness, accuracy and fair presentation of such Information. Subject to the exercise of professional judgment, we have not attempted to verify independently and have assumed the completeness, accuracy and fair presentation of any of the Information. With respect to the financial forecasts, projections or estimates in respect of the Trust and H&R provided to Canaccord Genuity by their respective management and used in the analysis of supporting this Opinion, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of such management as to the matters covered thereby and which, in the opinion of the Trust and H&R, respectively, are (or were at the time of preparation and continue to be) reasonable in the circumstances. By rendering this Opinion we express no view as to the reasonableness of such forecasts, projections or estimates or the assumptions on which they are based.

Senior management of the Trust have represented to Canaccord Genuity in certificates delivered as of the date hereof, among other things, that (i) with the exception of forecasts, projections or estimates referred to in (ii) below, the Information, obtained by Canaccord Genuity from the Trust's SEDAR filings filed since December 31, 2009, provided by or on behalf of the Trust or any of its management or subsidiaries (as such term is defined in National Instrument 45-106 – *Prospectus and Registration Exemptions*) or any of their respective agents or representatives to Canaccord Genuity in connection with preparing the Opinion (a) was, at the date the Information was provided to Canaccord Genuity, and is at the date hereof complete, true and correct in all material respects, (b) did not and does not contain any untrue statement of a material fact in respect of the Trust or any of its or subsidiaries and (c) did not and does not omit to state a material fact necessary to make the Information or any statement contained therein not misleading in light of the circumstances under which the Information was provided or

any statement was made; (ii) any portions of the Information provided to Canaccord Genuity which constitute forecasts, projections or estimates (a) were reasonably prepared on bases reflecting the best currently available estimates and judgment of the Trust and its management, (b) were prepared using the assumptions identified therein, which, in the reasonable opinion of the management of the Trust, are (or were at the time of preparation) reasonable in the circumstances; and (c) are not, to the knowledge of the management of the Trust, misleading in any material respect in light of the assumptions used or in light of any developments since the time of their preparation; (iii) since the dates on which the Information was provided to Canaccord Genuity, no material change has occurred in the Information or any part thereof and there has been no change in material facts, financial or otherwise, relating to the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Trust or any of its or subsidiaries, in either case which would have or which would reasonably be expected to have a material effect on the Opinion; (iv) except as has been disclosed by or on behalf of the Trust to Canaccord Genuity, there have not been any independent appraisals or valuations or material non-independent appraisals or valuations including without limitation any "prior valuations" (as defined in Canadian Securities Administrators' Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*) of the Trust or any of its subsidiaries or any of their respective material assets or of its securities which have been prepared as of a date within the two years preceding the date hereof; (v) since the dates on which the Information was provided to Canaccord Genuity (subject to any changes that have been updated by more current information provided by or on behalf of the Trust to Canaccord Genuity), no material transaction has been entered into by or on behalf of the Trust or any of its subsidiaries and, except for the transactions contemplated by the Amended Arrangement, the Trust is not aware of any circumstances or developments that would reasonably be expected to have a material effect on the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Trust or any of its or subsidiaries or that would constitute a "material change" (as such term is defined in the Securities Act (Ontario)); (vi) they have no knowledge of any facts or circumstances, public or otherwise, not contained in or referred to in the Information that would reasonably be expected to affect the Opinion, including the assumptions used, the procedures adopted, the scope of the review undertaken or the conclusions reached; (vii) the Trust has not filed any confidential material change reports pursuant to the *Securities Act* (Ontario), or analogous legislation in any jurisdiction in which it is a reporting issuer or the equivalent, that remain confidential; (viii) other than as disclosed in the Information, none of the Trust or any of its subsidiaries have any material contingent liabilities (on a consolidated or non-consolidated basis) and there are no actions, suits, proceedings or inquiries pending or threatened in writing against or affecting the Trust or any of its subsidiaries at law or in equity or before or by any federal, provincial, municipal or other governmental department, commission, bureau, board, agency or instrumentality which may in any way materially adversely affect the Trust or any of its subsidiaries; (ix) unless otherwise disclosed to Canaccord Genuity in writing, all financial material, documentation and other data concerning the Trust and its subsidiaries, including any projections, forecasts or estimates (except for metrics not defined under Canadian generally accepted accounting principles or international

financial reporting standards and used therein) provided to Canaccord Genuity were prepared, to the extent applicable, on a basis consistent in all material respects with the accounting policies applied in the most recent audited, consolidated financial statements of the Trust, and reflect only the assumptions expressly disclosed therein, which assumptions, in the reasonable opinion of the Trust and its management, are (or were at the time of preparation) reasonable in the circumstances; (x) no verbal or written offers for, at any one time, all or a material part of the properties and assets owned by, or the securities of, the Trust or any its subsidiaries have been received or made and no negotiations have occurred relating to any such offer within the two years preceding the date hereof that have not been disclosed to Canaccord Genuity; (xi) there are no agreements, undertakings, commitments or understandings (written or oral, formal or informal) between H&R or any member of the KingSett consortium and the Trust relating to the Amended Arrangement, except as have been disclosed in complete detail to Canaccord Genuity; and (xii) all of the facts which Canaccord Genuity expresses as being its understanding in the Opinion, except for facts from sources other than the Trust, are true and correct in all material respects. In providing this Opinion we have relied without independent investigation upon the truth, accuracy and completeness of the statements in such certificate.

This Opinion has been prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinions of the Investment Industry Regulatory Organization of Canada ("**IIROC**") but IIROC has not been involved in the preparation or review of this Opinion.

This Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as of the date hereof and the conditions and prospects, financial and otherwise, of the Trust and H&R and their respective subsidiaries, as they were reflected in the Information and as they have been represented to Canaccord Genuity in discussions with respective management. In its analyses and in preparing this Opinion, Canaccord Genuity made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Canaccord Genuity or any party involved in the Amended Arrangement.

This Opinion has been provided for the sole use and benefit of the Board of Trustees (and the Independent Committee thereof) in connection with, and for the purpose of, its consideration of the Amended Arrangement and may not be used or relied upon by any other person or for any other purpose or quoted from or published without the prior written consent of Canaccord Genuity, provided that Canaccord Genuity consents to the inclusion of this Opinion in its entirety and a summary thereof (provided such summary is in a form acceptable to Canaccord Genuity) in the Circular to be mailed to Unitholders and to the filing thereof, as necessary, by the Trust on SEDAR and with the securities commissions or similar securities regulatory authorities in Canada.

This Opinion does not constitute a recommendation to the Board of Trustees or any Unitholder as to whether or not any holder of Units should vote in favor of, or against, the Amended Arrangement. This Opinion does not address the relative merits of the

Amended Arrangement as compared to other transactions or business strategies that might be available to the Trust. In considering fairness from a financial point of view, Canaccord Genuity considered the Amended Arrangement from the perspective of Unitholders generally and did not consider the specific circumstances of any particular Unitholder, including with regard to income tax consideration. This Opinion is given as of the date hereof, and Canaccord Genuity disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting this Opinion which may come, or be brought, to the attention of Canaccord Genuity after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting this Opinion after the date hereof, including, without limitation, the terms and conditions of the Amended Arrangement, or if Canaccord Genuity learns that the Information relied upon in rendering this Opinion was inaccurate, incomplete or misleading in any material respect, Canaccord Genuity reserves the right to change, modify or withdraw this Opinion.

Canaccord Genuity believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying this Opinion. The preparation of an Opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

Conclusion

Based upon and subject to the foregoing and such other matters as Canaccord Genuity considered relevant, Canaccord Genuity is of the opinion that, as of the date hereof, the consideration payable to the Unitholders under the Amended Arrangement is fair, from a financial point of view, to the Unitholders.

Yours very truly,

Canaccord Genuity

APPENDIX "H"
SECTION 191 OF THE ABCA

Shareholders Right to Dissent – Section 191

Shareholder's right to dissent

191(1) Subject to sections 192 and 242, a holder of shares of any class of a corporation may dissent if the corporation resolves to

(a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue or transfer of shares of that class,

(b) amend its articles under section 173 to add, change or remove any restrictions on the business or businesses that the corporation may carry on,

(b.1) amend its articles under section 173 to add or remove an express statement establishing the unlimited liability of shareholders as set out in section 15.2(1),

(c) amalgamate with another corporation, otherwise than under section 184 or 187,

(d) be continued under the laws of another jurisdiction under section 189, or

(e) sell, lease or exchange all or substantially all its property under section 190.

(2) A holder of shares of any class or series of shares entitled to vote under section 176, other than section 176(1)(a), may dissent if the corporation resolves to amend its articles in a manner described in that section.

(3) In addition to any other right the shareholder may have, but subject to subsection (20), a shareholder entitled to dissent under this section and who complies with this section is entitled to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the last business day before the day on which the resolution from which the shareholder dissents was adopted.

(4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held by the shareholder or on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

(5) A dissenting shareholder shall send to the corporation a written objection to a resolution referred to in subsection (1) or (2)

(a) at or before any meeting of shareholders at which the resolution is to be voted on, or

(b) if the corporation did not send notice to the shareholder of the purpose of the meeting or of the shareholder's right to dissent, within a reasonable time after the shareholder learns that the resolution was adopted and of the shareholder's right to dissent.

(6) An application may be made to the Court after the adoption of a resolution referred to in subsection (1) or (2),

(a) by the corporation, or

(b) by a shareholder if the shareholder has sent an objection to the corporation under subsection (5),

to fix the fair value in accordance with subsection (3) of the shares of a shareholder who dissents under this section, or to fix the time at which a shareholder of an unlimited liability corporation who dissents under this section ceases to become liable for any new liability, act or default of the unlimited liability corporation.

(7) If an application is made under subsection (6), the corporation shall, unless the Court otherwise orders, send to each dissenting shareholder a written offer to pay the shareholder an amount considered by the directors to be the fair value of the shares.

(8) Unless the Court otherwise orders, an offer referred to in subsection (7) shall be sent to each dissenting shareholder

(a) at least 10 days before the date on which the application is returnable, if the corporation is the applicant, or

(b) within 10 days after the corporation is served with a copy of the application, if a shareholder is the applicant.

(9) Every offer made under subsection (7) shall

(a) be made on the same terms, and

(b) contain or be accompanied with a statement showing how the fair value was determined.

(10) A dissenting shareholder may make an agreement with the corporation for the purchase of the shareholder's shares by the corporation, in the amount of the corporation's offer under subsection (7) or otherwise, at any time before the Court pronounces an order fixing the fair value of the shares.

(11) A dissenting shareholder

(a) is not required to give security for costs in respect of an application under subsection (6), and

(b) except in special circumstances must not be required to pay the costs of the application or appraisal.

(12) In connection with an application under subsection (6), the Court may give directions for

(a) joining as parties all dissenting shareholders whose shares have not been purchased by the corporation and for the representation of dissenting shareholders who, in the opinion of the Court, are in need of representation,

(b) the trial of issues and interlocutory matters, including pleadings and questioning under Part 5 of the Alberta Rules of Court,

(c) the payment to the shareholder of all or part of the sum offered by the corporation for the shares,

(d) the deposit of the share certificates with the Court or with the corporation or its transfer agent,

(e) the appointment and payment of independent appraisers, and the procedures to be followed by them,

(f) the service of documents, and

(g) the burden of proof on the parties.

(13) On an application under subsection (6), the Court shall make an order

(a) fixing the fair value of the shares in accordance with subsection (3) of all dissenting shareholders who are parties to the application,

(b) giving judgment in that amount against the corporation and in favour of each of those dissenting shareholders,

(c) fixing the time within which the corporation must pay that amount to a shareholder, and

(d) fixing the time at which a dissenting shareholder of an unlimited liability corporation ceases to become liable for any new liability, act or default of the unlimited liability corporation.

(14) On

(a) the action approved by the resolution from which the shareholder dissents becoming effective,

(b) the making of an agreement under subsection (10) between the corporation and the dissenting shareholder as to the payment to be made by the corporation for the shareholder's shares, whether by the acceptance of the corporation's offer under subsection (7) or otherwise, or

(c) the pronouncement of an order under subsection (13),

whichever first occurs, the shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shareholder's shares in the amount agreed to between the corporation and the shareholder or in the amount of the judgment, as the case may be.

(15) Subsection (14)(a) does not apply to a shareholder referred to in subsection (5)(b).

(16) Until one of the events mentioned in subsection (14) occurs,

(a) the shareholder may withdraw the shareholder's dissent, or

(b) the corporation may rescind the resolution,

and in either event proceedings under this section shall be discontinued.

(17) The Court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder, from the date on which the shareholder ceases to have any rights as a shareholder by reason of subsection (14) until the date of payment.

(18) If subsection (20) applies, the corporation shall, within 10 days after

(a) the pronouncement of an order under subsection (13), or

(b) the making of an agreement between the shareholder and the corporation as to the payment to be made for the shareholder's shares,

notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

(19) Notwithstanding that a judgment has been given in favour of a dissenting shareholder under subsection (13)(b), if subsection (20) applies, the dissenting shareholder, by written notice delivered to the corporation within 30 days after receiving the notice under subsection (18), may withdraw the shareholder's notice of objection, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to the shareholder's full rights as a shareholder, failing which the shareholder retains a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

(20) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

(a) the corporation is or would after the payment be unable to pay its liabilities as they become due, or

(b) the realizable value of the corporation's assets would by reason of the payment be less than the aggregate of its liabilities.

APPENDIX "I"
INFORMATION CONCERNING PRIMARIS

Primaris is an unincorporated, open-ended real estate investment trust established on March 28, 2003 by a declaration of trust under, and governed by, the laws of the Province of Ontario, as amended and restated. Primaris was formed to directly or indirectly own, manage, lease and develop (where appropriate) retail properties, primarily in Canada. The head office of Primaris is located at Suite 900, 1 Adelaide Street East, Toronto, Ontario M5C 2V9.

Primaris specializes in owning and operating Canadian enclosed shopping centres that are dominant in their local trade areas. Merchandising for each property is dynamic in order to meet the unique needs of its local customers and the community. Primaris maintains a high occupancy rate at its shopping centres and has retail tenants that offer new and exciting brands. Primaris owns 35 income-producing properties comprising approximately 14.7 million square feet located in Canada. As of February 15, 2013, Primaris had 100,607,853 units issued and outstanding (including exchangeable units for which units have yet to be issued).

DOCUMENTS INCORPORATED BY REFERENCE

The following documents of the REIT, which have been filed with the securities commissions or similar regulatory authorities in each of the provinces and territories of Canada, are specifically incorporated by reference into, and form an integral part of, this Information Circular:

1. the REIT's annual information form for the year ended December 31, 2011, dated March 2, 2012 (the "**Annual Information Form**"), (other than the portions of the Annual Information Form that describe the Conditional Sale Properties or that contain information that is dependent upon the inclusion of the Conditional Sale Properties);
2. the management proxy circular (the "**March 2012 Circular**") dated March 30, 2012 in connection with the REIT's annual and special meeting of Unitholders held on May 8, 2012;
3. the Material Change Report filed January 24, 2013 and relating to the Initial H&R Transaction; and
4. the Material Change Report filed February 14, 2013 and relating to the Amended Transaction.

Information has been incorporated by reference in this Information Circular from documents filed with securities commissions or similar authorities in each of the provinces and territories of Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Executive Vice President and Chief Financial Officer of Primaris Retail Real Estate Investment Trust, Suite 900, 1 Adelaide Street East, Toronto, Ontario M5C 2V9, telephone (416) 642-7810.

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

RECENT ACQUISITIONS

New Brunswick Acquisition

On November 30, 2012, Primaris closed the purchase of two shopping centres from The Cadillac Fairview Corporation Limited (the "**New Brunswick Acquisitions**") for $317.6 million consisting of a 100% interest in Regent Mall, Fredericton, New Brunswick and McAllister Place, Saint John, New Brunswick. Closing of the New Brunswick Acquisitions occurred on November 30, 2012.

Regent Mall, Fredericton

Regent Mall is a single-level enclosed regional shopping centre containing a net rentable area of approximately 488,000 square feet. Regent Mall is located on the south side of the Saint John river at the northwest corner of Regent Street and Arnold Drive in Fredericton, New Brunswick. Regent Mall overlooks the Fredericton Bypass, a heavily traveled highway which connects with the Trans-Canada Highway and provides regional access to the site. The centre is anchored by Walmart and Sears. Additionally, there are five major tenants: Empire Theatres, Sport Chek, Chapters, Toys "R" Us and H&M. The primary trade area population of Regent Mall is 96,000 and the secondary trade area population is a further 83,000. The centre is situated on a 42 acre site and was built in 1976 with several further renovations/expansions, the most recent being in 2010. Regent Mall is the premier enclosed shopping centre in the primary Fredericton market.

The average annual commercial retail unit ("**CRU**") sales performance was $464 per square foot as at December 31, 2012. The current overall occupancy, including committed space, of the property is 99.5%. The expiry of CRU space does not represent more than 4.4% of total gross leasable area ("**GLA**") in any one of the next five years.

McAllister Place, Saint John

McAllister Place is a single-level enclosed regional shopping centre containing a net rentable area of approximately 489,000 square feet. McAllister Place is located on the east side of the city which lies east of the Courtney Bay/Forebay and southwest of New Brunswick Route 1. The centre is anchored by Target (scheduled to open in November 2013) and Sears. Additionally, there are four major tenants: Sobeys, Sport Chek, Toys "R" Us and Lawtons. The primary trade area population of McAllister Place is 77,000 and the secondary trade area population is a further 33,000. The centre is situated on a 79 acre site and was built in 1978 with several further renovations/expansions, the most recent being in 2011.

The average annual CRU sales performance was $429 per square foot as at December 31, 2012. The current overall occupancy, including committed space, of the property is 93.1%. The expiry of CRU space does not represent more than 4.8% of total GLA in any one of the next five years.

Alberta Acquisitions

On February 1, 2013, Primaris announced that it had agreed to purchase a portfolio of shopping centres (the "**Alberta Acquisitions**") for $377 million dollars. Primaris will buy a 100% interest in nine properties owned by Sherwood Park Mall Limited, Markalta Developments Ltd. and Sleeping Bay Building Corp. which include: two enclosed regional shopping centres including an adjacent professional building, five unenclosed strip plazas, one single tenant retail building, and 4.47 acres of development land, as more particularly described below. The portfolio includes Medicine Hat Mall, Medicine Hat, Alberta and Sherwood Park Mall, Edmonton, Alberta. Subject to typical conditions of closing for a transaction of this type, closing of the Alberta Acquisition is expected to occur on March 4, 2013.

The purchase price, including closing costs, is expected to be funded by a $41 million draw on Primaris' credit facilities and a vendor take-back mortgage in the amount of $339 million. Primaris is seeking permanent long

term mortgage financing to be secured by Medicine Hat Mall, Trans-Canada Plaza, and Sherwood Park Mall. The vendor financing has a term of 7 months and will be repaid out of new permanent financing to be arranged, other future mortgages, unsecured debt or equity financings.

Medicine Hat Mall, Medicine Hat

Medicine Hat Mall is a single-level enclosed regional shopping centre containing a net rentable area of approximately 539,000 square feet. It was built in 1980 and was recently renovated in 2008. The centre is anchored by Target, The Bay, Safeway, Galaxy Cinemas and Sears. The site comprises approximately 51 acres. Medicine Hat Mall is the premier enclosed shopping centre in the south eastern Alberta market. This is the only Target store located between Calgary and Regina. Sales for the 12 month period ended June 30, 2012, are estimated to be $489 psf.

Sherwood Park Mall, Sherwood Park (Edmonton)

Sherwood Park Mall is a single-level enclosed regional shopping centre containing a net rentable area of approximately 461,000 square feet. It was built in 1972 and was recently renovated in 2012. The centre is anchored by Target, Galaxy Cinemas and Safeway. A three-storey office building forms part of the shopping centre. The site comprises approximately 36 acres. Sales for the 12 month period ended June 30, 2012, are estimated to be $477 psf.

Other Properties

The Alberta Acquisitions include 5 other properties located near Medicine Hat Mall containing a net rentable are of approximately 152,000 square feet and 2 other properties located near Sherwood Park Mall, comprised of one shopping centre containing a net rentable are of approximately 44,000 square feet and one development property.

PRIOR SALES

The following table sets forth the date, number and prices at which Primaris has issued Primaris Units for the 12 month period ended February 19, 2013:

Date	Issuance Type	Total Units Issued	Price per Unit
February 21, 2012	Exercise of Option Granted under Equity Incentive Plan	13,890	$16.81
February 28, 2012	Conversion of 6.30% Debentures	1,197	$16.70
March 1, 2012	Restricted Units Granted under Equity Incentive Plan[(1)]	38,997	$21.54
March 2, 2012	Conversion of 6.30% Debentures	1,796	$16.70
March 5, 2012	Exercise of Options Granted under Equity Incentive Plan	15,000	$10.70
March 14, 2012	Conversion of 6.75% Debentures	408	$12.25
March 14, 2012	Exercise of Options Granted under Equity Incentive Plan	13,000	$10.70
March 15, 2012	Conversion of 6.30% Debentures	1,432,395	$16.70
March 15, 2012	Distribution Reinvestment Plan	51,142	$21.42
March 19, 2012	Conversion of 6.30% Debentures	5.868	$16.70
March 22, 2012	Conversion of 6.30% Debentures	3,113	$16.70
March 23, 2012	Conversion of 6.30% Debentures	11,976	$16.70
March 28, 2012	Conversion of 6.75% Debentures	2,122	$12.25
April 11, 2012	Conversion of 6.30% Debentures	598	$16.70
April 16, 2012	Distribution Reinvestment Plan	52,146	$21.53
April 18, 2012	Conversion of 6.30% Debentures	1,497	$16.70
April 26, 2012	Conversion of 6.75% Debentures	816	$12.25
April 27, 2012	Conversion of 6.30% Debentures	41,796	$16.70
April 30, 2012	Conversion of 6.75% Debentures	1,795	$12.25
April 30, 2012	Conversion of 6.30% Debentures	85,688	$16.70
May 2, 2012	Exercise of Options Granted under Equity Incentive Plan	12,658	$20.32
May 2, 2012	Conversion of 6.30% Debentures	239	$16.70
May 15, 2012	Distribution Reinvestment Plan	57,786	$21.93
May 22, 2012	Issuance of Units under Prospectus	5,002,500	$23.00
May 24, 2012	Conversion of 6.30% Debentures	179	$16.70
May 29, 2012	Conversion of 6.75% Debentures	11,836	$12.25
May 30, 2012	Conversion of 6.75% Debentures	4,489	$12.25
May 30, 2012	Conversion of 6.30% Debentures	62,754	$16.70
May 31, 2012	Conversion of 6.30% Debentures	10,658	$16.70
June 13, 2012	Conversion of 6.75% Debentures	3,265	$12.25
June 15, 2012	Conversion of 6.30% Debentures	3,293	$16.70
June 15, 2012	Distribution Reinvestment Plan	61,703	$22.23
June 22, 2012	Conversion of 6.75% Debentures	9,061	$12.25
June 28, 2012	Conversion of 6.30% Debentures	74,610	$16.70
July 4, 2012	Conversion of 6.75% Debentures	489	$12.25
July 5, 2012	Conversion of 6.75% Debentures	2,448	$12.25
July 9, 2012	Conversion of 6.75% Debentures	21,632	$12.25
July 9, 2012	Conversion of 6.30% Debentures	797,964	$16.70
July 11, 2012	Conversion of 6.75% Debentures	3,265	$12.25
July 15, 2012	Distribution Reinvestment Plan	58,542	$22.77
July 19, 2012	Conversion of 6.30% Debentures	1,197	$16.70

Date	Issuance Type	Total Units Issued	Price per Unit
July 19, 2012	Conversion of 5.85% Debentures	886	$22.55
July 20, 2012	Conversion of 5.85% Debentures	13,215	$22.55
July 23, 2012	Conversion of 5.85% Debentures	5,898	$22.55
July 23, 2012	Conversion of 6.30% Debentures	598	$16.70
July 23, 2012	Conversion of 6.75% Debentures	1,632	$12.25
July 24, 2012	Conversion of 5.85% Debentures	9,623	$22.55
July 27, 2012	Conversion of 6.75% Debentures	1,061	$12.25
July 30, 2012	Conversion of 6.30% Debentures	17,844	$16.70
August 3, 2012	Conversion of 5.85% Debentures	547,937	$22.55
August 7, 2012	Conversion of 5.85% Debentures	63,503	$22.55
August 8, 2012	Conversion of 5.85% Debentures	1,862	$22.55
August 9, 2021	Conversion of 5.85% Debentures	1,064	$22.55
August 10, 2012	Conversion of 5.85% Debentures	709	$22.55
August 13, 2012	Conversion of 5.85% Debentures	166,119	$22.55
August 14, 2012	Conversion of 5.85% Debentures	177.383	$22.55
August 15, 2012	Conversion of 5.85% Debentures	63,725	$22.55
August 15, 2012	Distribution Reinvestment Plan	60,398	$23.13
August 16, 2012	Conversion of 5.85% Debentures	2,673,923	$22.55
August 17, 2012	Conversion of 6.30% Debentures	6,706	$16.70
August 27, 2012	Conversion of 6.30% Debentures	898	$16.70
August 29, 2012	Conversion of 6.75% Debentures	1,714	$12.25
August 30, 2012	Conversion of 6.30% Debentures	15,688	$16.70
August 31, 2012	Conversion of 6.75% Debentures	1,632	$12.25
August 31, 2012	Conversion of 6.30% Debentures	16,706	$16.70
September 12, 2012	Conversion of 6.30% Debentures	4,910	$16.70
September 17, 2012	Distribution Reinvestment Plan	66,605	$23.43
September 20, 2012	Conversion of 6.30% Debentures	1,137	$16.70
September 21, 2012	Conversion of 6.30% Debentures	15,029	$16.70
September 26, 2012	Conversion of 6.75% Debentures	571	$12.25
October 15, 2012	Distribution Reinvestment Plan	35,759	$23.36
October 15, 2012	Conversion of 6.30% Debentures	1,796	$16.70
October 29, 2012	Conversion of 6.75% Debentures	897	$12.25
October 29, 2012	Conversion of 6.30% Debentures	22,934	$16.70
October 30, 2012	Conversion of 6.30% Debentures	2,095	$16.70
November 2, 2012	Conversion of 6.30% Debentures	958	$16.70
November 9, 2012	Issuance of Units under Prospectus	4,265,000	$23.45
November 9, 2012	Issuance of Units under Prospectus – Overallotment	639,750	$23.45
November 15, 2012	Distribution Reinvestment Plan	68,267	$22.53
November 16, 2012	Conversion of 6.75% Debentures	1,224	$12.25
November 27, 2012	Conversion of 6.30% Debentures	5,988	$16.70
November 28, 2012	Conversion of 6.30% Debentures	11,796	$16.70
December 3, 2012	Conversion of 6.30% Debentures	1,197	$16.70
December 7, 2012	Conversion of 6.30% Debentures	1,497	$16.70
December 11, 2012	Conversion of 6.30% Debentures	5,269	$16.70
December 14, 2011	Conversion of 6.30% Debentures	1,017	$16.70
December 17, 2012	Distribution Reinvestment Plan	77,190	$25.36
December 19, 2012	Conversion of 6.75% Debentures	2,448	$12.25
December 21, 2012	Conversion of 6.30% Debentures	2,095	$16.70
December 27, 2012	Conversion of 6.30% Debentures	67,065	$16.70

Date	Issuance Type	Total Units Issued	Price per Unit
December 28, 2012	Conversion of 6.30% Debentures	110,718	$16.70
January 1, 2013	Restricted Units Granted(1)	20,190	$26.75
January 3, 2013	Exercise of Options Granted under Equity Incentive Plan	4,219	$20.32
January 7, 2013	Settlement of Restricted Units Granted under Equity Incentive Plan	6,659	$10.70
January 7, 2013	Conversion of 6.75% Debentures	4,081	$12.25
January 8, 2013	Conversion of 6.30% Debentures	479	$16.70
January 9, 2013	Conversion of 6.30% Debentures	10,179	$16.70
January 10, 2013	Conversion of 6.30% Debentures	4,790	$16.70
January 11, 2013	Conversion of 6.75% Debentures	979	$12.25
January 11, 2013	Conversion of 6.30% Debentures	2,275	$16.70
January 15, 2013	Distribution Reinvestment Plan	48,929	$25.88
January 18, 2013	Conversion of 6.30% Debentures	5,389	$16.70
January 21, 2013	Conversion of 6.30% Debentures	598	$16.70
January 24, 2013	Exercise of Options Granted under Equity Incentive Plan	2,638	$20.32
January 29, 2013	Conversion of 6.75% Debentures	8,979	$12.25
January 29, 2013	Conversion of 6.30% Debentures	2,455	$16.70
January 30, 2013	Conversion of 6.30% Debentures	92,095	$16.70
January 31, 2013	Conversion of 6.30% Debentures	898	$16.70
February 4, 2013	Conversion of 6.30% Debentures	1,497	$16.70
February 5, 2013	Conversion of 6.75% Debentures	1,224	$12.25
February 11, 2013	Conversion of 6.30% Debentures	1,497	$16.70
February 12, 2013	Conversion of 5.40% Debentures	693	$28.84
February 15, 2013	Distribution Reinvestment Plan	60,532	$25.88

Note:

(1) Upon vesting and exercise, the Primaris Restricted Units may be settled by the issuance of an equivalent number of units or by payment of cash equal to the fair market value of the Units on the exercise date. For further details, please see the March 2012 Circular, which is incorporated by reference herein.

TRADING PRICES AND VOLUMES

The Primaris Units are listed and posted for trading on the TSX under the trading symbol "PMZ.UN". The following table sets forth the high and low trading prices per outstanding Primaris Unit and currently outstanding 5.40% Debentures, 6.30% Debentures and 6.75% Debentures and trading volumes for the outstanding Primaris Units and such convertible debentures on the TSX for the periods indicated:

	Primaris Units (PMZ.UN)	6.75% Debentures (PMZ.DB)	6.30% Debentures (PMZ.DB.B)	5.40% Debentures (PMZ.DB.C)
February 2012				
High Price ($)	22.57	177.93	134.92	103.77
Low Price ($)	21.35	175.00	127.90	100.25
Trading Volume	2,169,147	60	7,490	7,410
March 2012				
High Price ($)	22.70	183.91	135.76	103.00
Low Price ($)	21.25	175.37	127.15	101.30
Trading Volume	4,973,135	300	35,280	13,510
April 2012				
High Price ($)	23.23	187.89	137.48	103.00
Low Price ($)	21.45	179.06	128.37	101.00
Trading Volume	2,680,040	820	7,310	9,780
May 2012				
High Price ($)	23.39	186.22	139.80	103.79
Low Price ($)	22.34	184.95	135.01	101.85
Trading Volume	3,147,427	1,480	14,910	14,250
June 2012				
High Price ($)	23.95	191.07	142.85	104.16
Low Price ($)	22.31	185.87	134.00	102.00
Trading Volume	3,954,579	1,070	23.330	5,280
July 2012				
High Price ($)	24.25	196.87	144.49	111.00
Low Price ($)	23.39	193.97	140.15	103.70
Trading Volume	3,768,885	160	8,820	6,850
August 2012				
High Price ($)	24.93	198.11	145.73	106.00
Low Price ($)	23.50	192.33	140.87	104.00
Trading Volume	3,360,548	180	16,890	11,900
September 2012				
High Price ($)	24.69	197.35	147.85	106.15
Low Price ($)	23.57	197.35	140.95	104.25
Trading Volume	3,897,872	70	5,610	8,050
October 2012				
High Price ($)	24.45	192.60	145.24	106.73
Low Price ($)	23.15	189.50	138.70	104.50
Trading Volume	2,139,264	130	3,160	4,800
November 2012				
High Price ($)	23.46	—	140.63	105.75
Low Price ($)	22.44	—	135.55	103.00
Trading Volume	3,061,898	—	3,240	7,280

	Primaris Units (PMZ.UN)	6.75% Debentures (PMZ.DB)	6.30% Debentures (PMZ.DB.B)	5.40% Debentures (PMZ.DB.C)
December 2012				
High Price ($)	26.99	214.41	160.30	106.39
Low Price ($)	22.84	214.41	138.40	104.00
Trading Volume	22,053,519	250	14,800	151,790
January 2013				
High Price ($)	27.43	220.56	163.37	107.50
Low Price ($)	26.40	216.00	158.26	105.25
Trading Volume	28,075,264	2,540	5,660	59,150
February (1-15) 2013				
High Price ($)	27.53	223.05	164.13	106.64
Low Price ($)	26.85	221.31	160.00	106.05
Trading Volume	20,638,409	200	14,040	31,830

Source: TSX MarketData

CAPITALIZATION

The following table sets forth the capitalization of Primaris as at December 31, 2011 and September 30, 2012 and the pro forma capitalization as at September 30, 2012, as adjusted to give effect to (i) the incurrence of debt in connection with the New Brunswick Acquisitions, (ii) conversions and redemptions of the Primaris outstanding convertible debentures since September 30, 2012, (iii) issuances of Primaris Units under Primaris' Distribution Reinvestment Plan and Primaris Equity Incentive Plan since September 30, 2012 (see "Prior Sales"), (iv) the repayment at maturity of mortgages secured on Cornwall Centre and Alliston Mills in the aggregate amount of approximately $43.7 million on January 2, 2013, (v) the incurrence of debt in the ordinary course of business, (vi) the sale of the Properties to the KingSett Consortium for cash and the assumption of certain Mortgages pursuant to the Purchase Agreements and the application of any such cash in excess of the Actual Cash Consideration to repay indebtedness; (vii) the redemption of Primaris Units in exchange for Cash Consideration pursuant to section 2.4(h) of the Plan of Arrangement (but assuming no Primaris Unitholder validly dissents) and (viii) the redemption of Primaris Exchangeable Units.

	As at December 31, 2011 ($000s)	As at September 30, 2012 ($000s) (Unaudited)	As Adjusted as at September 30, 2012 ($000s) (Unaudited)
Indebtedness			
Credit Facilities	6,779	910	0
Mortgages	1,425,875	1,381,979	1,036,856
Convertible Debentures	268,766	115,857	105,832
Exchangeable Units	45,079[1]	51,741[1]	—
	1,746,499	1,550,487	1,142,688
Unitholders' Equity	1,772,598 (80,552,971 Units)	2,177,739 (92,899,547 Units)	1,078,893 (54,969,344 Units)
Total Capitalization	3,519,097	3,728,226	2,221,581

Note:

(1) There were 2,122,261 Primaris Exchangeable Units outstanding as at September 30, 2012 and 2,187,261 Primaris Exchangeable Units as at December 31, 2011. These exchangeable units are substantially economically equivalent to Primaris Units and exchangeable for Primaris Units on a one-for-one basis, but under IFRS, are required to be shown as debt on Primaris' financial statements.

(2) Any gain on the sale of assets to the KingSett Consortium from carrying values in the financial statements has not been included in the above table.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of Primaris are KPMG LLP, Toronto, Ontario.

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

RISK FACTORS

Investments in securities of Primaris are subject to certain risks. Before making an investment decision, investors should carefully consider the risks and uncertainties described in Primaris' Annual Information Form, including under the heading "Risk Factors", and in management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2011 and the three and nine-month periods ended September 30, 2012, each of which is incorporated by reference in this Information Circular, as well as the other information contained and incorporated by reference in this Information Circular. These risks and uncertainties are not the only ones facing Primaris. Additional risks and uncertainties not presently known to Primaris or that Primaris currently deems immaterial may also impair Primaris' business operations. If any of such risks actually occur, Primaris' business, financial condition, liquidity and operating results could be materially adversely affected.

APPENDIX J
INFORMATION CONCERNING H&R

Overview

H&R REIT is an unincorporated open-ended trust created by a Declaration of Trust and governed by the laws of the Province of Ontario. On October 1, 2008, H&R REIT completed an internal reorganization pursuant to a plan of arrangement (the "**H&R 2008 Plan of Arrangement**") that resulted in, among other things, the creation on October 1, 2008 of H&R Finance Trust. Each unitholder of H&R REIT received, for each H&R REIT Unit held, a H&R Finance Trust Unit. Each issued and outstanding H&R Finance Trust Unit is stapled to a H&R REIT Unit on a one-for-one basis so as to form "H&R Stapled Units", and such H&R Stapled Units are listed and posted for trading on the TSX under the symbol "HR.UN".

H&R REIT, as at the date hereof, owned and operated a portfolio of 293 properties, of which 42 are office properties, 113 are industrial properties and 138 are retail properties. The total leasable area of the properties comprising H&R REIT's portfolio was approximately 44.7 million square feet. The portfolio consisted of 29 properties located in Alberta, 103 properties located in Ontario, 18 properties located in Quebec, 27 properties located elsewhere in Canada and 116 properties located in the United States.

H&R REIT has reached practical completion on the construction of The Bow in Calgary, AB. The Bow is a 2-million square foot head office complex pre-leased, on a triple net basis, to Encana Corporation for a term of 25 years. Floors 3 to 22, floors 29 to 40, floors 23-28, floors 41 to 52 (excluding floors 45 to 50) and floors 45-50 were delivered to Encana Corporation on May 2, 2012, October 4, 2012, November 8, 2012, December 4, 2012 and December 14, 2012, respectively. Delivery of further tranches will occur in February 2013. In addition, H&R REIT owns approximately 73 developable acres of land in Brampton, Ontario, that is expected to produce approximately 1.6 million square feet of industrial property and owns approximately 155 developable acres of land forming part of the planned community of Mayfield West located in Caledon, Ontario, that is expected to produce approximately 2.9 million square feet of industrial properties.

H&R REIT has two primary objectives:

(a) to provide unitholders with stable and growing cash distributions, generated by the revenue it derives from investments in income producing real estate properties; and

(b) to maximize unit value through ongoing active management of H&R REIT's assets, acquisition of additional properties and the development and construction of projects which are pre-leased to creditworthy tenants.

H&R REIT's strategy to accomplish these two objectives is to accumulate a diversified portfolio of high quality income producing properties in Canada and the United States occupied by creditworthy tenants on a long-term basis. H&R REIT does not have any specific allocation targets as to property type, but rather focuses on creditworthy tenants with long-term leases.

H&R Finance Trust is an unincorporated investment trust created by a Declaration of Trust and governed by the laws of the Province of Ontario. The assets of H&R Finance Trust must be primarily invested in notes issued by H&R REIT (U.S.) Holdings Inc., a wholly-owned subsidiary of H&R ("**U.S. Holdco**").

The registered and head offices of H&R are located at Suite 500, 3625 Dufferin Street, Toronto, Ontario, M3K 1N4.

Recent Developments

Other than as described in the Information Circular, there have been no significant developments in the operations and affairs of H&R REIT and/or H&R Finance Trust occurring since December 31, 2011.

1. In January 2012, H&R REIT received a U.S. mortgage for U.S.$250.0 million for Hess Tower in Houston, Texas, bearing interest at 4.50% per annum for an 8-year term.

2. In March 2012, H&R REIT purchased Corus Quay, a 485,000 square foot office property located at 25 Dockside Drive in downtown Toronto ("**Corus Quay**") for $186.0 million. Completed in 2009, the eight story property is the anchor project in the revitalization of downtown Toronto's East Bayfront area. The property's principal tenant is Corus Entertainment Inc., whose lease has a remaining term of 20 years. H&R REIT closed a $60.0 million, interest-only, non-recourse first mortgage on the property for a term of 20 years bearing interest at a rate of approximately 4.91% per annum. In April 2012, closed a $37.0 million non-recourse, first mortgage on the property on a pari passu basis for a term of 10 years bearing interest at a rate of approximately 4.14% per annum.

3. In April 2012, H&R REIT completed a public offering of $175.0 million principal amount of 4.45% Series F senior debentures due March 2, 2020.

4. In May 2012, H&R REIT purchased one U.S. industrial property for a purchase price of U.S.$2.0 million.

5. In May 2012, October 2012, November 2012 and December 2012, floors 3 to 22, 29 to 40, 23 to 28 and 41 to 52, respectively, of The Bow office complex in Calgary, Alberta were delivered to Encana Corporation.

6. In June 2012, H&R REIT acquired a one-third interest in the Scotia Plaza complex in downtown Toronto, Ontario for a purchase price of approximately $422.2 million. Scotia Plaza is a state-of-the-art LEED Gold office building with the Bank of Nova Scotia as the anchor tenant leasing approximately 61% of Scotia Plaza for an average lease term of 13.5 years. H&R REIT partially funded the acquisition by issuing $216.7 million of first mortgage bonds (the "**Scotia Bonds**") at an interest rate of 3.21% for a 7-year term.

7. In June 2012, H&R REIT, through its wholly owned subsidiary Centre Street Trust, issued two series of first mortgage bonds (the "**Bow Bonds**") secured by The Bow office complex in Calgary, Alberta, comprised of: (a) $250.0 million, 9-year term (maturing June 14, 2021), semi-annual interest only bonds with an interest rate of 3.69% and (b) $250.0 million, 10-year term (maturing June 14, 2022), semi-annual 30-year amortizing bonds with an interest rate of 3.69%.

8. In July 2012, H&R REIT redeemed all of its remaining 6.65% convertible unsecured subordinated debentures due June 30, 2013 and all of its remaining 6.75% Series B convertible unsecured subordinated debentures due December 31, 2014 for $29.8 million and $1.3 million, respectively.

9. In July 2012, H&R REIT sold one industrial property in Ontario for gross proceeds of $10.0 million.

10. In August 2012, H&R REIT purchased a grocery anchored retail portfolio of six properties totaling 416,782 square feet in Florida for an aggregate purchase price of U.S.$71.5 million and subsequently closed a U.S.$46.5 million mortgage for these properties at an interest rate of 3.35% for a 7-year term.

11. In September 2012, H&R REIT sold one industrial property in Jeffersonville, Georgia for gross proceeds of U.S.$55.5 million and the purchaser assumed the outstanding mortgage balance totalling U.S.$48.8 million at an interest rate at 5.5%.

12. In October, 2012, H&R REIT sold four retail properties in the State of Georgia for gross proceeds of U.S.$51.4 million and repaid the outstanding mortgage balances totalling U.S.$24.4 million at an average interest rate of 6.7%.

13. In November 2012, H&R REIT sold one industrial property in Ontario for gross proceeds of $4.3 million.

14. In November 2012, H&R completed a public offering of 6,360,000 H&R Stapled Units at a price of $23.60 per H&R Stapled Unit, for aggregate gross proceeds of approximately $150.1 million.

15. In December 2012, H&R REIT purchased two grocery anchored retail properties in the State of Florida for a combined purchase price of U.S.$19.7 million. Upon the purchase, H&R REIT assumed a mortgage of U.S. $6.5 million and H&R REIT subsequently obtained a U.S. $5.8 million mortgage at an interest rate of 3.35% for a 6.75 year term.

16. In December 2012, H&R REIT sold approximately 32 acres of the Heart Lake project in Caledon, Ontario for gross proceeds of $18.8 million and repaid the outstanding mortgage balance totaling $18.0 million at an interest rate of 4.0%.

17. During the year ended December 31 2012, H&R REIT refinanced 17 mortgages, totalling $250.4 million which had an average interest rate of 6.4% per annum, with 17 new mortgages totalling $358.7 million at an average interest rate of 4.1% per annum for an average term of 9.8 years.

18. During the year ended December 31, 2012, H&R REIT repaid seven mortgages totaling $18.5 million at an average interest rate of 7.0%.

19. For the year ended December 31, 2012, H&R REIT will elect to account for investment properties using the fair value model rather than the cost model, in accordance with International Accounting Standard 40, Investment Properties.

20. In January 2013, H&R REIT sold two industrial properties in Ontario for gross proceeds of $20.5 million and issued a $65.0 million vendor take back mortgage on one property at an interest rate of 3% due in 8 months.

21. On January 16, 2013, H&R REIT and H&R Finance Trust entered into the Initial Arrangement Agreement.

22. On February 4, 2013, H&R REIT and H&R Finance Trust entered into the Amended Arrangement Agreement.

23. In February 2013, H&R REIT repaid a Canadian mortgage totaling $69.5 million at an interest rate of 8.16%.

24. During 2012 and to date in 2013, approximately $213.9 million aggregate principal amount of outstanding convertible debentures of H&R REIT were converted by holders thereof into an aggregate of 12,838,169 H&R Stapled Units in accordance with the terms of such convertible debentures.

25. In February 2013, H&R REIT agreed to sell the South Cambridge Centre in Cambridge, Ontario to RioCan for $35 million following the completion of the Amended Transaction.

Consistent with its past practice and in the normal course, H&R REIT may have outstanding non-binding letters of intent and/or conditional agreements or may otherwise be engaged in discussions with respect to possible acquisitions of new properties which may or may not be material. However, there can be no assurance that any of these letters, agreements and/or discussions will result in an acquisition and, if they do, what the final terms or timing of any acquisition would be. H&R REIT expects to continue to actively pursue other acquisition and investment opportunities prior to the completion of the Amended Transaction.

Capital Structure of H&R

On October 1, 2008, pursuant to the H&R 2008 Plan of Arrangement which was approved by the holders of H&R REIT Units at a special meeting on September 19, 2008, H&R REIT completed an internal reorganization in the course of which H&R Finance Trust was created and each H&R REIT Unit began trading together with a H&R Finance Trust Unit as a H&R Stapled Unit on the TSX under the symbol "HR.UN". Apart from provisions necessary to achieve such stapling, each H&R REIT Unit and H&R Finance Trust Unit retains its own separate

identity and is separately listed (but not posted for trading) on the TSX (unless there is an Event of Uncoupling, in which case H&R Finance Trust Units will cease to be listed on the TSX).

The H&R REIT Declaration of Trust and the H&R Finance Trust Declaration of Trust each contain provisions to achieve the "stapling" of the H&R REIT Units and the H&R Finance Trust Units until such time as an Event of Uncoupling occurs. For further details relating to the H&R Stapled Units, H&R REIT Units and H&R Finance Trust Units, please see the sections entitled "Description of H&R Stapled Units", "H&R REIT Declaration of Trust and Description of H&R REIT Units" and "H&R Finance Trust Declaration of Trust and Description of H&R Finance Trust Units" in the 2012 AIF incorporated by reference in this Information Circular.

An "**Event of Uncoupling**" means an event whereby the H&R REIT Units and the H&R Finance Trust Units do not trade together on the TSX, an event that occurs only: (a) in the event that holders of H&R REIT Units vote in favour of the uncoupling of H&R REIT Units and H&R Finance Trust Units such that the two securities will trade separately; or (b) at the sole discretion of the trustees holding office under the H&R Finance Trust Declaration of Trust (the "**H&R Finance Trust Trustees**"), but only in the event of the bankruptcy, insolvency, winding-up or reorganization (under an applicable law relating to insolvency) of H&R REIT or U.S. Holdco or the taking of corporate action by H&R REIT or U.S. Holdco in furtherance of any such action or the admitting in writing by H&R REIT or U.S. Holdco of its inability to pay its debts generally as they become due.

At the annual and special meeting of H&R Unitholders in 2011, H&R Unitholders approved resolutions to: (a) provide the trustees holding office under the H&R REIT Declaration of Trust (the "**H&R REIT Trustees**") with the flexibility to amend the H&R REIT Declaration of Trust to (i) create and permit H&R REIT to issue Preferred Units, (ii) to the extent necessary to create and issue Preferred Units, convert H&R REIT into a closed-end investment trust, and (iii) make such additional and/or alternative amendments to the H&R REIT Declaration of Trust as are necessary or desirable to facilitate the creation and issue of Preferred Units (collectively, the "**Preferred Unit Amendments**"); and (b) provide the H&R Finance Trust Trustees with the flexibility to amend the H&R Finance Trust Declaration of Trust to amend the definition of "Unit of H&R REIT" as a consequence of H&R REIT's potential creation of Preferred Units. Although the foregoing changes to the H&R REIT Declaration of Trust and the H&R Finance Trust Declaration of Trust have been approved by H&R Unitholders, no such changes have been implemented by the H&R REIT Trustees and H&R Finance Trust Trustees, respectively, but may be implemented, in their discretion, at any time. For more information concerning these matters, investors should refer to the management information circular of H&R REIT and H&R Finance Trust dated May 12, 2011, available at www.sedar.com.

Price Range and Trading Volumes of H&R Stapled Units

The H&R Stapled Units are listed and posted for trading on the TSX under the trading symbol "HR.UN". The following table sets forth the high and low trading prices per outstanding H&R Stapled Unit and currently outstanding H&R REIT convertible debenture and trading volumes for the outstanding H&R Stapled Units and H&R REIT convertible debentures on the TSX for the periods indicated:

	H&R Stapled Units (HR.UN)	H&R REIT 2016 Convertible Debentures (HR.DB.E)	H&R REIT 2017 Convertible Debentures (HR.DB.C)	H&R REIT 2020 Convertible Debentures (HR.DB.D)
January 2012				
High Price ($)	23.90	104.60	126.53	113.00
Low Price ($)	22.99	103.00	122.40	107.75
Trading Volume	6,866,663	9,885	98,256	7,615
February 2012				
High Price ($)	23.99	105.35	127.00	110.43
Low Price ($)	22.89	102.00	121.98	108.35
Trading Volume	9,005,364	13,820	52,090	16,400

	H&R Stapled Units (HR.UN)	H&R REIT 2016 Convertible Debentures (HR.DB.E)	H&R REIT 2017 Convertible Debentures (HR.DB.C)	H&R REIT 2020 Convertible Debentures (HR.DB.D)
March 2012				
High Price ($)	24.69	109.79	130.00	111.90
Low Price ($)	23.17	102.58	123.10	108.52
Trading Volume	14,599,795	11,320	108,820	20,130
April 2012				
High Price ($)	24.49	104.31	129.62	114.00
Low Price ($)	23.35	102.25	125.00	109.65
Trading Volume	7,576,766	6,585	95,620	11,892
May 2012				
High Price ($)	24.49	110.00	129.49	112.20
Low Price ($)	23.59	102.25	125.55	110.00
Trading Volume	7,073,384	9,340	111,290	28,520
June 2012				
High Price ($)	24.50	106.00	129.10	112.99
Low Price ($)	23.45	102.10	124.43	109.90
Trading Volume	7,738,416	10,180	29,880	10,600
July 2012				
High Price ($)	25.57	107.81	134.00	115.99
Low Price ($)	24.34	104.50	129.48	111.00
Trading Volume	4,895,334	15,010	25,260	33,170
August 2012				
High Price ($)	26.29	106.90	136.73	114.95
Low Price ($)	24.78	103.95	131.50	111.65
Trading Volume	6,081,245	9,800	7,360	25,320
September 2012				
High Price ($)	25.79	109.04	135.48	113.73
Low Price ($)	24.36	103.00	128.43	109.11
Trading Volume	6,059,696	10,650	16,120	11,860
October 2012				
High Price ($)	25.21	105.80	132.50	112.50
Low Price ($)	23.47	104.50	124.94	109.00
Trading Volume	5,602,696	9,470	8,500	14,480
November 2012				
High Price ($)	24.43	106.00	128.00	116.00
Low Price ($)	23.16	102.00	122.38	108.65
Trading Volume	6,890,132	6,300	137,080	6,820
December 2012				
High Price ($)	24.49	105.99	129.00	110.99
Low Price ($)	23.01	102.75	122.00	107.11
Trading Volume	8,487,523	4,010	10,230	9,070
January 2013				
High Price ($)	24.29	111.99	127.50	111.00
Low Price ($)	22.85	102.00	121.70	108.01
Trading Volume	18,310,375	6,890	285,150	26,530
February (1-15) 2013				
High Price ($)	23.76	106.97	125.00	110.33
Low Price ($)	22.89	103.62	121.12	108.00
Trading Volume	10,373,735	2,590	24,020	10,140

Source: TSX MarketData

Prior Sales

In the 12 months prior to the date hereof, no H&R REIT Units, H&R Finance Trust Units, convertible debentures or other securities convertible into H&R REIT Units and/or H&R Finance Trust Units have been issued by H&R other than as noted below.

On November 29, 2012, H&R completed an offering of 6,360,000 H&R Stapled Units at a price of $23.60 per H&R Stapled Unit.

From February 16, 2012 through February 15, 2013, H&R REIT issued the following H&R REIT Units (and H&R Finance Trust issued the same number of H&R Finance Trust Units, which are stapled to the H&R REIT Units and trade as H&R Stapled Units):

- 12,717,239 H&R REIT Units pursuant to the conversion of certain H&R REIT convertible debentures;
- 498,799 H&R REIT Units pursuant to the exercise of options of H&R REIT; and
- 2,482,542 H&R REIT Units pursuant to the distribution reinvestment plan and direct purchase plan of H&R REIT in accordance with the terms of such plans. The distribution reinvestment plan and direct purchase plan of H&R REIT allows participating H&R Unitholders to reinvest their monthly cash distributions from H&R REIT in additional H&R Stapled Units at an effective discount of 3% and to purchase additional H&R Stapled Units at an undiscounted price.

Credit Ratings

On August 1, 2012, DBRS Limited ("**DBRS**") publicly confirmed that H&R REIT's senior unsecured debentures (the "**Senior Debentures**") have a rating of BBB (with a Stable trend) and, since that date, except as disclosed below in connection with the Amended Transaction, DBRS has not made any announcement, and H&R REIT is not aware of any proposed announcement to be made, to the effect that DBRS is reviewing or intends to revise or withdraw such rating. DBRS provides credit ratings of debt securities for commercial entities and the following description has been sourced from information made publicly available by DBRS.

The DBRS rating scale applicable to the Senior Debentures is intended to provide an opinion about the risk that an issuer will fail to satisfy its financial obligations in accordance with the terms under which an obligation has been issued. DBRS ratings are opinions based on the quantitative and qualitative analysis of information sourced and received by DBRS, which information is not audited or verified by DBRS. As the goal of each DBRS rating is to provide a forward looking assessment, DBRS takes a longer-term "through the cycle" view of the issuer which emphasizes stability and as such, rating changes are not based solely on normal cycles in the economy. DBRS cautions that no two issuers possess exactly the same characteristics, nor are they likely to have the same future opportunities and, accordingly, two issuers with the same rating should not be considered to be of exactly the same credit quality.

The BBB (with a Stable trend) rating assigned to the Senior Debentures by DBRS is the fourth highest rating of DBRS's ten major rating categories, which range from AAA to D. With the exception of the AAA and D categories, DBRS also uses "high" or "low" designations to indicate the relative standing of the securities being rated within a particular rating category, while the absence of either a "high" or "low" designation indicates the rating is in the middle of the category. Under the DBRS rating system, debt securities rated BBB are of adequate credit quality and while the capacity for the payment of financial obligations is considered acceptable, the securities may be vulnerable to future events.

The credit rating assigned to the Senior Debentures by DBRS is not a buy, hold or sell recommendation, does not address the market price of the Senior Debentures, and is not an assessment of the appropriateness of ownership of the Senior Debentures given various investment objectives. The credit ratings on the Senior Debentures may not reflect the potential impact of all risks and factors affecting the value of the Senior

Debentures, including market risk, trading liquidity risk and covenant risk. In addition, real or anticipated changes in the credit ratings assigned to the Senior Debentures may affect their market value. DRBS uses rating symbols as a simple and concise method of expressing its opinion to the market, although DBRS ratings usually consist of broader contextual information regarding the security provided by DBRS in rating reports, which generally set out the full rationale for the chosen rating symbol, and in other releases. There is no assurance that any rating will remain in effect for any given period of time and ratings may be upgraded, downgraded, placed under review, confirmed and discontinued by DBRS in the future if in its judgment circumstances so warrant.

H&R REIT has made customary payments of rating fees to DBRS in connection with the above-mentioned ratings assigned to the Senior Debentures, and will continue to make such payments to DBRS in the ordinary course from time to time in connection with the confirmation of such ratings and future offerings of certain debt securities of H&R REIT, if any. As well, within the last two years, credit ratings were provided, and payments were made to DBRS in connection with the Bow Bonds and the Scotia Bonds.

DBRS has completed its review of the Amended Transaction and confirmed on January 17, 2013 that H&R REIT's Senior Debentures remain rated at BBB with a Stable trend.

Consolidated Capitalization

The following table sets forth the pro forma consolidated capitalization of H&R REIT as at September 30, 2012 after giving effect to significant repayment and assumptions by third parties of long-term debt and other significant changes in indebtedness subsequent to September 30, 2012 as if such matters had occurred as at September 30, 2012 (the "**Pro Forma Adjustments**") and the pro forma consolidated capitalization of H&R REIT as at September 30, 2012 after giving effect to the Pro Forma Adjustments and the Amended Transaction. This table should be read in conjunction with the Q3 Consolidated Interim Financial Statements incorporated by reference in the Information Circular and the interim financial statements of Primaris excluding the Conditional Sale Properties, prepared on a carve-out basis, for the three and nine months ended September 30, 2012, included in Appendix D to this Information Circular.

For the purposes of presenting the material change in capitalization, the term indebtedness used in the table below is limited to mortgages payable, notes payable, senior debentures and the convertible debentures of H&R REIT, and excludes other liabilities such as accounts payable and accrued liabilities, deferred income tax liability and intangible liabilities. In addition, the non-controlling interest is not presented as either indebtedness or Unitholders' Equity within the calculation noted below.

	As at September 30, 2012 (after Pro Forma Adjustments)	As at September 30, 2012 (after Pro Forma Adjustments and giving effect to the Amended Transaction)
	(in thousands)	(in thousands)
Indebtedness:		
Mortgages Payable	$4,048,732	$5,154,523
Notes Payable	159,360	213,822
Convertible Debentures[1][2]	343,171	434,168
Senior Debentures[1]	810,000	810,000
Total Indebtedness	5,361,263	6,612,513
Unitholders' Equity[2]:		
Unitholders' Equity (including accumulated other comprehensive loss)	4,313,270	5,820,694
Total Capitalization	$9,674,533	$12,433,207

Notes:

(1) The convertible debentures and senior debentures of H&R REIT are included at their face value and not the fair value that is disclosed in H&R REIT consolidated financial statements.

(2) Without giving effect to the exercise of 60,000 options resulting in the issuance of 60,000 H&R Stapled Units between October 1, 2012 and February 15, 2013 or the conversion of certain convertible debentures of H&R REIT into 23,986 H&R Stapled Units.

Other than as described in the Information Circular, there have been no material changes in the number of H&R Stapled Units or indebtedness of H&R REIT since September 30, 2012.

Combined Capitalization

The following table sets forth the pro forma combined capitalization of H&R REIT and H&R Finance Trust as at September 30, 2012 after giving effect to significant repayment and assumptions by third parties of long-term debt and other significant changes in indebtedness subsequent to September 30, 2012 as if such matters had occurred as at September 30, 2012 (the "**Pro Forma Adjustments**") and the pro forma combined capitalization of H&R REIT and H&R Finance Trust as at September 30, 2012 after giving effect to the Pro Forma Adjustments and the Amended Transaction. This table should be read in conjunction with the Q3 Combined Interim Financial Statements incorporated by reference in the Information Circular and the interim financial statements of Primaris excluding the Conditional Sale Properties, prepared on a carve-out basis, for the three and nine months ended September 30, 2012, included in Appendix D to this Information Circular.

For the purposes of presenting the material change in capitalization, the term indebtedness used in the table below is limited to mortgages payable, senior debentures and the convertible debentures of H&R REIT, and excludes other liabilities such as accounts payable and accrued liabilities, deferred income tax liability and intangible liabilities. In addition, the non-controlling interest is not presented as either indebtedness or Unitholders' Equity within the calculation noted below.

	As at September 30, 2012 (after Pro Forma Adjustments)	As at September 30, 2012 (after Pro Forma Adjustments and giving effect to the Amended Transaction)
	(in thousands)	(in thousands)
Indebtedness:		
Mortgages Payable	$4,048,732	$5,154,523
Convertible Debentures[1][2]	343,171	434,168
Senior Debentures[1]	810,000	810,000
Total Indebtedness	5,201,903	6,398,691
Unitholders' Equity[2]:		
Unitholders' Equity (including accumulated other comprehensive loss)	4,452,726	6,016,874
Total Capitalization	$9,654,629	$12,415,565

Notes:

(1) The convertible debentures and senior debentures of H&R REIT are included at their face value and not the fair value that is disclosed in H&R REIT and H&R Finance Trust combined financial statements.

(2) Without giving effect to the exercise of 60,000 options resulting in the issuance of 60,000 H&R Stapled Units between October 1, 2012 and February 15, 2013 or the conversion of certain convertible debentures of H&R REIT into 23,986 H&R Stapled Units.

Other than as described in the Information Circular, there have been no material changes in the number of Stapled Units or indebtedness of H&R REIT since September 30, 2012.

H&R REIT and H&R Finance Trust Documents Incorporated by Reference and Further Information

As of the date hereof, the following documents filed with the various provincial securities commissions or similar authorities in each of the provinces of Canada are specifically incorporated by reference into and form an integral part of this Information Circular:

(a) the annual information form of H&R REIT dated March 16, 2012 for the year ended December 31, 2011 (the "**2012 AIF**");

(b) the audited consolidated financial statements of H&R REIT as at and for the years ended December 31, 2011 and 2010, together with the notes thereto and the auditors' report thereon;

(c) the management's discussion and analysis of H&R REIT for the year ended December 31, 2011;

(d) the audited financial statements of H&R Finance Trust as at and for the years ended December 31, 2011 and 2010, together with the notes thereto and the auditors' report thereon;

(e) the management's discussion and analysis of H&R Finance Trust for the year ended December 31, 2011;

(f) the audited combined annual financial statements of H&R REIT and H&R Finance Trust as at and for the years ended December 31, 2011 and 2010, together with the notes thereto and the auditors' report thereon;

(g) the combined management's discussion and analysis of H&R REIT and H&R Finance Trust for the year ended December 31, 2011 (the "**2011 Combined MD&A**");

(h) the unaudited condensed consolidated interim financial statements of H&R REIT as at September 30, 2012 and for the three and nine months ended September 30, 2012 and 2011, together with the notes thereto (the "**Q3 Consolidated Interim Financial Statements**");

(i) the management's discussion and analysis of H&R REIT for the three and nine months ended September 30, 2012;

(j) the unaudited condensed interim financial statements of H&R Finance Trust as at September 30, 2012 and for the three and nine months ended September 30, 2012 and 2011, together with the notes thereto;

(k) the management's discussion and analysis of H&R Finance Trust for the three and nine months ended September 30, 2012;

(l) the unaudited condensed combined interim financial statements of H&R REIT and H&R Finance Trust as at September 30, 2012 and for the three and nine months ended September 30, 2012 and 2011, together with the notes thereto (the "**Q3 Combined Interim Financial Statements**");

(m) the combined management's discussion and analysis of H&R REIT and H&R Finance Trust for the three and nine months ended September 30, 2012 (the "**Q3 Combined Interim MD&A**");

(n) the management information circular of H&R REIT and H&R Finance Trust dated as of May 11, 2012 prepared in connection with the annual and special meetings of H&R Unitholders held on June 18, 2012;

(o) the Audit Committee Information document of H&R Finance Trust filed on March 26, 2012;

(p) the notice of H&R Finance Trust dated October 1, 2008 filed pursuant to a Mutual Reliance Review System Decision Document of securities regulatory authorities of each of the provinces and territories of Canada dated August 8, 2008 (as amended on September 12, 2008, the "**2008 Decision**") indicating that H&R Finance Trust intends to rely on the annual information forms and material change reports filed by H&R REIT;

(q) the material change report dated January 25, 2013 announcing that H&R REIT and H&R Finance Trust had entered into the Initial Arrangement Agreement with Primaris; and

(r) the material change report dated February 14, 2013 announcing that H&R REIT and H&R Finance Trust had entered into the Amended Arrangement Agreement with Primaris; and

Pursuant to the 2008 Decision, among other things, H&R Finance Trust is not required to file an annual information form or certain material change reports if, among other conditions, it files a notice under its SEDAR profile indicating that it is relying on the annual information forms and material change reports filed by H&R REIT and directing readers to refer to H&R REIT's SEDAR profile. H&R Finance Trust filed such notice dated October 1, 2008. H&R Finance Trust is, however, required to issue a press release and file a material change report in compliance with the requirements of applicable securities laws upon the occurrence of a material change in respect of the affairs of H&R Finance Trust that is not also a material change in the affairs of H&R REIT. Although H&R Finance Trust expects to comply with the conditions of the 2008 Decision for the period during which H&R Stapled Units may be issued under the Amended Transaction, failure to so comply will result in the loss of the relief granted under the 2008 Decision.

All material change reports (excluding confidential material change reports), annual information forms, annual financial statements and the auditors' report thereon and related management's discussion and analysis, interim financial statements and related management's discussion and analysis, information circulars, business acquisition reports, any news release issued by H&R REIT or H&R Finance Trust that specifically states that it is to be incorporated by reference in the Information Circular and any other documents as may be required to be incorporated by reference in the Information Circular under applicable Canadian securities laws which are filed by H&R REIT or H&R Finance Trust with a securities regulatory authority in Canada after the date of this Information Circular and prior to the completion of the Amended Transaction in accordance with the terms of the Amended Arrangement Agreement and the Plan of Arrangement shall be deemed to be incorporated by reference into the Information Circular.

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

Copies of the documents incorporated herein by reference may be obtained on request without charge from the Executive Co-ordinator of H&R Real Estate Investment Trust at Suite 500, 3625 Dufferin Street, Toronto, Ontario, M3K 1N4, telephone (416) 635-7520 x592, and are also available electronically at www.sedar.com.

Information contained in or otherwise accessed through H&R REIT's website, www.hr-reit.com, or any other website does not form part of this Information Circular.

Subject to applicable laws, neither H&R REIT nor H&R Finance Trust, nor any of their respective trustees or officers, assumes any responsibility for the accuracy or completeness of the information contained in the other issuer's materials filed with Canadian securities regulatory authorities or for any failure of such other issuer or such other issuer's trustees or officers to disclose events or facts which may have occurred or which may affect the significance or accuracy of any such information.

Additional Risk Factors

An investment in H&R Stapled Units is subject to certain risks. Investors should carefully consider the risks described below, the risk factors described in the 2012 AIF, the 2011 Combined MD&A, the Q3 Combined Interim MD&A and other information elsewhere in the Information Circular, prior to making an investment in H&R Stapled Units. If any of such or other risks occur, H&R REIT's and H&R Finance Trust's respective business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted. In that case, the trading price of H&R Stapled Units could decline and investors could lose all or part of their investment. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the below described or other unforeseen risks.

Although H&R REIT believes that the acquisition of new notes by H&R Finance Trust should not result in a taxable exchange by the existing U.S. holders of H&R Finance Trust Units for U.S. federal income tax purposes, there can be no assurance that the IRS will agree with this conclusion.

H&R Finance Trust is intended to qualify as a fixed investment trust which should generally be disregarded for U.S. federal income tax purposes, with the result that the holders of H&R Finance Trust Units should be treated as owning directly their pro rata share of all of H&R Finance Trust's assets. As contemplated in the Amended Arrangement Agreement, H&R Finance Trust will acquire additional notes issued by U.S. Holdco in connection with the Amended Transaction. Accordingly, upon completion of the Amended Transaction each existing holder of H&R Finance Trust Units will be treated as having acquired a pro rata share of the additional notes of U.S. Holdco acquired by H&R Finance Trust in exchange for disposing of a portion of the existing notes of U.S. Holdco to the former Primaris Unitholders who acquire H&R Finance Trust Units (each of whom will be treated as having acquired a pro rata share of the existing notes of U.S. Holdco held by H&R Finance Trust). In the event the IRS were to successfully assert that the acquisition by an existing H&R Finance Trust Unitholder of new U.S. Holdco notes in exchange for existing U.S. Holdco notes resulted in a taxable exchange, H&R Finance Trust Unitholders could recognize gain on such exchange, but any loss would likely be disallowed; such gain would be taxable to the H&R Finance Trust Unitholders who are U.S. persons.

APPENDIX K
INFORMATION CONCERNING H&R POST AMENDED TRANSACTION

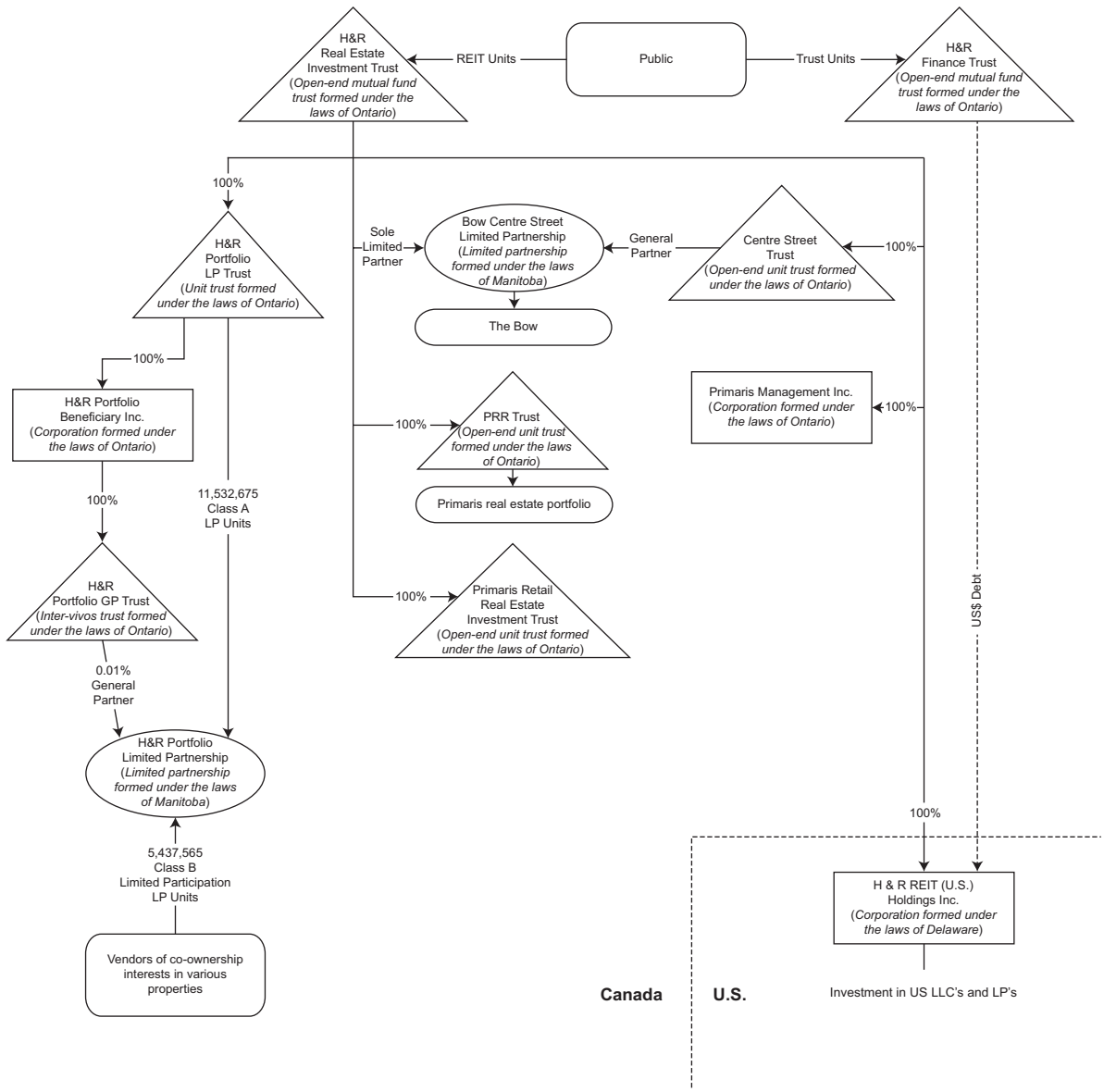
Overview

On completion of the Amended Transaction, H&R REIT will continue to be a trust existing under the laws of the Province of Ontario and former Primaris Unitholders will be unitholders of H&R. After the Effective Date, Primaris will be a wholly-owned subsidiary of H&R REIT.

The business and operations of H&R REIT and Primaris will be consolidated and the principal executive office of the combined entity will remain at Suite 500, 3625 Dufferin Street, Toronto, Ontario M3K 1N4 immediately following consummation of the Amended Transaction.

Organization Chart

The following chart shows the corporate relationship between H&R and Primaris following the completion of the Amended Transaction:



Directors and Officers of the Combined Company

Following completion of the Amended Transaction, it is expected that the H&R REIT trustees and senior management will remain the same as they currently exist. Subject to further review and assessment of the acquired assets following completion of the Amended Transaction, it is expected that Primaris will operate as a separate division of H&R and that Primaris' operating personnel associated with the Primaris properties remaining after the completion of the Sale Transactions will remain substantially unchanged.

Information about H&R REIT's current trustees and officers is as set forth in the annual information form of H&R REIT dated March 16, 2012 for the year ended December 31, 2011, which is incorporated by reference into this Information Circular.

Selected Unaudited Pro Forma Consolidated Financial Information

The selected unaudited pro forma consolidated financial information set forth below should be read in conjunction with H&R REIT's unaudited pro forma consolidated financial statements and the accompanying notes thereto attached as Appendix E to the Information Circular. The pro forma consolidated statement of financial position has been prepared from the unaudited condensed consolidated statement of financial position of H&R REIT as at September 30, 2012 and gives pro forma effect to the change in accounting policy regarding the measurement of real estate assets at fair value and to the successful completion of the Amended Transaction as if the transactions occurred on September 30, 2012. The pro forma consolidated statement of comprehensive income (loss) for the year ended December 31, 2011 and the nine month period ended September 30, 2012 have been prepared, respectively, from the audited consolidated statements of comprehensive income of H&R REIT for the year ended December 31, 2011, and the unaudited condensed consolidated interim statement of comprehensive income (loss) of H&R REIT for the nine month period ended September 30, 2012 and gives pro forma effect to the successful completion of the Amended Transaction as if the transactions occurred on January 1, 2011.

The summary unaudited pro forma consolidated financial information is not intended to be indicative of the results that would actually have occurred, or the results expected in future periods, had the events reflected herein occurred on the dates indicated. Actual amounts recorded upon consummation of the Amended Transaction will differ from the pro forma information presented below. No attempt has been made to calculate or estimate potential synergies between H&R REIT and Primaris. The unaudited pro forma consolidated financial statement information set forth below is extracted from and should be read in conjunction with the unaudited pro forma consolidated financial statements of H&R REIT and the accompanying notes included in Appendix E to the Information Circular.

(in millions of dollars)	Nine months ended September 30, 2012	Year ended December 31, 2011
Statement of comprehensive income data:		
Property operating income	$ 514,856	$ 576,429
Finance costs	(230,058)	(347,555)
Fair value adjustment on real estate assets	222,449	199,870
Other expenses including income taxes	(29,827)	(37,010)
Transaction costs	—	(27,000)
Net income	477,420	364,734
Other comprehensive income (loss)	(22,617)	6,643
Comprehensive income	$ 454,803	$ 371,377

(in millions of dollars)	As at September 30, 2012
Statement of financial position data:	
Real estate assets	$12,559,167
Other assets	323,172
Total assets	$12,882,339
Mortgages payable	5,243,211
Debentures payable	1,332,768
Notes payable	208,538
Exchangeable units	136,972
Other liabilities	254,168
Unitholders' equity	5,706,682
Total liabilities and unitholders' equity	$12,882,339

Post-Amended Transaction Unitholdings and Principal Unitholders

Following completion of the Amended Transaction, assuming the maximum number of approximately 70,000,357 H&R Stapled Units deliverable by H&R in connection with the Amended Transaction, it is expected that the current holders of H&R Stapled Units and former Primaris Unitholders (and former holders of Primaris Convertible Securities) will hold approximately 74% and 26% of the outstanding H&R Stapled Units, respectively (each on a non-diluted basis).

Immediately following the completion of the Amended Transaction, to the knowledge of the trustees and officers of H&R REIT and H&R Finance Trust, no person or company is expected to beneficially own, or control or direct, directly or indirectly, units carrying 10% or more of the votes attached to the outstanding units of either H&R REIT or H&R Finance Trust.

APPENDIX "L"
MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of Financial Condition and Results of Operations

(in thousands of dollars, except per unit and square foot amounts)
For the unaudited three and nine month periods ended September 30, 2012 and the audited years ended December 31, 2011 and 2010

Primaris Retail Real Estate Investment Trust ("Primaris REIT") has entered into an Arrangement Agreement (the "Arrangement") with H&R Real Estate Investment Trust and H&R Finance Trust (collectively "H&R") and an asset purchase agreement with members of the KingSett Capital led Consortium ("KingSett"). Certain assets of subsidiaries of Primaris REIT, comprising approximately 40% of its business, will be sold to KingSett. Thereafter, Primaris REIT (after such sale, the "Acquisition Portfolio") will sell substantially all of its remaining assets to H&R and Primaris REIT will become a wholly owned subsidiary of H&R. These transactions are subject to conditions, but could be completed in early April 2013.

Primaris REIT has prepared the following discussion and analysis of financial condition and results of operations ("MD&A"), which should be read in conjunction with the carve-out financial statements and the accompanying notes prepared for the unaudited three and nine month periods ended September 30, 2012, and the audited years December 31, 2011 and 2010.

These financial statements have been prepared on a carve-out basis from the consolidated financial statements of Primaris REIT and present the financial position, results of operations and cash flows of the Acquisition Portfolio for the periods presented, as if the Acquisition Portfolio had been accounted for on a stand-alone basis.

The carve-out financial statements of the Acquisition Portfolio have been prepared for the purpose of this circular in conformity with International Financial Reporting Standards as a method of presenting historical property information relating thereto. The carve-out financial statements depict historical investments in the Acquisition Portfolio and include the assets, liabilities, revenue and operating expenses associated with owning and operating these properties. They also depict the historical corporate activity of Primaris REIT including General and Administrative expenses, corporate debt and related interest expense, without any regard to the dispositions that are part of the Arrangement. Due to the inherent limitations of carving out activities from larger entities, these carve-out financial statements may not necessarily reflect the results of operations, financial position and cash flows of the Acquisition Portfolio for future periods, nor do they necessarily reflect the results of operations, financial position and cash flows that would have been realized had the Acquisition Portfolio been held in a standalone entity during the periods presented.

The objective of this MD&A is to provide the reader with an analysis of the historical assets, liabilities, revenues and operating expenses, including mortgage, bank, and debenture interest, of the Acquisition Portfolio for the above mentioned periods. Less emphasis has been placed on analyzing the impact of income taxes and the historical capital structure of the Acquisition Portfolio as the audited carve-out financial statements do not reflect the proposed capital structure after completion of the Arrangement.

The MD&A is dated February 19, 2013. Disclosure contained in this document is current to that date, unless otherwise noted. Additional information relating to Primaris REIT is on SEDAR at www.sedar.com.

Basis of Presentation

Canadian generally accepted accounting principles ("GAAP") for Canadian publically accountable profit-oriented enterprises, is International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Financial data provided in the MD&A, for the three and nine month periods ended September 30, 2012 and 2011 and the years ended December 31, 2011 and 2010, has been prepared in accordance with IFRS.

Non-IFRS Financial Measures

Funds from operations ("FFO"), net operating income ("NOI") and earnings before interest, taxes, depreciation and amortization ("EBITDA") are widely used supplemental measures of a Canadian real estate investment trust's performance and are not defined under IFRS. Management uses these measures when comparing itself to industry data or to others in the marketplace. The MD&A describes FFO, NOI and EBITDA and provides reconciliations to net income as defined under IFRS. FFO, NOI and EBITDA should not be considered alternatives to net income or other measures that have been calculated in accordance with IFRS and may not be comparable to measures presented by other issuers. The Acquisition Portfolio's MD&A describes FFO, NOI and EBITDA. Reconciliations to net income, as defined under IFRS, for FFO and EBITDA are presented, as well as the calculation of NOI.

Overview

The Acquisitions Portfolio's business currently depends materially on two types of contracts:

1. lease agreements, which generate the revenues and put substantially all of the risk of variable operating expenses with the tenants; and
2. loan agreements, which determine both interest expense, using fixed or variable rates, and loan principal repayments.

The portfolio occupancy rate is relatively stable. It was 97.9% at September 30, 2012, compared to 98.3% at June 30, 2012, 98.2% at September 30, 2011 and 98.7% at December 31, 2011. These percentages include space for which signed leases are in place but where the tenant may not yet be in occupancy.

For the 10 reporting properties owned throughout both twelve month periods ended August 31, 2012 and 2011, sales per square foot, on a same-tenant basis, have remained constant at $487 per square foot, from $487 in the prior year. For the same 10 properties the all-tenant total sales volume has increased 1.5%.

	Same Tenant Sales per Square Foot		Variance		All Tenant Total Sales Volume		Variance	
(Unaudited)	**2012**	2011	$	%	**2012**	2011	$	%
Cataraqui	**$ 504**	$ 513	$ (9)	-1.8%	**86,116**	87,354	(1,238)	-1.4%
Dufferin Mall	**520**	513	$ 7	1.4%	**95,077**	89,665	5,412	6.0%
Place d'Orleans	**444**	463	$ (19)	-4.1%	**98,097**	102,483	(4,386)	-4.3%
Place Du Royaume	**426**	427	$ (1)	-0.2%	**114,171**	114,574	(403)	-0.4%
Stone Road Mall	**530**	527	$ 3	0.6%	**116,596**	114,225	2,371	2.1%
Grant Park	**592**	574	$ 18	3.1%	**26,631**	26,807	(176)	-0.7%
Northland Village	**458**	460	$ (2)	-0.4%	**42,517**	43,794	(1,277)	-2.9%
Orchard Park	**500**	496	$ 4	0.8%	**132,906**	129,828	3,078	2.4%
Park Place Mall	**490**	477	$ 13	2.7%	**77,991**	75,469	2,522	3.3%
Sunridge Mall	**509**	500	$ 9	1.8%	**98,485**	91,120	7,365	8.1%
	$ 487	$ 487	$ (0)	0.2%	**$ 888,587**	$ 875,319	$ 13,268	1.5%

The same tenants' sales increased 0.2% per square foot, while the national average tenant sales as reported by the International Council of Shopping Centers ("ICSC") for the 12 month period ended August 31, 2012, increased 1.8%. The Acquisition

Portfolio's sales productivity of $487 is lower than the ICSC average of $595, largely because the ICSC includes sales from super regional malls that have the highest sales per square foot in the country.

Comparison of the Unaudited Three Months Ended September 30, 2012, to the Unaudited Three Months Ended September 30, 2011

The Acquisition Portfolio's unaudited financial results, for the three months ended September 30, 2012 compared to the unaudited financial results for the three month period ended September 30, 2011, are summarized below.

(Unaudited)	Three Months Ended September 30, 2012	2011	Favourable / (Unfavourable)
Revenue			
Minimum rent	**$ 31,595**	$ 31,458	$ 137
Recoveries from tenants	**19,995**	19,833	162
Percent rent	**320**	299	21
Parking	**33**	26	7
Other income	**1,517**	90	1,427
	53,460	51,706	1,754
Expenses			
Property operating	**13,156**	12,611	(545)
Property tax	**9,444**	9,483	39
Ground rent	**313**	320	7
General & administrative	**3,331**	2,080	(1,251)
Depreciation	**257**	286	29
	26,501	24,780	(1,721)
Income from operations	**$ 26,959**	$ 26,926	$ 33
Finance income	**2**	1	1
Finance costs	**(17,042)**	(11,647)	(5,395)
Fair value adjustment on investment properties	**76,242**	(8,440)	84,682
Net income	**$ 86,161**	$ 6,840	$ 79,321
Fair value adjustment on investment properties	**(76,242)**	8,440	(84,682)
Fair value adjustment on convertible debentures	**1,213**	(3,721)	4,934
Fair value adjustment on exchangeable units	**1,740**	(1,203)	2,943
Fair value adjustment on unit-based compensation	**995**	(459)	1,454
Distributions on exchangeable units	**647**	667	(20)
Amortization of tenant improvement allowances	**1,389**	1,063	326
Funds from operations [(1)]	**$ 15,903**	$ 11,627	$ 4,276
Funds from operations per unit - basic	**$ 0.171**	$ 0.141	$ 0.030
Funds from operations per unit - diluted	**$ 0.170**	$ 0.141	$ 0.029
Weighted average units outstanding - basic	**93,040,645**	82,439,758	10,600,887
Weighted average units outstanding - diluted	**93,426,937**	82,649,782	10,777,155
Units outstanding, end of period (including exchangeable units)	**95,021,808**	82,543,264	12,478,544

[(1)] FFO is not a term defined under IFRS

During 2011 the Acquisition Portfolio sold two small properties: Forest Glen in Kitchener, Ontario; and Tillsonburg Gateway Centre in Tillsonburg, Ontario (together the "Dispositions"). At the time of the sale, the fair value of the properties was equivalent to the selling price.

Revenue
Revenue for the Acquisition Portfolio is comprised primarily of minimum rent, operating expense and tax recoveries collected from tenants, and percentage rent generated through tenant sales, as well as parking revenue, specialty leasing and lease-surrender revenue.

Current three month revenue of $53,460 is $1,754 greater than the comparative three month period. The same properties contributed $1,945 to this positive variance. The Dispositions decreased revenues by $191. Same properties showed revenue increases for minimum rent, recoveries, parking and other revenues, particularly lease-surrender revenue.

Certain non-cash amounts are included in revenue. The Acquisition Portfolio records revenue on a straight-line basis over the full term of a lease which results in non-cash revenue. In addition, the amortization of tenant improvement allowances and tenant inducements is offset against revenue. In the three months ended September 30, 2012, the amortization of these items totaled $1,313 which is $413 higher than the $900 in the comparative three month period.

Lease-surrender revenue is unpredictable and varies from quarter to quarter. In the three months ended September 30, 2012, lease-surrender revenues totaled $1,477 which is $1,463 higher than the $14 in the comparative three month period.

Operating Expenses
Operating expenses, being the sum of property operating costs, property taxes and ground rent, of $22,913 are $499 greater than in the comparative three month period. The same properties account for $616 of the increase and the Dispositions account for a $117 decrease. The increase is primarily from a reduction in non-recoverable expenses.

Net Operating Income – All Properties

(Unaudited)	Three Months Ended September 30, **2012**	2011	Favourable / (Unfavourable)
Revenue	**$ 53,460**	$ 51,706	$ 1,754
Reverse: Non-cash revenue	**1,313**	900	413
Operating revenue[1]	**54,773**	52,606	2,167
Less: Property operating	**(13,156)**	(12,611)	(545)
Property tax	**(9,444)**	(9,483)	39
Ground rent	**(313)**	(320)	7
Net operating income[1]	**$ 31,860**	$ 30,192	$ 1,668

[1] Not a term defined under IFRS

NOI is not a term defined under IFRS and may not be comparable to similar measures used by other Trusts. Operating revenue from properties includes an adjustment for amortization of tenant improvement allowances, tenant inducements and straight-line rent to remove non-cash transactions from revenue for the calculation of net operating income. Operating expenses include operating expenses from properties, property taxes and ground rent.

Net operating income of $31,860 is $1,668 greater than in the comparative three month period. The Dispositions account for a $71 decrease. The balance is an increase of $1,739, generated by the remainder of the properties in the portfolio.

Net Operating Income – Same Properties

(Unaudited)	Three Months Ended September 30, **2012**	2011	Favourable / (Unfavourable)
Operating revenue[1]	**$ 54,773**	$ 52,418	$ 2,355
Less operating expenses	**(22,886)**	(22,270)	(616)
Net operating income[1]	**$ 31,887**	$ 30,148	$ 1,739

[1] Not a term defined under IFRS

Operating revenue from properties is adjusted for amortization of tenant improvement allowances, tenant inducements and straight-line rent to remove non-cash transactions for the calculation of net operating income. Operating expenses include operating expenses from properties, property taxes and ground rent. The same-property comparison consists of the 15 properties that were owned throughout both the current and comparative three month periods. Net operating income, on a same-property basis, was $1,739 or 5.8% higher than the comparative period. Removing the effects of lease-surrender revenue, net operating income, on a same-property basis, would be $276 or 0.9% higher than the comparative period.

The $2,355 increase in same property revenues results from a $688 increase in recoveries, a $213 increase in minimum rent adjusted for non-cash amounts, a $1,426 increase in other revenues, primarily due to lease surrenders, a $7 increase in parking revenues and a $21 increase in percentage rent.

On a same-property basis, operating expenses were $616 higher than in the comparative period as a result of a $308 increase in non-recoverable expenses, a $303 increase in recoverable expenses, and a $12 increase in property taxes partially offset by a $7 decrease in ground rent.

General and Administrative Expenses

General and administrative expenses increased by $1,251 primarily due to the fluctuations in the recording of unit-based compensation expense at fair value. The chart below compares the quarter-over-quarter charges to total overhead costs that are recorded to various accounts including general and administrative expenses.

(Unaudited)	Three Months Ended September 30, **2012**	2011
Salaries, wages and benefits	**$ 5,144**	$ 4,948
Fair value adjustment on unit-based compensation	**995**	(459)
Occupancy costs	**530**	366
Professional fees	**704**	684
Information systems	**276**	304
Public company costs	**138**	134
Abandoned transaction costs	**33**	37
Third party leasing fees	**187**	215
Other general and administrative costs	**186**	193
Total Costs	**8,193**	6,422
Property management fees[1]	**(2,975)**	(2,838)
Other charges to properties[1]	**(1,700)**	(1,289)
Amounts capitalized	**(187)**	(215)
General and administrative expense	**3,331**	2,080
Fair value adjustment on unit-based compensation	**(995)**	459
General and administrative, net of fair value adjustments	**$ 2,336**	$ 2,539

[1] Reported on the statement of comprehensive income as part of operating expenses

Finance Costs

(Unaudited)	Three Months Ended September 30, 2012	2011	Favourable / (Unfavourable)
Interest expense on mortgage financing	**$ 11,151**	$ 11,452	$ 301
Interest expense on bank indebtedness	**95**	480	385
Amortization of net loss on cash flow hedges	**65**	66	1
Amortization of debt placement costs	**250**	339	89
Portfolio interest expensed	**11,561**	12,337	776
Interest expense on convertible debentures	**1,881**	3,567	1,686
Distributions paid on exchangeable units	**647**	667	20
Capitalized interest	**-**	-	-
Fair value adjustment on convertible debentures	**1,213**	(3,721)	(4,934)
Fair value adjustment on exchangeable units	**1,740**	(1,203)	(2,943)
Other items	**5,481**	(690)	(6,171)
Total finance costs	**$ 17,042**	$ 11,647	$ (5,395)

Finance costs of $17,042 are $5,395 higher than the comparative three month period. Finance costs include interest expensed as well as other items. The other items include fair value adjustments that increase the variability in finance costs between comparable periods. Without this variability, finance costs would be declining due to declining mortgage balances and debenture conversions and redemptions.

Fair Value Adjustment on Investment Properties

The appraisal process resulted in a value of investment properties for September 30, 2012 of $2,092,800 ($1,992,500 as at December 31, 2011). During the third quarter, investment properties with an aggregate fair value of $299,000 at September 30, 2012 were valued by external appraisers and the balance was valued by management using a discounted future cash flow model. The appraisals used a range of discount rates and terminal capitalization rates on the overall portfolio:

- Discount rates from 6.3% to 8.0%, weighted average 6.9% (weighted by property value) (December 31, 2011 – 6.5% to 8.3%, average 7.1%)
- Terminal cap rates from 5.3% to 7.0%, weighted average 5.9% (weighted by property value) (December 31, 2011 – 5.5% to 7.3%, average 6.1%)

The effect to net income of the fair value adjustment on investment properties for the three months ended September 30, 2012 was a gain of $76,242, a change of $84,682 from the loss of $8,440 recorded for the comparable period.

Comparison of the Unaudited Nine Months Ended September 30, 2012, to the Unaudited Nine Months Ended September 30, 2011

The Acquisition Portfolio's unaudited financial results, for the nine months ended September 30, 2012 compared to the unaudited financial results for the nine month period ended September 30, 2011, are summarized below.

(Unaudited)	Nine Months Ended September 30, 2012	2011	Favourable / (Unfavourable)
Revenue			
Minimum rent	**$ 94,767**	$ 95,704	$ (937)
Recoveries from tenants	**60,199**	59,846	353
Percent rent	**698**	819	(121)
Parking	**83**	72	11
Other income	**2,398**	336	2,062
	158,145	156,777	1,368
Expenses			
Property operating	**38,459**	38,215	(244)
Property tax	**28,551**	28,913	362
Ground rent	**940**	908	(32)
General & administrative	**9,533**	7,730	(1,803)
Depreciation	**1,000**	757	(243)
	78,483	76,523	(1,960)
Income from operations	**$ 79,662**	$ 80,254	$ (592)
Finance income	**51**	67	(16)
Finance costs	**(65,150)**	(58,226)	(6,924)
Fair value adjustment on investment properties	**88,343**	21,036	67,307
Net income	**$ 102,906**	$ 43,131	$ 59,775
Fair value adjustment on investment properties	**(88,343)**	(21,036)	(67,307)
Fair value adjustment on convertible debentures	**11,820**	5,989	5,831
Fair value adjustment on exchangeable units	**8,070**	2,111	5,959
Fair value adjustment on unit-based compensation	**3,017**	557	2,460
Distributions on exchangeable units	**1,950**	2,006	(56)
Amortization of tenant improvement allowances	**4,262**	3,212	1,050
Funds from operations [(1)]	**$ 43,682**	$ 35,970	$ 7,712
Funds from operations per unit - basic	**$ 0.497**	$ 0.483	$ 0.014
Funds from operations per unit - diluted	**$ 0.496**	$ 0.482	$ 0.014
Weighted average units outstanding - basic	**87,824,412**	74,476,869	13,347,543
Weighted average units outstanding - diluted	**88,144,231**	74,647,684	13,496,547
Units outstanding, end of period (including exchangeable units)	**95,021,808**	82,543,264	12,478,544

[(1)] FFO is not a term defined under IFRS

During 2011 the Acquisition Portfolio sold two small properties: Forest Glen in Kitchener, Ontario; and Tillsonburg Gateway Centre in Tillsonburg, Ontario (together the "Dispositions"). At the time of the sale, the fair value of the properties was equivalent to the selling price.

Revenue
Revenue for the Acquisition Portfolio is comprised primarily of minimum rent, operating expense and tax recoveries collected from tenants, and percentage rent generated through tenant sales, as well as parking revenue, specialty leasing and lease-surrender revenue.

Current nine month revenue of $158,145 is $1,368 greater than the comparative nine month period. The same properties contributed $3,079 to this positive variance and the Dispositions decreased revenues by $1,711. Same properties showed revenue increases for minimum rent, recoveries, parking and other revenues, particularly lease-surrender revenue.

Certain non-cash amounts are included in revenue. The Acquisition Portfolio records revenue on a straight-line basis over the full term of a lease which results in non-cash revenue. In addition, the amortization of tenant improvement allowances and tenant inducements is offset against revenue. In the nine months ended September 30, 2012, the amortization of these items totaled $4,222 which is $1,608 higher than the $2,614 in the comparative nine month period.

Lease-surrender revenue is unpredictable and varies from quarter to quarter. In the nine months ended September 30, 2012, lease-surrender revenues totaled $2,275 which is $2,099 higher than the $176 in the comparative nine month period.

Operating Expenses
Operating expenses, being the sum of property operating costs, property taxes and ground rent, of $67,950 are $86 lower than in the comparative nine month period. The Dispositions account for an $884 decrease. The remaining properties had an increase of $798.

Net Operating Income – All Properties

(Unaudited)	Nine Months Ended September 30, **2012**	2011	Favourable / (Unfavourable)
Revenue	**$ 158,145**	$ 156,777	$ 1,368
Reverse: Non-cash revenue	**4,222**	2,614	1,608
Operating revenue[1]	**162,367**	159,391	2,976
Less: Property operating	**(38,459)**	(38,215)	(244)
Property tax	**(28,551)**	(28,913)	362
Ground rent	**(940)**	(908)	(32)
Net operating income[1]	**$ 94,417**	$ 91,355	$ 3,062

[1] Not a term defined under IFRS

NOI is not a term defined under IFRS and may not be comparable to similar measures used by other Trusts. Operating revenue from properties includes an adjustment for amortization of tenant improvement allowances, tenant inducements and straight-line rent to remove non-cash transactions from revenue for the calculation of net operating income. Operating expenses include operating expenses from properties, property taxes and ground rent.

Net operating income of $94,417 is $3,062 greater than in the comparative nine month period. The Dispositions account for an $842 decrease. The balance is an increase of $3,904, generated by the remainder of the properties in the portfolio.

Net Operating Income – Same Properties

(Unaudited)	Nine Months Ended September 30, 2012	2011	Favourable / (Unfavourable)
Operating revenue[1]	**$ 162,366**	$ 157,664	$ 4,702
Less operating expenses	**(67,914)**	(67,116)	(798)
Net operating income[1]	**$ 94,452**	$ 90,548	$ 3,904

[1] Not a term defined under IFRS

Operating revenue from properties is adjusted for amortization of tenant improvement allowances, tenant inducements and straight-line rent to remove non-cash transactions for the calculation of net operating income. Operating expenses include operating expenses from properties, property taxes and ground rent. The same-property comparison consists of the 14 properties that were owned throughout both the current and comparative nine month periods. Net operating income, on a same-property basis, was $94,452 or 4.3% higher than the comparative period. Removing the effects of lease-surrender revenue, net operating income, on a same-property basis, would be $1,805 or 2.0% higher than the comparative period.

The $4,702 increase in same property revenues results from a $1,870 increase in minimum rent adjusted for non-cash amounts, an $878 increase in recoveries, a $2,064 increase in other revenues, due to lease-surrenders, and a $11 increase in parking revenues. The increases are partially offset by a $121 decrease in percentage rent.

On a same-property basis, operating expenses were $798 higher than in the comparative period as a result of a $467 increase in recoverable expenses, a $233 increase in non-recoverable expenses a $66 increase in property taxes, and a $32 increase in ground rent.

General and Administrative Expenses

General and administrative expenses increased by $1,803 primarily due to the fluctuations in the recording of unit-based compensation expense at fair value. The chart below compares the year-to-date over prior year-to-date charges to total overhead costs that are recorded to various accounts including general and administrative expenses.

(Unaudited)	Nine Months Ended September 30, 2012	2011
Salaries, wages and benefits	**$ 14,823**	$ 13,310
Fair value adjustment on unit-based compensation	**3,017**	557
Occupancy costs	**1,526**	1,201
Professional fees	**1,551**	1,843
Information systems	**879**	788
Public company costs	**407**	474
Abandoned transaction costs	**33**	112
Third party leasing fees	**644**	365
Other general and administrative costs	**569**	392
Total Costs	**23,449**	19,042
Property management fees[1]	**(8,787)**	(7,577)
Other charges to properties[1]	**(4,485)**	(3,370)
Amounts capitalized	**(644)**	(365)
General and administrative expense	**9,533**	7,730
Fair value adjustment on unit-based compensation	**(3,017)**	(557)
General and administrative, net of fair value adjustments	**$ 6,516**	$ 7,173

[1] Reported on the statement of comprehensive income as part of operating expenses

Finance Costs

(Unaudited)	Nine Months Ended September 30, 2012	2011	Favourable / (Unfavourable)
Interest expense on mortgage financing	**$ 33,653**	$ 33,970	$ 317
Interest expense on bank indebtedness	**500**	1,144	644
Amortization of net loss on cash flow hedges	**195**	199	4
Amortization of debt placement costs	**770**	806	36
Portfolio interest expensed	**35,118**	36,119	1,001
Interest expense on convertible debentures	**8,192**	8,972	780
Distributions paid on exchangeable units	**1,950**	2,006	56
Convertible debenture issuance costs	**-**	3,029	3,029
Capitalized interest	**-**	-	-
Fair value increment on convertible debentures	**11,820**	5,989	(5,831)
Fair value adjustment on exchangeable units	**8,070**	2,111	(5,959)
Other items	**30,032**	22,107	(7,925)
Total finance costs	**$ 65,150**	$ 58,226	$ (6,924)

Finance costs of $65,150 are $6,924 higher than the comparative nine month period. Finance costs include interest expensed as well as other items. The other items include fair value adjustments that increase the variability in finance costs between comparable periods. Mortgage interest increased $579 due to additional debt obtained on the 2011 refinancing of Dufferin Mall. This increase was more than offset by decreases in interest expensed at other properties and the Dispositions. Interest on convertible debentures increased $1,836 as a result of the new series of debentures issued in June 2011. This increase is more than offset by interest reductions on other series of debentures which experienced conversions to equity and redemptions.

Fair Value Adjustment on Investment Properties

The effect to net income of the fair value adjustment on investment properties for the nine months ended September 30, 2012 was a gain of $88,343, a change of $67,307 from the gain of $21,036 recorded for the comparable period.

Comparison of the Year Ended December 31, 2011, to the Year Ended December 31, 2010

The Acquisition Portfolio's financial results, for the year ended December 31, 2011 compared to the year ended December 31, 2010, are summarized below.

	Year Ended December 31, 2011	Year Ended December 31, 2010	Favourable/ (Unfavourable)
Revenue			
Minimum rent	$ 128,921	$ 121,009	$ 7,912
Recoveries from tenants	80,915	73,743	7,172
Percent rent	1,274	1,087	187
Parking	98	132	(34)
Other income	435	468	(33)
	211,643	196,439	15,204
Expenses			
Property operating	52,162	48,835	(3,327)
Property tax	38,405	33,906	(4,499)
Ground rent	1,222	1,178	(44)
General & administrative	9,840	9,150	(690)
Depreciation	1,039	1,433	394
	102,668	94,502	(8,166)
Income from operations	$ 108,975	$ 101,937	$ 7,038
Finance income	136	64	72
Finance costs	(83,616)	(78,561)	(5,055)
Fair value adjustment on investment properties	119,930	56,604	63,326
Gain on sale of land	-	74	(74)
Deferred income tax recovery	-	158,763	(158,763)
Net income	**$ 145,425**	**$ 238,881**	**$ (93,456)**
Fair value adjustment on investment properties	(119,930)	(56,604)	(63,326)
Fair value adjustment on convertible debentures	14,989	14,702	287
Fair value adjustment on exchangeable units	2,351	7,691	(5,340)
Fair value adjustment on unit-based compensation	665	963	(298)
Distributions on exchangeable units	2,673	2,736	(63)
Amortization of tenant improvement allowances	4,390	4,546	(156)
Gain on sale of land	-	(74)	74
Deferred income taxes	-	(158,763)	158,763
Funds from operations [1]	**$ 50,563**	**$ 54,078**	**$ (3,515)**
Funds from operations per unit - basic	$ 0.661	$ 0.818	$ (0.157)
Funds from operations per unit - diluted	$ 0.660	$ 0.817	$ (0.157)
Weighted average units outstanding - basic	76,534,760	66,099,273	10,435,487
Weighted average units outstanding - diluted	76,656,996	66,620,651	10,036,345
Units outstanding, end of period	82,740,232	68,794,679	13,945,553

[1] FFO is not a term defined under IFRS

The Acquisition Portfolio purchased a property adjacent to Northland Village Shopping Centre (the "2011 Acquisition"). The Acquisition Portfolio acquired Cataraqui Centre in Kingston, Ontario in August 2010 (the "2010 Acquisition"). The total purchase price for the 2011 Acquisition, including acquisition costs, was $3,005, and for the 2010 Acquisition was $169,322 (together the "Acquisitions").

During 2011 the Acquisition Portfolio sold two small properties: Forest Glen in Kitchener, Ontario; and Tillsonburg Gateway Centre in Tillsonburg, Ontario (together the "Dispositions"). At the time of the sale the fair value of the properties was equivalent to the selling price.

Revenue
Revenue for the Acquisition Portfolio is comprised primarily of minimum rent, operating expense and tax recoveries collected from tenants, and percentage rent generated through tenant sales, as well as parking revenue, specialty leasing and lease-surrender revenue.

Current year revenue of $211,643 is $15,204 greater than the comparative year. The Acquisitions contributed $11,825 to this positive variance and same properties were also up $4,880. The Dispositions decreased revenues by $1,501. Same properties showed revenue increases for recoveries, offset by declines for minimum rent and percentage rent.

Certain non-cash amounts are included in revenue. The Acquisition Portfolio records revenue on a straight-line basis over the full term of a lease which results in non-cash revenue. In addition, the amortization of tenant improvement allowances and tenant inducements is offset against revenue. In the year ended December 31, 2011, the amortization of these items totaled $3,627 which is $292 higher than the $3,335 in the comparative year.

Lease-surrender revenue is unpredictable and varies from quarter to quarter. In the year ended December 31, 2011, lease-surrender revenues totaled $289 which is $90 higher than the $199 in the comparative year.

Operating Expenses
Operating expenses, the sum of property operating, property tax and ground rent, of $91,789 are $7,870 greater than in the comparative year. The Acquisitions account for $5,030 of the increase and the Dispositions account for a $700 decrease. The remaining properties had an increase of $3,540.

Net Operating Income – All Properties

	Year Ended December 31, 2011	Year Ended December 31, 2010	Favourable / (Unfavourable)
Revenue	$ 211,643	$ 196,439	$ 15,204
Reverse: Non-cash revenue	3,627	3,335	292
Operating revenue[(1)]	215,270	199,774	15,496
Less: Property operating	(52,162)	(48,835)	(3,327)
Property tax	(38,405)	(33,906)	(4,499)
Ground rent	(1,222)	(1,178)	(44)
Net operating income[(1)]	$ 123,481	$ 115,855	$ 7,626

[(1)] Not a term defined under IFRS

NOI is not a term defined under IFRS and may not be comparable to similar measures used by other Trusts. Operating revenue from properties includes an adjustment for amortization of tenant improvement allowances, tenant inducements and straight-line rent to remove non-cash transactions from revenue for the calculation of net operating income. Operating expenses include operating expenses from properties, property taxes and ground rent. Net operating income of $123,481 is $7,626 greater than in the comparative year. The Acquisitions generated an increase of $6,696 and the Dispositions account for a decrease of $804. The balance is an increase of $1,734, generated by the remainder of the properties in the portfolio.

Net Operating Income – Same Properties

	Year Ended December 31, 2011	Year Ended December 31, 2010	Favourable / (Unfavourable)
Operating revenue[(1)]	$ 194,533	$ 189,259	$ 5,274
Less operating expenses	(83,028)	(79,488)	(3,540)
Net operating income[(1)]	$ 111,505	$ 109,771	$ 1,734

[(1)] Not a term defined under IFRS

Operating revenue from properties is adjusted for amortization of tenant improvement allowances, tenant inducements and straight-line rent to remove non-cash transactions for the calculation of net operating income. Operating expenses include operating expenses from properties, property taxes and ground rent. The same-property comparison consists of the 14 properties that were owned throughout both the current and comparative years. Net operating income, on a same-property basis, was $1,734 or 1.6% higher than the comparative period.

The $5,274 increase in same property revenues results from a $3,536 increase in recoveries, a $1,668 increase in minimum rent, a $99 increase in percent rents and a $5 increase in other revenues, partially offset by a decline in parking revenue of $34.

On a same-property basis, operating expenses were $3,540 higher than in the comparative period as a result of a $1,987 increase in recoverable expenses, a $2,391 increase in property taxes, a $44 increase in ground rent and an $882 decrease in non-recoverable expenses. The increase in recoverable expenses is comprised of small increases in multiple accounts.

General and Administrative Expenses

General and administrative expenses increased by $690 due to additional personnel and other costs incurred to manage the expanded Primaris REIT portfolio. The chart below compares the year-over-year changes to overhead costs that are recorded to various accounts including general and administrative expenses.

	Year Ended December 31, 2011	Year Ended December 31, 2010
Salaries, wages and benefits	$ 17,225	$ 15,071
Fair value adjustment on unit-based compensation	665	963
Occupancy costs	1,639	1,642
Professional fees	2,256	2,461
Public company costs	492	394
Abandoned transaction costs	215	74
Third party leasing fees	773	519
Other general and administrative costs	2,486	677
Total Costs	25,751	21,801
[1] Property management fees	(10,600)	(9,698)
[1] Other charges to properties	(4,538)	(2,434)
Amounts capitalized	(773)	(519)
[2] General and administrative expense	9,840	9,150
Fair value adjustment on unit-based compensation	(665)	(963)
General and administrative, net of fair value adjustments	$ 9,175	$ 8,187

[1] Reported on the statement of comprehensive income as part of operating expenses

[2] Reported on the statement of comprehensive income (2010 values are increased from previously reported to include leasing charges that were previously charged to operating expenses)

Finance Costs

	Year ended December 31, 2011	Year ended December 31, 2010	Favourable/ (Unfavourable)
Interest expense on mortgage financing	$ 45,324	$ 40,148	$ (5,176)
Interest expense on bank indebtedness	1,385	897	(488)
Amortization of net loss on cash flow hedges	265	272	7
Amortization of debt placement costs	1,065	955	(110)
Portfolio interest expensed	48,039	42,272	(5,767)
Interest expense on convertible debentures	12,535	11,160	(1,375)
Distributions paid on exchangeable units	2,673	2,736	63
Convertible debenture issuance costs	3,029	-	(3,029)
Capitalized interest	-	-	-
Fair value adjustment on convertible debentures	14,989	14,702	(287)
Fair value adjustment on exchangeable units	2,351	7,691	5,340
Other items	35,577	36,289	712
Total finance costs	$ 83,616	$ 78,561	$ (5,055)

Finance costs of $83,616 are $5,055 higher than the comparative year. Finance costs include interest expensed as well as other items. The other items include fair value adjustments that increase the volatility in finance costs between comparable periods. Mortgage interest increased $3,430 due to the mortgages secured by the Acquisitions and $2,504 from additional debt obtained on the refinancing of Dufferin Mall. These increases were partially offset by decreases in interest expensed at other properties. Interest on convertible debentures increased $2,230 as a result of the new series of debentures issued in June. This increase is partially offset by interest reductions on other series of debentures which experienced some conversions to equity. Finance costs, in 2011, includes a one-time cost of $3,029 for the issuance of the new series of convertible debentures.

Fair Value Adjustment on Investment Properties

The fair value adjustment on investment properties for the year ended December 31, 2011 was a gain of $119,930, $63,326 higher than the gain of $56,604 recorded for the comparable period. The $119,930 gain from fair value adjustments is net of $5 acquisition costs, as the fair value of properties acquired within twelve months of the year end date is based on the purchase price, net of acquisition costs.

Deferred Income Taxes

Primaris REIT is not subject to income taxes due to both its REIT status and that all taxable income is distributed to Primaris Unitholders. Primaris qualified for the "REIT Exemption" commencing December 31, 2010. Accordingly, no current or deferred income taxes have been recorded in the carve-out financial statements after qualification. In the year ended December 31, 2010 deferred income tax recovery calculated on the Acquisition Portfolio was $158,763.

Non-IFRS Financial Measures

Funds from Operations

FFO is not a term defined under IFRS and may not be comparable to similar measures used by other Trusts. The Acquisition Portfolio calculates its FFO in accordance with the Real Property Association of Canada ("REALpac") White Paper on Funds from Operations issued in 2004 and revised in 2010 for the impact of IFRS. The purpose of the White Paper was to provide reporting issuers and investors with greater guidance on the definition of FFO and to help promote more consistent disclosure from reporting issuers.

	Three Months Ended September 30,		Nine Months Ended September 30,		Year Ended December 31,	
	2012 (Unaudited)	2011	**2012** (Unaudited)	2011	2011	2010
Net Income	**$ 86,161**	$ 6,840	**$ 102,906**	$ 43,131	$ 145,425	$ 238,881
Fair value adjustment on investment properties	**(76,242)**	8,440	**(88,343)**	(21,036)	(119,930)	(56,604)
Fair value adjustment on convertible debentures	**1,213**	(3,721)	**11,820**	5,989	14,989	14,702
Fair value adjustment on exchangeable units	**1,740**	(1,203)	**8,070**	2,111	2,351	7,691
Fair value adjustment on unit-based compensation	**995**	(459)	**3,017**	557	665	963
Distributions on exchangeable units	**647**	667	**1,950**	2,006	2,673	2,736
Amortization of tenant improvement allowances	**1,389**	1,063	**4,262**	3,212	4,390	4,546
Gain on sale of land	**-**	-	**-**	-	-	(74)
Deferred income taxes	**-**	-	**-**	-	-	(158,763)
Funds from operations[1]	**$ 15,903**	$ 11,627	**$ 43,682**	$ 35,970	$ 50,563	$ 54,078
Funds from operations per unit - basic	**$ 0.171**	$ 0.141	**$ 0.497**	$ 0.483	$ 0.661	$ 0.818
Funds from operations per unit - diluted	**$ 0.170**	$ 0.141	**$ 0.496**	$ 0.482	$ 0.660	$ 0.817
Weighted average units outstanding - basic	**93,040,645**	82,439,758	**87,824,412**	74,476,869	76,534,760	66,099,273
Weighted average units outstanding - diluted	**93,426,937**	82,649,782	**88,144,231**	74,647,684	76,656,996	66,620,651
Units outstanding, end of period (including exchangeable units)	**95,021,808**	82,543,264	**95,021,808**	82,543,264	82,740,232	68,794,679

[1] FFO is not a term defined under IFRS

An advantage of the FFO measure is improved comparability between Canadian and foreign REITs. A disadvantage is that FFO is not a perfect measure of cash flow. FFO adds back to net income items that do not arise from operating activities, such as amortization of tenant improvement allowances, deferred income taxes, and fair value adjustments. However, it includes non-cash revenues related to accounting for straight-line rent and it makes no deduction for the recurring capital expenditures necessary to maintain the existing earnings stream. The research analyst community adjusts FFO for certain items in an attempt to develop another measure of economic profitability and to allow for the differences between REITs in relation to their capital expenditure programs. The Acquisition Portfolio's disclosure of capital expenditures may assist readers in making such adjustments.

Quarterly Trends

Selected Quarterly Information

(Unaudited)	**2012 Q3**	Q2	Q1	2011 Q4	Q3	Q2	Q1	2010 Q4
Investment properties	**$ 2,092,800**	$ 2,011,100	$ 1,995,100	$ 1,992,500	$ 1,879,300	$ 1,887,000	$ 1,865,500	$ 1,864,500
Mortgages payable	**830,369**	855,296	840,157	844,954	849,687	859,788	863,849	794,747
Revenue	**53,460**	51,794	52,892	54,866	51,706	52,264	52,806	53,242
Seasonal revenue	**2,143**	2,100	2,129	3,515	2,032	2,033	2,221	3,590
Net operating income[1]	**31,860**	31,440	31,117	32,126	30,192	30,580	30,582	31,862
Net income	**86,161**	7,300	9,444	102,283	6,840	41,618	(5,308)	204,729

[1] Not a term defined by IFRS

The Acquisition Portfolio's quarterly results for the last eight quarters have been primarily affected by principally by two factors: seasonality of revenues; and the timing of incurrence of operating expenses and the recovery of these operating expenses from tenants. In addition, redevelopment activities have had an impact on revenue, net operating income and net income.

The Acquisition Portfolio experiences seasonality in earnings, with stronger results in the fourth quarter of each year due to increased temporary seasonal leasing and stronger percentage rent revenues, as a significant number of tenants have calendar lease years. As a result of these factors, revenues, net income and funds from operations in the fourth quarter should be stronger than in other quarters.

Liquidity and Capital Resources

The Acquisition Portfolio expects to be able to meet all of its current obligations. Management expects to finance future growth through the use of (i) cash, (ii) conventional mortgage debt secured by investment properties, (iii) secured short-term financing through Primaris REIT's $138,000 revolving credit facility, (iv) cash flow from operations, and (v) subject to market conditions, the issuance of equity and convertible debentures.

Management continues to take steps to maintain a strong financial position. At September 30, 2012 there was $910 drawn on the revolving credit facility. As at June 30, 2012, there was a cash balance of $34,758 and no amount drawn on the operating line.

Interest Coverage, expressed as EBITDA divided by interest expense (defined as the sum of interest on mortgages, and bank indebtedness plus amortization included in finance costs), was 2.6 times for the current quarter. The Acquisition Portfolio defines EBITDA as net income increased by finance costs, depreciation, income tax expense and amortization of leasing costs and straight-line rent. EBITDA is not an IFRS defined measure and may not be comparable to similar measures used by other entities.

	Three Months Ended September 30,		Nine Months Ended September 30,		Year Ended December 31,	
	2012 (Unaudited)	2011	**2012** (Unaudited)	2011	**2012**	2011
Net income	**$ 86,161**	$ 6,840	**$ 102,906**	$ 43,131	$ 145,425	$ 238,881
Depreciation	**257**	286	**1,000**	757	1,039	1,433
Finance costs	**17,042**	11,647	**65,150**	58,226	83,616	78,561
Gain on sale of land	**-**	-	**-**	-	-	(74)
Deferred income taxes	**-**	-	**-**	-	-	(158,763)
Fair value adjustment on investment properties	**(76,242)**	8,440	**(88,343)**	(21,036)	(119,930)	(56,604)
Fair value adjustment on unit-based compensation	**995**	(459)	**3,017**	557	665	963
Amortization of leasing costs and straight-line rent	**1,313**	900	**4,222**	2,614	3,627	3,335
EBITDA	**$ 29,526**	$ 27,654	**$ 87,952**	$ 84,249	$ 114,442	$ 107,732
EBITDA / Portfolio Interest expensed	**2.6**	2.2	**2.5**	2.3	2.4	2.5

During the nine month period ended September 30, 2012, $866 of face value of the 6.75% series of convertible debentures, $84,018 of face value of the 5.85% series of convertible debentures, and $48,645 of face value of the 6.30% series of convertible debentures were converted into equity. During the same period, there were no conversions of the 5.40% series of convertible debentures. The remaining outstanding balance, at face value, as at September 30, 2012, of the 6.75% series is $1,923, of the 5.85% series is nil, of the 6.30% series is $20,292 and of the 5.40% series is $75,000.

On July 18, 2012, the Acquisition Portfolio called the 5.85% series of convertible debentures for redemption. Prior to redemption, holders of $84,018 of convertible debentures at face value exercised their option to convert to units. The redemption of the debentures was effective on August 17, 2012 when the Acquisition Portfolio redeemed the remaining debentures at a face value of $9,458.

During the current quarter, the Acquisition Portfolio made $4,296 of scheduled principal payments on its mortgages ($14,584 during the current year).

On June 15, 2012, the Acquisition Portfolio entered into a hedging derivative that was originally scheduled to mature February 1, 2013. The derivative was settled in January 2013. The hedging derivative was undertaken to mitigate the risk of interest rate volatility in anticipation of $125,000 of new debt to be placed for a 5 year term, principally to repay loans maturing during the first quarter of 2013. The Acquisition portfolio achieved an effective hedge on the five year Government of Canada bond yield of 1.448%, including the cost of the hedge.

Subsequent to September 30, 2012, the Acquisition Portfolio refinanced an existing mortgage with an original maturity date of July 1, 2013. The mortgage balance at September 30, 2012 of $100,528 is being refinanced for $120,000 for a term of ten years at a fixed interest rate of 4.132%. The loan commenced in November 2012 and will mature October 31, 2022.

Capital Expenditures

The Acquisition Portfolio has a number of capital requirements including loan principal payments, acquisitions, developments, recoverable improvements and maintenance capital. Capital requirements for loan principal payments, acquisitions and development are generally sourced by financing for each project. Expenditures for acquisitions, developments, expansions and maintenance of productive capacity are classified in the statement of cash flows as "investing activities." Over the longer term, with a stabilized receivable pool from tenants, the capital required for recoverable improvements is derived primarily from the ongoing collection of the receivable balance from tenants. Capital expenditures relating to securing new tenants are classified as "operating activities" using such captions as "leasing costs" or as "tenant improvements".

Leasing costs are a component of investment properties and may include leasing commissions, tenant improvement allowances, tenant inducements and expenditures by the Acquisition Portfolio to prepare space for occupancy by a tenant. The Acquisition Portfolio incurred $9,617 of leasing costs in nine-months ended September 30, 2012 (and $7,593 in the comparable period), which is comprised of $9,314 in tenant improvement allowances, $278 in leasing commissions, and $25 of tenant inducements. The timing of such expenditures is irregular and depends more on the satisfaction of contractual obligations in a lease rather than on the timing of the leasing process. Leasing costs, other than leasing commissions, are amortized on a straight-line basis over the term of the related lease.

Recoverable improvements, also a component of investment properties, include expenditures of a capital nature that are generally recoverable from tenants under the terms of their leases. They may include, but are not limited to, items such as parking lot resurfacing and common area roof replacement. These items are recorded as part of investment properties; the revenue from tenants is recorded as recoveries from tenants. The Acquisition Portfolio had a recoverable improvements balance of $22,450 at the beginning of 2012, $3,041 recorded as additional expenditures during the nine month period, and $3,118 recovered from tenants. This resulted in a balance of $22,373 yet to be recovered as at September 30, 2012.

Current Redevelopment Projects

The first phase of a redevelopment project is now complete at Grant Park Shopping Centre in Winnipeg, Manitoba to accommodate an expanded and repositioned Manitoba Liquor Control Commission ("MLCC") store. This project also included the realignment and upgrade of almost 11,500 square feet of common area with new floor and ceiling finishes which has revitalized the west end of the shopping centre. A portion of the exterior of the building and the west mall entrance were also renovated to provide a marquee entry to the new redevelopment inside. The Acquisition Portfolio invested $6,400 in this project. This phased redevelopment has already created an additional consumer draw to the centre.

The second phase of the redevelopment at Grant Park comprises a 5,000 square foot expansion of the shopping centre, re-leasing and remerchandising of approximately 23,000 square feet of other retail area, renovation and expansion of washrooms, and upgrade of an additional 5,000 square feet of common area. Landlord pre-construction activities commenced in September 2012. Common area improvements and washroom renovations are expected to be completed by spring 2013, and the expansion is expected to open in July 2013. This second phase has a $5,400 budget.

Redevelopment projects will be funded through a combination of cash, draws on the operating line and mortgage refinancing.

Financial Condition

Investment Properties

Investment properties represent 99.1% of total assets as at September 30, 2012. The property portfolio comprises 15 retail properties of various sizes and, as such, represents a moderate degree of market diversification. However, as revenues are earned from individual tenants and not properties as a whole. In addition, the 15 properties have moderate geographic diversification.

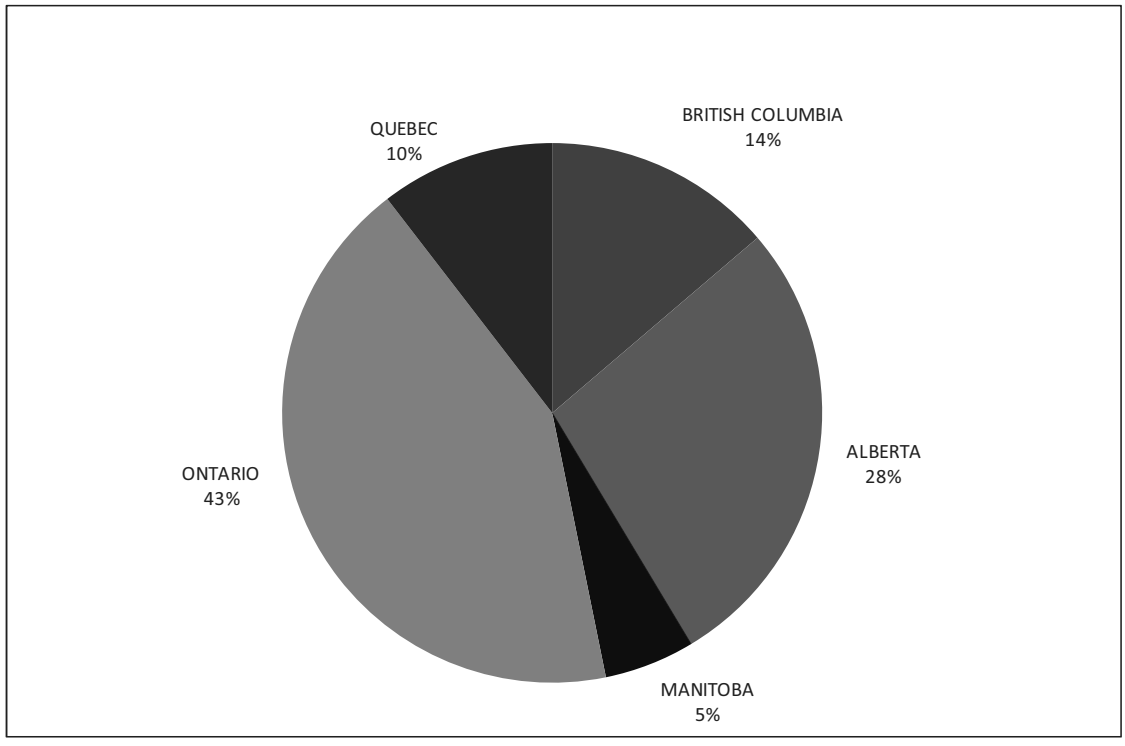
The future financial performance of investment properties is a function of a number of factors. The principal factors include occupancy rates, trends in rental rates achieved on leasing or renewing space currently leased, retail sales performance and the contractual increases in rent that are programmed to occur mid-lease.

During the third quarter of 2012, the Acquisition Portfolio leased 323,178 square feet comprised of 116,066 square feet to 53 smaller tenants and the remainder to four major and anchor tenants. Approximately 76.7% of the space leased during the current quarter of 2012 resulted from the renewal of existing tenants (49.4% if the major tenants are excluded). The weighted average new rent for renewals of existing tenants in the current quarter, on a cash basis, represented a 7.2% increase over the previous rent (9.6% if the major tenants are excluded).

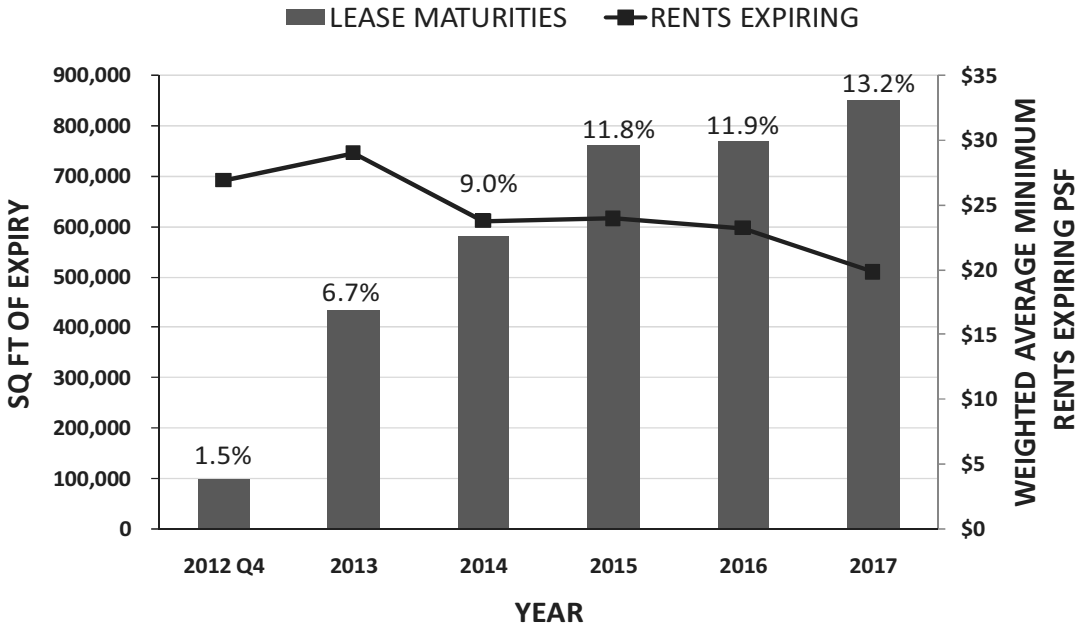
During the first nine months of 2012, the Acquisition Portfolio leased 836,244 square feet comprised of 332,493 square feet to 186 smaller tenants and the remainder to 8 major and anchor tenants. Approximately 80.4% of the space leased during 2012 resulted from the renewal of existing tenants (55.7% if the major tenants are excluded). The weighted average new rent for renewals of existing tenants in 2012, on a cash basis, represented a 2.8% increase over the previous rent (6.9% if the major tenants are excluded).

Geographic Diversification

The investment properties are located in five provinces. As at September 30, 2012, the portfolio distribution based on annualized minimum rent is as follows:



Lease and Rent Expiries



Lease maturities are no greater than 13.2% of the portfolio in any year between 2012 and 2017.

Largest Tenants

The following table illustrates the 10 largest tenants by related group in the Acquisition Portfolio's of investment properties as measured by their percentage contribution to total annual gross rent, as at September 30, 2012.

	Tenant Groups	Percentage of Total Annual Gross Rent	Area (Sq. ft.)	Weighted Average Lease Term to Maturity (Years)
1	HBC	3.4%	636,510	5.7
2	Canadian Tire	3.0%	307,909	4.0
3	Reitmans	2.7%	97,825	4.0
4	YM	2.7%	121,438	3.4
5	Best Buy	2.5%	192,386	4.6
6	Target	2.5%	504,432	7.9
7	Shoppers Drug Mart	2.0%	91,447	5.2
8	Loblaws	1.8%	173,385	4.8
9	Bell Canada	1.7%	43,318	3.4
10	Dynamite	1.7%	50,949	2.7
		24.0%		

Note: The tenant groups shown above represent different corporate covenants that fall within a given tenant group.

Indebtedness and Other Obligations

(Unaudited)

Year	Principal on Mortgages	Convertible Unsecured Debebtures	Ground Rent	Operating Leases	Total
2012 remainder	$ 4,993	$ -	$ 338	$ 441	$ 5,772
2013	126,314	-	$ 1,350	1,811	129,475
2014	18,585	1,923	$ 1,350	1,811	23,669
2015	108,130	20,292	$ 1,350	1,763	131,535
2016	43,045	-	$ 1,350	1,791	46,186
Thereafter	529,302	75,000	$ 33,900	5,256	643,458
	$ 830,369	**$ 97,215**	**$ 39,638**	**$ 12,873**	**$ 980,095**

Note: Of the total mortgages balance, $28,841 is recourse only to the underlying property.
Note: $284,800 of investment properties is unencumbered by debt.

As at September 30, 2012, The Acquisition Portfolio had $830,369 of mortgages payable, bearing a weighted average interest rate of 5.5%. This rate reflects the marking-to-market of interest rates for all debts assumed in conjunction with property acquisitions. This debt amount excludes net debt premiums of $89 and debt placement costs of $3,884. The mortgages payable have a weighted average term to maturity of 4.9 years.

The Indebtedness and Other Obligations table above includes ground rent, on a cash basis, pursuant to operating lease at Park Place Shopping Centre. The amounts in the table reflect the assumption that the Acquisition Portfolio exercises its renewal options in the ground lease.

It is expected that principal payments, ground rent and operating leases will be funded from operations and from draws on the revolving credit facility.

Accounting Estimates

The carve-out financial statements include accounting estimates and assumptions with respect to the fair value of investment property, recovery revenue accruals, fair value of mortgages, fair value of convertible debentures, fair value of exchangeable units, fair value of unit-based compensation and useful lives used to calculate depreciation. These estimates and assumptions could affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses and cash flows during the period. These estimates are made by management and discussed with the Audit Committee and the Board of Trustees.

Property Valuations
Investment properties included land and buildings held primarily to earn rental income or for capital appreciation or for both. Investment properties, which are carried on the carve-out statements of financial position at fair value, are valued by either qualified external valuation professionals or by management. The valuations are based on a number of assumptions, such as appropriate discount rates and capitalization rates and estimates of future rental income, operating expenses and capital expenditures. Valuations are most sensitive to changes in discount rates and capitalization rates. The following table summarizes the rate sensitivity:

(unaudited)

Capitalization rate sensitivity Increase (decrease)	Weighted Average Discount rate	Weighted Average Terminal cap rate	Fair Value of Investment Property	Fair Value Variance	% Change	Debt to Total Assets
-0.75%	6.1%	5.2%	$2,403,800	$311,000	14.9%	38.3%
-0.50%	6.4%	5.4%	$2,290,600	$197,800	9.5%	40.2%
-0.25%	6.6%	5.7%	$2,187,300	$94,500	4.5%	42.1%
September 30, 2012	6.9%	5.9%	$2,092,800	$0	0.0%	44.0%
0.25%	7.1%	6.2%	$2,006,000	($86,800)	-4.1%	45.9%
0.50%	7.4%	6.4%	$1,926,000	($166,800)	-8.0%	47.8%
0.75%	7.6%	6.7%	$1,852,100	($240,700)	-11.5%	49.6%

Fair Value of Mortgages
The Acquisition Portfolio discloses the fair value of mortgages in the notes to the carve-out financial statements. In determining the market rates, management adds a credit spread to the quoted yields on Canadian government bonds with similar maturity dates to the Acquisition Portfolio's mortgages. The credit spread is estimated based upon experience in obtaining similar financing and market conditions.

Future Changes in Accounting Policies

Management monitors new IFRS accounting pronouncements to assess the applicability and impact, if any; these new pronouncements may have on the carve-out financial statements and note disclosures. The following IFRS standards have been issued but are not yet effective. The Acquisition Portfolio intends to adopt these standards when they become effective.

IAS 1 – Presentation of Financial Statements ("IAS 1") includes amendments to the presentation of other comprehensive income. The Acquisition Portfolio intends to adopt the amendments to IAS 1 in its financial statements for the annual period beginning on January 1, 2013. The Acquisition Portfolio does not expect IAS 1 to

have a significant impact on its carve-out financial statements and will not early adopt the new standard.

IFRS 9 – Financial Instruments ("IFRS 9") was issued to replace IAS 39 – Financial instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of its financial assets. The standard is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. The Acquisition Portfolio does not expect IFRS 9 to have a significant impact on its carve-out financial statements and will not early adopt the new standard.

IFRS 12 – Disclosure of Interests in Other Entities ("IFRS 12") outlines the disclosures for interests in subsidiaries, joint ventures and associates. The standard requires the Acquisition Portfolio to disclose information that enables users of financial statements to evaluate the nature, risks and financial effects associated with its interests in other entities. This standard is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Acquisition Portfolio does not expect IFRS 12 to have a significant impact on its carve-out financial statements and will not early adopt the new disclosures.

IFRS 13 – Fair Value Measurements ("IFRS 13") provides a single source of guidance on how to measure fair value where fair value is already required or permitted by other IFRS standards (except IFRS 2 – Share Based payment and IAS 17 – Leases). The standard also enhances disclosure requirements for information about fair value measurements and the use of managements' judgment. This standard is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Acquisition Portfolio does not expect IFRS 13 to have a significant impact on its carve-out financial statements and will not early adopt the new disclosures.

Risks and Uncertainties

Real Property Ownership
The Acquisition Portfolio consists of 15 Canadian retail properties and is expected in the future to directly or indirectly acquire interests in other real property. All real property investments are subject to elements of risk. Such investments are affected by general economic conditions, local real estate markets, changing demographics, supply and demand for leased premises, competition from other available premises, and various other factors.

Certain significant expenditures, including fixed expenditures, property taxes, maintenance costs, ground rent, 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 Acquisition Portfolio is unable to meet mortgage payments or ground rent payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale or the landlord's exercise of remedies.

Tenant Risks
The value of real property and any improvements thereto depends on the credit and financial stability of the tenants. The Acquisition Portfolio's FFO may be adversely affected if tenants become unable to meet their obligations under their leases or if a

significant amount of available space in the properties in which the Acquisition Portfolio has an interest becomes vacant and is not able to be leased on economically favourable lease terms. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to the Acquisition Portfolio than the existing lease. 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 Acquisition Portfolio's investment may be incurred. Furthermore, at any time, a tenant of any of the properties in which the Acquisition Portfolio 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 the Acquisition Portfolio. The ability to rent unleased space in the properties in which the Acquisition Portfolio has an interest will be affected by many factors. Costs may be incurred in making improvements or repairs to the property required by a new tenant.

Certain of the major tenants are permitted to cease operating from their leased premises at any time at their option. 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 ("CRU") 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.

Reliance on Anchor Tenants
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. A property could be negatively affected by such a loss.

Interest Rate Fluctuations
From time to time, the Acquisition Portfolio's financing includes indebtedness with interest payments based on variable lending rates that will result in fluctuations in the Acquisition Portfolio's cost of borrowing. Changes in interest rates may also affect the Acquisition Portfolio in many other ways, due to factors including the impact on the economy, the value of real estate, the value of Primaris REIT's units, the economics of acquisition activity and the availability of capital.

Retail Concentration
The Acquisition Portfolio'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.

Competition
The real estate business is competitive. Numerous other developers, managers and owners of retail properties compete with the Acquisition Portfolio in seeking tenants. Some of the properties of the Acquisition Portfolio' competitors are newer or better located or less levered than the properties in which the Acquisition Portfolio has an interest. Some of the Acquisition Portfolio's competitors are stronger financially and hence better able to withstand an economic downturn. The existence of competing developers, managers and owners and competition for the Acquisition Portfolio's tenants could have an adverse effect on the Acquisition Portfolio's ability to lease space in its properties and on the rents charged or concessions granted, and could

adversely affect the Acquisition Portfolio's revenues and its ability to meet its debt obligations.

Competition for acquisitions of real properties is intense, and some competitors may have the ability or inclination to acquire properties at a higher price or on terms less favourable than those that the Acquisition Portfolio is prepared to accept. An increase in the availability of investment funds and an increased interest in real property investments may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

Financing Risks
The Acquisition Portfolio has indebtedness outstanding of approximately $928,583 as at September 30, 2012. A portion of the cash flow generated by the existing properties and any future acquired properties will be devoted to servicing such debt, and there can be no assurance that the Acquisition Portfolio will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the Acquisition Portfolio is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. The Acquisition Portfolio is subject to the risks associated with debt financing, including the risk that the mortgages and banking facilities secured by the Acquisition Portfolios' properties will not be able to be re-financed or that the terms of such re-financing will not be as favourable as the terms of existing indebtedness.

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.

Asset Liquidity
Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for, and the perceived desirability of, such investments. Such illiquidity may tend to limit the Acquisition Portfolio's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Acquisition Portfolio were to be required to liquidate its real property investments, the proceeds to the Acquisition Portfolio might be significantly less than the aggregate carrying value of its properties.

Capital Expenditures
Leasing capital and maintenance capital are incurred in irregular amounts and may exceed actual cash available from operations during certain periods. The Acquisition Portfolio 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.

Distributions
Primaris REIT is subject to provisions in its Declaration of Trust as well as to debt agreements that may impact the quantum of distributions. The sale of investment properties with inherent taxable gains could materially change Primaris REIT's level of distributions.

Land Leases
To the extent that the properties in which the Acquisition Portfolio 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 the Acquisition Portfolio.

Environmental Matters
As an owner of interests in real property in Canada, the Acquisition Portfolio is subject to various Canadian federal, provincial and municipal laws relating to environmental matters. Such laws provide that the Acquisition Portfolio could be liable for the costs of removal of certain hazardous substances and remediation of certain hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect the Acquisition Portfolio's ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against the owner by private plaintiffs.

The Acquisition Portfolio will make the necessary capital and operating expenditures to ensure compliance with environmental laws and regulations. Although there can be no assurances, the Acquisition Portfolio does not believe that costs relating to environmental matters will have a material adverse effect on the Acquisition Portfolio's business, financial condition or results of operation. However, environmental laws and regulations can change and the Acquisition Portfolio or its subsidiaries may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on the Acquisition Portfolio's business, financial condition or results of operations and distributions.

Tax-Related Risks
The specified investment flow-through rules ("SIFT Rules"), federal income tax legislation that result in a tax on certain flow-though entities, are not applicable to funds that qualify for an exemption available to certain Real Estate Investment Trusts (the "REIT Exemption"). The stated intention of the Minister of Finance (Canada) in introducing the REIT Exemption is to exempt certain Real Estate Investment Trusts from taxation as SIFTs in recognition of "the unique history and role of collective real estate investment vehicles". If Primaris REIT fails to qualify for the REIT Exemption, Primaris REIT will be subject to certain tax consequences including taxation of Primaris REIT in a manner similar to corporations.

Management of Primaris REIT intends to conduct the affairs of Primaris REIT so that it continues to qualify for the REIT Exemption at all times: however, as the requirements of the REIT Exemption include complex revenue and asset tests, no assurances can be provided that Primaris will in fact so qualify at any time.

APPENDIX "M"
ASSET ALLOCATION UNDER THE AMENDED ARRANGEMENT AGREEMENT

Properties	Location
H&R REIT	
Cataraqui Centre	Kingston, ON
Dufferin Mall	Toronto, ON
Edinburgh Market Place	Guelph, ON
Garden City Square Annex and Shopping Centre	Winnipeg, MB
Grant Park	Winnipeg, MB
McAllister Place	Saint John, NB
Northland Professional Centre	Calgary, AB
Northland Shoppes	Calgary, AB
Northland Village Mall (including adjacent property)	Calgary, AB
Orchard Park Shopping Centre (including adjacent property)	Kelowna, BC
Park Place Shopping Centre	Lethbridge, AB
Place d'Orleans	Orleans, ON
Place du Royaume	Saguenay, QC
Regent Mall	Fredericton, NB
South Cambridge Centre	Cambridge, ON
Stone Road Mall	Guelph, ON
Sunridge Mall	Calgary, AB

NOTE: The 9 properties to be acquired by Primaris as announced on February 1, 2013 will be allocated to H&R.

Properties	Location
KingSett CREIF and OPB (50/50 Joint Venture)	
Cornwall Centre	Regina, SK
Midtown Plaza Shopping Centre (including the Tower at Midtown)	Saskatoon, SK
KingSett CREIF and RioCan REIT (50/50 Joint Venture)	
Burlington Mall	Burlington, ON
OPB (50% Interest)	
Woodgrove Centre	Nanaimo, BC
RioCan REIT	
Oakville Place	Oakville, ON
KS Acquisition II LP	
Aberdeen Mall	Kamloops, BC
Alliston Mills	New Tecumseth, ON
Driftwood Mall	Courtenay, BC
Eglinton Square (including Englehart Apartments)	Toronto. ON
Heritage Place Shopping Centre (including adjacent property)	Owen Sound, ON
Lambton Mall	Sarnia, ON
Place Fleur De Lys	Quebec City, QC
Place Vertu	Montreal, QC
St. Albert Centre	St. Albert, AB
Sugarloaf Mall	Atholville, NB
Tecumseh Mall	Windsor, ON
Westbank Shopping Centre	Kelowna, BC
KingSett Real Estate Growth LP. No. 4	
Yonge Street Properties (338, 363, 369, 377 and 385 Yonge St.)	Toronto, ON

Any questions and requests for assistance may be directed to the Proxy Solicitation Agent:

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