

H&R REAL ESTATE INVESTMENT TRUST

ANNUAL INFORMATION FORM

For the Year Ended December 31, 2017

March 22, 2018

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GLOSSARY

The following terms used in this annual information form have the meanings set out below:

“**2020 Convertible Debentures**” means 5.90% Series D convertible unsecured subordinated debentures due June 30, 2020.

“**Acquiring Person**” has the meaning ascribed thereto under “Description of Stapled Units – REIT Unitholders’ Rights Plan”.

“**affiliate**” has the meaning ascribed thereto in the *Securities Act* (Ontario).

“**annuitant**” has the meaning ascribed thereto under “Risk Factors – Risks Relating to Securities of the REIT – Unitholder Liability”.

“**associate**” has the meaning ascribed thereto in the CBCA.

“**Audit Committee**” has the meaning ascribed thereto under “Audit Committee Information – Audit Committee Charter”.

“**Cash Flow of Finance Trust**” has the meaning ascribed thereto under “Distribution Policy and Distributions – Finance Trust – Computation of Cash Flow of Finance Trust”.

“**CBCA**” means the *Canada Business Corporations Act*, and the regulations thereunder, as amended.

“**CDOR Rate**” has the meaning ascribed thereto under “Description of Senior Debentures – Interest – Floating Rate Senior Debentures”.

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

“**CrestPSP**” means affiliates of Crestpoint Real Estate Investments Ltd. and Public Sector Pension Investment Board and its affiliates as partners of a partnership which is a co-owner with the REIT of certain Canadian assets, and as limited partners in partnership with affiliates of the REIT in certain U.S. partnerships that own U.S. assets.

“**DBRS**” means DBRS Limited.

“**Debenture Trustee**” means, in respect of the Senior Trust Indenture and U.S. Holdco Note Indenture, BNY Trust Company of Canada, or any assignee under the respective indenture thereto.

“**Distribution Date**” means, in the case of monthly distributions, on or about the last day of each month, or such other date as may be determined from time to time by, in the case of the REIT, the REIT Trustees and, in the case of Finance Trust, the Finance Trust Trustees.

“**distributions**” means, as the context requires, the amount that may be distributed to Unitholders pursuant to the REIT Declaration of Trust or the Finance Trust Declaration of Trust, as applicable.

“**DRIP**” has the meaning ascribed thereto under “Distribution Policy and Distributions – Unitholder Distribution Reinvestment Plan and Unit Purchase Plan”.

“**ECHO**” means Echo Realty LP.

“**ECHO Segment**” means the properties held through the REIT’s 33.6% interest in ECHO, which Properties comprise a separate reportable operating segment of the REIT.

“**Event of Uncoupling**” has the meaning ascribed thereto under “Description of Stapled Units – An Event of Uncoupling”.

“**Exchangeable Securities**” means securities of any trust, limited partnership or corporation other than the REIT that are convertible or exchangeable directly for Stapled Units without the payment of additional consideration therefor.

“**Finance Trust**” means H&R Finance Trust.

“**Finance Trust Declaration of Trust**” means the declaration of trust dated October 1, 2008, as amended and restated as of May 15, 2009, August 12, 2010, November 9, 2011, July 10, 2014 and June 24, 2016, governed by the laws of the Province of Ontario, pursuant to which Finance Trust was created, as further amended, supplemented or amended and restated from time to time.

“**Finance Trust Distributable Cash**” means the amount of cash available to be distributed by Finance Trust, calculated as set out under “Distribution Policy and Distributions – Finance Trust – Computation of Finance Trust Distributable Cash for Distribution Purposes”.

“**Finance Trust Trustee Discretionary Event of Uncoupling**” has the meaning ascribed thereto under “Description of Stapled Units – An Event of Uncoupling”.

“**Finance Trust Trustees**” means the trustees holding office under the Finance Trust Declaration of Trust.

“**Finance Trust Unit Redemption Price**” means the redemption price per Finance Trust Unit, calculated as set out under “Finance Trust Declaration of Trust and Description of Finance Trust Units – Redemption of Finance Trust Units”.

“**Finance Trust Units**” means units of interest in Finance Trust created in accordance with the provisions of the Finance Trust Declaration of Trust and includes a fraction of a unit of Finance Trust.

“**Fixed Rate Senior Debentures**” means the Series C Senior Debentures, Series F Senior Debentures, Series G Senior Debentures, Series L Senior Debentures, Series N Senior Debentures and Series O Debentures.

“**Floating Rate Senior Debentures**” means the Series K Senior Debentures, Series M Senior Debentures and Series P Debentures.

“**Former Property Manager**” means H&R Property Management Ltd., a corporation incorporated under the laws of the Province of Ontario and owned by members of the Hofstedter Family and the Rubinstein Family.

“**Hofstedter Family**” means Sandor Hofstedter, his wife, their children, the spouses of such children and the lineal descendants of such children.

“**H&R Developments**” is comprised of three corporations controlled by members of the Hofstedter Family or members of the Rubinstein Family.

“**H&R Group**” means (i) corporations controlled by members of the Hofstedter Family or the Rubinstein Family which own interests in the Initial Properties, and (ii) other corporations which own interests in the Initial Properties; provided that a corporation referred to in (i) shall no longer be a member of the H&R

Group when it ceases to own any interest in the Initial Properties or any REIT Units issued to it under the agreement made as of December 23, 1996 between the REIT and the H&R Group (as subsequently amended and terminated) pursuant to which members of the H&R Group had the right to exchange from time to time until December 23, 2036 the remaining undivided interest in the Initial Properties owned by such members, and a corporation referred to in (ii) shall no longer be a member of the H&R Group when it ceases to own any interest in the Initial Properties.

“H&R Retail Segment” means all the retail properties described under “Properties – H&R Retail Segment” and not otherwise belonging to the ECHO Segment or Primaris Segment, which Properties comprise a separate reportable operating segment of the REIT.

“Hercules Project” has the meaning ascribed thereto under “The REIT – Business of the REIT”.

“HRLP” means H&R Portfolio Limited Partnership, a limited partnership governed by the laws of the Province of Manitoba.

“HRLP Exchangeable Unit” has the meaning ascribed thereto under “Description of Exchangeable Units – Description of HRLP Exchangeable Units”.

“HRP Trust” means H&R Portfolio LP Trust, an open-ended unit trust established under the laws of the Province of Ontario.

“HRRMSLP” means H&R REIT Management Services LP, a limited partnership governed by the laws of the Province of Manitoba.

“HRRMSLP Exchangeable Unit” has the meaning ascribed thereto under “Description of Exchangeable Units – Description of HRRMSLP Exchangeable Units”.

“IFRS” means International Financial Reporting Standards issued by the International Accounting Standards Board, and as adopted by the Chartered Professional Accountants of Canada, as amended from time to time.

“immediate family member” where used to indicate a relationship with an individual means a parent, child or sibling of such individual.

“Incentive Unit Plan” means the incentive unit plan of the REIT which was established in 2013, as amended from time to time.

“Independent REIT Trustee” means a REIT Trustee who is not a member of the Hofstedter Family, is not a member of the Rubinstein Family and is independent (as that term is used in National Instrument 58-101 – *Disclosure of Corporate Governance Practices*) of the REIT.

“Industrial Segment” means all the industrial properties described under “Properties – Industrial Segment” and not otherwise belonging to the ECHO Segment or Primaris Segment, which Properties comprise a separate reportable operating segment of the REIT.

“Initial Properties” has the meaning ascribed thereto under “The REIT – Business of the REIT”.

“Investment Committee” has the meaning ascribed thereto under “The REIT – Constatng Documents”.

“Jackson Park” has the meaning ascribed thereto under “The REIT – Business of the REIT”.

“Koenig Project” has the meaning ascribed thereto under “The REIT – Business of the REIT”.

“**Lantower Residential Segment**” means all the residential properties described under “Properties – Lantower Residential Segment”, which Properties comprise a separate reportable operating segment of the REIT.

“**Lantower MSLP**” means Lantower Management Services LP, a limited partnership governed by the laws of the State of Delaware and an indirect, wholly-owned subsidiary of U.S. Holdco.

“**LIBOR Rate**” has the meaning ascribed thereto under “Description of Senior Debentures – Interest – Floating Rate Senior Debentures”.

“**Non-Competition Agreement**” has the meaning ascribed thereto under “Non-Competition Arrangements”.

“**Non-Resident**” means, a non-resident of Canada (within the meaning of the Tax Act) or a partnership that is not a “Canadian partnership” (within the meaning of the Tax Act), collectively.

“**Office Segment**” means all the office properties described under “Properties – Office Segment” and not otherwise belonging to the ECHO Segment or Primaris Segment, which Properties comprise a separate reportable operating segment of the REIT.

“**Par Call Date**” means, with respect to the Series N Senior Debentures, November 30, 2023 and with respect to the Series O Debentures, December 23, 2022.

“**PFIC**” has the meaning as described under “The REIT – Passive Foreign Investment Company”.

“**Preferred Units**” has the meaning ascribed thereto under “Risk Factors – Risks Relating to the Securities of the REIT – Creation and Issuance of Preferred Units”.

“**Primaris**” means Primaris Retail Real Estate Investment Trust.

“**Primaris Exchangeable Unit**” has the meaning ascribed thereto under “Description of Exchangeable Units – Description of Primaris Exchangeable Units”.

“**Primaris Segment**” means all the properties described under “Properties – Primaris Segment” as belonging to the Primaris Segment, which Properties comprise a separate reportable operating segment of the REIT.

“**Primaris Transaction**” means the indirect acquisition of 26 properties from Primaris by the REIT pursuant to a statutory plan of arrangement.

“**Properties**” means, collectively, all the office properties, industrial properties, retail properties and residential properties described under “Properties”, which include properties the REIT accounts for as equity accounted investments, as well as properties classified as held for sale and for greater certainty, includes the properties attributed to the Primaris Segment and ECHO Segment.

“**REIT**” means H&R Real Estate Investment Trust and, if applicable, includes corporations and other entities wholly-owned, directly or indirectly, by the REIT.

“**REIT Advance Notice Policy**” has the meaning ascribed thereto under “REIT Declaration of Trust and Description of REIT Units – Meetings of REIT Unitholders and Special Voting Unitholders”.

“**REIT Declaration of Trust**” means the declaration of trust dated November 4, 1996, as amended and restated as of August 8, 1997, May 27, 1999, May 24, 2001, July 21, 2005, June 23, 2006, May 18, 2007,

October 1, 2008, May 15, 2009, August 12, 2010, August 11, 2011, June 25, 2012, June 28, 2013, July 10, 2014, June 24, 2016 and June 27, 2017 governed by the laws of the Province of Ontario, pursuant to which the REIT was created, as further amended, supplemented or amended and restated from time to time.

“**REIT Exemption**” has the meaning ascribed thereto under “Risk Factors – Risks Relating to Securities of the REIT – Tax Risk”.

“**REIT Trustees**” means the trustees holding office under the REIT Declaration of Trust.

“**REIT Units**” means units of participating interest in the REIT created in accordance with the provisions of the REIT Declaration of Trust and includes a fraction of a unit of the REIT, but for the avoidance of doubt, does not include a Special Voting Unit.

“**Related Party**” means Thomas J. Hofstedter.

“**Rights Plan**” means the unitholders’ rights plan referred to under “Description of Stapled Units – REIT Unitholders’ Rights Plan”.

“**Rubinstein Family**” means Bill Rubinstein, his wife, Daniel Rubinstein, his wife, any of their respective children, the spouses of such children and the lineal descendants of such children.

“**Senior Debentures**” means, collectively, the Series C Senior Debentures, the Series F Senior Debentures, the Series G Senior Debentures, the Series K Senior Debentures, the Series L Senior Debentures, the Series M Senior Debentures, the Series N Senior Debentures, the Series O Debentures and the Series P Debentures, and such other debentures as may be issued under the Senior Trust Indenture from time to time.

“**Senior Trust Indenture**” has the meaning ascribed thereto under “Description of Senior Debentures – General”.

“**Series I U.S. Holdco Notes**” means the first series of notes issuable pursuant to the U.S. Holdco Note Indenture.

“**Series C Senior Debentures**” means 5.00% Series C senior debentures due December 1, 2018.

“**Series E Senior Debentures**” means 4.90% Series E senior debentures due February 2, 2018.

“**Series F Senior Debentures**” means 4.45% Series F senior debentures due March 2, 2020.

“**Series G Senior Debentures**” means 3.344% Series G senior debentures due June 20, 2018.

“**Series I Senior Debentures**” means floating rate Series I senior debentures due January 23, 2017.

“**Series J Senior Debentures**” means floating rate Series J senior debentures due February 9, 2018.

“**Series K Senior Debentures**” means floating rate Series K senior debentures due March 1, 2019.

“**Series L Senior Debentures**” means 2.923% Series L senior debentures due May 6, 2022.

“**Series M Senior Debentures**” means floating rate Series M senior debentures due July 23, 2019.

“**Series N Senior Debentures**” means 3.369% Series N senior debentures due January 30, 2024.

“*Series O Senior Debentures*” means 3.416% Series O senior debentures due January 23, 2023.

“*Series P Senior Debentures*” means floating rate Series P senior debentures due February 13, 2020.

“*SIFT Tax*” means the tax payable by a SIFT trust pursuant to paragraph 122(1)(b) of the Tax Act or by a SIFT partnership pursuant to section 197 of the Tax Act.

“*Special Voting Unit*” means a non-participating special voting unit of the REIT, issued in accordance with the provisions of the REIT Declaration of Trust and includes a fraction of a Special Voting Unit.

“*Special Voting Unitholder*” means a holder of a Special Voting Unit.

“*Stapled Unit*” means one REIT Unit and one Finance Trust Unit, which trade together.

“*Support Agreement*” has the meaning ascribed thereto under “Description of Stapled Units – Support Agreement”.

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

“*The Bow*” means the 2.0 million square foot head office complex in Calgary, Alberta.

“*Total Assets*” means, at any time, the sum of the assets as recorded on the most recent balance sheet of the REIT, prepared on a consolidated basis in accordance with generally accepted accounting principles.

“*TSX*” means the Toronto Stock Exchange.

“*Unit Option Plan*” means the unit option plan of the REIT which was established in 1996, as amended from time to time.

“*Unit Purchase Plan*” has the meaning ascribed thereto under “Distribution Policy and Distributions – Unitholder Distribution Reinvestment Plan and Unit Purchase Plan”.

“*Unitholder*” means, generally, a holder of a Stapled Unit and in limited circumstances means a holder of REIT Units or a holder of Finance Trust Units, as applicable.

“*U.S. Holdco*” has the meaning ascribed thereto under “The REIT – Business of the REIT”.

“*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 the Debenture Trustee (as successor to 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 Finance Trust pursuant to the U.S. Holdco Note Indenture.

“*U.S. Tax Reform*” means H.R.1 - An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018, commonly referred to as the Tax Cuts and Jobs Act of 2017.

“*U.S. Unitholder*” means a holder of a REIT Unit that is for U.S. federal income tax purposes (i) an individual citizen or resident of the United States, (ii) a corporation or other entity treated as a corporation created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an

estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust if it is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust, or has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

In this annual information form, amounts are stated in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING STATEMENTS

Certain information in this annual information form contains forward-looking information within the meaning of applicable securities laws (also known as forward-looking statements) including, among others, statements relating to the REIT's objectives, strategies to achieve those objectives, the REIT's beliefs, plans, estimates, projections and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts including, in particular, statements with respect to, future distributions by the REIT and Finance Trust, the expected square footage, time to completion, budget and occupancy of properties under development, growth in operating cash flow, growth in annual rental rates, potential sources of financing for any required additional capital, continued borrowing of funds from the REIT by U.S. Holdco to fund acquisitions, its operations or to refinance existing loans, the application of or amendments to tax legislation, the continued qualification by the REIT for the REIT Exemption and the outcome of legal proceedings. Forward-looking statements generally can be identified by words such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans", "project", "seek", "budget" or "continue" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect the REIT's current beliefs and are based on information currently available to management.

Forward-looking statements are provided for the purpose of assisting readers in understanding the REIT and its business, operations, prospects and risks at a point in time in the context of historical and possible developments, including management's current expectations and plans relating to the future, and readers are cautioned that such statements may not be appropriate for other purposes. These statements are not guarantees of future performance and are based on the REIT's estimates and assumptions that are subject to risks and uncertainties, including those described below under "Risk Factors" and those discussed in the REIT's materials filed with the Canadian securities regulatory authorities from time to time, which could cause the actual results and performance of the REIT to differ materially from the forward-looking statements contained in this annual information form. Those risks and uncertainties include, among other things, risks related to: the business of the REIT (real property ownership; credit risk and tenant concentration; lease rollovers; interest rates and debt; construction; currency; liquidity; cyber-security; financing credit; environmental matters; co-ownership interest in properties; joint arrangement and investments; dependence on key personnel; failure to complete acquisitions; competition for real property investments; and potential conflicts of interest;) and securities of the REIT (prices of REIT securities; availability of cash for distributions; credit ratings; ability to access capital markets; tax; tax risk applicable to Unitholders; dilution; Unitholder liability; the right to redeem units; uncoupling of Stapled Units; investment eligibility of Stapled Units; the Senior Debentures; inability of the REIT to purchase Senior Debentures on a change of control; statutory remedies available to Unitholders; creation and issuance of Preferred Units; and "closed-end" unit trust status). Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking statements include that the general economy is stable; local real estate conditions are stable; interest rates are relatively stable; equity and debt markets continue to provide access to capital; and U.S. Holdco is financially viable and creditworthy. The REIT cautions that this list of factors is not exhaustive. Although the forward-looking statements contained in this annual information form are based upon what the REIT believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Furthermore, readers are also urged to examine the REIT's materials filed with the Canadian securities regulatory authorities from time to time as they may contain discussions on risks and uncertainties which could cause the actual results and performance of the REIT to differ materially from the forward-looking statements contained in this annual information form.

All forward-looking statements in this annual information form are qualified by these cautionary statements. These forward-looking statements are made only as of the date hereof, and the REIT, except

as required by applicable Canadian law, assumes no obligation to update or revise them to reflect new information or the occurrence of future events or circumstances.

NON-GAAP MEASURES

The financial statements of the REIT and Finance Trust (the “**Combined Financial Statements**”) are prepared in accordance with IFRS. However, in this annual information form, certain measures are presented that are not generally accepted accounting principles (“**GAAP**”) measured under IFRS. These measures, as well as the reasons why management believes these measures are useful to investors, are described below.

None of these non-GAAP financial measures should be construed as an alternative to financial measures calculated in accordance with GAAP. Further, the REIT’s and Finance Trust’s methods of calculating these supplemental non-GAAP financial measures may differ from the methods of other real estate investment trusts or other issuers, and accordingly may not be comparable.

The Trusts’ proportionate share

The REIT and Finance Trust account for investments in joint ventures and associates as equity accounted investments in accordance with IFRS. The Trusts’ proportionate share is a non-GAAP measure that adjusts the Combined Financial Statements to reflect the REIT’s equity accounted investments and its share of net income (loss) from equity accounted investments on a proportionately consolidated basis at the REIT’s ownership percentage of the related investment. Management believes this measure is important for investors as it is consistent with how the REIT and Finance Trust review and assess operating performance of their entire portfolio. The combined management’s discussion and analysis of combined results of operations and combined financial position of the REIT and Finance Trust for the year ended December 31, 2017 (the “**Combined MD&A**”) reconciles the balances at the Trusts’ proportionate share back to relevant GAAP measures.

Same-Asset property operating income (cash basis)

Same-Asset property operating income (cash basis) is a non-GAAP financial measure used by the REIT to assess period-over-period performance for properties owned and operated since January 1, 2016. This typically excludes acquisitions, business combinations, dispositions and transfers of properties under development to investment properties during the last 24 months (collectively, “**Transactions**”). Management believes that this measure is useful for investors in understanding period-over-period changes due to occupancy, rental rates, realty taxes and operating costs, before evaluating the changes attributable to Transactions. Refer to the “Property Operating Income” section in the Combined MD&A for a reconciliation of property operating income to Same-Asset property operating income (cash basis).

ANNUAL INFORMATION FORM
(Information as at December 31, 2017 unless otherwise indicated)

THE REIT

Constituting Documents

H&R Real Estate Investment Trust is an unincorporated real estate investment trust created by the REIT Declaration of Trust under, and governed by, the laws of the Province of Ontario. The REIT is an open-ended investment trust. Since November 4, 1996, the initial REIT Declaration of Trust has been amended and restated, with the approval of Unitholders, on multiple occasions.

Effective August 8, 1997, the REIT Declaration of Trust was amended and restated to revise the investment guidelines and operating policies and to provide that, at the discretion of the REIT Trustees, the REIT may make distributions to Unitholders on a monthly basis.

Effective May 27, 1999, the REIT Declaration of Trust was amended and restated to make further changes to the REIT's investment guidelines and operating policies.

Effective May 24, 2001, the REIT Declaration of Trust was amended and restated to amend the REIT's distribution policy and the limitation on indebtedness of the REIT.

Effective July 21, 2005, the REIT Declaration of Trust was amended and restated to, among other things, provide Unitholders with the right of redemption for their REIT Units and to respond to mandated changes in accounting principles.

Effective June 23, 2006, the REIT Declaration of Trust was amended and restated to simplify the REIT's indebtedness limitation.

Effective May 18, 2007, the REIT Declaration of Trust was amended and restated to, among other things, to clarify the manner of calculating payments of cash distributable by the REIT and distributions payable in REIT Units in certain circumstances and to clarify the definition of "indebtedness" used in the REIT's operating policy.

Effective October 1, 2008, the REIT Declaration of Trust was amended and restated to, among other things, reflect the stapling of REIT Units and Finance Trust Units.

Effective May 15, 2009, the REIT Declaration of Trust was amended and restated to, among other things, eliminate any reference to the term "Distributable Cash" or a specified minimum cash distribution.

Effective August 12, 2010, the REIT Declaration of Trust was amended and restated to, among other things, exclude certain guarantees provided by the REIT of debt assumed by purchasers, on a primary obligor basis, in connection with past dispositions of properties and for which the purchaser has provided the REIT an indemnity or similar arrangement from the calculation of gross book value, and to adjust the REIT's operating policy so as to provide that the requirement to obtain an independent appraisal in connection with property acquisitions is at the discretion of the REIT's Investment Committee (the "**Investment Committee**").

Effective August 11, 2011, the REIT Declaration of Trust was amended and restated to, among other things, revise the REIT's investment guidelines to eliminate the geographic limitation on the REIT's investments, to revise the REIT's operating policies to change the basis of measurement for the leasing

limitation to a comparison based on the gross leasable area, and to amend the requirements concerning the provision of financial statements of the REIT to Unitholders.

Effective June 25, 2012, the REIT Declaration of Trust was amended and restated to, among other things, amend the operating policy for holding title to real property to provide flexibility relating to the structuring of the REIT's holdings, to eliminate the classified board of trustees structure, to create an unconditional requirement for the REIT to pay out no less than its taxable income each year (whether by distribution of cash or REIT Units), to change the investment guideline relating to joint venture arrangements to be consistent with those required to be satisfied for an investment in a partnership, to change the operating policy of the REIT relating to its 65% debt-to-gross book value ratio so that partnerships are also treated in the same manner as joint venture arrangements in determining such ratio, and to permit the REIT to declare distributions payable in the form of Finance Trust Units (whether or not held by the REIT) to Unitholders of the REIT and to address the funding of the applicable withholding tax liability in respect of such distributions.

Effective June 28, 2013, the REIT Declaration of Trust was amended and restated, to, among other things, revise the REIT's investment guidelines and operating policies to provide greater flexibility to the REIT Trustees and senior management regarding the investments and operations of the REIT, and to adjust the duties of the Investment Committee to provide that transactions under \$50 million may be authorized by management and do not require consideration by the Investment Committee, while transactions exceeding \$500 million must be considered by the REIT Trustees.

Effective July 10, 2014, the REIT Declaration of Trust was amended and restated to, among other things, to create and permit the REIT to issue a new class of units of the REIT designated as "Special Voting Units", and to implement the REIT Advance Notice Policy.

Effective June 24, 2016, the REIT Declaration of Trust was amended and restated to, among other things, (i) further align the REIT Declaration of Trust with evolving governance best practices which include introducing rights and remedies in favour of Unitholders consistent with those available to shareholders of a corporation pursuant to the CBCA; (ii) enhance Unitholders' rights respecting the process for and procedures at Unitholder meetings; and (iii) modify the existing provisions of the REIT Advance Notice Policy to be consistent with evolving governance best practices with respect to time periods contemplated therein and adjournments or postponements of meetings.

Most recently and effective June 27, 2017, the REIT Declaration of Trust was amended and restated to, among other things, modify the responsibilities of the Investment Committee of the REIT to provide additional flexibility for the Investment Committee to review transactions and/or to delegate such responsibilities to senior management of the REIT, subject to applicable financial thresholds as determined by the REIT Trustees from time to time.

The REIT's operations, including the management of the REIT's investments, are subject to the control and direction of the REIT Trustees. The REIT Trustees have powers and responsibilities analogous to those applicable to boards of directors of corporations.

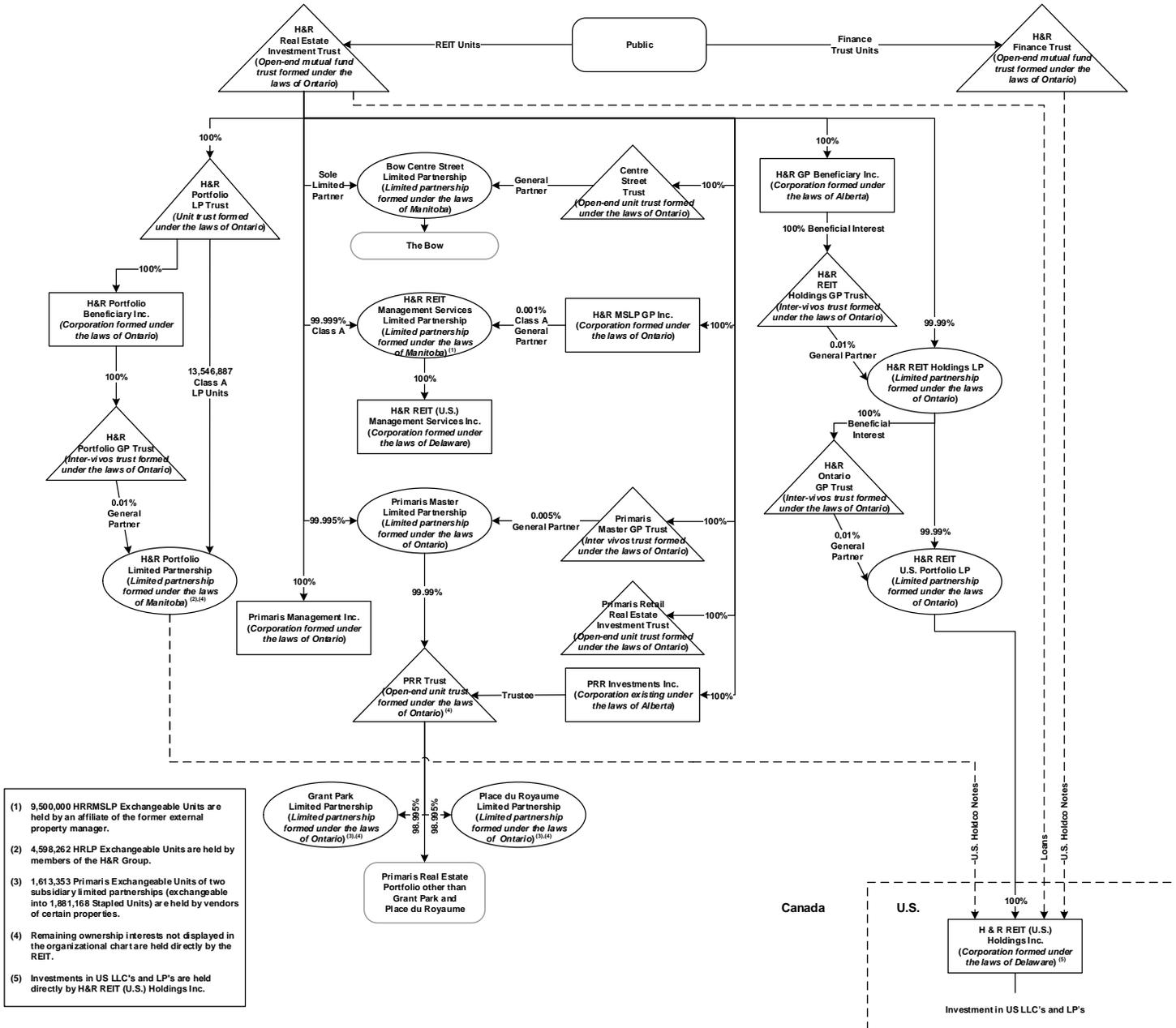
The REIT is not a mutual fund and is not subject to the requirements of Canadian mutual fund policies and regulations under Canadian securities legislation.

The REIT is not a trust company and, accordingly, is not registered under the *Trust and Loan Companies Act* (Canada) or the trust company legislation of any province as the REIT does not carry on, nor intend to carry on, the business of a trust company.

Organizational Structure

The following chart summarizes the structure of the REIT and Finance Trust at December 31, 2017, including material and certain other subsidiaries:

H & R REAL ESTATE INVESTMENT TRUST Organizational Structure December 31, 2017



(1) 9,500,000 HRRMSLP Exchangeable Units are held by an affiliate of the former external property manager.
 (2) 4,598,262 HRLP Exchangeable Units are held by members of the H&R Group.
 (3) 1,613,353 Primaris Exchangeable Units of two subsidiary limited partnerships (exchangeable into 1,881,168 Stapled Units) are held by vendors of certain properties.
 (4) Remaining ownership interests not displayed in the organizational chart are held directly by the REIT.
 (5) Investments in US LLC's and LP's are held directly by H&R REIT (U.S.) Holdings Inc.

Business of the REIT

The REIT commenced operations on December 23, 1996 with the completion of its initial public offering of REIT Units, represented by instalment receipts. Contemporaneously with the completion of its initial public offering, the REIT acquired a substantial interest in a portfolio of 12 office properties and 15 industrial properties (the “**Initial Properties**”). The REIT, as at December 31, 2017, owned and operated a portfolio of interests in 527 Properties (including 227 properties held through the REIT’s 33.6% interest in ECHO). The total leasable area of the Properties was approximately 45.9 million square feet. The portfolio consisted of 43 properties located in Alberta, 100 properties located in Ontario, 48 properties located elsewhere in Canada and 336 properties located in the United States. Since January 1, 2018, the REIT has disposed of a 100% interest in one property and a 50% interest in two properties. Such dispositions have resulted in a net decrease of approximately 0.4 million square feet of leasable area in the REIT’s portfolio, thereby bringing the total leasable area of the Properties comprising the REIT’s portfolio to approximately 45.5 million square feet as of the date hereof.

The REIT owns a 50% interest in “Jackson Park”, a landmark luxury residential rental development in Long Island City, New York (“**Jackson Park**”) which is currently under construction for 1,871 residential rental units and approximately 14,000 square feet of retail space. The site is located adjacent to H&R’s Two Gotham Center office property. The leasing office for Jackson Park opened in November 2017 and lease-up is expected to occur throughout 2018 and 2019.

The REIT owns a 31.7% non-managing interest in 38.4 acres of land located in Hercules, California, adjacent to the San Pablo Bay, northeast of San Francisco, CA for the future development of multi-family residential units (the “**Hercules Project**”). The first parcel of phase 1 of the Hercules Project will consist of 172 multi-family units and construction will commence in May 2018.

The REIT owns a 33.3% non-managing interest in approximately 5.0 acres of land in Austin, Texas for the future development of 391 multi-family units with construction expected to commence in June 2018 (the “**Koenig Project**”).

The REIT owns approximately 144 developable acres of land forming part of the planned community of Mayfield West located in Caledon, Ontario, which is expected to accommodate up to 2.7 million buildable square feet of industrial property. This land is located adjacent to Highway 401 between Heartlake Road and Dixie Road.

ECHO has three development projects and five parcels of vacant land areas which are not reflected in the tables included under “Properties” below.

The REIT generally owns its interest in Properties or develops its projects through nominee companies. Each of these companies is a non-operating holding company, the purpose of which is to hold as nominee the REIT’s interest in one particular property. In addition, H&R REIT (U.S.) Holdings Inc. (“**U.S. Holdco**”) is the indirect owner of all the real properties and buildings located in the United States (see “Description of U.S. Holdco Notes”); and HRLP holds a 50% interest in one industrial property and an approximate 30% interest in the remaining Initial Properties (see “Description of Exchangeable Units – Description of HRLP Exchangeable Units”). All of the outstanding Class A units of HRLP are owned by HRP Trust and the REIT. All of the outstanding units of HRP Trust are held by the REIT. The general partner of HRLP is an *inter vivos* trust settled for the sole benefit of a wholly-owned subsidiary of HRP Trust. See “– Organizational Structure”.

As at December 31, 2017, the REIT and its wholly-owned subsidiaries employed 595 employees. The head and registered office of the REIT is located at Suite 500, 3625 Dufferin Street, Toronto, Ontario, M3K 1N4.

The REIT seeks to mitigate risk (see “Risk Factors”) through diversification, both by asset class and geographic location. The REIT invests in four real estate asset classes, being office, retail, industrial and residential properties, and acquires properties both in Canada and the United States. The REIT’s retail segment is further viewed by management as being comprised of three different segments: (i) the Primaris Segment, which is managed by Primaris Management Inc.; (ii) the H&R Retail Segment, and (iii) the ECHO Segment, comprised of the REIT’s interest in ECHO, a privately held real estate and development company which focuses on developing and owning a core portfolio of grocery anchored shopping centres in the United States. Therefore, the REIT has six operating segments and management assesses the results of these operations separately: the Office Segment, comprised of interests in 36 Properties as at December 31, 2017 (December 31, 2016 – 37); the Primaris Segment, comprised of interests in 31 Properties as at December 31, 2017 (December 31, 2016 – 31); the H&R Retail Segment, comprised of interests in 123 Properties as at December 31, 2017 (December 31, 2016 – 126); the ECHO Segment, comprised of interests in 227 Properties as at December 31, 2017 (December 31, 2016 – 215); the Industrial Segment, comprised of interests in 93 Properties as at December 31, 2017 (December 31, 2016 – 101); and the Lantower Residential Segment, comprised of 17 Properties as at December 31, 2017 (December 31, 2016 – 12). Each of these reportable operating segments are distinguishable components of the business of REIT which provide related products or services that are subject to risks and rewards that are different from those of the other reportable segment. Further disclosure of segmented information by reportable operating segment (and by geographic area) can be found in the audited combined annual financial statements of the REIT and Finance Trust for the financial year ended December 31, 2017.

Office Segment

The Office Segment consists of office properties throughout Canada and in select markets in the United States with an average lease term to maturity of 11.8 years as at December 31, 2017. The investment policy of the Office Segment is to lease its Properties on a long-term basis to creditworthy tenants. The Office Segment’s rental revenue from investment properties was \$600.8 million for the year ended December 31, 2017 (\$655.9 million for the year ended December 31, 2016).

Primaris Segment

The Primaris Segment consists of enclosed shopping centres and multi-tenant retail plazas throughout Canada with an average lease term to maturity of 4.9 years as at December 31, 2017. The Primaris Segment’s rental revenue from investment properties was \$281.1 million for the year ended December 31, 2017 (\$300.9 million for the year ended December 31, 2016).

H&R Retail Segment

The H&R Retail Segment consists of retail properties managed by HRRMSLP and Lantower MSLP throughout Canada and the United States with an average lease term to maturity of 6.1 years as at December 31, 2017. The H&R Retail Segment’s rental revenue from investment properties was \$125.2 million for the year ended December 31, 2017 (\$142.4 million for the year ended December 31, 2016).

ECHO Segment

The ECHO Segment focuses on developing and owning a core portfolio of grocery anchored shopping centres in the United States. The ECHO Segment’s average lease term to maturity was 10.6 years

as at December 31, 2017. The ECHO Segment's rental revenue from investment properties was \$72.5 million for the year ended December 31, 2017 (\$60.0 million for the year ended December 31, 2016).

Industrial Segment

The Industrial Segment consists of industrial properties throughout Canada and the United States with an average lease term to maturity of 7.2 years as at December 31, 2017. The Industrial Segment's rental revenue from investment properties was \$96.8 million for the year ended December 31, 2017 (\$98.2 million for the year ended December 31, 2016).

Lantower Residential Segment

The Lantower Residential Segment consists of residential properties in the United States. The investment policy of the Lantower Residential Segment is to acquire Properties in strong employment markets and where rents are increasing annually. The Lantower Residential Segment's rental revenue from investment properties was \$80.5 million for the year ended December 31, 2017 (\$52.8 million for the year ended December 31, 2016).

General Developments of the Business of the REIT

Over the last three completed financial years, the portfolio of Properties that the REIT has an interest in has changed both in number (from interests in 501 Properties as at December 31, 2014 to interests in 527 Properties as at December 31, 2017) and in leasable area (from approximately 49.9 million square feet as at December 31, 2014 to approximately 45.9 million square feet as at December 31, 2017).

Between January 1, 2015 and December 31, 2017, the portfolio of Properties owned and operated by the REIT increased with the acquisition of interests in 39 Properties and development of 26 Properties, and decreased with the disposition of 39 Properties. During the same period, the REIT sold an approximate 50% ownership interest in 20 Properties while retaining the remaining interest, which did not result in a decrease in the number of Properties owned and operated by the REIT.

Over the last three completed financial years, the REIT has completed five public offerings and two private placement offerings raising total aggregate gross proceeds of approximately \$1.025 billion and U.S. \$125 million through the issuance of Senior Debentures. Generally, proceeds from the REIT offerings have been used to fund acquisitions and developments, repay indebtedness, and for general trust purposes. Since the end of the most recently completed financial year, the REIT has completed one public offering and one private placement offering raising total aggregate gross proceeds of approximately \$250 million and U.S. \$125 million through the issuance of Senior Debentures.

In January 2015, the REIT sold an industrial property in Pickering, Ontario which was classified as held for sale as at December 31, 2014, for gross proceeds of approximately \$70.2 million and repaid the mortgage payable of approximately \$42.6 million bearing interest at 5.2% per annum.

In February 2015, the REIT completed a private offering of U.S. \$125 million principal amount of floating rate Series J Senior Debentures. See "Description of Senior Debentures".

In February 2015, the REIT repaid all of the outstanding 5.20% Series A senior debentures due February 3, 2015 upon maturity for total cash payment of \$115 million.

In February 2015, the REIT acquired a residential property in Dallas, Texas for a purchase price of approximately U.S. \$52.3 million. In March 2015, the REIT entered into a mortgage on this property for approximately U.S. \$39.2 million, bearing interest at 3.60% per annum.

In February 2015 and July 2015, the REIT repaid a portion of the loan payable to ECHO for a total cash payment of U.S. \$130.8 million.

In March 2015, the REIT sold interests in 16 U.S. properties to CrestPSP for a total selling price of approximately U.S. \$150.5 million. CrestPSP assumed mortgages of approximately U.S. \$56.2 million in connection with the sale. Additionally, the REIT sold an interest in one Canadian industrial property to CrestPSP for approximately \$51.5 million and provided CrestPSP with a vendor take-back mortgage of approximately \$23.2 million.

In April 2015, the REIT acquired two residential properties in Orlando, Florida for a purchase price of approximately U.S. \$102.9 million. In May 2015, the REIT entered into two mortgages on these properties for a principal amount of approximately U.S. \$78.7 million, bearing interest at a weighted average rate of 4.06% per annum.

On June 4, 2015, the REIT received approval from the TSX for a normal course issuer bid pursuant to which the REIT and Finance Trust have the ability to purchase for cancellation up to a maximum of 5,000,000 Stapled Units during the period commencing June 9, 2015 and ending on the earlier of June 8, 2016 and the date on which the REIT and Finance Trust have purchased the maximum number of Stapled Units permitted under the bid. Pursuant to the normal course issuer bid, the REIT and Finance Trust purchased and cancelled a total of 141,800 Stapled Units at a weighted average price of \$19.28 per Stapled Unit.

In June 2015, the REIT sold two retail properties in Virginia, for gross proceeds of approximately U.S. \$18.5 million and repaid the two mortgages payable of approximately U.S. \$10.9 million bearing interest at a weighted average rate of 5.58% per annum.

During the second quarter of 2015, construction commenced on Jackson Park in Long Island City, New York.

In July 2015, the REIT completed a public offering of \$200 million principal amount of floating rate Series K Senior Debentures. See "Description of Senior Debentures".

In July 2015, ECHO purchased a retail portfolio of eight grocery anchored retail properties comprising 546,462 square feet in the Southeastern United States for a total purchase price of approximately U.S. \$124.8 million.

In September 2015, the REIT sold its 100% interest in a 314,033 square foot retail property located in Richmond, B.C., for \$103.0 million and repaid the mortgage on the property of \$47.3 million, bearing interest at a rate of 5.1%.

In October 2015, the REIT acquired one residential property in Austin, Texas for a purchase price of approximately U.S. \$47.3 million and assumed a mortgage of approximately U.S. \$33.5 million for a term of nine years.

In October 2015, the REIT acquired two residential properties in Dallas, Texas for an aggregate purchase price of approximately U.S. \$58.0 million and entered into two mortgages in aggregate of U.S. \$41.2 million for a term of 10 years.

In October 2015, the REIT repaid all of its outstanding floating rate Series H senior debentures due October 9, 2015 upon maturity for a total cash payment of \$235.0 million.

In December 2015, the REIT announced that it had replaced its previous \$300 million secured general operating line maturing on December 31, 2016 with a new senior unsecured revolving credit facility for \$500 million with a syndicate of lenders, maturing December 18, 2018. The REIT, through its wholly-owned subsidiary PRR Trust also amended its senior unsecured credit facility by increasing the line from \$200 million to \$300 million. The REIT also announced that U.S. Holdco and its partners secured U.S. \$640 million in construction financing for Jackson Park.

In February 2016, the REIT, along with its co-owners, CrestPSP, acquired a 50% interest in a newly constructed industrial property in Calgary, Alberta for \$31.0 million.

In February 2016, the REIT repaid the remainder of the loan payable to ECHO for a total cash payment of U.S. \$60.8 million.

In March 2016, the REIT entered into a new senior unsecured credit facility for \$200.0 million, maturing March 17, 2021. The REIT entered into an interest rate swap agreement to effectively fix the interest rate at 2.56% per annum on U.S. \$130.0 million of the U.S. dollar denominated borrowing under this credit facility.

In March 2016, the REIT entered into interest rate swap agreements to fix the interest rates on (i) the Series I Senior Debentures at 2.54% per annum, (ii) the Series J Senior Debentures at 2.04% per annum, and (iii) the Series K Senior Debentures at 2.36% per annum.

In March 2016, the REIT sold its 100% interest in two retail properties both located in the U.S. for U.S. \$22.9 million.

In April 2016, the REIT sold its 50% interest in an industrial property in Vaughan, Ontario for \$3.0 million.

In April 2016 and May 2016, the REIT sold its 100% interest in two retail properties both located in the U.S. for U.S. \$30.5 million.

In June 2016, the REIT acquired a multi-family property in Durham, North Carolina, comprised of 322 units for a purchase price of U.S. \$60.0 million.

In June 2016, the REIT sold its 33.3% freehold and leasehold interests in Scotia Plaza and 100 Yonge Street for approximately \$438.3 million. The purchaser assumed the REIT's share of the existing financing on the properties. The REIT received net proceeds of approximately \$227.0 million.

On July 8, 2016, the REIT and Finance Trust announced that the TSX approved their normal course issuer bid pursuant to which the REIT and Finance Trust may acquire up to 5,000,000 Stapled Units, representing 1.77% of the then issued and outstanding Stapled Units. The normal course issuer bid commenced on July 14, 2016 and ended on July 13, 2017. The REIT and Finance Trust did not make any purchases of Stapled Units pursuant to the bid.

In July 2016, the REIT repaid all of its outstanding 4.778% Series D senior debentures due July 27, 2016 upon maturity for a total cash payment of \$180.0 million.

In August 2016, the REIT sold its 50% interest in one industrial property in Baie-D'Urfé, Québec for \$4.2 million.

In August 2016, the REIT acquired a multi-family property in Dallas, Texas, comprised of 312 units for a purchase price of U.S. \$46.4 million.

In August 2016, the REIT acquired a 31.7% non-managing interest in a property under development in Hercules, California for a purchase price of U.S. \$10.0 million. See “Properties Under Development – Hercules Project, Hercules, California”.

In September 2016, the REIT sold one retail property in Tyler, Texas for U.S. \$8.5 million.

In October 2016, the REIT acquired a multi-family property in Tampa, Florida, comprised of 300 units for a purchase price of U.S. \$69.0 million.

In November 2016, the REIT sold a 50% non-managing interest in the TransCanada Tower in Calgary, Alberta to HOOPP Realty Inc., a wholly-owned subsidiary of the Healthcare of Ontario Pension Plan, for approximately \$257.4 million.

In November 2016, the REIT completed a public offering of \$200 million principal amount of Series L Senior Debentures. See “Description of Senior Debentures”.

In November 2016, the REIT acquired a multi-family property in San Antonio, Texas, comprised of 312 units for a purchase price of U.S. \$56.8 million.

In December 2016, the REIT repaid all of its remaining 4.50% Series E convertible unsecured subordinated debentures due December 31, 2016 upon maturity for a total cash payment of \$75.0 million.

In January 2017, the REIT sold a 50% non-managing interest in two enclosed shopping centres in Kingston, Ontario and Chicoutimi, Québec for approximately \$211.6 million. The purchaser assumed 50% of the existing financing on the properties, being approximately \$126.6 million.

In January 2017, the REIT completed a private offering of \$150 million principal amount of floating rate Series M Senior Debentures.

In January 2017, the REIT repaid all of its outstanding Series I Senior Debentures upon maturity for a total cash payment of \$60.0 million.

In January 2017, the REIT completed a public offering of \$200 million principal amount of Series N Senior Debentures.

In January 2017, the REIT acquired a mortgage receivable secured against nine acres of land in Miami, Florida in the principal amount of approximately U.S. \$34.0 million. The site, known as “River Landing” is on the Miami River adjacent to the Health District and is zoned for approximately 480,000 square feet of retail and office space and over 500 multi-family units. As at December 31, 2017, the mortgage receivable outstanding was U.S. \$67.1 million.

In February 2017, the REIT repaid all of its outstanding 5.90% Series B senior debentures due February 3, 2017 upon maturity for a total cash payment of \$115.0 million.

In March 2017, the REIT extended the maturity date of the Primaris secured operating facility from December 2017 to July 2019.

In April 2017, the REIT completed a public offering of an additional \$150 million principal amount of Series N Senior Debentures, bringing the total principal amount of Series N Senior Debentures to \$350 million.

In July 2017, the REIT acquired a 33.3% non-managing interest in the Koenig Project in Austin, Texas for a purchase price of U.S. \$4.9 million (at the REIT's ownership interest). See "Properties Under Development – Koenig Project, Austin, Texas".

On August 8 2017, the REIT received approval from the TSX for a normal course issuer bid pursuant to which the REIT will have the ability to purchase for cancellation up to a maximum of 5,000,000 Stapled Units during the period commencing on August 15, 2017 and ending on the earlier of August 14, 2018 and the date on which the REIT has purchased the maximum number of Stapled Units permitted under the bid. Pursuant to the normal course issuer bid, the REIT and Finance Trust have purchased and cancelled a total of 4,365,140 Stapled Units at a weighted average price of \$20.88 per Stapled Unit during the period from August 15, 2017 to March 15, 2018.

In August 2017, the REIT completed a public offering of an additional \$125 million principal amount of Series L Senior Debentures, bringing the total principal amount of Series L Senior Debentures to \$325 million.

In September 2017, the REIT redeemed all of the remaining 5.40% convertible unsecured subordinated debentures due November 30, 2018 assumed by the REIT in connection with the Primaris Transaction for a total cash payment of approximately \$74.4 million.

During the period from January 2017 through December 2017, the REIT acquired six multi-family properties comprised of 2,229 units for approximately U.S. \$386.8 million and sold one multi-family property comprised of 428 units for U.S. \$32.2 million. Three of the multi-family properties acquired during the year are in Florida and three are in Texas.

During the period from January 2017 through December 2017, the REIT sold three retail properties located in the United States for approximately U.S. \$16.6 million.

During the period from January 2017 through December 2017, the REIT sold a 50.5% ownership interest in nine co-owned industrial properties located in the U.S. and a 50% ownership interest in one industrial co-owned property located in Canada for a sale price of approximately U.S. \$116.4 million and C\$3.8 million, respectively at the REIT's share.

During the period from December 2016 through November 2017, ECHO acquired 11 properties and three land parcels for approximately U.S. \$41.4 million, at the REIT's share. During this period, ECHO sold one property for approximately \$2.5 million, at the REIT's share.

During the period from January 2017 through December 2017, the REIT secured 11 mortgages totaling \$611.5 million at a weighted average interest rate of 3.61% per annum and repaid 21 mortgages totaling \$617.9 million, which had a weighted average interest rate of 4.42% per annum.

On October 19, 2017, the REIT and Finance Trust announced a proposed internal reorganization (the “**Original Reorganization**”) intended to continue the benefits of the existing Stapled Unit structure that has been in place since 2008. Joint meetings of Unitholders were held on December 7, 2017 to approve the Original Reorganization. The Unitholders approved the proposed Original Reorganization, with approximately 99.8% of the Unitholders of each of the REIT and Finance Trust, respectively, voting in favour of the Original Reorganization. On December 14, 2017, the REIT and Finance Trust received a final order from the Court of Queen’s Bench of Alberta approving the Original Reorganization. However, as a result of certain considerations, including the enactment in late December 2017 of the U.S. federal income tax legislation commonly originally referred to as the Tax Cuts and Jobs Act, the REIT and Finance Trust concluded that the Stapled Unit structure is no longer necessary and an amended internal reorganization (the “**Amended Reorganization**”) should instead be implemented. The Amended Reorganization will be effected by way of plan of arrangement involving the REIT, Finance Trust and certain of the REIT’s subsidiaries resulting in, among other things, (i) Finance Trust transferring debt owed to it by U.S. Holdco to the REIT and (ii) Unitholders subsequently transferring their Finance Trust Units to the REIT for nominal consideration and retaining their REIT Units. Following completion of the Amended Reorganization, investments that are currently held through the REIT and Finance Trust will instead be held solely through the REIT. The REIT Units are expected to trade on the TSX under the ticker symbol “HR.UN” and H&R Finance Trust will be dissolved. The Amended Reorganization will remove certain steps contemplated in the Original Reorganization, including: the establishment of H&R Finance (2017) Trust (“**H&R F17 Trust**”) to replace H&R Finance Trust, the transfer of indebtedness of U.S. Holdco by the REIT to H&R F17 Trust, and the stapling of REIT Units with units of H&R F17 Trust. On March 21, 2018, the REIT and Finance Trust received an order from the Court of Queen’s Bench of Alberta approving the Amended Reorganization. The Amended Reorganization remains subject to the receipt by the REIT and Finance Trust of an advance income tax ruling from the Canada Revenue Agency in form and substance satisfactory to them and other customary closing conditions. The Amended Reorganization is expected to be implemented by August 2018.

As at December 31, 2017, the REIT has a mortgage receivable outstanding of U.S. \$42.8 million secured against an office property currently under construction and an adjacent 4.8 acres of land located in Dallas, Texas’s downtown core. This project includes the re-development of a 93,000 square foot existing historical building into state-of-the-art office space. To date, approximately 63.0% has been pre-leased. The 4.8 acres of excess land is expected to be developed into a multi-family residential property.

In January 2018, the REIT completed a public offering of \$250 million principal amount of Series O Senior Debentures.

In January 2018, the REIT obtained an additional \$200 million unsecured revolving operating facility due on January 31, 2023.

In February 2018, the REIT repaid all of its outstanding Series E Senior Debentures and Series J Senior Debentures upon maturity for a cash payment of \$100 million and U.S. \$125 million, respectively.

In February 2018, the REIT completed a private offering of U.S. \$125 million principal amount of floating rate Series P Senior Debentures.

In February 2018, the REIT sold a 50% ownership interest in two industrial co-owned properties located in Canada and one retail property located in Canada for a total sale price of \$45.8 million, at the REIT’s share.

During the period from January 2018 through February 2018, the REIT secured two mortgages for \$114.1 million at a weighted average interest rate of 3.83% per annum and repaid 11 mortgage for \$57.2 million at a weighted average interest rate of 5.13% per annum.

On March 12, 2018, the REIT redeemed all of the remaining 2020 Convertible Debentures for a total cash payment of approximately \$96.7 million. From January 1, 2017 to March 12, 2018, a total of approximately \$0.1 million aggregate principal amount of 2020 Convertible Debentures were converted by holders thereof.

OBJECTIVES OF THE REIT

The following objectives have been approved by the REIT Trustees and may be amended or replaced by the REIT Trustees from time to time. In setting the objectives of the REIT, the REIT Trustees are subject to the investment guidelines and operating policies set out in the REIT Declaration of Trust. See “Investment Guidelines and Operating Policies of the REIT”.

The objectives of the REIT are to (i) maximize REIT Unit value through ongoing active management of the REIT’s assets, acquisition of additional properties and the development and construction of projects; and (ii) provide holders of REIT Units with stable and growing cash distributions, generated by revenue it derives from a diversified portfolio of income-producing real estate assets. The REIT’s strategy to accomplish these two objectives is to accumulate a diversified portfolio of high quality investment properties in Canada and the United States.

The REIT manages its commercial assets with an emphasis on maintaining stable operating cash flow through long-term leases to creditworthy tenants. Growth in operating cash flow is anticipated to be achieved through increases in lease rates built into existing long-term leases of the properties currently held by the REIT. Additional growth has also been achieved through acquisitions. Growth in annual rental rates is also expected from short term leases for residential properties. The REIT has implemented an investment strategy of acquiring properties to provide additional operating cash flow and enhance long-term portfolio value. The REIT will also pursue development projects that are consistent with the objectives and philosophy of the REIT.

The REIT finances its activities with a combination of long-term property-level fixed rate debt financing, unsecured debentures and drawings under lines of credit. To the extent that the REIT Trustees determine to seek additional capital, the REIT may raise such capital through additional equity offerings or debt financings.

INVESTMENT GUIDELINES AND OPERATING POLICIES OF THE REIT

Investment Guidelines

The REIT Declaration of Trust provides for certain guidelines on investments which may be made by the REIT. The assets of the REIT may be invested only in accordance with the following guidelines:

- (a) the REIT will focus its investment activities on: (i) interests (including fee ownership, leasehold interests, mortgages and mortgage bonds) in real properties (including, for greater certainty, real properties which are intended for, have the potential for or are otherwise under, development) which are, may be or will be income-producing; (ii) assets ancillary thereto necessary for the operation of such real properties; and (iii) such other activities as may be determined by the REIT Trustees; and

- (b) the REIT shall not, directly or indirectly, make any investment, take any action or omit to take any action where such investment, action or omission, as the case may be, (i) would result in REIT Units or Special Voting Units not being units of a “mutual fund trust” within the meaning of the Tax Act, (ii) would result in REIT Units or Special Voting Units not being qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts, (iii) would result in the REIT being liable to pay tax under the registered investment provisions of the Tax Act imposed for exceeding certain investment limits, or (iv) would result in the REIT not being a “real estate investment trust” for purposes of the Tax Act.

Operating Policies

The REIT Declaration of Trust provides that the operations and affairs of the REIT shall be conducted in accordance with the following policies:

- (a) (i) any written instrument creating an obligation which is or includes the granting by the REIT of a mortgage, and (ii) to the extent the REIT Trustees determine to be practicable and consistent with their fiduciary duty to act in the best interests of the Unitholders and Special Voting Unitholders, any written instrument which is, in the judgment of the REIT Trustees, a material obligation, shall contain a provision or be subject to an acknowledgment to the effect that the obligation being created is not personally binding upon, and that resort shall not be had to, nor shall recourse or satisfaction be sought from, the private property of any of the REIT Trustees, Unitholders, Special Voting Unitholders, annuitants under a plan of which a Unitholder or Special Voting Unitholder acts as a trustee or carrier, or officers, employees or agents of the REIT, but that only property of the REIT or a specific portion thereof shall be bound; the REIT, however, is not required, but shall use all reasonable efforts, to comply with this requirement in respect of obligations assumed by the REIT upon the acquisition of real property;
- (b) the REIT shall not lease to any person any real property where that person and its affiliates would, after the contemplated lease, be leasing real property having an aggregate leasable area in excess of 20% of the aggregate leasable area of all real property held by the REIT;
- (c) the limitation contained in paragraph (b) shall not apply to the renewal of a lease and shall not apply where the lessee is, or where the lease is guaranteed by:
- (i) the Government of Canada, the Government of the United States, any province or territory of Canada, any state of the United States or any municipality or city in Canada or the United States, or any agency or crown corporation thereof; or
- (ii) any issuer, of which any of the bonds, debentures or other evidences of indebtedness or any other securities of, or guaranteed by, such issuer:
- (A) are authorized as an investment for insurance companies pursuant to subsections 86(l)(k), (m) or (n) of the *Canadian and British Insurance Companies Act* in effect on December 31, 1991; or

- (B) have received and continue to hold an “investment grade” rating from at least one recognized credit rating agency,

in each case at the time the lease is entered into, or at the time other satisfactory leasing arrangements (as determined by the REIT Trustees in their discretion) were entered into; or

- (iii) a Canadian chartered bank or a trust company or insurance company registered or licenced federally or under the laws of a province of Canada; and

- (d) the REIT shall not incur or assume any indebtedness if, after giving effect to the incurring or assumption of the indebtedness, the total indebtedness of the REIT would be more than 65% of the Total Assets; for the purposes of this paragraph, the term “**indebtedness**” means any obligation of the REIT for borrowed money to the extent that it appears as a liability on the balance sheet of the REIT calculated in accordance with generally accepted accounting principles but does not include (1) convertible debt instruments issued by the REIT under which the principal amount owing may be satisfied by the REIT through the issuance of REIT Units and, prior to any Event of Uncoupling, the issuance by Finance Trust of Finance Trust Units, (2) any preferred trust units that have not been called for redemption, (3) any amount owing pursuant to the U.S. Holdco Notes, (4) any trade accounts payable, distributions payable to Unitholders and accrued liabilities arising in the ordinary course of business, or (5) the fair value of any units, shares or other securities convertible into or exchangeable for REIT Units or Stapled Units without the payment of additional consideration therefor.

For greater certainty, each subsidiary of the REIT shall comply with the foregoing policies, except that all percentage thresholds set forth in the foregoing paragraphs shall be calculated on a consolidated basis.

Amendments to Investment Guidelines and Operating Policies

Pursuant to the REIT Declaration of Trust, all of the investment guidelines set out under the heading “– Investment Guidelines” and the operating policy contained in paragraph (d) under the heading “– Operating Policies” may be amended only with the approval of at least two-thirds of the aggregate votes cast by Unitholders and Special Voting Unitholders entitled to vote thereon at a meeting of Unitholders and Special Voting Unitholders called for such purpose. Notwithstanding the foregoing sentence, if at any time a government or regulatory authority having jurisdiction over the REIT or any property of the REIT shall enact any law, regulation or requirement which is in conflict with any investment restriction of the REIT then in force, such restriction in conflict shall, if the REIT Trustees on the advice of legal counsel to the REIT so resolve, be deemed to have been amended to the extent necessary to resolve any such conflict and, notwithstanding anything to the contrary, any such resolution of the REIT Trustees shall not require the prior approval of Unitholders or Special Voting Unitholders. The remaining operating policies under the heading “– Operating Policies” may be amended with the approval of a majority of the aggregate votes cast by holders of REIT Units and Special Voting Units entitled to vote thereon at a meeting called for such purpose.

FINANCE TRUST

Finance Trust is an open-ended limited purpose unit trust created by the Finance Trust Declaration of Trust under, and governed by, the laws of the Province of Ontario. The head and registered office of Finance Trust is located at Suite 500, 3625 Dufferin Street, Toronto, Ontario, M3K 1N4.

OBJECTIVES OF FINANCE TRUST

Finance Trust's sole activity is to hold debt issued by U.S. Holdco, a wholly-owned subsidiary of the REIT through which the REIT holds its U.S. interests. Subject to cash flow requirements, Finance Trust intends to distribute to holders of Finance Trust Units all of its cash flow, consisting primarily of interest paid by U.S. Holdco, less administration and other expenses to satisfy liabilities (see "Risk Factors – Business Risks – Interest Rate and Other Debt-Related Risks").

INVESTMENT GUIDELINES AND OPERATING POLICIES OF FINANCE TRUST

Investment Guidelines

Under the Finance Trust Declaration of Trust, the assets of Finance Trust may be invested only in:

- (a) U.S. Holdco Notes; and
- (b) temporary investments held in cash, term deposits with a Canadian chartered bank or trust company registered under the laws of a province of Canada, short-term government debt securities or money market instruments (including banker's acceptances) of, or guaranteed by, a Schedule 1 Canadian bank ("**Cash Equivalents**"), but only if each of the following conditions is satisfied: (i) if the Cash Equivalents have a maturity date, the Cash Equivalents must be held until maturity; (ii) the Cash Equivalents are required to fund expenses of Finance Trust, a redemption of Finance Trust Units, or distributions to unitholders of Finance Trust, in each case before the next Distribution Date; and (iii) the purpose of holding the Cash Equivalents is to prevent funds from being non-productive, and not to take advantage of market fluctuations.

Finance Trust shall not make any investment, take any action or omit to take any action where such investment, action or omission, as the case may be, would result in Finance Trust Units not being units of a "mutual fund trust" within the meaning of the Tax Act, that would result in Finance Trust Units not being qualified investments under the Tax Act for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans or tax-free savings accounts, that would result in the Finance Trust being liable to pay tax under the registered investment provisions of the Tax Act imposed for exceeding certain investment limits or that would disqualify Finance Trust as a "fixed investment trust" under the Code.

Finance Trust may not invest in any joint venture arrangement, or enter into any partnership.

Operating Policies

The Finance Trust Declaration of Trust provides that the operations and affairs of Finance Trust shall be conducted in accordance with the following policies:

- (a) to the extent the Finance Trust Trustees determine to be practicable and consistent with their fiduciary duty to act in the best interests of the unitholders, any written instrument which is, in the judgment of the Finance Trust Trustees, a material obligation, shall contain a provision or be subject to an acknowledgement to the effect that the obligation being created is not personally binding upon, and that resort shall not be had to, nor shall recourse or satisfaction be sought from, the private property of any of the Finance Trust Trustees, unitholders, annuitants under a plan of which a unitholder acts as a trustee or

carrier, or officers, employees or agents of Finance Trust, but that only property of Finance Trust or a specific portion thereof shall be bound;

- (b) Finance Trust shall not incur or assume any indebtedness provided that for the purposes of this paragraph (b), an obligation will constitute indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of Finance Trust in accordance with generally accepted accounting principles and for this purpose indebtedness excludes trade accounts payable, distributions payable to unitholders and accrued liabilities arising in the ordinary course of business; and
- (c) Finance Trust shall not directly or indirectly guarantee any indebtedness or liabilities of any person.

Amendments to Investment Guidelines and Operating Policies

Pursuant to the Finance Trust Declaration of Trust, all of the investment guidelines set out under the heading “– Investment Guidelines” and the operating policies contained in paragraphs (b) or (c) under the heading “– Operating Policies” may be amended only with the approval of at least two-thirds of the votes cast by unitholders of Finance Trust at a meeting of unitholders called for such purpose, provided that, the Finance Trust Trustees may, in their sole discretion and without the approval of unitholders of Finance Trust, make any amendment which in their opinion is necessary or desirable to enable Finance Trust to issue Finance Trust Units for which the purchase price is payable on an instalment basis. Notwithstanding the foregoing sentence, if at any time a government or regulatory authority having jurisdiction over Finance Trust or any property of Finance Trust shall enact any law, regulation or requirement which is in conflict with any investment restriction of Finance Trust then in force, such restriction in conflict shall, if the Finance Trust Trustees on the advice of legal counsel to Finance Trust so resolve, be deemed to have been amended to the extent necessary to resolve any such conflict and, notwithstanding anything to the contrary, any such resolution of the Finance Trust Trustees shall not require the prior approval of unitholders of Finance Trust. The remaining operating policies under the heading “– Operating Policies” may be amended with the approval of a majority of the votes cast by holders of Finance Trust Units at a meeting called for such purpose.

PROPERTIES

The following is a detailed description of the Properties and the leasing information as at December 31, 2017.

Office Segment

Office Properties	Ownership Interest	Year Built/ Renovated	Net Rentable Area (Square Feet)	Occupancy	Major Tenants
5 th Ave. at Centre St. Calgary, AB	100%	2013	2,024,182	100%	Encana Corporation ⁽¹⁾
595 Bay St., 20 & 40 Dundas St. and 306 Yonge St. Toronto, ON	100%	1979 / 2016	1,055,383	98%	CIBC, Infrastructure Ontario, Legal Aid Ontario, HUB International

Office Properties	Ownership Interest	Year Built/ Renovated	Net Rentable Area (Square Feet)	Occupancy	Major Tenants
160 Elgin St. Ottawa, ON	100%	1971 / 2017	982,488	89%	Bell Canada, Public Works and Government Services Canada, Gowlings Canada Inc.
450-1st St., S.W. Calgary, AB	50%	2001 / 2016	931,187	100%	TransCanada PipeLines
1501 McKinney St. Houston, TX	100%	2011	844,763	100%	Hess Corporation
411-1st St., S.E. Calgary, AB	50%	1981 / 2015	706,279	52%	Telus Communications, Encana Corporation, TransCanada PipeLines
3777 Kingsway St. Burnaby, BC	50%	1976 / 2014	671,555	100%	Telus Communications
42-01 28th St. Long Island City, NY	100%	2011	669,554	100%	New York City Department of Health and Mental Hygiene
310-320-330 Front St. W. Toronto, ON	100%	1988 / 2015	611,473	100%	Toronto Dominion Bank, Royal Bank of Canada, Penguin Random House Canada Ltd.
5099 Creekbank Rd. Mississauga, ON	100%	2002 / 2016	525,921	100%	Bell Mobility
25 Dockside Dr. Toronto, ON	100%	2009	479,437	100%	Corus Entertainment Inc.
100 Wynford Dr. Toronto, ON	100%	1970 / 2011	444,898	100%	Bell Canada
200 Bouchard Boul. Dorval, QC	100%	1969 / 2011	437,157	100%	Bell Canada
25 Sheppard Ave. W. Toronto, ON	100%	1994 / 2016	373,140	86%	Nestle Canada, Transcontinental Media Inc., Public Works and Government Services Canada
5025 Creekbank Rd. Mississauga, ON	100%	2009 / 2016	365,295	100%	Bell Canada
5115 Creekbank Rd. Mississauga, ON	100%	2004 / 2016	249,118	100%	Bell Mobility
160 McNabb St. Markham, ON	100%	1986	220,000	100%	AC Nielsen Company of Canada
26 Wellington St. E. Toronto, ON	98.5%	1981 / 2005	179,702	99%	United Way, Industrial Alliance, IA Clarington Investments Inc.
9050 W. Washington Blvd. Culver City, CA	100%	1996	172,039	100%	Sony Pictures Entertainment Inc.
55 Yonge St. Toronto, ON	100%	1956 / 2011	164,493	95%	CIBC

Office Properties	Ownership Interest	Year Built/ Renovated	Net Rentable Area (Square Feet)	Occupancy	Major Tenants
145 Wellington St. W. Toronto, ON	100%	1987 / 2016	160,091	94%	Touchstone Institute, Royal Bank of Canada
649 North Service Rd. Burlington, ON	100%	1991 / 2011	123,000	100%	Wescam Inc.
6900 Maritz Dr. Mississauga, ON	100%	2001	104,689	100%	Bond Brand Loyalty Inc.
2611-3rd Ave. S.E. Calgary, AB	50%	1998 / 2013	95,225	100%	Alta Link LP
9330 Amberton Parkway Dallas, TX	100%	1978 / 2016	92,694	100%	Texas Health Resources
200 Jameson Dr. Peterborough, ON	100%	2001 / 2016	89,405	100%	General Motors Financial of Canada
69 Yonge St. Toronto, ON	100%	1914 / 2011	86,537	100%	Shoppers Drug Mart, Destech Consulting, MoneyKey
5901 E. Fowler Ave. Temple Terrace, FL	100%	1991	85,725	100%	Coca-Cola Enterprises Inc.
2480 Rock House Rd. Lithia Springs, GA	100%	2009	79,570	100%	PricewaterhouseCoopers LLP
9229 Lyndon B. Johnson Freeway Dallas, TX	100%	1978 / 2015	79,049	100%	Texas Health Resources
3625 Dufferin St. Toronto, ON	100%	1965 / 2016	75,073	92%	H&R REIT Management Services LP, H&R Property Management Ltd.
88 McNabb St. Markham, ON	100%	1987 / 2006	74,592	100%	Johnson & Johnson
2767-2nd Ave. Calgary, AB	100%	1998 / 2010	69,793	100%	Alta Link LP
136 Charlotte St. Sydney, NS	100%	1989 / 2016	69,500	100%	Province of Nova Scotia
131 McNabb St. Markham, ON	100%	1989 / 2014	54,100	100%	McKesson Canada Corporation
15 Dorchester St. Sydney, NS	100%	1987 / 2016	50,671	100%	Public Works and Government Services Canada, MGM & Associates, CIBC
Office Segment: Total			13,497,778	96.0%	
Office Segment: REIT Total⁽²⁾			12,292,959	97.0%	

Notes:

- (1) Encana Corporation has sublet 27 floors to Cenovus Energy.
- (2) After giving effect to the actual percentage ownership interest of the REIT in the properties.

Primaris Segment

Primaris Properties	Ownership Interest	Year Built / Renovated	Net Rentable Area (Square Feet)	Occupancy	Major Tenants
Sunridge Mall Calgary, AB	100%	1981 / 2005	835,345	98%	Hudson's Bay, Sport Chek, Alberta Health Services
Orchard Park Shopping Centre Kelowna, BC	100%	1971 / 2011	721,492	99%	Hudson's Bay, Sears, Sport Chek, Best Buy
Place D'Orleans Orleans, ON	50%	1979 / 1990	707,512	85%	Hudson's Bay, Sport Chek, Canada Mortgage and Housing Corporation
Cataraqui Centre Kingston, ON	50%	1982 / 2015	621,633	79%	Sears, Hudson's Bay, Sport Chek
Place du Royaume Chicoutimi, QC	50%	1973 / 2008	604,463	96%	Wal-Mart, Winners, Sports Experts
Dufferin Mall Toronto, ON	100%	1956 / 2016	588,194	99%	Wal-Mart, No Frills, Marshalls
Stone Rd. Mall Guelph, ON	100%	1975 / 2016	565,766	93%	Sears, Sport Chek, Marshalls
Medicine Hat Mall Medicine Hat, AB	100%	1980 / 2017	510,775	95%	Hudson's Bay, Sears, Safeway, Galaxy Cinemas
Northland Village Mall Calgary, AB	100%	1971 / 2005	504,852	90%	Wal-Mart, Best Buy, Winners
Regent Mall Fredericton, NB	50%	1976 / 2010	503,957	100%	Wal-Mart, Sears, Cineplex Odeon
Park Place Shopping Centre Lethbridge, AB	100%	1988 / 2017	478,142	98%	Sears, Cineplex Odeon, Winners, Sport Chek
McAllister Place Saint John, NB	50%	1978 / 2011	465,248	61%	Sport Chek, Toys "R" Us, Goodlife Fitness
Kildonan Place Winnipeg, MB	50%	1980 / 2013	446,570	98%	Sears, Famous Players, Marshalls
Sherwood Park Mall Sherwood Park, AB	100%	1972 / 2012	435,319	90%	Safeway, Galaxy Cinemas, Goodlife Fitness
Grant Park Shopping Centre Winnipeg, MB	50%	1962 / 2017	405,768	99%	Canadian Tire, Red River Co-op, Goodlife Fitness
St. Albert Centre St. Albert, AB	100%	1980 / 2017	357,003	92%	Hudson's Bay, Sport Chek, Winners, Mark's, London Drugs
Peter Pond Mall Fort McMurray, AB	100%	1978 / 2013	203,208	99%	Boomtown Casino, Sport Chek, Atmosphere
Northpointe Town Centre Calgary, AB	100%	2000	199,502	100%	Landmark Cinemas, Canadian Tire

Primaris Properties	Ownership Interest	Year Built / Renovated	Net Rentable Area (Square Feet)	Occupancy	Major Tenants
Canada One Outlets Niagara Falls, ON	100%	1999 / 2001	164,747	92%	Urban Planet, Tommy Hilfiger, Roots Canada, Nike, Coach Stores Canada Inc.
Garden City Sq. / Annex (783-91, 841-3, 847, 849, 915 & 925 Leila Ave.) Winnipeg, MB	100%	1976 / 2004	160,889	52%	Staples, Mark's
Edinburgh Marketplace 492-502 Edinburgh Rd. S. Guelph, ON	100%	1996	112,892	97%	Metro, Mark's
Park Plaza (3010-3083 Dunmore Rd. S.E.) Medicine Hat, AB	100%	1981	60,556	59%	Dollarama, Solo Liquor
Northland Professional Centre (4600 Crowchild Trail N.W.) Calgary, AB	100%	1978	52,344	95%	Dentistry, Medical, Chiropractic
Sherwood Park Plaza (101 Granada Blvd.) Sherwood Park, AB	100%	1988 / 2005	44,158	84%	Headquarters Restaurant & Bar
Foothills Crossing (3619 61 st Ave. S.E.) Calgary, AB	100%	1998 / 1999	40,480	100%	Staples
Sunridge Plaza (3014 Sunridge Blvd. N.E.) Calgary, AB	100%	2000	35,332	100%	Mark's, CIBC
Dunmore Plaza (3158-3202 Dunmore Rd. S.E.) Medicine Hat, AB	100%	1989 / 1999	31,829	100%	EasyHome, Little Caesars Pizza
Carry Drive Plaza (93-135 Carry Dr.) Medicine Hat, AB	100%	1989 / 2004	30,086	85%	BMO Nesbitt Burns, Original Joe's
Trans-Canada Plaza (3292 Dunmore Rd. S.E.) Medicine Hat, AB	100%	2005	20,115	100%	Best Buy
Scotia Plaza (71-83 Carry Dr.) Medicine Hat, AB	100%	1996	11,440	100%	Scotiabank, Pet Valu
Northland Shoppes (5120 Shaganappi Trail N.W. & 5615 Northland Dr. N.W.) Calgary, AB	100%	1974 / 1999	8,288	100%	A&W, Fountain Tire
Primaris Segment: Total			9,927,905	91.7%	
Primaris Segment: REIT Total⁽¹⁾			8,050,330	92.6%⁽²⁾	

Notes:

- (1) After giving effect to the actual percentage ownership interest of the REIT in the properties.
- (2) Primaris occupancy includes eight Sears' store locations totalling 609,749 square feet which closed and became vacant in January 2018. Primaris occupancy would have been 84.9% had these eight Sears store locations become vacant as at December 31, 2017.

H&R Retail Segment

Retail Properties	Ownership Interest	Year Built / Renovated	Net Rentable Area (Square Feet)	Occupancy	Major Tenants
463855 State Rd. 200 Yulee, FL	100%	2012	174,862	97%	Publix Supermarkets Inc., Kohls, T.J. Maxx, Ross Dress for Less
10450-42nd Ave. Edmonton, AB	100%	1993	150,457	100%	Rona Inc.
615 George Wallace Dr. Gadsden, AL	100%	2002	146,730	100%	Lowe's Companies, Inc.
1701 Frederick Rd. Opelika, AL	100%	1999	135,197	100%	Lowe's Companies, Inc.
2301 Woodmont St. Columbus, MS	100%	2001	135,197	100%	Lowe's Companies, Inc.
3505 North Memorial Pkwy. Huntsville, AL	100%	2002	135,039	100%	Lowe's Companies, Inc.
8199 Pearl Rd. Strongsville, OH	100%	1997	132,448	100%	Home Depot
505 Hwy. 118 W. Bracebridge, ON	50%	1988 / 2001	132,172	46%	Metro Ontario Inc., The Beer Store
2495 Gulf To Bay Blvd. Clearwater, FL	100%	1997	131,946	100%	Home Depot
200 Weis Lane West Hazelton, PA	100%	1997	131,575	100%	Lowe's Companies, Inc.
2343 Princess St. Kingston, ON	100%	2003	129,181	100%	Rona Inc.
1 Boul. Bouthillier Rosemère, QC	100%	1998	124,851	100%	Rona Inc.
225 Joseph-Casavant Ave. Beauport, QC	100%	1990	124,182	100%	Rona Inc.
775 Panet Rd. Winnipeg, MB	100%	1997	121,962	100%	Rona Inc.
1880 Innes Rd. Ottawa, ON	100%	1999	118,526	100%	Rona Inc.
5035 Boul. Cousineau St-Hubert, QC	100%	1996	117,765	100%	Rona Inc.
3773-3841 S. Hamilton Rd. Columbus, OH	100%	2009	117,674	99%	Giant Eagle, Inc.
1677 Home Ave. Akron, OH	100%	1998	115,510	100%	BJ's Wholesale Club
6344 Cash Crt. Norcross, GA	100%	2004	115,367	100%	BJ's Wholesale Club

Retail Properties	Ownership Interest	Year Built / Renovated	Net Rentable Area (Square Feet)	Occupancy	Major Tenants
7277 Rue St-Jacques Montréal, QC	100%	2000	110,004	100%	Rona Inc.
38292 Colorado Ave. Avon, OH	100%	1999	108,532	100%	BJ's Wholesale Club
5555 South Buckner Blvd. Dallas, TX	100%	1991 / 1997	107,927	100%	Sam's Club
730 Ottawa St. S. Kitchener, ON	100%	2004	105,978	100%	Rona Inc.
275 Boul. Rideau Rouyn-Noranda, QC	20%	1996 / 1998	104,222	100%	Walmart Canada Corp.
1550 & 1580 Cameron St. Hawkesbury, ON	100%	1997	103,596	100%	Walmart Canada Corp., McDonalds
7350 Catherine St. ⁽¹⁾ Windsor, ON	100%	2002	102,997	100%	Rona Inc.
1020 Dawson Rd. Thunder Bay, ON	100%	1969	98,521	100%	Walmart Canada Corp.
711 Creek View Dr. Columbus, IN	100%	1994	95,120	100%	Kohl's
7919 Day Dr. Parma, OH	100%	2008	92,634	100%	Giant Eagle, Inc.
125 East Meritt Island Cswy. Meritt Island, FL	100%	1970 / 2001	91,938	91%	Publix Super Markets Inc.
8145 & 8195 Vineland Ave. Orlando, FL	100%	2002	89,689	93%	Publix Super Markets Inc.
2665-32nd St. N.E. Calgary, AB	100%	1998	89,438	100%	Rona Inc.
1333 Sargent Ave. Winnipeg, MB	100%	1998	87,769	100%	Rona Inc.
5312 Washington Pike Knoxville, TN	100%	1997	86,584	100%	Kohl's
115-118 Wilmar Ave. Grand Island, NE	100%	2008	83,331	100%	Hy-Vee, Inc.
1020 & 1090 Dawson Rd. (County Fair Mall) Thunder Bay, ON	50%	1970 / 1996	82,393	64%	No Frills, Dollarama, Bank of Montreal, TD Bank
17445 US Highway 192 Clermont, FL	100%	1998	81,298	97%	Publix Super Markets Inc.
2140 E. 116th St. Carmel, IN	100%	1998	80,640	0%	
1058-1100 10th St. Hanover, ON	100%	2001	78,114	100%	Walmart Canada
590-640 River St. Thunder Bay, ON	100%	1965 / 2000	76,981	95%	Metro Ontario Inc., Shoppers Drug Mart
2951 S.W. Wanamaker Rd. Topeka, KS	100%	2008	75,149	100%	Hy-Vee, Inc.

Retail Properties	Ownership Interest	Year Built / Renovated	Net Rentable Area (Square Feet)	Occupancy	Major Tenants
1491-1575 Main St. Dunedin, FL	100%	1985 / 2004	74,200	87%	Publix Super Markets Inc.
205 West Ave. Tallmadge, OH	100%	1970 / 2000	70,046	100%	Giant Eagle, Inc.
1510 South Main Ave. Taylor, PA	100%	2000	68,894	100%	Price Chopper
9400 E. 350 Highway Raytown, MO	100%	1990 / 2009	66,900	100%	Hy-Vee, Inc.
555 Rossland Rd. E. Oshawa, ON	50%	1975	66,876	100%	Metro Ontario Inc., Shoppers Drug Mart, LCBO
12975 Collier Blvd. Naples, FL	100%	2009	65,941	100%	Publix Supermarkets Inc.
124 & 128 Boston Post Rd. Waterford, CT	100%	1996	65,506	100%	Shaw's
10679 N. Michigan Rd. Zionsville, IN	100%	1999	64,862	100%	Kroger
245 Wilkes Barre Blvd. Wilkes Barre, PA	100%	2008	64,252	100%	Price Chopper
715 S. Tillotson Muncie, IN	100%	1995	63,815	100%	Kroger
8150 Rockville Rd. Indianapolis, IN	100%	1995	61,614	100%	Kroger
1013 Forest Ave. Marion, IN	100%	1960	61,000	100%	Needler's Fresh Market
955 State Rd. 16 St. Augustine, FL	100%	2009	60,977	100%	Publix Super Markets Inc.
500 Hwy. 118 W. & 100 / 150 Muskoka Rd. Hwy. 118 W. Bracebridge, ON	50%	1989 / 1998	60,957	100%	Loblaws, Bank of Montreal, Dollarama
9950 Berberich Dr. Florence, KY	100%	1997	60,836	100%	Kroger
717 Clearview Pkwy. Metairie, LA	100%	1996	59,581	100%	Rouse's Supermarkets
3642 Savannah Hwy. Charleston, SC	100%	2007	58,841	100%	Publix Super Markets Inc.
4478 Market St. Marianna, FL	100%	1997	58,100	100%	Winn Dixie Stores Inc.
1850 Ridgewood Ave. Holly Hill, FL	100%	2002	57,871	96%	Publix Super Markets Inc.
11406 San Jose Blvd. Jacksonville, FL	100%	1998 / 2004	56,713	100%	Publix Super Markets Inc.
11625 Fox Rd. Indianapolis, IN	100%	1988	55,575	100%	Needler's Fresh Marker

Retail Properties	Ownership Interest	Year Built / Renovated	Net Rentable Area (Square Feet)	Occupancy	Major Tenants
1825 Kinser Pike Bloomington, IN	100%	1993	54,218	100%	Kroger
7350 Middlebelt Rd. Westland, MI	100%	2001	53,773	100%	Kroger
840 A1A N. Ponte Vedra, FL	100%	1998 / 2007	53,236	100%	The Fresh Market
2900 Veterans Hwy. Metairie, LA	100%	1992	52,848	100%	Rouse's Supermarkets
15 and 35 Alkenbrack St. Napanee, ON	100%	1999 / 2000	49,718	100%	Metro Ontario Inc., The Bank of Nova Scotia
4610 Ontario St. Beamsville, ON	100%	2003 / 2005	49,633	89%	Sobeys, TD Canada Trust
110 Highway 20 E. Pelham, ON	100%	2001 / 2014	47,804	100%	Sobeys, LCBO
231-247 Mill St. Angus, ON	100%	2001	47,504	100%	Sobeys, Shoppers Drug Mart
205 Oakbrook Dr. Mt. Washington, KY	100%	1998	47,311	100%	Associated Wholesale Group
3015 West US 36 Pendleton, IN	100%	2004	47,155	100%	Needler's Fresh Market
315 Grand River St. N. Paris, ON	100%	2000 / 2009	45,711	100%	Sobeys
2080 Jans Blvd. Innisfil, ON	100%	2002	43,816	100%	Sobeys
5428 Dogwood Dr. Milton, FL	100%	1984 / 1996	43,750	100%	Winn Dixie Stores Inc.
1800-1812 LaSalle Blvd. Sudbury, ON	100%	1975	42,689	100%	Metro Ontario Inc.
812, 814 & 818 Durham St. Kincardine, ON	100%	2000	42,132	100%	Sobeys
665 American Legion Dr. Teaneck, NJ	100%	1961 / 2009	42,047	100%	Stop & Shop Supermarket
140 Algonquin Blvd. W. Timmins, ON	100%	1985 / 2002	40,640	100%	Metro Ontario Inc.
191 Indian Rd. S. Sarnia, ON	100%	2002 / 2003	40,464	100%	Metro Ontario Inc.
9320 Hwy. 93 Midland, ON	100%	1976 / 2003	40,000	100%	Rona Inc.
640 First St. Extension Collingwood, ON	100%	2000	38,000	100%	Metro Ontario Inc.
20210 Communication Rd. Blenheim, ON	100%	2002	35,076	100%	Sobeys
505 Arthur St. W. Thunder Bay, ON	100%	1965 / 2001	34,713	100%	Metro Ontario Inc.

Retail Properties	Ownership Interest	Year Built / Renovated	Net Rentable Area (Square Feet)	Occupancy	Major Tenants
560 Exmouth St. Sarnia, ON	100%	1955 / 1985	32,214	100%	Metro Ontario Inc.
1012 Broad St. E. Dunnville, ON	100%	2001	30,320	100%	Sobeys
14 Main St. Brighton, ON	100%	2002	29,730	100%	Sobeys
8754 Highway 60 Eganville, ON	100%	2001	25,296	100%	Sobeys
2615 County Rd. 43 Kemptville, ON	100%	2005	25,127	100%	Metro Ontario Inc.
10645 State Bridge Rd. Alpharetta, GA	100%	2003	18,529	100%	Shell Oil Products
2755 Laurier St. Rockland, ON	100%	2006	16,890	100%	Shoppers Drug Mart
901 Supermall Rd. Auburn, WA	100%	2001	16,465	100%	Shell Oil Products
4845 & 4865 Alabama Rd. N.W. Roswell, GA	100%	2002	16,406	100%	Shell Oil Products
902 Mohawk Rd. E. Hamilton, ON	100%	2004	15,847	100%	Shoppers Drug Mart
593 Summit Blvd. Broomfield, CO	100%	2000	15,732	100%	Shell Oil Products
1546 E. Ray Rd. Gilbert, AZ	100%	2002	14,916	100%	Shell Oil Products
400 E FM 2410 Rd. Harker Heights, TX	100%	2007	14,731	100%	Walgreens Company
668 Main St. Thomson, GA	100%	2008	14,550	100%	Walgreens Company
1220 W. University Ave. Georgetown, TX	100%	2009	14,545	100%	Walgreens Company
4746 Twin City Hwy. Groves, TX	100%	2007	14,538	100%	Walgreens Company
22994 East Smoky Hill Rd. Aurora, CO	100%	2000	14,533	100%	Shell Oil Products
1790 Texas Ave. Bridge City, TX	100%	2008	14,513	100%	Walgreens Company
3822 Old Spanish Trail Houston, TX	100%	2007	14,490	100%	Walgreens Company
1225 East Ridge Rd. Griffith, IN	100%	1997	13,905	100%	Walgreens Company
101 S. Washington Ave. Cleveland, TX	100%	2008	13,805	100%	Walgreens Company
7520 Village Square Dr. Castle Rock, CO	100%	2000	13,713	100%	Shell Oil Products

Retail Properties	Ownership Interest	Year Built / Renovated	Net Rentable Area (Square Feet)	Occupancy	Major Tenants
3332 Arapahoe Rd. Erie, CO	100%	1999	13,713	100%	Shell Oil Products
1739 Buford Hwy. Cumming, GA	100%	2003	13,597	100%	Shell Oil Products
1947 & 1959 South Greenfield Rd. Mesa, AZ	100%	2004	13,498	100%	Shell Oil Products
4901 & 4951 W. Eldorado Pkwy. McKinney, TX	100%	2002	13,404	100%	Shell Oil Products
16542 Keystone Blvd. Parker, CO	100%	1999	13,368	100%	Shell Oil Products
8327 W. Thunderbird Rd. Peoria, AZ	100%	2002	11,811	100%	Shell Oil Products
111 Clarence St. Port Colborne, ON	100%	1960	11,617	39%	7-Eleven Canada Inc.
302 N. Tyndall Pkwy. Callaway, FL	100%	1997	11,200	100%	CVS Pharmacy, Inc.
6217 Silver Star Rd. Orlando, FL	100%	1997	11,200	100%	CVS Pharmacy, Inc.
7112 Hwy. 98 Panama City, FL	100%	1997	11,200	100%	CVS Pharmacy, Inc.
1347 West 15th St. Panama City, FL	100%	1997	11,200	100%	CVS Pharmacy, Inc.
800 North Glynn St. Fayetteville, GA	100%	2000	10,908	100%	Rite Aid Pharmacy
2701 Dick Pond Surfside Beach, SC	100%	1997	10,908	100%	Rite Aid Pharmacy
502 37th Ave. S.E. Puyallup, WA	100%	2004	10,102	100%	Shell Oil Products
6330 State Rd. 7 Coconut Creek, FL	100%	2006	9,553	100%	Shell Oil Products
3990 Red Cedar Dr Highlands Ranch, CO	100%	2004	9,332	100%	Shell Oil Products
17 Alkenbrack St. Napanea, ON	100%	2002 / 2003	3,399	100%	Wendy's Restaurant
H&R Retail Segment: Total			7,429,896	96.8%	
H&R Retail Segment: REIT Total⁽²⁾			7,175,319	97.4%	

Notes:

(1) The REIT sold a 100% interest in this property subsequent to December 31, 2017.

(2) After giving effect to the actual percentage ownership interest of the REIT in the properties.

ECHO Segment

ECHO Properties⁽¹⁾	Ownership Interest	Year Built / Renovated	Net Rentable Area (Square Feet)	Occupancy	Major Tenants
ECHO (five office properties) United States	33.6%	1952 / 2013	252,465	80%	Giant Eagle, Inc.
ECHO (218 retail properties) United States	33.6%	1939 / 2016	8,611,881	94%	Giant Eagle, Inc., GetGo, Harris Teeter, Publix Super Markets Inc.
ECHO (four industrial properties) United States	33.6%	1959 / 2009	1,210,227	95%	Giant Eagle, Inc., Comprehensive Logistics, Nordson
ECHO Segment: Total			10,074,573	94.0%	
ECHO Segment: REIT Total⁽²⁾			3,150,218	94.1%	

Notes:

- (1) ECHO reports its holdings to the REIT one month in arrears due to time constraints on its reporting. The information included above is current as of November 30, 2017.
- (2) After giving effect to the actual percentage ownership interest of the REIT in the properties.

Industrial Segment

Industrial Properties⁽¹⁾	Ownership Interest	Year Built / Renovated	Net Rentable Area (Square Feet)	Occupancy	Major Tenants
8550 Goreway Dr. Brampton, ON	100%	1989 / 1992	1,148,972	100%	Canadian Tire Corporation Ltd.
6336-114th Ave. S.E. Calgary, AB	100%	2000 / 2005	954,813	100%	Canadian Tire Corporation Ltd.
170 Butts St. South Hill, VA	50.5%	1998 / 2001	817,000	100%	Jones Apparel Group Inc.
7900 Airport Road Brampton, ON	50%	2014	744,413	100%	Unilever Canada Inc.
2300 Rue Senkus LaSalle, QC	50%	1972	742,000	100%	Owens-Illinois Canada Corp.
100 Metropolitan Rd. Toronto, ON	50%	1975 / 2016	738,102	100%	Hudson's Bay Company
220 Chemin du Tremblay Boucherville, QC	50%	1999	727,966	100%	Rona Inc.
260 Jordan Rd. Tifton, GA	50.5%	1996 / 2003	676,031	100%	Orgill Distribution Company
55 West Dr. Brampton, ON	50%	1969 / 1981	505,565	100%	Winners Apparel Ltd.
1880 Matheson Blvd. E. ⁽²⁾ Mississauga, ON	50%	2003	389,313	100%	Ceva Freight Canada Corp., SDR Apparel Inc.
137 Horner Ave. Etobicoke, ON	50%	1962 / 1973	317,503	100%	Wilson's Truck Lines Ltd., Production Resources
2121 Cornwall Rd. Oakville, ON	50%	1997 / 1998	314,166	100%	UPS Logistics Group Canada

Industrial Properties⁽¹⁾	Ownership Interest	Year Built / Renovated	Net Rentable Area (Square Feet)	Occupancy	Major Tenants
4441-76 th Ave. Calgary, AB	50%	1980 / 1991	313,252	98%	Lynden International Logistics Co., MC Commercial Inc.
1600 Lionel Boulet Varenes, QC	50%	1971	311,103	100%	Asea Brown Boveri Inc.
500 Palladium Dr. Kanata, ON	50%	2000 / 2001	279,388	92%	DRS Technologies Canada Inc., Genband Canada, DNA Genotek Inc.
7830 Tranmere Dr. Mississauga, ON	50%	1985 / 1987	265,469	100%	Graphic Packaging International Canada ULC
283009 Logistics Dr. Calgary, AB	50%	2014	264,802	100%	Princess Auto Ltd.
1595 North Service Rd. Oakville, ON	50%	2002	254,891	100%	UPS SCS Inc.
1 Chandaria Pl. Kitchener, ON	50%	1967	254,719	100%	Rona Inc.
590 Nash Rd. N. Hamilton, ON	50%	1956 / 1992	227,701	100%	Versacold Logistics Canada
1801 Blairtown Rd. Rock Springs, WY	50.5%	2004	226,639	100%	Halliburton Energy Services
475 Admiral Blvd. Mississauga, ON	50%	1994 / 1999	224,534	100%	National Logistics Services
2695 Meadowvale Blvd. Mississauga, ON	50%	1999 / 2003	218,639	0%	
15 Production Rd. Brampton, ON	100%	2017	215,020	100%	Solutions 2 Go Inc.
5105 Fisher St. Montreal, QC	50%	1965 / 1969	211,858	100%	Versacold Logistics Canada
6100 Chemin Cote de Liesse Montreal, QC	50%	1998 / 2002	203,365	100%	Versacold Logistics Canada
1616 Rue Eiffel Boucherville, QC	50%	1989 / 2001	186,793	100%	Staples Canada Inc.
1377 The Queensway ⁽²⁾ Toronto, ON	50%	1955 / 1972	184,898	100%	Versacold Logistics Canada
30 Aero Dr. Calgary, AB	50%	2001	184,377	100%	Purolator Courier Limited
650 Catarqui Woods Dr. Kingston, ON	50%	1988 / 2003	176,656	100%	Sysco Food Services of Canada, Inc.
316 Aviva Park Dr. Toronto, ON	50%	1977 / 2002	168,091	100%	Versacold Logistics Canada
7575 Brewster Ave. Philadelphia, PA	50.5%	1981	164,150	100%	Georgia Pacific Corporation
6735-11 th St. N.E. Calgary, AB	50%	1979	163,899	100%	Finning International Inc.

Industrial Properties⁽¹⁾	Ownership Interest	Year Built / Renovated	Net Rentable Area (Square Feet)	Occupancy	Major Tenants
10910-170th St. N.W. Edmonton, AB	50%	1977 / 1999	154,721	100%	Finning International Inc.
1035 Wilton Grove Rd. London, ON	50%	1967 / 1980	148,467	100%	Versacold Logistics Canada
5555-78 th Ave. S.E. Calgary, AB	50%	1996 / 2002	148,132	100%	Versacold Logistics Canada
1, 4 & 8 Prince Andrew Pl. Toronto, ON	50%	1966 / 1985	139,520	100%	Symcor Inc.
20 Pettipas Dr. Halifax, NS	50%	1972 / 1975	138,546	100%	Versacold Logistics Canada
1670 Rue Eiffel Boucherville, QC	50%	1999	127,776	100%	Carquest Canada
7920 Airport Rd. Brampton, ON	100%	2017	127,040	100%	Sleep Country Canada Inc.
400 Traders Blvd. E. Mississauga, ON	50%	1985 / 1999	126,790	100%	Amhil Enterprises Ltd.
5550 Skyline Way Calgary, AB	50%	1984	124,805	100%	Hunting Oilfield Services (Canada) Ltd.
510 East Courtland St. Morton, IL	50.5%	2000	123,090	100%	Georgia Pacific Corporation
17718-114th Ave. Edmonton, AB	50%	2000	121,315	100%	Purolator Courier Limited
7000 Rue Armand Quebec City, QC	50%	2000	120,584	100%	Purolator Courier Limited
300 Humber College Blvd. Etobicoke, ON	50%	2005	114,316	100%	Give and Go Prepared Foods Corp.
19100-94th Ave Surrey, BC	50%	1998 / 2001	112,819	100%	Finning International Inc.
525 Boxwood Dr. Cambridge, ON	50%	2003	111,996	100%	United Auto Parts Inc.
200 Rock Run Rd. Fairless Hills, PA	50.5%	1979	108,225	100%	Automotive Industry
1 Duck Pond Rd. Lakeside, NS	50%	1968 / 2000	105,975	100%	Sysco Food Services of Canada, Inc.
550 McAllister Dr. St. John's, NB	50%	2003	104,094	100%	Carquest Canada
6740 Campobello Rd. Mississauga, ON	50%	1980 / 1985	94,700	100%	Maxxam Analytics
9300 Airport Rd. Hamilton, ON	50%	2000	93,357	100%	Purolator Courier Limited
1550 Creditstone Rd. Vaughan, ON	50%	2000	88,584	100%	Purolator Courier Limited
1588 Cliveden Ave. Vancouver, BC	50%	1999	87,388	100%	Versacold Logistics Canada

Industrial Properties⁽¹⁾	Ownership Interest	Year Built / Renovated	Net Rentable Area (Square Feet)	Occupancy	Major Tenants
11 Simmonds Dr. Halifax, NS	50%	1981	86,900	100%	Versacold Logistics Canada
2600 Meadowvale Rd. Mississauga, ON	50%	2000	84,486	100%	Purolator Courier Limited
10300 Rue Henri Bourassa St. Laurent, QC	50%	1976 / 1989	81,500	0%	
10 Old Placentia Rd. Mount Pearl, NL	50%	1989 / 2003	80,730	100%	Sysco Food Services of Canada, Inc.
2 East Beaver Creek Rd. Richmond Hill, ON	50%	1988	78,588	100%	Country Style, Spectral Applied Research Inc., Gambro Inc., Sick Ltd.
1999 Forbes St. Whitby, ON	50%	1987	78,485	100%	Automotive Industry
19572-94 th Ave. Vancouver, BC	50%	1994 / 1998	78,479	100%	Versacold Logistics Canada
460 MacNaughton Ave. Moncton, NB	50%	1979 / 1995	76,303	100%	Sysco Food Services of Canada, Inc.
10430-178th St. N.W. Edmonton, AB	50%	1979	70,676	100%	Finning International Inc.
180 Market Dr. Milton, ON	50%	1979	69,000	100%	Heligear Corp.
John G. Diefenbaker Airport Saskatoon, SK	50%	2001	66,355	100%	Purolator Courier Limited
118 MacDonald Cres. Fort McMurray, AB	50%	1977	65,169	100%	Finning International Inc.
1764 & 1776 Kelly Douglas Rd. Kamloops, BC	50%	1965 / 1989	64,271	100%	Finning International Inc.
611 Ferdinand Blvd. Dieppe, NB	50%	1997	63,053	100%	Sysco Food Services of Canada, Inc.
9201 Rue de l'Innovation Anjou, QC	50%	2000	62,691	100%	Purolator Courier Limited
6520 Kestrel Rd. Mississauga, ON	50%	2000	62,217	100%	Purolator Courier Limited
2005 Boul. Dagenais Laval, QC	50%	2000	62,217	100%	Purolator Courier Limited
550 York Rd. Niagara-on-the-Lake, ON	50%	2000	62,185	100%	Purolator Courier Limited
3104-97 th St. Edmonton, AB	50%	2000	62,169	100%	Purolator Courier Limited
2860 Plymouth Dr. Oakville, ON	50%	1989	59,396	100%	511 Foods Ltd.
96 Glencoe Dr. St. John's, NL	50%	1981	49,177	100%	Versacold Logistics Canada

Industrial Properties⁽¹⁾	Ownership Interest	Year Built / Renovated	Net Rentable Area (Square Feet)	Occupancy	Major Tenants
8610 87 Ave., Industrial Park W. Peace River, AB	50%	1970	44,668	100%	Finning International Inc.
72 Plant Farm Blvd. Brantford, ON	50%	1990 / 2001	44,500	100%	Stone Straw Ltd.
5321-11 th St. N.E. Calgary, AB	50%	1991	42,985	100%	Seitel Canada Ltd.
2815 Matheson Blvd. E. Mississauga, ON	94%	1987	40,000	100%	ADT Security Services
2021-41 st Ave. N.E. & 4000-19 th St. N.E. Calgary, AB	50%	1975	39,272	100%	Maxxam Analytics Inc.
380 Spinnaker Way Vaughan, ON	75%	1995	33,017	100%	Topax Export Packaging
749 Douglas Fir Rd. Sparwood, BC	50%	1978	31,784	100%	Finning International Inc.
6740-67 th Ave. Red Deer, AB	50%	1975	30,655	100%	Finning International Inc.
1604 & 1720 Willow St. Campbell River, BC	50%	1980	30,000	100%	Finning International Inc.
9331 48 th St. Edmonton, AB	50%	1983	29,832	100%	Maxxam Analytics Inc.
19498-92nd Ave. Surrey, BC	50%	1992	28,621	100%	Finning International Inc.
45 Bodrington Ct. Markham, ON	50%	1992	28,089	100%	Canada Bread Company Limited
450 Mackenzie Ave. & 265 Fifth Ave. S. Williams Lake, BC	50%	1959 / 1978	27,321	100%	Finning International Inc.
2400 Matheson Blvd. E. Mississauga, ON	50%	1993	25,273	100%	Givaudan Canada Co.
Mile 49.5 Alaska Hwy. Fort St. John, BC	50%	1979	21,259	100%	Finning International Inc.
4750-101 St. N.W. Edmonton, AB	50%	1978	20,457	100%	Finning International Inc.
700 Vanalman Ave. Victoria, BC	50%	1990	14,411	100%	Finning International Inc.
Industrial Segment: Total			17,394,519	98.1%	
Industrial Segment: REIT Total⁽³⁾			9,956,612	98.4%	

Notes:

- (1) Of the 93 industrial Properties owned as at December 31, 2017, the REIT has a 50% ownership interest in 81 Canadian industrial properties and a 50.5% ownership interest in 6 U.S. industrial Properties, with CrestPSP owning the remaining interest.
- (2) The REIT sold its 50% interest in these Properties subsequent to December 31, 2017.
- (3) After giving effect to the actual percentage ownership interest of the REIT in the properties.

Lantower Residential Segment

Residential Properties	Ownership Interest	Year Built/ Renovated	Net Rentable Area (Square Feet)	Occupancy	Major Tenants
10440 Sanderling Shores Dr. Tampa , FL	100%	2016	506,372	92%	N/A
1810 Sweetbroom Cir. Lutz , FL	100%	2010	477,513	92%	N/A
125 & 175 Fountain Crt. & 325 Murray Farm Rd. Fairview , TX	100%	2008	383,054	94%	N/A
12101 Fountainbrook Blvd. Orlando , FL	100%	2000	379,588	96%	N/A
8401 Memorial Lane Plano , TX	100%	2008	362,785	95%	N/A
12932 Mallory Cir. Orlando , FL	100%	2004	351,010	98%	N/A
1801 Warner Ranch Rd. Round Rock , TX	100%	2001	337,838	94%	N/A
3767 Southwest Durham Dr. Durham , NC	100%	2014	315,469	95%	N/A
4504 West Spruce St. Tampa , FL	100%	2014	307,764	96%	N/A
4025 Huffines Blvd. Carrollton , TX	100%	2012	297,450	93%	N/A
11660 Westwood Blvd. Orlando , FL	100%	2017	293,832	99%	N/A
14301 N. Interstate Hwy. 35 Austin , TX	100%	2017	278,578	44%	N/A
14233 The Lakes Blvd. Austin , TX	100%	2016	272,427	95%	N/A
2600 Lake Ridge Rd. Lewisville , TX	100%	2016	265,038	84%	N/A
327 West Sunset Rd. San Antonio , TX	100%	2015	259,951	89%	N/A
12601 South Green Dr. Houston , TX	100%	1984	219,948	82%	N/A
Lantower Residential Segment and REIT Total			5,308,617	90.0%	

Overview of Portfolio

The following tables summarize information relating to the Properties as at December 31, 2017 (based on the Trusts' proportionate share).

	Office Segment	Primaris Segment	H&R Retail Segment	ECHO Segment	Industrial Segment	Lantower Residential Segment	Total
Number of Properties	36	31	123	227	93	17	527
Total Leasable Area (square feet in thousands)	12,292	8,050	7,175	3,150	9,957	5,309	45,933
Occupancy	97.0%	92.6%	97.4%	94.1%	98.4%	90.0%	95.6%
Average contractual rent per sq. ft. – Canadian properties ⁽¹⁾⁽³⁾	\$25.92	\$23.36	\$11.75	N/A	\$6.65	N/A	\$18.10
Average contractual rent per sq. ft. – U.S. properties ⁽²⁾⁽³⁾	\$35.75	N/A	\$13.11	\$15.17	\$3.54	\$15.99	\$16.77
Interest Rate on Outstanding Mortgages ⁽⁴⁾	4.2%	4.1%	5.0%	5.3%	4.8%	3.8%	4.3%
Average remaining term to maturity of leases (in years)	11.8	4.9	6.1	10.6	7.2	N/A	9.1
Average remaining term to maturity of mortgages payable (in years)	5.0	4.2	5.0	11.0	6.0	8.4	5.6

Notes:

- (1) In Canadian dollars.
- (2) In U.S. dollars.
- (3) Excludes properties sold in their respective year.
- (4) Primaris occupancy includes eight Sears' store locations totalling 609,749 square feet which closed and became vacant in January 2018. Primaris occupancy would have been 84.9% had these eight Sears store locations become vacant as at December 31, 2017.

Lease Maturity Profile

Canadian Portfolio:

Lease Expiries	Office		Primaris		H&R Retail		Industrial		Total ⁽¹⁾	
	Sq.ft.	Rent (\$) ⁽²⁾	Sq.ft.	Rent (\$) ⁽²⁾	Sq.ft.	Rent (\$) ⁽²⁾	Sq.ft.	Rent (\$) ⁽²⁾	Sq.ft.	Rent (\$) ⁽²⁾
2018	272,968	21.83	1,413,967	17.13	159,696	11.02	350,124	3.81	2,196,755	15.15
2019	518,089	21.12	1,019,904	21.17	900,090	10.29	1,120,477	6.40	3,558,560	13.76
2020	229,268	22.08	901,755	21.65	98,095	15.36	725,664	8.49	1,954,782	16.50
2021	464,013	19.51	691,401	26.94	530,249	12.99	276,949	5.83	1,962,612	18.44
2022	651,687	24.35	743,612	23.65	117,867	14.50	1,147,156	6.82	2,660,322	16.16
	2,136,025	21.95	4,770,639	21.29	1,805,997	11.70	3,620,370	6.66	12,333,031	15.70
Total % of each segment	20.8%		59.3%		66.4%		40.7%		41.2%	

Notes:

- (1) The ECHO Segment contains only non-Canadian properties.
- (2) Rent per sq.ft. on expiry stated in Canadian dollars.

U.S. Portfolio:

Lease Expiries	Office		H&R Retail		ECHO		Industrial		Total ⁽¹⁾	
	Sq.ft.	Rent (\$) ⁽²⁾	Sq.ft.	Rent (\$) ⁽²⁾	Sq.ft.	Rent (\$) ⁽²⁾	Sq.ft.	Rent (\$) ⁽²⁾	Sq.ft.	Rent (\$) ⁽²⁾
2018	-	-	219,707	10.54	177,294	10.71	145,056	3.78	542,057	8.79
2019	-	-	418,227	11.19	107,665	13.58	-	-	525,892	11.68
2020	-	-	111,158	38.36	360,665	7.74	-	-	471,823	14.95
2021	-	-	284,494	12.88	141,892	17.41	341,396	2.14	767,782	8.94
2022	563	71.76	1,213,323	11.32	163,688	16.35	54,654	4.94	1,432,228	11.68
	563	71.76	2,246,909	12.75	951,204	11.88	541,106	2.86	3,739,782	11.11
Total % of each segment	0.0%		50.4%		30.2%		50.7%		35.0%	

Notes:

- (1) The Primaris Segment contains only non-U.S. properties.
- (2) Rent per sq.ft. on expiry stated in U.S. dollars.

Debt Maturity:

Year ⁽¹⁾	Office Segment	Industrial Segment	Retail Segment	Lantower Residential Segment	ECHO Segment	Primaris Segment	Total
2018	42,746	61,804	30,757	-	4,383	-	139,690
2019	-	10,368	71,795	-	-	48,071	130,234
2020	279,857	26,257	9,995	-	-	39,269	355,378
2021	511,760	12,587	19,232	-	-	294,031	837,610
2022	383,322	27,418	51,976	-	1,480	127,122	591,318

Note:

- (1) Exclusive of normal monthly self-amortizing principal repayments, mortgage premiums and mortgage origination costs (in thousands of dollars).

PROPERTIES UNDER DEVELOPMENT

The following is a description of the REIT's properties under development as at December 31, 2017. ECHO also has three development projects and five parcels of vacant land areas which are not included in the discussion below.

Mayfield West, Caledon, Ontario

During the fourth quarter of 2010, the REIT acquired property under development comprising approximately 106 acres located in Caledon, Ontario for a purchase price of approximately \$38.0 million and a vendor take-back mortgage of \$18.0 million. In 2011, the REIT purchased an additional 44 acres of land for a property under development in Caledon, Ontario for a purchase price of approximately \$6.5 million. In December 2012, the REIT sold approximately 32 acres of land and repaid the vendor take-back mortgage of 18.0 million. These lands form part of the planned community of Mayfield West. The project consists of an aggregate of 144 developable acres of land and is expected to produce 2.7 million square feet of industrial properties. As at December 31, 2017, the carrying value of this property under development was \$83.1 million.

Jackson Park, Long Island City, New York

In June 2014, the REIT purchased a 50% interest in Jackson Park. Tishman Speyer, a U.S. real estate company, acts as the developer and will act as the manager of Jackson Park. The parcel is zoned for 1.3 million square feet of mixed-used development, and construction is nearing completion on approximately 1,871 luxury residential rental units and approximately 14,000 square feet of retail space. The site is located adjacent to the REIT's Two Gotham Center office property. The project is on budget with approximately \$197.8 million of costs remaining to complete, which will be funded from the construction facility. As at February 14, 2018, the first tower had obtained certificates of occupancy for 333 units. The leasing office for Jackson Park opened in November 2017 and lease-up is expected to occur throughout 2018 and 2019. Part of the amenity space is expected to open in April 2018. First occupancies in the second and third towers are expected to start during Q2 2018. The property was appraised as of December 31, 2017 by a nationally recognized independent firm of appraisers for a value of U.S. \$1.27 billion as compared to total project costs at December 31, 2017 of U.S. \$963.5 million resulting in a 2017 fair value increase of U.S. \$197.4 million (December 31, 2016 - U.S. \$109.7 million). All figures have been presented at the 100% ownership level.

Hercules Project, Hercules, California

In the first quarter of 2016, the REIT purchased a 31.7% non-managing interest in 38.4 acres of land, adjacent to the San Pablo Bay, in the northeast part of San Francisco, CA for the future development of multi-family residential units. This waterfront, multi-phase, master-planned, in-fill mixed-use development surrounds a future intermodal transit centre, including train and ferry service, and is adjacent to a future 11 acre waterfront regional park. The initial investment to purchase the land was approximately U.S. \$10.0 million (at the REIT's ownership interest). As at December 31, 2017, the REIT's investment was U.S. \$12.5 million. Phase 1 of the Hercules Project will consist of 172 multi-family units and construction will commence in May 2018. The total budget for this phase is expected to be U.S. \$78.1 million at the 100% level.

Koenig Project, Austin, Texas

In July 2017, the REIT purchased a 33.3% non-managing interest in approximately 5.0 acres of land in Austin, Texas for the future development of 391 multi-family units with construction expected to commence in June 2018. This multi-residential development site is close to major technology employers like Apple, IBM, Oracle, and Samsung, as well as the University of Texas at Austin and downtown Austin. As at December 31, 2017, the REIT's investment was approximately U.S. \$5.6 million.

MORTGAGES RECEIVABLE

The following is a description of the REIT's two major Mortgage Receivables as at December 31, 2017.

River Landing, Miami, Florida

In January 2017, the REIT acquired a mortgage receivable for U.S. \$34.0 million secured against nine acres of land in Miami, FL. The urban in-fill development site, known as "River Landing", fronts immediately on the Miami River, adjacent to the Health District and in close proximity to downtown Miami, and is zoned for a mixed-use development including approximately 480,000 square feet of retail and office space and over 500 multi-family units. As at December 31, 2017, the mortgage receivable outstanding was U.S. \$67.1 million.

2217 Bryan St., Dallas, Texas

As at December 31, 2017, H&R has a mortgage receivable outstanding of U.S. \$42.8 million secured against an office property currently under construction and against an adjacent 4.8 acres of land located in Dallas, Texas's downtown core. This project includes the re-development of a 93,000 square foot existing historical building into state-of-the-art office space. To date, approximately 63.0% has been pre-leased. The 4.8 acres of excess land is well located in the downtown core, and is expected to be developed into a multi-family property.

FINANCING

The REIT Declaration of Trust provides that the REIT shall not incur or assume any indebtedness if, after giving effect to the incurring or assumption of the indebtedness, the total indebtedness of the REIT would be more than 65% of the Total Assets (see "Investment Guidelines and Operating Policies of the REIT"). As at December 31, 2017, the REIT's aggregate amount of indebtedness amounted to approximately 43.9% of the Total Assets.

The following table reflects the repayment schedule for mortgages relating to the REIT's Properties and the REIT's debentures payable as at December 31, 2017 (based on the Trusts' proportionate share).

Future repayments by year of maturity	Periodic Amortized Principal (\$000's)	Principal on Maturity (\$000's)	Total Principal (\$000's)	% of Total Principal	Weighted Average Interest Rate on Maturity
2018	145,194	697,191	842,385	14.0%	3.9%
2019	158,286	480,235	638,521	10.6%	2.8%
2020	145,706	630,032	775,738	12.9%	4.7%
2021	126,074	837,610	963,684	16.0%	3.9%
2022	81,268	916,319	997,587	16.6%	3.6%
Thereafter			1,801,441	29.9%	
Total			6,019,356	100.0%	

NON-COMPETITION ARRANGEMENTS

H&R Developments and the Related Party entered into the non-competition agreement (the “**Non-Competition Agreement**”) with the REIT, effective December 23, 1996, pursuant to which H&R Developments are prohibited from investing in any office or industrial property in Canada and the Related Party (and his spouse and minor children) are prohibited from investing in any office, industrial or retail property in Canada, unless such investment has first been offered to the REIT in accordance with the terms of the Non-Competition Agreement or subject to the following exceptions relating to office or industrial property development and office property acquisition: (i) if the “excepted property” is not a build to suit, it must be offered to the REIT at fair market value after it has been substantially leased; (ii) if the “excepted property” is a proposed build to suit for a specific tenant on a “turnkey” basis, it must be offered in advance to the REIT for purchase on completion and occupancy by the tenant; and (iii) if the “excepted property” is a build to suit to be sold (unless such property was built for a specific tenant on a “turnkey” basis), it must be first offered to the REIT, subject to the rights of tenants and co-owners. H&R Developments and the Related Party have also agreed that, during the term of any lease of a tenant of any Initial Property or within 60 days after the expiry thereof, they and their applicable spouses and minor children will not solicit such tenant to move to a building in which the REIT does not have an interest.

The restrictions in the Non-Competition Agreement apply to H&R Developments until Thomas J. Hofstedter ceases to be bound by the Non-Competition Agreement and has no active role in the management of H&R Developments.

The Related Party is bound by such restrictions until one year after ceasing to be a REIT Trustee, officer or employee of the REIT. A breach of the Non-Competition Agreement by Thomas J. Hofstedter or H&R Developments (so long as Thomas J. Hofstedter has an active role in the management of H&R Developments) entitles the REIT to terminate his employment with the REIT without severance.

The restrictions in the Non-Competition Agreement do not apply, among other exclusions, to (i) any investments in respect of which H&R Developments or the Related Party have no active management or which they do not control, (ii) any multi-tenant industrial properties (that are not built to suit) acquired by a corporation within H&R Developments which is controlled by members of the Rubinstein Family; (iii) certain industrial or office properties in which H&R Developments or the Related Party at the time had an interest which are at least 50% owned by parties unrelated to the H&R Group or which at the time were under construction, (with respect to all of which the REIT has a first opportunity to purchase in the event of a sale, subject to the rights of tenants and co-owners); and (iv) retail properties which were at the time held directly or indirectly by the Related Party. However, no exclusion limits the restriction on soliciting tenants described above.

DESCRIPTION OF STAPLED UNITS

On October 1, 2008, pursuant to a plan of arrangement which was approved by the holders of REIT Units at a special meeting on September 19, 2008, the REIT completed an internal reorganization in the course of which Finance Trust was created and each REIT Unit began trading together with a Finance Trust Unit as a Stapled Unit on the TSX under the symbol “HR.UN”. Apart from provisions necessary to achieve such stapling, each REIT Unit and 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 Finance Trust Units will cease to be listed on the TSX).

The REIT Declaration of Trust and the Finance Trust Declaration of Trust each contain provisions to achieve the “stapling” of the REIT Units and the Finance Trust Units until such time as an Event of Uncoupling occurs. (See “REIT Declaration of Trust and Description of REIT Units –

Transferability of REIT Units and Special Voting Units and Stapling of REIT Units” and “Finance Trust Declaration of Trust and Description of Finance Trust Units”).

An Event of Uncoupling

An “**Event of Uncoupling**” means an event whereby the REIT Units and the Finance Trust Units do not trade together on the TSX, an event that occurs only: (a) in the event that holders of REIT Units vote in favour of the uncoupling of REIT Units and Finance Trust Units such that the two securities will trade separately; or (b) at the sole discretion of the Finance Trust Trustees, but only in the event of the bankruptcy, insolvency, winding-up or reorganization (under an applicable law relating to insolvency) of the REIT or U.S. Holdco or the taking of corporate action by the REIT or U.S. Holdco in furtherance of any such action or the admitting in writing by the REIT or U.S. Holdco of its inability to pay its debts generally as they become due (the latter being a “**Finance Trust Trustee Discretionary Event of Uncoupling**”).

Support Agreement

The following is a summary of certain material provisions of the Support Agreement and does not purport to be complete and is subject to, and is qualified in its entirety by, reference to the Support Agreement, as filed on SEDAR.

Pursuant to the provisions of the REIT Declaration of Trust and the Finance Trust Declaration of Trust, at all times, each REIT Unit must be “stapled” to a Finance Trust Unit (and each Finance Trust Unit must be “stapled” to a REIT Unit) unless there is an Event of Uncoupling. Pursuant to an agreement between the REIT and Finance Trust made as of October 1, 2008, as amended and restated as of May 29, 2009, as of June 14, 2011, as of April 4, 2013 and as of May 7, 2013 (the “**Support Agreement**”), the REIT and Finance Trust have agreed, among other things: to co-ordinate their declaration and payment of all distributions so as to provide for simultaneous record dates and payment dates; to co-ordinate, so as to permit the REIT to perform its obligations pursuant to the REIT Declaration of Trust, the Rights Plan, the Unit Option Plan, the Incentive Unit Plan and the DRIP and Unit Purchase Plan; for Finance Trust to take all such actions and do all such things as are necessary or desirable to enable and permit the REIT to perform its obligations arising under any security issued by the REIT (including securities convertible, exercisable or exchangeable into Stapled Units); and for Finance Trust to take all such actions and do all such things as are necessary or desirable to issue Finance Trust Units simultaneously (or as close to simultaneously as possible) with the issue of REIT Units and to otherwise ensure at all times that each holder of a particular number of REIT Units holds an equal number of Finance Trust Units, including participating in and cooperating with any public or private distribution of Stapled Units by, among other things, signing prospectuses or other offering documents.

In the event that the REIT issues additional REIT Units, pursuant to the Support Agreement the REIT and Finance Trust will co-ordinate so as to ensure that each subscriber receives both REIT Units and Finance Trust Units. Prior to such event, the REIT shall provide notice to Finance Trust to cause Finance Trust to issue and deliver the requisite number of Finance Trust Units to be received by and issued to, or to the order of, each subscriber as the REIT directs. In consideration of the issuance and delivery of each such Finance Trust Unit, the REIT (solely as agent for and on behalf of the purchaser) or the purchaser, as the case may be, shall pay (or arrange for the payment of) a purchase price equal to the fair market value (as determined by Finance Trust in consultation with the REIT) of each such Finance Trust Unit at the time of such issuance. The remainder of the subscription price for Stapled Units shall be allocated to the issuance of REIT Units to be issued by the REIT. The proceeds received by Finance Trust from any such issuance shall be invested in additional notes of the same series as the U.S. Holdco Notes or distributed to holders of Finance Trust Units.

REIT Unitholders' Rights Plan

The following is a summary of certain material provisions of the Rights Plan and does not purport to be complete and is subject to, and is qualified in its entirety by, reference to the Rights Plan, as filed on SEDAR.

On June 23, 2006, holders of REIT Units approved a unitholders' rights plan, which was amended and restated on October 1, 2008, further amended and restated as of May 15, 2009 with the approval of holders of REIT Units, further amended and restated as of June 18, 2012 with the approval of holders of REIT Units, and further amended and restated as of June 8, 2015 with the approval of holders of REIT Units, (as amended or amended and restated from time to time, the "**Rights Plan**"). The Rights Plan utilizes the mechanism of the "**Permitted Bid**" (as described below) to ensure that a person seeking control of the REIT gives Unitholders and the REIT Trustees sufficient time to evaluate the bid, negotiate with the initial bidder and encourage competing bids to emerge. The purpose of the Rights Plan is to protect Unitholders by requiring all potential bidders to comply with the conditions specified in the Permitted Bid provisions or else such bidders are subject to the dilutive features of the Rights Plan. Generally, to qualify as a Permitted Bid, a bid must (i) be made to all Unitholders (other than the bidder), (ii) be open for 60 days after the bid is made and that after such period, the bidder may take up and pay for such Stapled Units only if more than 50% of the Stapled Units held by "**Independent Unitholders**" (as defined in the Rights Plan) are deposited or tendered to the bid and not withdrawn and (iii) be extended for a further period of ten days if (ii) above is met on the same terms to allow those Unitholders who did not initially tender their Stapled Units to tender to the bid if they so choose. Thus, there is no coercion to tender during the initial 60-day period because the bid must be open for acceptance for at least ten days after the expiry of the initial tender period.

On October 1, 2008, one right (a "**Right**") was issued and attached to each outstanding Stapled Unit and each previously issued right to purchase one REIT unit was cancelled. One Right has attached and will also attach to any subsequently issued Stapled Units until the earlier of the "Separation Time" (as defined below) and the "**Expiration Time**" (as defined in the Rights Plan). The initial exercise price of the Rights is \$100 (the "**Exercise Price**"), subject to appropriate anti-dilution adjustments.

The issue of the Rights is not initially dilutive. Upon a "Flip-in Event" (as defined below) occurring and the Rights separating from the attached Stapled Units, reported earnings per Stapled Unit on a fully diluted or non-diluted basis may be affected. Holders of Rights who do not exercise their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

The Rights will separate from the Stapled Units to which they are attached and will become exercisable at the time (the "**Separation Time**") that is: (A) the close of business on the eighth trading day after the earliest of (i) the date of the first public announcement by the REIT, Finance Trust or an Acquiring Person of facts indicating that a person has become an Acquiring Person (the "**Stapled Unit Acquisition Date**"), (ii) the date of the commencement of or first public announcement of the intent of any person to commence a take-over bid other than a Permitted Bid or a "**Competing Permitted Bid**" (as defined in the Rights Plan), and (iii) the date upon which a Permitted Bid ceases to be such; or (B) such later date as may be determined by the REIT Trustees acting in good faith. From and after the Separation Time and prior to the Expiration Time, each Right (other than those held by the Acquiring Person) will permit the holder to purchase Stapled Units with a total market value equal to twice the Exercise Price for an amount in cash equal to the Exercise Price (i.e., at a 50% discount). Any Rights held by an Acquiring Person on or after the earlier of the Separation Time or the Stapled Unit Acquisition Date will become null and void upon the occurrence of a Flip-in Event.

The price at which a holder of a Right may purchase a Finance Trust Unit forming part of a Stapled Unit issuable upon exercise of such Right will be equal to the fair market value of a Finance Trust Unit at the time of the exercise of such Right, and such amount shall be payable by such holder, at the time of such exercise, to the REIT solely as agent for and on behalf of such holder so exercising such Right and the REIT shall pay such amount to Finance Trust on behalf of such holder in consideration of the issuance and delivery of the relevant Finance Trust Units to such holder. At all times this amount will be no less than the fair market value, from time to time, of a Finance Trust Unit, such that a Right holders' right to acquire Finance Trust Units shall, in and of itself, have no value. The remainder of the Exercise Price payable by a holder of such Right will be payable to the REIT as the purchase price of the relevant REIT Units at the time of exercise of the Right.

The acquisition by a person (an "**Acquiring Person**") of 20% or more of the outstanding Stapled Units (including Stapled Units held by "**affiliates**" and "**associates**" of such person (each as defined in the Rights Plan) and persons acting jointly or in concert with such person), other than by way of a Permitted Bid and other than certain limited circumstances described in the Rights Plan, is referred to as a "**Flip-in Event**". A person is not deemed to beneficially own Stapled Units deposited or tendered pursuant to a permitted lock-up agreement or otherwise deposited or tendered pursuant to any take-over bid made by such person, such person's affiliates and associates or persons acting jointly or in concert with such person, until such deposited or tendered Stapled Units have been either taken up or paid for.

If an Event of Uncoupling should occur, the Rights Plan will be read as a plan in respect of rights solely to acquire REIT Units and references to "Finance Trust", the "Finance Trust Trustees" and "Finance Trust Units" will be disregarded.

If required by the rules and regulations of any stock exchange on which the REIT Units are then listed, at or prior to the annual meetings of the unitholders of the REIT to be held in 2018 and 2021, provided that a Flip-in Event has not occurred prior to such time, the REIT Trustees shall submit a resolution ratifying the continued existence of the Rights Plan to all holders of REIT Units and Special Voting Unitholders for their consideration and, if thought advisable, approval. If such approval is not required by the rules and regulations of any stock exchange on which the REIT Units are then listed, at or prior to the annual meetings of the holders of REIT Units to be held in 2018 and 2021, provided that a Flip-in Event has not occurred prior to such time, the REIT Trustees shall submit a resolution ratifying the continued existence of the Rights Plan to the Independent Unitholders for their consideration and, if thought advisable, approval. At each such annual meetings of the unitholders of the REIT, unless the majority of the votes cast by holders of REIT Units and Special Voting Unitholders or the Independent Unitholders, as applicable, who vote in respect of such resolution are voted in favour of the continued existence of the Rights Plan, the Rights Plan and all outstanding Rights will terminate and be void and of no further force and effect. The Rights Plan will terminate upon the termination of the annual meetings of the Unitholders to be held in 2024, unless terminated earlier.

REIT DECLARATION OF TRUST AND DESCRIPTION OF REIT UNITS

The following is a summary of certain material provisions of the REIT Declaration of Trust and does not purport to be complete and is subject to, and is qualified in its entirety by, reference to the REIT Declaration of Trust, as filed on SEDAR.

General

The REIT is an open-ended unincorporated investment trust created pursuant to the REIT Declaration of Trust and governed by the laws of the Province of Ontario. See also "Investment Guidelines and Operating Policies of the REIT".

REIT Units and Special Voting Units

The beneficial interests in the REIT are divided into two classes of trust units: REIT Units and Special Voting Units. The aggregate number of REIT Units which the REIT may issue is unlimited and the aggregate number of Special Voting Units which the REIT may issue is 9,500,000. Each REIT Unit represents an equal undivided interest in the REIT with all outstanding REIT Units. No REIT Unit has any preference or priority over another. The legal ownership of the assets of the REIT and the right to conduct the affairs of the REIT are vested exclusively in the REIT Trustees and no Unitholder has or is deemed to have any right of ownership in any of the assets of the REIT. Each REIT Unit confers the right to one vote at any meeting of Unitholders and to participate in any distributions by the REIT and, in the event of termination of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities.

Special Voting Units may be issued in series and shall only be issued concurrently or in relation to the issuance of Exchangeable Securities on such terms and conditions as may be determined by the REIT Trustees. Special Voting Units will be automatically cancelled, without any further action of the REIT Trustees or the REIT, and the former holder of such Special Voting Unit will cease to have any rights with respect thereto, concurrently with the issuance of REIT Units on the conversion, exchange or cancellation of the related Exchangeable Securities. At all meetings of Unitholders and Special Voting Unitholders and in respect of any written resolution of the Unitholders and Special Voting Unitholders, a Special Voting Unit is entitled to the number of votes equal to the number of REIT Units into which the Exchangeable Securities to which such Special Voting Unit relates are exchangeable or convertible. Holders of Special Voting Units are not entitled to any distribution from the REIT and do not have any legal or beneficial interests in any assets of the REIT on termination or winding-up of the REIT.

Subject to applicable regulatory approval, the issued and outstanding REIT Units and Special Voting Units may be subdivided or consolidated from time to time by the REIT Trustees. No certificates for fractional REIT Units or fractional Special Voting Units will be issued and fractional REIT Units and fractional Special Voting Units will not entitle the holders thereof to vote except to the extent that they may represent in the aggregate one or more whole REIT Units or Special Voting Units, as applicable.

Transferability of REIT Units and Special Voting Units and Stapling of REIT Units

Provided that an Event of Uncoupling has not occurred: (a) each REIT Unit may be transferred only together with a Finance Trust Unit, (b) no REIT Unit may be issued by the REIT to any person unless (i) a Finance Trust Unit is simultaneously issued to such person, or (ii) the REIT has arranged that REIT Units will be consolidated (subject to any applicable regulatory approval) immediately after such issuance, such that each holder of a REIT Unit will hold an equal number of REIT Units and Finance Trust Units immediately following such consolidation, and (c) a Unitholder may require the REIT to redeem any particular number of REIT Units only if it also requires, at the same time, and in accordance with the provisions of the Finance Trust Declaration of Trust, Finance Trust to redeem that same number of Finance Trust Units.

Provided that an Event of Uncoupling has not occurred, in the event that Finance Trust: (i) subdivides, redivides or changes the then outstanding Finance Trust Units into a greater number of Finance Trust Units; or (ii) reduces, combines, consolidates or changes the then outstanding Finance Trust Units into a lesser number of Finance Trust Units; or (iii) reclassifies or otherwise changes the Finance Trust Units (collectively, a “**Change to the Finance Trust Units**”), the REIT (subject to any applicable regulatory approval) shall cause a corresponding change to simultaneously be made to, or in, the rights of the holders of the REIT Units unless such Change to the Finance Trust Units does not result in a holder of a Finance Trust Unit holding an unequal number of Finance Trust Units and REIT Units, or is a

distribution by Finance Trust of Finance Trust Units which is followed immediately by a consolidation after which each holder of REIT Units holds an equal number of Finance Trust Units.

Special Voting Units shall not be transferable separately and apart from the Exchangeable Securities to which they are attached.

Purchases of REIT Units

The REIT may from time to time purchase REIT Units for cancellation in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange or regulatory policies provided that, if an Event of Uncoupling has not occurred, Finance Trust purchases for cancellation a corresponding number of Finance Trust Units in accordance with the provisions of the Finance Trust Declaration of Trust.

Redemption of REIT Units

The right of redemption provides Unitholders with a right to require the REIT to redeem their REIT Units on demand upon delivery to the REIT of a duly completed and properly executed notice requesting redemption. Upon receipt of the redemption request by the REIT, the Unitholder will thereafter cease to have any rights with respect to each REIT Unit tendered for redemption other than to receive the “REIT Unit Redemption Price” (as defined below).

Provided that no Event of Uncoupling has occurred, a Unitholder who tenders a REIT Unit for redemption shall be required to also tender for redemption a corresponding Finance Trust Unit in accordance with the provisions of the Finance Trust Declaration of Trust.

REIT Unit Redemption Price and Payment

Provided that no Event of Uncoupling has occurred, the “**REIT Unit Redemption Price**” is the price per REIT Unit equal to the amount by which the lesser of: (i) 90% of the “**market price**” (as defined in the REIT Declaration of Trust) of a Stapled Unit during the 10-trading day period commencing immediately prior to the date on which the REIT Unit is tendered to the REIT for redemption (the “**REIT Unit Redemption Date**”); and (ii) the “**closing market price**” (as defined in the REIT Declaration of Trust) of a Stapled Unit on the REIT Unit Redemption Date, exceeds an amount equal to the Canadian dollar equivalent (determined using the exchange rate posted on such date to convert U.S. currency to Canadian currency by a bank as selected by the REIT) of the outstanding principal amount of U.S. Holdco Notes as of REIT Unit Redemption Date, divided by the total number of Finance Trust Units issued and outstanding immediately prior to the REIT Unit Redemption Date.

The aggregate redemption price payable by the REIT in respect of any REIT Units surrendered for redemption during a particular calendar month will be satisfied by the mailing to the redeeming Unitholder of a payment by cheque no later than the last day of the month following the month during which the REIT Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their REIT Units is subject to the conditions that: (i) the total amount payable by the REIT in respect of those REIT Units and all other REIT Units tendered for redemption in the same calendar month does not exceed \$50,000 (subject to certain adjustments and provided that the REIT Trustees may, in their sole discretion, waive this limitation in respect of all REIT Units tendered for redemption in any calendar month); (ii) at the time the REIT Units are tendered for redemption, the outstanding Stapled Units are listed for trading or quoted on any stock exchange or market which, in the sole discretion of the REIT Trustees, provides representative fair market value prices for the Stapled Units; and (iii) the normal trading of Stapled Units is not suspended or halted on any stock exchange on which

the Stapled Units are listed (or, if not so listed, on any market on which the Stapled Units are quoted for trading) on the REIT Unit Redemption Date or for more than five trading days during the ten-day trading period commencing immediately prior to such date.

If a Unitholder is not entitled to receive cash upon the redemption of REIT Units as a result of one or more of the foregoing conditions, then each REIT Unit tendered for redemption will, subject to any applicable regulatory approvals, be redeemed by way of a distribution *in specie* of notes of HRP Trust. The notes will be issued pursuant to a note indenture between HRP Trust and CIBC Mellon Trust Company which provides for the issuance of interest bearing unsecured subordinated notes of HRP Trust. The notes will be issuable in four series, in denominations to be determined by the REIT Trustees, and will bear interest from the date of issue at rates stipulated in the note indenture. In the event of an *in specie* distribution of notes on redemption of a REIT Unit, a Unitholder may receive series 2, series 3 or series 4 notes of HRP Trust, or a combination thereof, in the REIT Trustees' discretion, in an aggregate amount equal to the fair market value of the REIT Units tendered for redemption, as determined by the REIT Trustees. No fractional notes of HRP Trust in integral multiples of less than \$100 (or such other lower amount as the REIT Trustees may establish from time to time) will be delivered and, where the amount of notes of HRP Trust to be received by a redeeming Unitholder includes a fraction or a multiple less than \$100, that number shall be rounded to the next lowest whole number or integral multiple of \$100. The series 2, series 3 and series 4 notes of HRP Trust will bear interest at prime rate plus 1% and will mature, respectively, within one year, in twenty-five years and in twenty-five years of their date of issue. The REIT and HRP Trust have entered into a redemption funding agreement under which the REIT will provide HRP Trust with sufficient cash or other assets or a combination thereof to support the principal amount of any series 4 notes to be issued in connection with an *in specie* redemption of REIT Units.

Take-over Bids

The REIT Declaration of Trust contains provisions to the effect that if a take-over bid is made for the Stapled Units within the meaning of the *Securities Act* (Ontario) and not less than 90% of the Stapled Units (other than Stapled Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Stapled Units held by Unitholders who did not accept the offer either, at the election of such Unitholders, on the terms offered by the offeror or at the fair value of such Unitholders' Stapled Units determined in accordance with the procedures set out in the REIT Declaration of Trust.

Meetings of REIT Unitholders and Special Voting Unitholders

The REIT Declaration of Trust provides that meetings of Unitholders and Special Voting Unitholders must be called and held for the appointment, election or removal of REIT Trustees, the appointment or removal of the auditors of the REIT, the approval of amendments to the REIT Declaration of Trust (except as described under “– Amendments to REIT Declaration of Trust”), the uncoupling of Stapled Units to provide for separate trading of the REIT Units and the Finance Trust Units (except as provided for in the case of a Finance Trust Trustee Discretionary Event of Uncoupling), the sale or transfer of the assets of the REIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the REIT as approved by the REIT Trustees) and the termination of the REIT. Meetings of Unitholders and Special Voting Unitholders will be called and held annually for the election of the REIT Trustees and the appointment of auditors of the REIT and for transacting such other business as the REIT Trustees may determine or as may properly be brought before the meeting, and may be held at the same time and place as the annual meeting of holders of Finance Trust Units.

A meeting of Unitholders and Special Voting Unitholders may be convened at any time and for any purpose by the REIT Trustees and must be convened, except in certain circumstances, if requisitioned by

Unitholders and Special Voting Unitholders holding in the aggregate not less than 5% of the REIT Units and Special Voting Units then outstanding. A requisition must state in writing and in reasonable detail the business proposed to be transacted at the meeting. Unitholders and Special Voting Unitholders have the right to obtain a list of registered Unitholders and Special Voting Unitholders to the same extent and upon the same conditions as those which apply to shareholders of a corporation governed by the CBCA.

Unitholders and Special Voting Unitholders may attend and vote at all meetings of the Unitholders and Special Voting Unitholders either in person or by proxy and a proxyholder need not be a Unitholder or Special Voting Unitholder. The REIT Declaration of Trust contains provisions as to quorum, the notice required and other procedures with respect to the calling and holding of meetings of Unitholders and Special Voting Unitholders. In particular, the REIT Declaration of Trust provides that only persons who are nominated in accordance with the procedures set out in the REIT Declaration of Trust will be eligible for election as REIT Trustees (the “**REIT Advance Notice Policy**”). Nominations of persons for election as REIT Trustees may be made at any annual meeting of Unitholders and Special Voting Unitholders, or at any special meeting of Unitholders and Special Voting Unitholders, if one of the purposes for which the special meeting was called was the election of REIT Trustees: (i) by or at the direction of the board of REIT Trustees, including pursuant to a notice of meeting; (ii) by or at the direction or request of one or more Unitholders pursuant to a requisition of the Unitholders or Special Voting Unitholders made in compliance with the REIT Declaration of Trust; or (iii) by any person (a “**Nominating Unitholder**”) who (A) at the close of business on the date of the giving of the notice provided for such purposes in the REIT Declaration of Trust and on the record date for notice of such meeting, is entered in the register as a holder of one or more REIT Units or Special Voting Units carrying the right to vote at such meeting or who beneficially owns REIT Units or Special Voting Units that are entitled to be voted at such meeting; and (B) who complies with the notice procedures set forth for such purposes in the REIT Declaration of Trust. In addition to any other applicable requirements, for such a nomination to be made by a Nominating Unitholder, the Unitholder must have given timely notice thereof to the REIT Trustees in the manner prescribed by the REIT Declaration of Trust. To be timely, a Nominating Unitholder’s notice to the REIT Trustees must be made: (i) in the case of an annual meeting of Unitholders and Special Voting Unitholders, not less than 30 days prior to the date of the annual meeting of Unitholders and Special Voting Unitholders; provided, however, that in the event that the annual meeting of Unitholders and Special Voting Unitholders is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Unitholder may be made not later than the close of business on the 10th day following the date of such public announcement; and (ii) in the case of a special meeting (which is not also an annual meeting) of Unitholders and Special Voting Units called for the purpose of electing REIT Trustees (whether or not called for other purposes), not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting of Unitholders and Special Voting Unitholders was made.

Issuance of REIT Units

The REIT may issue, from time to time, new REIT Units (subject to the provisions noted at “–Transferability of REIT Units and Special Voting Units and Stapling of REIT Units” and “– Limitation on Non-Resident Ownership”), and rights, warrants, and options to subscribe for fully paid REIT Units (“**Other Securities**”), in such manner, for the consideration, and to such persons or class of persons that the REIT Trustees determine. Provided that an Event of Uncoupling has not occurred, the REIT Trustees may create and issue rights, warrants, or options to acquire Finance Trust Units from Finance Trust and may incur indebtedness exchangeable at the option of the creditor for Stapled Units. Unitholders do not have any pre-emptive rights whereby additional REIT Units proposed to be issued must first be offered to existing Unitholders. In addition to REIT Units or options which may be issued pursuant to the Unit Option Plan, Incentive Unit Plan, DRIP and Unit Purchase Plan, or the Rights Plan, new REIT Units or

Other Securities may be issued through public offerings, through rights offerings to existing Unitholders (i.e., offerings in which Unitholders receive rights to subscribe for new REIT Units or Other Securities in proportion to their existing holdings of REIT Units or Other Securities, which rights may be exercised or sold to other investors), through private placements (i.e., offerings to specific investors which are not made generally available to the public or existing Unitholders) or as a result of conversion or subscription rights exercised under Other Securities. REIT Units may be also issued in satisfaction of any non-cash distribution of the REIT to Unitholders where the REIT Trustees determine that the REIT does not have available cash to fund such distribution or where the REIT Trustees otherwise determine in their absolute discretion that all or a portion of such distribution should not be paid in cash (subject to the provisions noted at “–Transferability of REIT Units and Special Voting Units and Stapling of REIT Units” and “–Limitation on Non-Resident Ownership”) or pursuant to an extraordinary distribution of REIT Units as declared by the REIT Trustees. In certain instances, the REIT may also issue new REIT Units as consideration for the acquisition of new properties or assets. The price or the value of the consideration for which REIT Units may be issued will be determined by the REIT Trustees, generally in consultation with investment dealers or brokers who may act as underwriters or agents in connection with offerings of REIT Units.

Limitation on Non-Resident Ownership

At no time may Non-Residents be the beneficial owners of 49% or more of the REIT Units and the REIT Trustees have informed the transfer agent and registrar of this restriction. The transfer agent and registrar may require declarations as to the jurisdictions in which beneficial owners of REIT Units are resident. If the transfer agent and registrar become aware, as a result of requiring such declarations as to beneficial ownership, that the beneficial owners of 49% or more of the REIT Units then outstanding are, or may be, Non-Residents or that such a situation is imminent, the transfer agent and registrar will advise the REIT Trustees and, upon receiving direction from the REIT Trustees, may make a public announcement thereof and shall not accept a subscription for REIT Units from or issue or register a transfer of REIT Units to a person unless the person provides a declaration that the person is not a Non-Resident. If, notwithstanding the foregoing, the transfer agent and registrar determine that 49% or more of the REIT Units are held by Non-Residents, the transfer agent and registrar may, upon receiving a direction and suitable indemnity from the REIT Trustees, send a notice to registered Unitholders who are Non-Residents, chosen in inverse order to the order of acquisition or registration or in such manner as the REIT Trustees may consider equitable and practicable, requiring them to sell their Stapled Units or a portion thereof within a specified period of not less than 60 days. If the Unitholders receiving such notice have not sold the specified number of Stapled Units or provided the REIT Trustees with satisfactory evidence that they are not Non-Residents within such period, the transfer agent and registrar, upon receiving such a direction from the REIT Trustees, may on behalf of such Unitholders sell such Stapled Units and, in the interim, shall suspend the voting and distribution rights attached to the REIT Units forming part of such Stapled Units. Upon such sale the affected holders shall cease to be Unitholders and their rights shall be limited to receiving the net proceeds of sale upon surrender of the certificate representing such Stapled Units.

Under the Tax Act, the REIT will not be considered to be a mutual fund trust if it is established or maintained primarily for the benefit of Non-Residents. The Tax Act does not provide any means of rectifying a loss of mutual fund trust status such that if, at any time, the REIT were to lose its mutual fund trust status as a result of the application of this rule, the REIT would permanently cease to be a mutual fund trust.

Information and Reports

Within such time period as is acceptable under applicable securities legislation, and at least 21 days prior to each annual meeting of Unitholders and Special Voting Unitholders, upon a Unitholder's

and/or Special Voting Unitholder's request or otherwise as required by applicable law, the REIT Trustees shall send to such Unitholder and/or Special Voting Unitholder audited comparative financial statements for such year, prepared in compliance with applicable securities laws. Within such time period as is acceptable under applicable securities legislation and after the end of each of the first three fiscal quarters of each year, upon a Unitholder's or Special Voting Unitholder's request or otherwise as required by applicable law, the REIT Trustees shall send unaudited comparative financial statements for the period then ended to such Unitholder and/or Special Voting Unitholder. The REIT Trustees will supply Unitholders and Special Voting Unitholders with any information that may be required by them in connection with their obligations under the Tax Act and equivalent provincial legislation.

Notice of all meetings of the Unitholders and Special Voting Unitholders will be mailed or delivered by the REIT Trustees to each Unitholder and Special Voting Unitholders at his address appearing in the register, to each REIT Trustee and to the auditors of the REIT not less than 21 nor more than 50 days before the meeting. Notice of any meeting of the Unitholders and Special Voting Unitholders will state the purposes of the meeting.

A Unitholder has the right to examine the REIT Declaration of Trust during normal business hours upon submission of a request and affidavit, together with payment of reasonable fees, in the manner as contemplated by the REIT Declaration of Trust. Unitholders and Special Voting Unitholders have the right to obtain a list of the registered Unitholders or holders of Special Voting Units to the same extent which are substantially similar rights and requirements applicable to shareholders of a corporation governed by the CBCA.

Amendments to REIT Declaration of Trust

The REIT Declaration of Trust may be amended or altered from time to time. The following amendments require approval by at least two-thirds of the aggregate votes cast by Unitholders and Special Voting Unitholders entitled to vote thereon at a meeting of Unitholders and Special Voting Unitholders called for such purpose: (i) to change a right with respect to any outstanding REIT Units or Special Voting Units to reduce the amount payable on the REIT Units upon termination of the REIT or to diminish or eliminate any voting rights pertaining to the REIT Units or the Special Voting Units; (ii) any amendment to the duration or termination provisions of the REIT; (iii) any amendment relating to the powers, duties, obligations, liabilities or indemnification of the REIT Trustees; (iv) the uncoupling of Stapled Units to provide for separate trading of the REIT Units and the Finance Trust Units (except as provided for in the case of a Finance Trust Trustee Discretionary Event of Uncoupling); (v) any sale or transfer of the REIT as an entirety or substantially as an entirety; and (vi) certain other amendments as described in the REIT Declaration of Trust. Other amendments to the REIT Declaration of Trust require approval by a majority of the aggregate votes cast by holders of REIT Units and Special Voting Units entitled to vote thereon at a meeting called for such purpose.

The REIT Trustees may, without the approval of the Unitholders and Special Voting Unitholders, make certain amendments to the REIT Declaration of Trust, including amendments:

- for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the REIT Trustees or over the REIT, its status as a "mutual fund trust" and a "registered investment" under the Tax Act or the distribution of REIT Units;
- which, in the opinion of the REIT Trustees, provide additional protection for the Unitholders or Special Voting Unitholders;

- to make minor corrections which are, in the opinion of REIT Trustees, necessary or desirable and not prejudicial to the Unitholders or Special Voting Unitholders;
- which, in the opinion of the REIT Trustees, are necessary or desirable (i) as a result of changes in taxation laws from time to time which may affect the REIT, the Unitholders, the Special Voting Unitholders or annuitants under a plan of which a Unitholder or Special Voting Unitholder acts as trustee or carrier, or to qualify for a particular status under taxation laws including to qualify as a “real estate investment trust” for purposes of the Tax Act or to otherwise prevent the REIT or any of its subsidiaries from becoming subject to SIFT Tax, or (ii) as a result of changes in accounting standards (including the implementation of IFRS) from time to time which may affect the REIT, the Unitholders, the Special Voting Unitholders or annuitants under a plan of which a Unitholder or Special Voting Unitholder acts as trustee or carrier; and
- for any purpose (except one in respect of which a Unitholder and Special Voting Unitholder vote is specifically otherwise required) if the REIT Trustees are of the opinion that the amendment is not prejudicial to Unitholders or Special Voting Unitholders and is necessary or desirable.

Ratifying Amendments to Declaration of Trust

Pursuant to the terms of the REIT Declaration of Trust, the REIT Trustees shall submit any amendment to the REIT Declaration of Trust that has not been approved by the Unitholders pursuant to section 12.01 of the REIT Declaration of Trust, other than amendments pursuant to Section 4.03, Section 12.01(a), Section 12.01(e) or Section 12.01(f) of the REIT Declaration of Trust and amendments the REIT Trustees determine are necessary or advisable pursuant to or in connection with applicable tax laws, securities laws, accounting rules or other applicable laws or regulations or such amendments, the equivalent of which, would not otherwise be required to be ratified by shareholders pursuant to the CBCA, to the Unitholders and Special Voting Unitholders at the next meeting of Unitholders and Special Voting Unitholders and the Unitholders and Special Voting Unitholders entitled to vote on the amendment may, by a vote representing at least a majority of the REIT Units and Special Voting Units voted, in person or by proxy, confirm, reject or amend the amendment to the REIT Declaration of Trust.

If an amendment to the REIT Declaration of Trust is rejected by the Unitholders and Special Voting Unitholders, or if the REIT Trustees do not submit an amendment to the Unitholders and Special Voting Unitholders as required, the amendment ceases to be effective immediately after the meeting of Unitholders and Special Voting Unitholders referred to above and no subsequent resolution of the REIT Trustees to amend the REIT Declaration of Trust having substantially the same purpose or effect is effective until it is confirmed or confirmed as amended by the Unitholders and Special Voting Unitholders.

Term of the REIT and Sale of Substantially All Assets

The REIT has been established for an indefinite term. Pursuant to the REIT Declaration of Trust, termination of the REIT or the sale or transfer of the assets of the REIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the REIT as approved by the REIT Trustees) requires approval by at least two-thirds of the aggregate votes cast by Unitholders and Special Voting Unitholders entitled to vote thereon at a meeting of Unitholders and Special Voting Unitholders called for such purpose.

Rights of Unitholders and Special Voting Unitholders

The rights of Unitholders and Special Voting Unitholders, with respect to REIT Units and Special Voting Units held, respectively, are set out in the REIT Declaration of Trust. Although the REIT Declaration of Trust confers upon a Unitholder and Special Voting Unitholder many of the same protections, rights and remedies an investor would have as a shareholder of a corporation governed by the CBCA, there are significant differences, some of which are discussed below.

The REIT Declaration of Trust contains provisions entitling a Unitholder that is entitled to vote at a meeting the ability, upon compliance with the requirements set out in the REIT Declaration of Trust, to dissent to certain matters resolved by the REIT. In particular, the dissent rights may apply in circumstances where the REIT resolves to (i) sell, lease or exchange of all or substantially all the property and assets of the REIT, (ii) carry out a going-private transaction, (iii) make certain specified amendments to the REIT Declaration of Trust, or (iv) provided an Event of Uncoupling has not occurred, such Unitholder has a right to dissent in respect of a Finance Trust Unit in accordance with the Finance Trust Declaration of Trust. The REIT Declaration of Trust also contains provisions that entitle any registered holder or beneficial owner of REIT Units to make an application to a court for purposes of determining whether certain actions or omissions of the REIT, the conduct of the business or affairs of the REIT, or the powers of the REIT Trustees having been exercised in a manner, that is oppressive or unfairly prejudicial to or that unfairly disregards the interests of any Unitholder, securityholder, creditor, REIT Trustee or officer. The Declaration of Trust sets forth the procedures and requirements in respect of any such application, as well as set forth the remedies that a court may include in any interim or final order.

Special Voting Unitholders do not have recourse to the above-mentioned dissent rights and similarly do not have recourse to the oppression remedy provided in the REIT Declaration of Trust.

The CBCA also permits shareholders to bring or intervene in derivative actions in the name of the corporation or any of its subsidiaries, with the leave of a court. The REIT Declaration of Trust does not include a comparable right of Unitholders and Special Voting Unitholders to commence or participate in legal proceedings with respect to the REIT.

DESCRIPTION OF SENIOR DEBENTURES

The following is a summary of the material attributes and characteristics of the Senior Debentures and does not purport to be complete and is subject to, and is qualified in its entirety by, reference to the terms of the Senior Trust Indenture as filed on SEDAR.

The Senior Trust Indenture authorizes the REIT to issue an unlimited aggregate principal amount of debt securities in one or more series. Each such issue, will be made by way of a supplemental indenture which will set out the terms of the relevant series of debt securities. The REIT may, from time to time, without the consent of the holders of Senior Debentures, issue additional debentures of a different series under the Senior Trust Indenture as supplemented by further supplemental trust indentures from time to time.

General

The Senior Debentures are governed by an indenture dated February 3, 2010, entered into between the REIT and the Debenture Trustee (as successor to CIBC Mellon Trust Company) (as supplemented from time to time, the “**Senior Trust Indenture**”).

In September 2010, the REIT issued \$125 million principal amount of the Series C Senior Debentures pursuant to the Senior Trust Indenture. The Series C Senior Debentures mature on December 1, 2018.

In November 2011, the REIT issued \$100 million principal amount of the Series E Senior Debentures pursuant to the Senior Trust Indenture. The Series E Senior Debentures matured on February 2, 2018.

In April 2012, the REIT issued \$175 million principal amount of the Series F Senior Debentures pursuant to the Senior Trust Indenture. The Series F Senior Debentures mature on March 2, 2020.

In June 2013, the REIT issued \$175 million principal amount of the Series G Senior Debentures pursuant to the Senior Trust Indenture. The Series G Senior Debentures mature on June 20, 2018.

In February 2015, the REIT issued U.S. \$125 million principal amount of the Series J Senior Debentures pursuant to the Senior Trust Indenture. The Series J Senior Debentures matured on February 9, 2018.

In July 2015, the REIT issued \$200 million principal amount of the Series K Senior Debentures pursuant to the Senior Trust Indenture. The Series K Senior Debentures mature on March 1, 2019.

In November 2016, the REIT issued \$200 million principal amount of the Series L Senior Debentures pursuant to the Senior Trust Indenture. In August 2017, the REIT completed a public offering of an additional \$125 million principal amount of Series L Senior Debentures, bringing the total principal amount of Series L Senior Debentures to \$325 million. The Series L Senior Debentures mature on May 6, 2022.

In January 2017, the REIT issued \$150 million principal amount of the Series M Senior Debentures pursuant to the Senior Trust Indenture. The Series M Senior Debentures mature on July 23, 2019.

In January 2017, the REIT issued \$200 million principal amount of the Series N Senior Debentures pursuant to the Senior Trust Indenture. In April 2017, the REIT completed a public offering of an additional \$150 million principal amount of Series N Senior Debentures, bringing the total principal amount of Series N Senior Debentures to \$350 million. The Series N Senior Debentures mature on January 30, 2024.

In January 2018, the REIT issued \$250 million principal amount of the Series O Senior Debentures pursuant to the Senior Trust Indenture. The Series O Senior Debentures mature on January 23, 2023.

In February 2018, the REIT issued U.S. \$125 million principal amount of the Series P Senior Debentures pursuant to the Senior Trust Indenture. The Series P Senior Debentures mature on February 13, 2020.

The Senior Debentures are direct senior unsecured obligations of the REIT and rank equally and rateably with each other Senior Debenture and with all other unsecured and unsubordinated indebtedness of the REIT, except to the extent prescribed by law. The Senior Trust Indenture does not limit the aggregate principal amount of Senior Debentures that may be outstanding from time to time and the REIT may, from time to time, without the consent of the holders of Senior Debentures, issue additional Senior Debentures under the Senior Trust Indenture, in addition to the Senior Debentures.

Interest

Fixed Rate Senior Debentures

The Fixed Rate Senior Debentures bear interest at an annual rate of 5.00% (with respect to the Series C Senior Debentures), 4.45% (with respect to the Series F Senior Debentures), 3.34% (with respect to the Series G Senior Debentures), 2.923% (with respect to the Series L Senior Debentures), 3.369% (with respect to the Series N Senior Debentures) and 3.416% (with respect to the Series O Senior Debentures), payable semi-annually in arrears on, in the case of the Series C Senior Debentures, June 1 and December 1 in each year, in the case of the Series F Senior Debentures, March 2 and September 2 in each year, in the case of the Series G Senior Debentures, June 20 and December 20 in each year, in the case of the Series L Senior Debentures, May 6 and November 6 in each year, in the case of the Series N Senior Debentures, January 30 and July 30 in each year and in the case of the Series O Senior Debentures, January 23 and July 23 in each year.

Floating Rate Senior Debentures

The Series K Senior Debentures and Series M Senior Debentures bear interest at an annual rate equal to the applicable CDOR Rate plus 1.43% and 1.23%, respectively, payable quarterly in arrears on, in the case of the Series K Senior Debentures, September 1, December 1, March 1 and June 1 in each year and in the case of the Series M Senior Debentures, January 23, April 23, July 23 and October 23 in each year. “**CDOR Rate**” means, on July 28, 2015 (with respect to the Series K Senior Debentures) and January 23, 2017 (with respect to the Series M Senior Debentures) and on any interest payment date (or if an interest payment date is not a “**Business Day**” (as defined in the Senior Trust Indenture), then on the closest preceding Business Day), the rate per annum (based on a year of 365 days) determined by the REIT as the arithmetic average rounded to the fifth decimal place (with 0.000005 being rounded up) of the bid rate of interest for three month Canadian dollar bankers’ acceptances, as expressed on the Reuters CDOR page at 10:00 a.m. (Toronto time) on July 28, 2015 (with respect to the Series K Senior Debentures) and January 23, 2017 (with respect to the Series M Senior Debentures) or on the relevant interest payment date, if three or more such bid rates appear on such Reuters CDOR page at such time, provided that if fewer than three such bid rates appear on the Reuters CDOR Page on such day as contemplated, then the CDOR Rate on such day shall be calculated as the arithmetic average of the rates for three month Canadian dollar bankers’ acceptances quoted by any three of the five largest banks listed in Schedule I of the *Bank Act* (Canada) as of 10:00 a.m. on such day or, if such day is not a Business Day, then on the closest preceding Business Day.

The Series P Senior Debentures bear interest at an annual rate equal to the applicable LIBOR Rate plus 0.79% payable quarterly in arrears on February 13, May 13, August 13 and November 13. “**LIBOR Rate**” means, on any Interest Determination Date, the rate per annum (based on a year of 360 days) determined by the REIT for deposits in United States dollars having a maturity of three months commencing on the first day of the applicable Interest Period that appears on Reuters Screen LIBOR01 Page (as defined herein) as of 10:00 a.m., London time, on that Interest Determination Date. If no rate appears, the quotations from four major reference banks in the London interbank market will be requested by the REIT for deposits in United States dollars for the period of three months, commencing on the first day of the applicable Interest Period, to prime banks in the London interbank market at approximately 10:00 a.m., London time, on that Interest Determination Date and in a principal amount that is representative for a single transaction in United States dollars in that market at that time. If at least two quotations are provided, then LIBOR on that Interest Determination Date will be the arithmetic mean of those quotations. If fewer than two quotations are provided, then the LIBOR Rate on the Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 10:00 a.m., in the City of New York, on the Interest Determination Date by three major banks in the City of New York

selected by the REIT for loans in United States dollars to leading European banks, having a three-month maturity and in a principal amount that is representative for a single transaction in United States dollars in that market at that time. “**Interest Determination Date**”, in respect of any Interest Period, means the second London Business Day preceding such Interest Period. “**London Business Day**” means any day on which commercial banks are open for business (including in respect of dealings in United States dollars) in London, England. “**Reuters Screen LIBOR01 Page**” means the display designated on page “LIBOR01” on Reuters (or such other page as may replace the LIBOR01 page on that service or such other service or services as may be selected by the REIT for the purpose of displaying London interbank offered rates for U.S. dollar deposits by ICE Benchmark Administration Limited (“**IBA**”) or its successor or such other entity assuming the responsibility of IBA or its successor in calculating such London interbank offered rate in the event IBA or its successor no longer does so). “**Interest Period**” means the period commencing on the later of (i) the date of issue of the Series P Senior Debentures and (ii) the immediately preceding Interest Payment Date on which interest has been paid, and ending on the date immediately preceding the Interest Payment Date in respect of which interest is payable. “**Interest Payment Date**” means any February 13, May 13, August 13 or November 13 falling during the period commencing May 13, 2018 and ending February 13, 2020 on which any Series P Senior Debentures are outstanding (including on February 13, 2020 prior to the repayment of the Series P Senior Debentures).

Redemption

The REIT may redeem any series of Fixed Rate Senior Debentures (other than the Series N Senior Debentures and Series O Senior Debentures), in whole at any time, or in part from time to time, prior to maturity on payment of a redemption price equal to the greater of (i) the Canada Yield Price and (ii) par, together in each case with accrued and unpaid interest to the date fixed for redemption. The REIT may redeem the Series N Senior Debentures and Series O Senior Debentures in whole at any time, or in part from time to time, prior to maturity on payment of a redemption price equal to, prior to the Par Call Date, the greater of (i) the Canada Yield Price and (ii) par, and after the Par Call Date, at a redemption price equal to par. “**Canada Yield Price**” means, in respect of a series of Fixed Rate Senior Debentures, a price equal to the price of such Fixed Rate Senior Debenture calculated to provide a yield to maturity (or in the case of the Series N Senior Debentures and Series O Senior Debentures, a yield to the Par Call Date), compounded semi-annually and calculated in accordance with generally accepted financial practice, equal to the Government of Canada Yield calculated at 10:00 a.m. (Toronto time) on the date on which the REIT gives notice of redemption pursuant to the terms of the Senior Trust Indenture, plus (i) in respect of the Series C Senior Debentures, 0.58%; (ii) in respect of the Series F Senior Debentures, 0.62%; (iii) in respect of the Series G Senior Debentures, 0.425%; (iv) in respect of the Series L Senior Debentures, 0.535%; (v) in respect of the Series N Senior Debentures, 0.485%; and (vi) in respect of the Series O Senior Debentures, 0.34%.

“**Government of Canada Yield**” on any date means the yield to maturity (or in the case of the Series N Senior Debentures and the Series O Senior Debentures, the yield to the Par Call Date) on such date, compounded semi-annually and calculated in accordance with generally accepted financial practice, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada, at 100% of its principal amount on such date with a term to maturity equal to the remaining term to maturity (or in the case of the Series N Senior Debentures and the Series O Senior Debentures, the yield to the Par Call Date), calculated as of the redemption date of the applicable Fixed Rate Senior Debenture, such yield to maturity (or in the case of the Series N Senior Debentures and the Series O Senior Debentures, such yield to the Par Call Date) being the average of the yields provided by two major Canadian investment dealers selected by the REIT.

Where less than all of any series of Fixed Rate Senior Debentures are to be redeemed pursuant to their terms, the Fixed Rate Senior Debentures of such series to be redeemed will be redeemed on a *pro*

rata basis according to the principal amount of Fixed Rate Senior Debentures of such series registered in the respective name of each holder of Fixed Rate Senior Debentures of such series or in such other manner as the Debenture Trustee may consider equitable.

Purchase of Senior Debentures

The REIT may at any time and from time to time purchase all or any Senior Debentures in the market (which will include purchases from or through an investment dealer or a firm holding membership on a recognized stock exchange) or by invitation to tender or private contract at any price. Senior Debentures that are so purchased will be cancelled and no Senior Debentures will be issued in substitution therefor.

Certain Senior Trust Indenture Covenants

The Senior Trust Indenture contains covenants in favour of holders of the Senior Debentures including the following:

Consolidated EBITDA to Adjusted Interest Expense Ratio

For each reference period, the REIT will ensure the maintenance of a ratio of Consolidated EBITDA of the REIT and Finance Trust to Adjusted Interest Expense of the REIT and Finance Trust of not less than 1.65:1.

“**Consolidated EBITDA**” of the REIT and Finance Trust for any period means consolidated net income (as calculated in accordance with the Senior Trust Indenture) increased by the sum of (i) consolidated interest expense (as calculated in accordance with the Senior Trust Indenture), excluding interest that has been capitalized on projects that are under development or held for future development, for such period, (ii) income tax expense of the REIT and Finance Trust for such period (other than income taxes, either positive or negative, attributable to extraordinary or non-recurring gains or losses) determined on a consolidated basis in accordance with generally accepted accounting principles, (iii) amortization of income properties (including provisions for impairment of income properties) for such period, determined on a consolidated basis in accordance with generally accepted accounting principles, (iv) amortization of the fair value of intangible assets and liabilities for such period, determined on a consolidated basis in accordance with generally accepted accounting principles, (v) any additional amortization of the REIT and Finance Trust for such period, determined on a consolidated basis in accordance with generally accepted accounting principles, and (vi) other non-cash items in determining consolidated net income for such period.

“**Adjusted Interest Expense**” for any period means the consolidated interest expense (as calculated in accordance with the Senior Trust Indenture) of the REIT and Finance Trust for such period less (i) the amount of interest capitalized on The Bow and (ii) interest expense of the REIT and Finance Trust for such period in respect of released non-recourse indebtedness.

With respect to the Series O Senior Debentures and Series P Senior Debentures, the Senior Trust Indenture contains the following covenant in favour of holders of such Senior Debentures:

Consolidated EBITDA to Consolidated Interest Expense Ratio

For each reference period, the REIT will ensure the maintenance of a ratio of Consolidated EBITDA of the REIT and Finance Trust to Consolidated Interest Expense of the REIT and Finance Trust of not less than 1.65:1.

“**Consolidated EBITDA**” of the REIT and Finance Trust for any period means consolidated net income (as calculated in accordance with the Senior Trust Indenture) increased by the sum of (i) Consolidated Interest Expense, excluding interest that has been capitalized on projects that are under development or held for future development, for such period, (ii) income tax expense of the REIT and Finance Trust for such period (other than income taxes, either positive or negative, attributable to extraordinary or non-recurring gains or losses) determined on a consolidated basis in accordance with generally accepted accounting principles, (iii) amortization of income properties (including provisions for impairment of income properties) for such period, determined on a consolidated basis in accordance with generally accepted accounting principles, (iv) amortization of the fair value of intangible assets and liabilities for such period, determined on a consolidated basis in accordance with generally accepted accounting principles, (v) any additional amortization of the REIT and Finance Trust for such period, determined on a consolidated basis in accordance with generally accepted accounting principles, and (vi) other non-cash items in determining consolidated net income for such period.

“**Consolidated Interest Expense**” of the REIT and Finance Trust for any period means the aggregate amount of interest expense of the REIT and Finance Trust in respect of certain permitted indebtedness (as described in the Senior Trust Indenture), capital lease obligations (as described in the Senior Trust Indenture), the original issue discount of any Indebtedness issued at a price less than the face amount thereof paid, accrued or scheduled to be paid or accrued by the REIT and Finance Trust during such period and, to the extent interest has been capitalized on projects that are under development or held for future development during the period, the amount of interest so capitalized, all as determined on a consolidated basis in accordance with generally accepted accounting principles (provided that, notwithstanding its presentation under generally accepted accounting principles, all interest expense of the REIT and Finance Trust in respect of convertible debt Indebtedness will be included (without duplication) in determining Consolidated Interest Expense).

Restrictions on Additional Indebtedness

The REIT will not incur or assume, or permit any subsidiary to incur or assume, any indebtedness, except for certain permitted indebtedness (as described in the Senior Trust Indenture) unless the quotient (expressed as a percentage) obtained by dividing Consolidated Indebtedness of the REIT and Finance Trust by aggregate assets of the REIT and Finance Trust, calculated on a *pro forma* basis as described below (the “**Indebtedness Percentage**”), would be less than or equal to 65%. “**Consolidated Indebtedness**” as at any date means the consolidated indebtedness of the REIT and Finance Trust as at such date determined, except as otherwise expressly provided in the Senior Trust Indenture, in accordance with generally accepted accounting principles.

The Senior Trust Indenture provides that the Indebtedness Percentage will be calculated on a *pro forma* basis as at the date of the REIT’s and Finance Trust’s most recently published balance sheets giving effect to the incurrence of the indebtedness to be incurred or assumed and the application of the proceeds therefrom and to any other event that has increased or decreased Consolidated Indebtedness of the REIT and Finance Trust or aggregate assets of the REIT and Finance Trust since the balance sheet date to the date of calculation.

Equity Maintenance

The REIT will ensure the maintenance of an Adjusted Unitholders’ Equity of the REIT and Finance Trust of not less than \$1 billion, determined as at the date of the REIT’s and Finance Trust’s most recently published balance sheets. “**Adjusted Unitholders’ Equity**” means, at any time, the aggregate of (in each case as recorded in the books and records of the REIT (or Finance Trust, as the case may be) prepared on a consolidated basis in accordance with generally accepted accounting principles): (i)

the amount of unitholders' equity of the REIT, (ii) the amount of accumulated depreciation and/or amortization in respect of properties of the REIT, (iii) any discount on any instalment receipts receivable, (iv) all non-controlling interests, and (v) provided that an Event of Uncoupling has not occurred, the amount of unitholders' equity of Finance Trust.

Change of Control

“Change of Control” means the acquisition by a person, or group of persons acting jointly or in concert, of REIT Units (and/or securities convertible into REIT Units) representing (on a diluted basis, but only giving effect to the conversion or exercise of convertible securities held by such person or group of persons) greater than 50% of REIT Units.

In the event of a Change of Control, the holders of Senior Debentures (other than the Series O Senior Debentures and Series P Senior Debentures) may require the REIT to repurchase their Senior Debentures, in whole or in part, at a price of (i) 101% of the principal amount of such Senior Debentures plus (ii) all accrued interest to the date of repurchase.

With respect to the Series O Senior Debentures and Series P Senior Debentures, if a Change of Control Triggering Event occurs, the REIT will be required to make an offer to repurchase all or, at the option of the holder of such series of Senior Debentures, any part of each holder's Senior Debentures of that series, for a payment in cash equal to (i) 101% of the principal amount of such Senior Debentures plus (ii) all accrued interest to the date of repurchase.

“Change of Control Triggering Event” means the occurrence of both a Change of Control and a Rating Event.

“Investment Grade Rating” means a Rating equal to or higher than “Baa3” (or the equivalent) in the case of Moody's Investors Service, Inc. “BBB-” (or the equivalent) in the case of Standard & Poor's Rating Services, a Division of McGraw-Hill Financial, Inc., “BBB (low)” (or the equivalent) in the case of DBRS, “BBB-” (or the equivalent) by Fitch Ratings Inc., or any equivalent investment grade credit rating by any other specified rating agency (as described in the Senior Trust Indenture).

“Rating” means the final rating (without reference to any outlook or trend), if any, assigned to the senior unsecured debt of the REIT or to the REIT, as applicable, by a specified rating agency.

“Rating Event” means any of: (A) the Rating of the Senior Debentures is lowered to below an Investment Grade Rating by at least two of the specified rating agencies if there are three or more specified rating agencies or all of the specified rating agencies if there are one or two specified rating agencies (the **“Required Threshold”**) on any day within the 60-day period (which 60-day period will be extended so long as the Rating of Senior Debentures is under publicly announced consideration for a possible downgrade by such number of the specified rating agencies which, together with specified rating agencies which have already lowered their ratings on the Senior Debentures as aforesaid, would aggregate in number the Required Threshold, but only to the extent that, and for so long as, a Change of Control Triggering Event would result if such downgrade were to occur) after the earlier of (i) the occurrence of a Change of Control, and (ii) public notice of the occurrence of a Change of Control or of the REIT's intention or agreement to effect a Change of Control; (B) the Rating of the Senior Debentures by the Required Threshold is below an Investment Grade Rating upon the occurrence of a Change of Control and the Rating of the Senior Debentures by the Required Threshold remains below an Investment Grade Rating 30 days after the occurrence of such Change of Control (which 30-day period will be extended so long as the Rating of Senior Debentures is under publicly announced consideration for a possible increase by such number of the specified rating agencies which, together with specified rating agencies which have

already increased their ratings on the Senior Debentures as aforesaid, would aggregate in number the Required Threshold); or (C) following the occurrence of Change of Control, (i) one or more of the specified rating agencies cease to rate the Senior Debentures such that only one specified rating agency continues to rate the Senior Debentures if there are two or more specified rating agencies, or (ii) the specified rating agency ceases to rate the Senior Debentures if there is only one specified rating agency.

Defeasance

The Senior Trust Indenture contains provisions requiring the Debenture Trustee to release the REIT from its obligations under the Senior Trust Indenture relating to a particular series of Senior Debentures provided that, among other things, the REIT satisfies the Debenture Trustee that it has deposited funds or made due provision for, among other things, the payment of (i) the expenses of the Debenture Trustee and (ii) all principal, premium (if any), interest and other amounts due or to become due in respect of the applicable series of Senior Debentures.

Modification

Certain rights of the holders of a series of Senior Debentures may be modified if authorized by Extraordinary Resolution (as defined below). The approval threshold for an Extraordinary Resolution will generally be $66\frac{2}{3}\%$ but will be 75% for the following: (a) to change the stated maturity of the principal or redemption price of or any premium or instalment of interest on, any Senior Debentures of such series, (b) to reduce the principal amount of, or interest or premium (if any) on, any Senior Debentures of such series, (c) to change the place or currency of payment of the principal of, premium (if any) on redemption price of or interest on, any Senior Debentures of such series, or (d) to amend the percentage of Senior Debentures of such series necessary to approve an Extraordinary Resolution.

For purposes of the Senior Trust Indenture, “**Extraordinary Resolution**” means, for any series of Senior Debentures, an instrument in writing signed by the holders of not less than $66\frac{2}{3}\%$ (or 75% in certain events as described above) of the aggregate outstanding principal amount of such series of Senior Debentures or a resolution passed as an Extraordinary Resolution by the affirmative vote of the holders of not less than $66\frac{2}{3}\%$ (or 75% in certain events as described above) of the aggregate outstanding principal amount of such series of Senior Debentures represented and voting at a meeting of holders of such series of Senior Debentures duly convened and held in accordance with the Senior Trust Indenture, all upon compliance with the procedures specified in the Senior Trust Indenture.

Events of Default

If an event of default has occurred and is continuing, the Debenture Trustee may, in its discretion, or will, upon the request of holders of at least 25% in aggregate principal amount of the outstanding Senior Debentures of such series, declare the principal, premium (if any), interest and all additional amounts (if any) and other money payable on such series of Senior Debentures to be due and payable. Notwithstanding the foregoing, if the REIT or any material subsidiary of the REIT generally does not pay its liabilities as they become due or is subject to certain events of insolvency, bankruptcy, winding up or dissolution, or certain similar events, the outstanding Senior Debentures will become immediately due and payable without any declaration or other act on the part of the Debenture Trustee or any holders of Senior Debentures.

Waiver

In addition to certain waiver rights of the Debenture Trustee as provided in the Senior Trust Indenture, the holders of a majority of the outstanding principal amount of a series of Senior Debentures,

on behalf of all holders of such series of Senior Debentures, may waive certain events of default under the Senior Trust Indenture with respect to such series of Senior Debentures.

Payment of Interest and Principal

The REIT expects that the depository, CDS Clearing and Depository Services Inc., as registered holder of the global certificates representing each series of Senior Debentures, upon receipt of any payment of principal or interest in respect of a global certificate, will credit participants' accounts, on the date principal or interest is payable, with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global certificate as shown on the records of the depository. The REIT also expects that payments of principal and interest by participants to the owners of beneficial interests in such global certificates will be governed by standing instructions and customary practices and will be the responsibility of such participants. The responsibility and liability of the REIT and the Debenture Trustee in respect of Senior Debentures represented by a global certificate is limited to making payment of any principal and interest due on such global certificate to the depository.

CREDIT RATING

On April 28, 2016, DBRS publicly confirmed that the Senior Debentures have a rating of BBB (high) (with a Stable trend) and, since that date, DBRS has not made any announcement, and the 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. On November 4, 2016, January 18, 2017, January 26, 2017, January 19, 2018 and February 12, 2018, DBRS assigned final ratings of BBB (high) (with a Stable trend) to each of the Series L Senior Debentures, Series M Senior Debentures, Series N Senior Debentures, Series O Senior Debentures and Series P Senior Debentures, respectively. The final ratings of the Series N Senior Debentures and the Series L Senior Debentures were reconfirmed on April 12, 2017 and August 24, 2017, respectively, in connection with the re-opening of such series of Senior Debentures. 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 on 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 or debt obligation 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 (high) (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 assignment of a "Positive", "Stable" or "Negative" trend modifier provides guidance in respect of DBRS's opinion regarding the outlook for the rating assigned to the Senior Debentures. The

rating trend indicates the direction in which DBRS considers the rating is headed should present tendencies continue.

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. DBRS 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.

The REIT has made customary payments of rating fees to DBRS in connection with the above mentioned ratings assigned to the Senior Debentures as well as in connection with the ratings assigned to the REIT's other 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 the REIT, if any. As well, within the last two years, credit ratings were provided, and payments were made to DBRS in connection with ratings on the first mortgage bonds secured by The Bow and ratings on the first mortgage bonds secured by the Scotia Plaza complex in downtown Toronto.

FINANCE TRUST DECLARATION OF TRUST AND DESCRIPTION OF FINANCE TRUST UNITS

The following is a summary of certain material provisions of the Finance Trust Declaration of Trust and does not purport to be complete and is subject to, and is qualified in its entirety by, reference to the Finance Trust Declaration of Trust, as filed under Finance Trust's profile on SEDAR.

The description of the Finance Trust Declaration of Trust and the Finance Trust Units is generally comparable to that described under "REIT Declaration of Trust and Description of REIT Units", provided that the word "REIT" is replaced with the words "Finance Trust" and the words "Finance Trust" are replaced with the word "REIT", with the following exceptions: (i) the section entitled "Redemption of REIT Units – REIT Unit Redemption Price and Payment" should be disregarded in respect of the Finance Trust Units and instead reference should be made to the description below at "– Redemption of Finance Trust Units; (ii) the Finance Trust Declaration of Trust does not provide that a meeting of Unitholders must be called and held for, or that an affirmative vote of at least two-thirds of the votes cast at a meeting of Unitholders called and held is required for, the uncoupling of Stapled Units to provide for separate trading of the Finance Trust Units and the REIT Units; (iii) Finance Trust is not permitted to create or issue rights, warrants or options and is not permitted to incur indebtedness exchangeable at the option of the creditor for Stapled Units; (iv) the consideration for any Finance Trust Unit may only be paid in money or Series 1 U.S. Holdco Notes; and (v) the Finance Trust Declaration of Trust does not contain any references to qualification as a "real estate investment trust" for purposes of the Tax Act or to SIFT Tax. For greater clarity, there are other differences between the REIT Declaration of Trust and the Finance Trust Declaration of Trust, and the REIT Units and the Finance Trust Units, that are not described herein and reference should be made to the Finance Trust Declaration of Trust, as filed on SEDAR. See also "Investment Guidelines and Operating Policies of Finance Trust" and "Distribution Policy and Distributions".

Redemption of Finance Trust Units

The “**Finance Trust Unit Redemption Price**” is the price per Finance Trust Unit equal to the Canadian dollar equivalent (determined using the exchange rate to convert U.S. currency to Canadian currency posted on the date on which the Finance Trust Unit is tendered to the Finance Trust for redemption (the “**Finance Trust Unit Redemption Date**”) by a bank as selected by Finance Trust) of the outstanding principal amount of Series 1 U.S. Holdco Notes held by Finance Trust as of the Finance Trust Unit Redemption Date, divided by the total number of Finance Trust Units issued and outstanding immediately prior to the Finance Trust Unit Redemption Date.

The aggregate redemption price payable by Finance Trust in respect of any Finance Trust Units surrendered for redemption during a particular calendar month will be satisfied by the mailing to the redeeming Unitholder of a payment by cheque no later than the last day of the month following the month during which the Finance Trust Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Finance Trust Units is subject to the limitation that the total amount payable by Finance Trust in respect of those Finance Trust Units and all other Finance Trust Units tendered for redemption in the same calendar month does not exceed \$50,000 (subject to certain adjustments and provided that the Finance Trust Trustees may, in their sole discretion, waive this limitation in respect of all Finance Trust Units tendered for redemption in any calendar month).

If a Unitholder is not entitled to receive cash upon the redemption of Finance Trust Units as a result of the foregoing limitation, then the Finance Trust Unit Redemption Price for each Finance Trust Unit tendered for redemption will be the fair market value thereof as determined by the Finance Trust Trustees and, subject to any applicable regulatory approvals, shall be paid at and satisfied by way of a delivery of Series 1 U.S. Holdco Notes, the fair market value of which per Finance Trust Unit as expressed in lawful money of Canada shall equal the Finance Trust Unit Redemption Price. The Series 1 U.S. Holdco Notes will be issued pursuant to the U.S. Holdco Note Indenture and will be issuable in denominations of at least U.S. \$10 and in integral multiples of U.S. \$10. For a description of the Series 1 U.S. Holdco Notes see “Description of U.S. Holdco Notes”. No fractional Series 1 U.S. Holdco Notes in integral multiples of less than \$10 (or such other lower amount as the Finance Trust Trustees may establish from time to time) will be delivered and, where the amount of Series 1 U.S. Holdco Notes to be received by a redeeming Unitholder includes a fraction or a multiple less than \$10, that number shall be rounded to the next lowest whole number or integral multiple of U.S. \$10.

DESCRIPTION OF U.S. HOLDCO NOTES

The following is a summary of certain material provisions of the U.S. Holdco Note Indenture and does not purport to be complete and is subject to, and is qualified in its entirety by, reference to the U.S. Holdco Note Indenture, as filed on SEDAR.

The outstanding U.S. Holdco Notes issued by U.S. Holdco to Finance Trust are Series 1 U.S. Holdco Notes issued pursuant to the U.S. Holdco Note Indenture.

The Series 1 U.S. Holdco Notes will mature on October 1, 2018, subject to U.S. Holdco’s right to extend the maturity date one time for a further ten-year period. U.S. Holdco’s extension right is conditioned upon no event of default having occurred and still continuing when the right is exercised and U.S. Holdco’s achieving certain financial thresholds, including the consolidated interest coverage ratio test described below and a loan-to-value test. The Series 1 U.S. Holdco Notes bear interest payable monthly from the date of issuance at a floating rate adjusted monthly equal to the annual interest rate for ten-year U.S. treasury notes, determined as at the immediately preceding interest payment date, plus a fixed 8% per annum spread.

The Series 1 U.S. Holdco Notes rank *pari passu* with each other note of the same series and are subordinated in right of payment to all present and future senior indebtedness of U.S. Holdco. The U.S. Holdco Note Indenture provides, however, that U.S. Holdco may only issue indebtedness thereunder that increases its aggregate indebtedness (including the U.S. Holdco Notes) to an amount in excess of U.S. \$150 million (as is currently the case) if the incremental indebtedness is funded by Finance Trust and if, after giving effect to such issuance, U.S. Holdco's consolidated interest coverage ratio would have been at least 1.3:1.0 for the immediately preceding calendar year.

The Series 1 U.S. Holdco Notes are not redeemable by U.S. Holdco prior to the third anniversary of the date of issuance except in limited circumstances. The redemption price for Series 1 U.S. Holdco Notes redeemed, if any, on or after the third anniversary of the date of issuance shall equal the sum of (i) the outstanding principal amount of the Series 1 U.S. Holdco Notes being redeemed, plus (ii) all accrued but unpaid interest on such principal amount through the redemption date, plus (iii) a *pro rata* share of the unamortized premium, if any, on any Series 1 U.S. Holdco Notes, plus (iv) subject to limited exceptions, a redemption premium calculated as the product of (A) the principal amount of the notes being redeemed and (B)(I) 4.0% during the year beginning on the third anniversary, (II) 2.5% during the year beginning on the fourth anniversary, (III) 1.0% during the year beginning on the fifth anniversary or (IV) 0% during the years beginning on and after the sixth anniversary.

Finance Trust has a limited right to put Series 1 U.S. Holdco Notes to U.S. Holdco for repayment in cash prior to the maturity date, which put right may only be exercised by Finance Trust where a holder of Finance Trust Units has surrendered Finance Trust Units for redemption in order to permit Finance Trust to satisfy the redemption price for such units (see "Finance Trust Declaration of Trust and Description of Finance Trust Units – Redemption of Finance Trust Units").

The terms of the U.S. Holdco Notes also provide that, subject to the approval of the holders of 66⅔% of the principal amount of U.S. Holdco Notes, U.S. Holdco will not (a) pay any amounts or transfer any other value to its stockholders if an event of default or pending event of default has occurred and is continuing or would occur as a result of such payment, and (b) enter into any material transaction with any "affiliate" (as defined in the U.S. Holdco Note Indenture) unless the transaction is entered into in the ordinary course of business and on arm's length terms, or the transaction is with a wholly-owned subsidiary or wholly-owned subsidiaries of U.S. Holdco or the transaction is an equity contribution by U.S. Holdco (other than certain equity contributions made on a non-*pro rata* basis).

Finance Trust's sole activity is to hold debt issued by U.S. Holdco, a wholly-owned subsidiary of the REIT through which the REIT holds its U.S. interests. Since any distributions to Unitholders from Finance Trust consist primarily of interest paid by U.S. Holdco, Finance Trust's ability to make distributions to Unitholders and pay its operating expenses depends upon receipt of sufficient funds from U.S. Holdco. The likelihood that Unitholders will receive distributions from Finance Trust will be dependent upon the financial position and creditworthiness of U.S. Holdco.

DESCRIPTION OF EXCHANGEABLE UNITS

Description of HRLP Exchangeable Units

Each Class B Limited Participation LP unit of HRLP (a "HRLP Exchangeable Unit") is entitled to cash distributions from HRLP equal to the cash distributions on a Stapled Unit, and the HRLP Exchangeable Units are exchangeable on a one-for-one basis at any time for Stapled Units (such Stapled Units will be issued at the time of the exchange in accordance with the exchange and support agreement described below). The outstanding HRLP Exchangeable Units are held by members of the H&R Group that

exchanged their interest in the remaining Initial Properties for the HRLP Exchangeable Units on November 1, 2004 or members of the H&R Group to whom such HRLP Exchangeable Units have been transferred.

HRLP, the REIT, Finance Trust and HRP Trust entered into an exchange and support agreement dated November 30, 2009 that provides, among other things, for (i) certain capital contributions to be made by the REIT in case HRLP has insufficient (a) funds to pay the required distributions on the HRLP Exchangeable Units, or (b) U.S. Holdco Notes to pay the fair market value of the Finance Trust Units required to be delivered upon exchange of any HRLP Exchangeable Unit; and (ii) the mechanics whereby HRLP Exchangeable Units may be exchanged for Stapled Units.

During 2017, no HRLP Exchangeable Units were converted by holders thereof.

Description of HRRMSLP Exchangeable Units

Each Exchangeable GP Unit of HRRMSLP (a “**HRRMSLP Exchangeable Unit**”) is entitled to cash distributions from HRRMSLP equal to the cash distributions on a Stapled Unit, and the HRRMSLP Exchangeable Units are exchangeable on a one-for-one basis at any time for Stapled Units (such Stapled Units will be issued at the time of the exchange in accordance with the exchange and support agreement described below). The outstanding HRRMSLP Exchangeable Units were issued to the Former Property Manager upon closing of the internalization of the REIT’s property management function and are now held by an affiliate of the Former Property Manager.

Pursuant to an exchange and support agreement dated September 3, 2013 entered into by HRRMSLP, the REIT, Primaris Master GP Trust and the Former Property Manager (and subsequently assigned to an affiliate of the Former Property Manager), the affiliate of the Former Property Manager has agreed to, among other things, hold the HRRMSLP Exchangeable Units, or the Stapled Units into which they are exchangeable, until July 1, 2018, subject to early release in the event of certain “change of control” transactions affecting the REIT.

Description of Primaris Exchangeable Units

Each exchangeable limited partnership unit of certain subsidiaries of the REIT (a “**Primaris Exchangeable Unit**”) is entitled to cash distributions from the applicable REIT subsidiary equal to the cash distributions on 1.166 Stapled Units, and each Primaris Exchangeable Unit is exchangeable by the holder thereof at any time (or, in certain circumstances by the REIT subsidiary) for 1.166 Stapled Units (such Stapled Units will be issued at the time of the exchange in accordance with exchange and support agreements dated April 2, 2013 entered into by the respective REIT subsidiaries, the holders of Primaris Exchangeable Units, the REIT and Primaris, among others). The outstanding Primaris Exchangeable Units were issued to holders of exchangeable limited partnership units of certain subsidiaries of Primaris in connection with the Primaris Transaction. The REIT effectively assumed the exchange obligations in respect of 2,122,261 Primaris Exchangeable Units in connection with the Primaris Transaction, such that those Primaris Exchangeable Units became exchangeable into 2,474,554 Stapled Units.

During 2017, a total of 501,189 Primaris Exchangeable Units were converted by holders thereof into an aggregate of 584,386 Stapled Units in accordance with the terms of such Primaris Exchangeable Units. A total of 1,613,353 Primaris Exchangeable Units exchangeable into 1,881,166 Stapled Units remain outstanding.

DISTRIBUTION POLICY AND DISTRIBUTIONS

The following outlines the distribution policies of the REIT and Finance Trust, as well as related provisions contained in the REIT Declaration of Trust and the Finance Trust Declaration of Trust, respectively.

The REIT

General

Pursuant to the REIT Declaration of Trust, the REIT may distribute to Unitholders on each Distribution Date such amounts as shall be determined by the REIT Trustees in their discretion for the calendar month ending on the Distribution Date (or, if the Distribution Date does not coincide with the last day of the calendar month, for the last calendar month ended immediately preceding the Distribution Date).

On each Distribution Date, any distribution by the REIT Trustees shall be payable proportionately to persons who are Unitholders on the record date for distribution in respect of each such distribution.

Notwithstanding the foregoing, the total amount of distributions due and payable by the REIT on or before the last day of any taxation year of the REIT for purposes of the Tax Act shall not be less than the amount necessary to ensure that the REIT will not be liable to pay income tax under Part I of the Tax Act for such year. The amount, if any, which is required to be distributed to comply with the preceding sentence shall be due and payable, on the earlier of the last Distribution Date in respect of each year and the last day of such taxation year, to persons who are Unitholders of record on that date, such amount to be payable in cash unless the REIT Trustees determine in their absolute discretion to pay such amount in REIT Units in any particular year, in which case such amount shall be payable in REIT Units for that year.

Where the REIT Trustees determine that the REIT does not have available cash in an amount sufficient to make payment of the full amount of any distribution payable on the Distribution Date, or where the REIT Trustees otherwise determine in their absolute discretion that all or a portion of such distribution should not be paid in cash, the payment may, at the option of the REIT Trustees, include the issuance of additional REIT Units, or fractions of REIT Units, if necessary, having a fair market value as determined by the REIT Trustees equal to the difference between the amount of such distribution and the amount of cash which either has been determined by the REIT Trustees in their absolute discretion to be available, or which the REIT Trustees have otherwise determined shall be distributed in their absolute discretion as the case may be, for the payment of such distribution.

At any time the REIT Trustees may declare an extraordinary distribution of cash, REIT Units or property of the REIT *in specie* or an extraordinary distribution payable in the form of Finance Trust Units whether or not held by the REIT. Distributions shall be made in cash or REIT Units pursuant to any distribution reinvestment plan or distribution reinvestment and unit purchase plan adopted by the REIT Trustees, or, in the case of an extraordinary distribution, in cash, REIT Units or property of the REIT *in specie* or by delivery of Finance Trust Units.

Any distribution, including an extraordinary distribution, of REIT Units shall be subject to the restrictions noted at “REIT Declaration of Trust and Description of REIT Units – Transferability of REIT Units and Special Voting Units and Stapling of REIT Units” and “REIT Declaration of Trust and Description of REIT Units – Limitation on Non-Resident Ownership”.

Allocation of Income and Net Taxable Capital Gains

During each year, the REIT Trustees have allocated the income and net taxable capital gains of the REIT for the purposes of the Tax Act monthly on a *pro rata* basis to Unitholders, based on the monthly distribution received by each Unitholder.

Tax Deferral on Distributions

The adjusted cost base of REIT Units held by a Unitholder will generally be reduced by the non-taxable portion of distributions made to the Unitholder (other than the non-taxable portion of certain capital gains). A Unitholder will generally realize a capital gain to the extent that the adjusted cost base of the Unitholder's REIT Units would otherwise be a negative amount. Generally, a portion of the distributions made by the REIT to Unitholders in each year are tax deferred by reason of the REIT's ability to claim capital cost allowance and certain other deductions.

Withholding Taxes

The REIT may deduct and withhold from each distribution payable to any Unitholder, all amounts which the REIT is required or permitted by law to deduct or withhold therefrom. In addition, in the case of non-cash distributions, the REIT shall (except as otherwise determined by the REIT Trustees) publicly announce the amount of tax required to be withheld from the portion of the distribution that is payable to Non-Residents, and allow for such Non-Residents to remit to the REIT an amount equal to the tax required to be withheld from the distribution. If a Non-Resident does not remit such amount for withholding tax purposes, the REIT shall have the right to recover the full amount of such withholding tax by directing the transfer agent for the Stapled Units to, on behalf of such Unitholder, sell all or a portion of the Non-Resident's Stapled Units (or if an Event of Uncoupling has occurred, REIT Units). Upon any such sale, the affected Unitholder shall cease to be the holder of such Stapled Units.

Finance Trust

General

Pursuant to the Finance Trust Declaration of Trust, Unitholders have a right to receive all of the Finance Trust Distributable Cash calculated annually and paid quarterly, or at the discretion of the Finance Trust Trustees, monthly.

On each Distribution Date, any distribution by the Finance Trust Trustees shall be payable proportionately to persons who are Unitholders on the record date for distribution in respect of each such distribution.

Notwithstanding the foregoing, the total amount of distributions due and payable on or before the last day of any taxation year of Finance Trust for purposes of the Tax Act shall not be less than the amount necessary to ensure that Finance Trust will not be liable to pay income tax under Part I of the Tax Act for any year, after all permitted deductions under the Tax Act have been taken (or authorized to be taken by the Finance Trust Trustees). The amount, if any, which is required to be distributed to comply with the preceding sentence shall be due and payable on the earlier of the last Distribution Date in respect of each year and the last day of such taxation year, to persons who are Unitholders of record on that date, such amount to be payable in cash unless the Finance Trust Trustees determine in their absolute discretion to pay such amount in Finance Trust Units in any particular year, in which case such amount shall be payable in Finance Trust Units for that year. For greater certainty, the Finance Trust Declaration of Trust provides that a Unitholder has the legal right to enforce payment of any amount which is required to be

payable by the Finance Trust Declaration of Trust. Distributions may be adjusted for amounts paid in prior periods if the actual Finance Trust Distributable Cash for the prior periods is greater than or less than the Finance Trust Trustees' estimates for the prior periods.

At any time, the Finance Trust Trustees may declare an extraordinary distribution of cash, Finance Trust Units or property of Finance Trust *in specie*. Distributions shall be made in cash or Finance Trust Units pursuant to any distribution reinvestment plan or distribution reinvestment and unit purchase plan adopted by the Finance Trust Trustees, or, in the case of an extraordinary distribution, in cash, Finance Trust Units or property of Finance Trust *in specie*.

If the Finance Trust Trustees determine that Finance Trust does not have available cash in an amount sufficient to make payment of the full amount of any distribution on the due date for such payment, or that it is otherwise in Finance Trust's interest to not make available cash in such amount, the payment may, at the option of the Finance Trust Trustees, include the issuance of additional Finance Trust Units, or fractions of Finance Trust Units, if necessary, having a fair market value as determined by the Finance Trust Trustees equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Finance Trust Trustees to be available, or in Finance Trust's interest to make available, for the payment of such distribution.

Any distribution, including an extraordinary distribution, of Finance Trust Units shall be subject to the restrictions noted at "REIT Declaration of Trust and Description of REIT Units – Transferability of REIT Units and Special Voting Units and Stapling of REIT Units" and "REIT Declaration of Trust and Description of REIT Units – Limitation on Non-Resident Ownership", each read as modified as described under "Finance Trust Declaration of Trust and Description of Finance Trust Units".

Computation of Finance Trust Distributable Cash for Distribution Purposes

"**Finance Trust Distributable Cash**" in respect of any period means the Cash Flow of Finance Trust (as computed below) for such period plus all amounts received by Finance Trust (other than proceeds of any issuance of Finance Trust Units or any other securities of Finance Trust) in any prior period to the extent not previously distributed or used to fund expenses, less any amount which, in the opinion of the Finance Trust Trustees, may reasonably be considered to be necessary to provide for the payment of any costs or expenditures which have been or will be incurred in the activities and operations of Finance Trust and to provide for the payment of any tax liability of Finance Trust (but excluding any such amounts previously deducted as described under (ii) in the definition of "Cash Flow of Finance Trust" at "– Computation of Cash Flow of Finance Trust" below). Finance Trust Distributable Cash may be estimated whenever the actual amount has not been finally determined, which estimate shall be adjusted as of the subsequent Distribution Date when the amount of Finance Trust Distributable Cash has been finally determined.

Computation of Cash Flow of Finance Trust

"**Cash Flow of Finance Trust**", for any period, shall be determined as the aggregate of (i) all amounts which are received by Finance Trust during such period, other than the proceeds of any issuance of Finance Trust Units or any other securities of Finance Trust; less (ii) the following amounts, other than any expenses associated with the issuance of Finance Trust Units or any other securities of Finance Trust: (a) all costs and expenses of Finance Trust which, in the opinion of the Finance Trust Trustees, may reasonably be considered to have accrued and become owing in respect of, or which relate to, such period or a prior period if not accrued or deducted in determining the Cash Flow of Finance Trust in such prior period; (b) all amounts which relate to the redemption of Finance Trust Units and which have been paid or become payable in cash by Finance Trust in such period; and (c) a reserve for any amounts which, in

the opinion of the Finance Trust Trustees, may reasonably be considered to be necessary to provide for the payment of any costs or expenditures that are reasonably expected to be incurred by Finance Trust, including any tax liabilities of Finance Trust.

Allocation of Income and Net Taxable Capital Gains

During each year, the Finance Trust Trustees allocate the income and net taxable capital gains of Finance Trust for the purposes of the Tax Act monthly on a *pro rata* basis to Unitholders, based on the monthly distribution received by each Unitholder.

Tax Deferral on Distributions

The adjusted cost base of Finance Trust Units held by a Unitholder will generally be reduced by the non-taxable portion of distributions made to the Unitholder (other than the non-taxable portion of certain capital gains). A Unitholder will generally realize a capital gain to the extent that the adjusted cost base of the Unitholder's Finance Trust Units would otherwise be a negative amount. Generally, a portion of the distributions made by the Finance Trust to Unitholders in each year are tax deferred by reason of the amortization of Finance Trust Unit issue costs.

Withholding Taxes

Finance Trust may deduct and withhold from each distribution payable to any Unitholder, all amounts which Finance Trust is required or permitted by law to deduct or withhold therefrom. In addition, in the case of non-cash distributions, Finance Trust shall (except as otherwise determined by the Finance Trust Trustees) publicly announce the amount of tax required to be withheld from the portion of the distribution that is payable to Non-Residents, and allow for such Non-Residents to remit to Finance Trust an amount equal to the tax required to be withheld from the distribution. If a Non-Resident does not remit such amount for withholding tax purposes, Finance Trust shall have the right to recover the full amount of such withholding tax by directing the transfer agent for the Stapled Units to, on behalf of such Unitholder, sell all or a portion of the Non-Resident's Stapled Units (or if an Event of Uncoupling has occurred, Finance Trust Units). Upon any such sale, the affected Unitholder shall cease to be the holder of such Stapled Units.

If U.S. Holdco is required by U.S. federal income tax law to deduct and withhold and remit any amount to any governmental agency or body from any payment made by it to Finance Trust because of a particular Unitholder's status or for any other reason which is specifically attributable to a particular Unitholder (the particular Unitholder is referred to herein as the "**relevant Unitholder**"), and under applicable U.S. federal income tax law, such amount is required to be deducted and withheld and remitted on account of a U.S. federal income tax liability of the relevant Unitholder relating to the payment, then the relevant Unitholder shall forthwith upon demand reimburse Finance Trust for the full amount so deducted and withheld in respect of the Unitholder's liability for such U.S. tax and Finance Trust shall have the right to recover the full amount of such U.S. tax in such manner as it deems appropriate from each relevant Unitholder who does not comply, including without limitation setting off same against the relevant Unitholder's right to receive any subsequent distribution from Finance Trust.

Any Unitholder that is not a U.S. Unitholder and that is or becomes a "10 percent shareholder" of U.S. Holdco within the meaning of Section 871(h)(3)(B) or Section 881(c)(3)(B) of the Code, and any Unitholder that is a bank or a controlled foreign corporation within the meaning of Section 881(c)(3) of the Code, shall forthwith give notice thereof to Finance Trust. Each holder of a Finance Trust Unit, by its acceptance of Finance Trust Units, agrees that it shall indemnify and hold harmless Finance Trust and U.S. Holdco for any amount of U.S. federal tax required to be withheld as noted above. If any such Unitholder

is liable to make a payment to Finance Trust in respect of such indemnity, Finance Trust shall have the right to recover from such Unitholder the full amount for which such Unitholder is so liable in such manner as it deems appropriate, including without limitation setting off same against such Unitholder's right to receive any subsequent distribution from Finance Trust.

Distribution Policy

The REIT Trustees and Finance Trust Trustees retain the right to re-evaluate the distribution policy from time to time as they consider appropriate. As all distributions remain subject to declaration by the REIT Trustees and Finance Trust Trustees, respectively, there is no assurance that the actual distributions declared will be as currently intended. See also "Risk Factors – Risks Relating to Securities of the REIT – Availability of Cash For Distributions". In December 2016, the REIT Trustees and Finance Trust Trustees approved an increase in the monthly distribution per Stapled Unit resulting in a \$0.03 annual increase to a total of \$1.38 per annum.

Distributions

The following table sets forth the REIT's and Finance Trust's cash distributions per Stapled Unit (rounded to the nearest hundred-thousandth of a dollar) on a monthly basis for the periods indicated:

Month	REIT	Finance Trust	Total
2015			
January	\$0.10385	\$0.00865	\$0.11250
February	\$0.10372	\$0.00878	\$0.11250
March	\$0.10251	\$0.00999	\$0.11250
April	\$0.10313	\$0.00937	\$0.11250
May	\$0.10307	\$0.00943	\$0.11250
June	\$0.10300	\$0.00950	\$0.11250
July	\$0.10198	\$0.01052	\$0.11250
August	\$0.10182	\$0.01068	\$0.11250
September	\$0.10211	\$0.01039	\$0.11250
October	\$0.10203	\$0.01047	\$0.11250
November	\$0.10219	\$0.01031	\$0.11250
December	\$0.10149	\$0.01101	\$0.11250
2016			
January	\$0.1007200	\$0.0117800	\$0.11250
February	\$0.1019331	\$0.0105669	\$0.11250
March	\$0.1025629	\$0.0099371	\$0.11250
April	\$0.1028655	\$0.0096345	\$0.11250
May	\$0.1022223	\$0.0102777	\$0.11250
June	\$0.1027961	\$0.0097039	\$0.11250
July	\$0.1025367	\$0.0099633	\$0.11250
August	\$0.1028173	\$0.0096827	\$0.11250
September	\$0.1028020	\$0.0096980	\$0.11250
October	\$0.1025907	\$0.0099093	\$0.11250
November	\$0.1026181	\$0.0098819	\$0.11250
December	\$0.1043121	\$0.0106879	\$0.11500
2017			
January	\$0.1042206	\$0.0107794	\$0.11500
February	\$0.1053837	\$0.0096163	\$0.11500
March	\$0.1040074	\$0.0109926	\$0.11500
April	\$0.1063192	\$0.0086808	\$0.11500
May	\$0.1060655	\$0.0089345	\$0.11500
June	\$0.1065377	\$0.0084623	\$0.11500
July	\$0.1066447	\$0.0083553	\$0.11500
August	\$0.1065302	\$0.0084698	\$0.11500
September	\$0.1072907	\$0.0077093	\$0.11500
October	\$0.1066979	\$0.0083021	\$0.11500
November	\$0.1067010	\$0.0082990	\$0.11500
December	\$0.1032197	\$0.0117803	\$0.11500
2018			
January	\$0.1066381	\$0.0083619	\$0.11500
February	\$0.1073120	\$0.0076880	\$0.11500

On February 6, 2018, the REIT and Finance Trust also declared \$0.11500 per Stapled Unit in aggregate distributions payable on February 28, 2018 to Unitholders of record on February 13, 2018.

On February 14, 2018, the REIT and Finance Trust also declared \$0.11500 per Stapled Unit in aggregate distributions payable on March 29, 2018 to Unitholders of record on March 15, 2018.

Unitholder Distribution Reinvestment Plan and Unit Purchase Plan

Participants in the REIT's and Finance Trust's unitholder distribution reinvestment plan (the "**DRIP**") are entitled to elect to have the cash distributions of the REIT and Finance Trust automatically reinvested in additional Stapled Units at a price per Stapled Unit calculated by reference to the weighted average price of Stapled Units on the TSX for the five trading days immediately preceding the relevant Distribution Date. In addition, participating Unitholders are entitled to receive an additional distribution, which is reinvested in additional Stapled Units, equal to 3% of each cash distribution reinvested pursuant to the DRIP.

Participants in the REIT's and Finance Trust's unit purchase plan (the "**Unit Purchase Plan**") are entitled to elect to make additional, monthly cash payments for investment in additional Stapled Units at the weighted average price of Stapled Units on the TSX for the five trading days immediately preceding the last business day of each calendar month. Purchases by each participant under the Unit Purchase Plan are subject to a monthly minimum of \$250 and an annual maximum of \$13,500, while the aggregate number of Stapled Units that may be issued in each year under the Unit Purchase Plan may not exceed 2% of the number of Stapled Units outstanding at the commencement of the REIT's fiscal year.

Finance Trust Units issued to participants under the DRIP and the Unit Purchase Plan (collectively, the "**Plans**") are issued for a subscription price equal to their fair market value on the effective date of issuance and the remainder of the aggregate subscription price is allocated to the subscription for REIT Units.

No commissions, service charges or brokerage fees are payable in connection with the purchase of Stapled Units under the Plans and all administrative costs are borne by the REIT. The Plans are available to registered Unitholders resident in Canada for purposes of the Tax Act. Upon ceasing to be a resident of Canada, a participating Unitholder must terminate its participation in the Plans.

Effective February 28, 2018, the REIT and Finance Trust suspended the DRIP and the Unit Purchase Plan until further notice.

PRIOR SALES OF UNLISTED SECURITIES

The following securities of the REIT were issued in 2017 and are not listed or quoted on a marketplace:

- In January 2017, the REIT completed a private offering of \$150 million principal amount of Series M Senior Debentures.
- In January 2017, the REIT completed a public offering of \$200 million principal amount of Series N Senior Debentures.
- In April 2017, the REIT completed a public offering of an additional \$150 million principal amount of Series N Senior Debentures.
- In August 2017, the REIT completed a public offering of an additional \$125 million Series L Senior Debentures.

Since the end of 2017, the following securities of the REIT were issued and are not listed or quoted on a marketplace:

- In January 2018, the REIT completed a public offering of \$250 million principal amount of Series O Senior Debentures.
- In February 2018, the REIT completed a private offering of U.S. \$125 million principal amount of Series P Senior Debentures.

MARKET FOR SECURITIES

The Stapled Units are currently listed on the TSX under the trading symbol “HR.UN”. The following table sets forth the high and low trading prices per outstanding Stapled Unit and trading volumes for the outstanding Stapled Units on the TSX for the periods indicated:

Period	High (\$)	Low (\$)	Volume
January 2017.....	22.87	21.79	9,102,131
February 2017.....	23.65	22.38	11,321,413
March 2017	23.68	22.43	10,667,317
April 2017	23.53	22.86	7,604,335
May 2017.....	23.32	21.77	9,567,640
June 2017.....	23.16	21.98	10,174,850
July 2017	22.22	21.04	7,484,505
August 2017	21.57	20.17	11,412,021
September 2017.....	21.79	21.17	7,981,438
October 2017	22.00	21.29	8,523,462
November 2017.....	22.10	20.94	7,984,624
December 2017.....	21.36	20.85	9,257,169

Source: TSX MarketData

MANAGEMENT OF THE REIT

Management Overview

The day-to-day operations of the REIT are under the direction of management. The operations of the REIT are subject to the control of the REIT Trustees. Among other duties, management is responsible for providing the REIT Trustees and the Investment Committee with information and advice relating to acquisitions, dispositions and financing, maintaining the books and financial records of the REIT, preparing reports and other information required to be sent to Unitholders and Special Voting Unitholders and other disclosure documents, calculating and determining all allocations, designations, elections and determinations to be made in connection with the income and capital gains of the REIT for tax and accounting purposes, preparing all documentation relating to meetings of Unitholders and Special Voting Unitholders, completing or supervising completion of transactions and assisting in the recruitment of suitable individuals for nomination as REIT Trustees. The approval of either the Investment Committee, if an Investment Committee has been appointed, or the REIT Trustees is required prior to the REIT making any acquisition or disposition and for all borrowings and for the assumption or granting of any mortgage or other security interest in real property (other than the renewal of any existing mortgage or other security interests) where the purchase price, estimated capital commitment, proceeds from disposition or principal amount of mortgage or other security, as applicable, exceeds the threshold set by the REIT Trustees and the Investment Committee, from time to time, for management-approved transactions. Furthermore, notwithstanding the appointment of the Investment Committee, the REIT Trustees may consider and approve any matter which the Investment Committee has the authority to consider or approve and, in the case of transactions where the purchase price, estimated capital

commitment, proceeds from disposition or principal amount of mortgage or other security, as applicable, exceeds \$500 million, must consider and approve such transaction.

Board of REIT Trustees

General Provision in the REIT Declaration of Trust

The REIT Declaration of Trust provides that the REIT must have a minimum of five and a maximum of eleven REIT Trustees. Presently, the REIT has eight REIT Trustees. The number of REIT Trustees within such minimum and maximum numbers may be changed by the Unitholders and the Special Voting Unitholders or, if authorized by the Unitholders and the Special Voting Unitholders, by the REIT Trustees, provided that the REIT Trustees may not, between meetings of Unitholders and Special Voting Unitholders, appoint an additional REIT Trustee if, after such appointment, the total number of REIT Trustees would be greater than one and one-third times the number of REIT Trustees in office immediately following the last annual meeting of Unitholders and Special Voting Unitholders. The REIT Trustees have been authorized to change the number of REIT Trustees as aforesaid.

REIT Trustees hold office for a term expiring at the earlier of the close of the next annual meeting of the Unitholders and Special Voting Unitholders following their respective appointment or election, or until their respective successors are elected or appointed. The REIT Trustees have adopted a policy that entitles each Unitholder and Special Voting Unitholder to vote for each nominee on an individual basis rather than for a fixed slate of nominees. Further, the REIT Trustees have adopted a “majority voting” policy for circumstances involving an “uncontested” election of REIT Trustees.

A REIT Trustee may be removed at any time with or without cause by two-thirds of the votes cast at a meeting of Unitholders called for that purpose or by the written consent of Unitholders and Special Voting Unitholders holding in the aggregate not less than two-thirds of the outstanding REIT Units entitled to vote thereon or with cause by the resolution passed by an affirmative vote of not less than two-thirds of the remaining REIT Trustees. The REIT Declaration of Trust may only be amended to require a greater number of votes of Unitholders and Special Voting Unitholders to remove a REIT Trustee other than the preceding number upon unanimous consent of the Unitholders and Special Voting Unitholders. The REIT Trustees have adopted term limits for any REIT Trustee who joins the board of the REIT after June 17, 2016. Any such REIT Trustee may serve until such REIT Trustee has been serving for 10 years since his or her initial election, subject to the REIT Trustees’ ability to waive such limit. A vacancy occurring among the REIT Trustees may be filled by the Unitholders and Special Voting Unitholders or by resolution of a majority of the remaining REIT Trustees.

The REIT Declaration of Trust contains additional provisions to the following effect with respect to REIT Trustees:

- a majority of the REIT Trustees must be resident Canadians;
- a majority of the REIT Trustees, and of committee members, must be Independent REIT Trustees; and
- a majority of the REIT Trustees, at least two-thirds of members of the Investment Committee, and at least two-thirds of the REIT Trustees voting on an acquisition or disposition of real property, shall have had at least five years substantial experience in the real estate industry.

Subject to the terms and conditions of the REIT Declaration of Trust, the REIT Trustees have full, absolute, and exclusive power, control and authority over the assets and affairs of the REIT to the same extent as if the REIT Trustees were the sole owners of the assets of the REIT in their own right, to do all such acts and things as in their sole judgment and discretion are necessary or incidental to, or desirable for, the carrying out of any of the purposes of the REIT or the conducting of the affairs of the REIT.

The standard of care and duties of the REIT Trustees provided in the REIT Declaration of Trust are similar to those imposed on a director of a corporation governed by the CBCA. Accordingly, each REIT Trustee is required to exercise the powers and carry out their functions as REIT Trustees honestly, in good faith and in the best interests of the REIT and, in connection therewith, to exercise that degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. To the extent that the REIT Trustees have contracted or delegated the performance of all or a portion of their activities to a property manager, they shall be deemed to have satisfied this standard of care.

Independent REIT Trustee Matters

The following matters, among others, require the approval of a majority of the Independent REIT Trustees to become effective:

- any changes in compensation of the Chief Executive Officer or the Chief Financial Officer; and
- the enforcement of any agreement entered into by the REIT with a non-Independent REIT Trustee or with an associate of a non-Independent REIT Trustee.

REIT Trustees

The name, province and country of residence, principal occupation of each REIT Trustee and their years of service as REIT Trustees are as follows:

<u>Name, Province and Country of Residence</u>	<u>Principal Occupation</u>	<u>Year first became a REIT Trustee</u>
Alex Avery ⁽¹⁾⁽⁴⁾ Ontario, Canada	Portfolio Manager, FrontFour Real Asset Alternatives	2017
Robert E. Dickson ⁽²⁾⁽³⁾⁽⁴⁾ Ontario, Canada	Independent strategic financial consultant in the marketing and communications industry	2000
Edward Gilbert ⁽²⁾⁽⁴⁾ Ontario, Canada	Chief Operating Officer, Firm Capital Mortgage Investors Corporation	1996
Thomas J. Hofstedter ⁽¹⁾ Ontario, Canada	President and Chief Executive Officer of the REIT	1996
Laurence A. Lebovic ⁽¹⁾⁽⁴⁾ Ontario, Canada	Chief Executive Officer of Runnymede Development Corporation Ltd. (a real estate developer)	1996
Juli Morrow Ontario, Canada	Partner, Goodmans LLP	2017
Ronald C. Rutman ⁽¹⁾⁽³⁾⁽⁴⁾ Ontario, Canada	Partner, Zeifmans LLP, Chartered Accountants	1996
Stephen L. Sender ⁽²⁾⁽³⁾⁽⁴⁾ Ontario, Canada	Independent financial advisor and corporate director	2016

Notes:

- (1) Member of the Investment Committee.
- (2) Member of the Audit Committee.
- (3) Member of the Compensation, Governance and Nominating Committee.
- (4) Independent REIT Trustee.

Each of the REIT Trustees except Alex Avery and Stephen L. Sender has been engaged in the principal occupation described in the table above during the last five years. Prior to their current occupations, Alex Avery was a private investor and led CIBC Capital Markets' North American real estate research team and Stephen L. Sender was Managing Director, Industry Head – Real Estate in Scotiabank's Global Banking and Markets division, respectively.

Executive Officers

The name, province and country of residence, office of each executive officer of the REIT are as follows:

<u>Name, Province and Country of Residence</u>	<u>Office</u>
Thomas J. Hofstедter..... Ontario, Canada	President and Chief Executive Officer
Larry Froom Ontario, Canada	Chief Financial Officer
Robyn Kestenberg Ontario, Canada	Executive Vice President, Corporate Development
Nathan Uhr Ontario, Canada	Chief Operating Officer, H&R REIT
Patrick Sullivan Alberta, Canada	Chief Operating Officer, Primaris Management Inc.
Cheryl Fried..... Ontario, Canada	Executive Vice President, Finance, H&R REIT
Philippe Lapointe Texas, United States	Chief Operating Officer, Lantower Residential

Each of the executive officers of the REIT has held the office described in the table above as his or her principal occupation during the last five years except that: Robyn Kestenberg was, prior to January 2017, a consultant to the REIT, Patrick Sullivan was, prior to April 2013, Senior Vice President, Portfolio Management of Primaris, Cheryl Fried was, prior to January 2014, Vice President, Accounting of the REIT; and Philippe Lapointe was, prior to January 2016, Vice-President of Matthews Multifamily in Dallas Texas.

As at December 31, 2017, the REIT Trustees and executive officers of the REIT, as a group, owned or beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of 5,451,141 Stapled Units, representing approximately 1.90% of the outstanding Stapled Units. In addition, Thomas J. Hofstедter is an officer, director and shareholder of a company, which in turn has voting control of a company (of which Mr. Hofstедter is also a director and officer) that owns 739,302 HRLP Exchangeable Units that are exchangeable on a one-for-one basis at any time for Stapled Units (such Stapled Units will be issued from treasury at the time of the exchange).

Corporate Cease Trade Orders or Bankruptcies

No REIT Trustee or executive officer of the REIT is or has been, within the preceding ten years, a director, trustee, chief executive officer or chief financial officer of any company or trust (including a personal holding company of any such persons) that:

- (a) was subject to a cease trade order (or similar order that denied the company access to any exemption under securities legislation) that was issued while the REIT Trustee or executive officer was acting in the capacity as director, trustee, chief executive officer or chief financial officer, or
- (b) was subject to a cease trade order (or similar order that denied the company access to any exemption under securities legislation) that was issued after the REIT Trustee or executive officer ceased to be a director, trustee, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, trustee, chief executive officer or chief financial officer.

No REIT Trustee or executive officer of the REIT is or has been, within the preceding ten years, a director, trustee or executive officer of any company or trust that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

No REIT Trustee or executive officer of the REIT, or a personal holding company of any such persons, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making any investment decision concerning the securities of the REIT.

Individual Bankruptcies

No REIT Trustee or executive officer of the REIT, or a personal holding company of any such persons, has, within the preceding ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that such person.

Conflict of Interest Restrictions and Provisions

The REIT Declaration of Trust contains “conflict of interest” provisions that serve to protect Unitholders and Special Voting Unitholders without creating undue limitations on the REIT. Given that the REIT Trustees are engaged in a wide range of real estate and other activities, the REIT Declaration of Trust contains provisions, similar to those contained in the CBCA, that require each REIT Trustee or officer of the REIT to disclose to the REIT any interest in a material contract or transaction or proposed material contract or transaction with the REIT or the fact that such person is a director or officer of or has a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with the REIT. Such disclosure is required to be made by a REIT Trustee (i) at the

first meeting of the REIT Trustees or the Investment Committee at which a proposed contract or transaction is considered, (ii) if the REIT Trustee was not then interested in a proposed contract or transaction or becomes interested after a contract is made or a transaction is entered into, at the first such meeting after the REIT Trustee becomes so interested, or (iii) if a person who is interested in a contract or transaction later becomes a REIT Trustee, at the first such meeting after such person becomes a REIT Trustee. In the case of an officer of the REIT who is not a REIT Trustee, such disclosure is required to be made (i) immediately after such person becomes aware that the contract or transaction or proposed contract or transaction is to be considered or has been considered at a meeting of the REIT Trustees or the Investment Committee, (ii) if such person becomes interested after a contract is made or a transaction is entered to, immediately after such person becomes so interested, or (iii) if a person who is interested in a contract or transaction later becomes an officer of the REIT who is not a REIT Trustee, immediately after such person becomes an officer of the REIT. In the event that a material contract or transaction or proposed material contract or transaction is one that in the ordinary course would not require approval by the REIT Trustees or Unitholders and the Special Voting Unitholders, a REIT Trustee or officer of the REIT is required to disclose in writing to the REIT Trustees or request to have entered into the minutes of meetings of the REIT Trustees the nature and extent of such person's interest immediately after such person becomes aware of the contract or transaction or proposed contract or transaction. In any case, a REIT Trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating primarily to his remuneration as a REIT Trustee, officer, employee or agent of the REIT or any affiliate of the REIT or one for indemnity under the provisions of the REIT Declaration of Trust or the purchase of liability insurance.

In the event of any such conflict, the REIT Trustees and officers of the REIT are required to conduct themselves in accordance with the obligations imposed on them by law or pursuant to any contractual arrangements that are binding upon them, including the REIT Declaration of Trust.

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The responsibilities and duties of the REIT's Audit Committee (the "**Audit Committee**") are set out in the Audit Committee's charter, the text of which is set forth in Schedule A to this annual information form.

Composition of the Audit Committee

Currently, there are three members of the Audit Committee, each of whom has been determined by the REIT Trustees to be "independent" and "financially literate" as such terms are defined under Canadian securities laws. Each member of the Audit Committee has the ability to perform his responsibilities as an Audit Committee member based on his education and/or experience as summarized below.

Robert E. Dickson graduated from University College, Oxford in 1980 with a B.A. (Jurisprudence) and graduated from the University of Toronto Law School in 1982 with an LL.B. Since June 2011, Mr. Dickson has been a strategic financial consultant in the marketing and communications industry. Prior to that, from 2000, Mr. Dickson was Managing Director, MDC Partners Inc. and Executive Vice-President, Corporate Development, Maxxcom Inc., both public companies. Prior to that time, he practiced corporate law at Fraser Milner Casgrain LLP (now Dentons LLP) where he specialized in mergers and acquisitions and financing transactions. Mr. Dickson's academic and professional experience indicates expertise in the areas of executive management, law and finance.

Edward Gilbert became a member of The Institute of Chartered Accountants in December 1969 and has been a regular attendee of courses and seminars at the Institute of Chartered Accountants. Mr. Gilbert maintains subscriptions for articles and publications relating to accounting matters and continues to stay current with respect to new developments. Mr. Gilbert had over 20 years' experience in public accounting until his retirement in 1989. During his career in accountancy he was involved with the accounting and audit of many real estate companies and was also involved in financing of real estate projects. Mr. Gilbert has over 35 years' experience in owning, operating and managing real estate properties and ventures. In 1995, Mr. Gilbert joined Firm Capital Mortgage Investors Corporation and Firm Capital Mortgage Investment Corporation. Mr. Gilbert is currently the Chief Operating Officer and a director of Firm Capital Mortgage Investors Corporation and a director of Firm Capital Mortgage Investment Corporation. Mr. Gilbert's academic and professional experience indicates expertise in the areas of executive management, real estate and finance.

Stephen L. Sender has over 30 years of experience in the investment banking industry in Canada and most recently, he was Managing Director, Industry Head - Real Estate in Scotiabank's Global Banking and Markets division representing the bank's capital markets activities in the Canadian real estate industry. Since the early 1990's he has specialized in the Canadian real estate sector, providing investment banking advice to numerous public entities with respect to capital markets activities. He has been directly involved in raising equity and debt capital in a large number of transactions and has provided financial advice in numerous large transactions including mergers, takeovers and related party transactions. Mr. Sender has been a frequent moderator/speaker at conferences in Canada focusing on capital markets developments in the real estate sector. Mr. Sender holds a B.Comm. (Honours) degree from the University of Cape Town and qualified as a C.A. (S.A.) in 1984.

Pre-Approval of Non-Audit Services

In accordance with the independence standards for auditors, the REIT is restricted from engaging its external auditors to provide certain non-audit services to the REIT, including bookkeeping or other services related to the accounting records or financial statements, financial information systems design and implementation, valuation services, actuarial services, internal audit services, corporate finance services, management functions, human resources functions, legal services and expert services unrelated to the audit. The REIT does engage its external auditors from time to time, to provide certain non-audit services other than the restricted services. All non-audit services must be specifically pre-approved by the Audit Committee.

External Auditor Service Fees

The following table sets forth the approximate amounts of fees paid and accrued to KPMG LLP, the REIT's external auditors, for services rendered for the fiscal years 2017 and 2016:

<u>Fee Category</u>	<u>2017</u>	<u>2016</u>
Audit fees ⁽¹⁾	\$1,893,796	\$1,809,820
Tax fees ⁽²⁾	\$1,206,799	\$1,166,154
Advisory and other fees ⁽³⁾	\$80,000	\$35,850
Total	<u>\$3,180,595</u>	<u>\$3,011,824</u>

Notes:

- (1) "Audit fees" include the aggregate professional fees paid to KPMG LLP for the audit of the annual combined financial statements and other regulatory audits and filings, audits of properties and operating costs, review of quarterly combined financial statements and aggregate fees paid for the provision of assistance with regulatory filings and public offerings of REIT Units and debentures including compliance with legislative, regulatory initiatives and other services.
- (2) "Tax fees" include the aggregate fees paid and accrued to KPMG LLP for the provision of tax compliance for the 2016-2017 fiscal years, tax advice, tax planning and other tax-related services relating to acquisitions of Properties or otherwise.

- (3) “Advisory and other fees” include the aggregate fees paid and accrued to KPMG LLP for advisory and other services.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There are no proposed transactions, nor have there been any transactions within the last three fiscal years, which in either case have materially affected or will materially affect the REIT in which any of the REIT Trustees or officers of the REIT or their affiliates had or has any material interest, direct or indirect.

LEGAL PROCEEDINGS

The REIT is involved in various non-material ordinary course legal proceedings. Although such proceedings cannot be predicted with certainty, management of the REIT does not expect that the outcome of these matters will have a material adverse effect on the REIT.

REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent for the Stapled Units is AST Trust Company (Canada) at its principal office in Toronto, Ontario and the register of transfers of the Stapled Units is located in Toronto.

BNY Trust Company of Canada, at its principal office in Toronto, Ontario, is the Debenture Trustee for the Senior Debentures.

MATERIAL CONTRACTS

The following are the only material contracts, other than contracts entered into in the ordinary course of business, which have been entered into by the REIT or any of the REIT’s subsidiaries during 2017, or before 2017 but subsequent to December 31, 2001 and which are still in effect:

- (a) the amended and restated arrangement agreement among the REIT, Finance Trust, H&R GP Beneficiary Inc., U.S. Holdco, H&R REIT U.S. Portfolio Limited Partnership, H&R REIT Holdings Limited Partnership, H&R REIT Holdings GP Trust, HRLP and HRP Trust dated March 21, 2018 relating to the Amended Reorganization (as more fully described under “The REIT – General Developments of the Business of the REIT”);
- (b) the exchange and support agreement among HRLP, the REIT, Finance Trust and HRP Trust (as more fully described under “Description of Exchangeable Units – Description of HRLP Exchangeable Units”);
- (c) the exchange and support agreement among HRRMSLP, the REIT, Primaris Master GP Trust and the Former Property Manager (as more fully described under “Description of Exchangeable Units – Description of HRRMSLP Exchangeable Units”);
- (d) the Senior Trust Indenture (as more fully described under “Description of Senior Debentures”);
- (e) the Support Agreement (as more fully described under “Description of Stapled Units – Support Agreement”); and
- (f) the U.S. Holdco Note Indenture (as more fully described under “Description of U.S. Holdco Notes”).

Copies of all material contracts listed above may be found on SEDAR at www.sedar.com.

INTERESTS OF EXPERTS

KPMG LLP are the external auditors of the REIT and have audited the combined financial statements of the REIT and Finance Trust as at and for the years ended December 31, 2017 and 2016, and have confirmed they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

RISK FACTORS

There are certain risks inherent in an investment in securities of the REIT and in the activities of the REIT, including the following which investors should carefully consider before investing in securities of the REIT.

Business Risks

Real Property Ownership

All real property investments are subject to a degree of risk and uncertainty. Such investments are affected by various factors including general economic conditions, local real estate markets, demand for leased premises, competition from other available premises and various other factors.

The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants. Distributable cash and the REIT's income would be adversely affected if one or more major tenants or a significant number of tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the properties in which the REIT has an interest is not able to be leased on economically favourable lease terms. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting the REIT's investment may be incurred. Furthermore, at any time, a tenant of any of the properties in which the REIT has an interest may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and thereby cause a reduction in the cash flow available to the REIT.

Given the prominence of the oil and gas industry in the province of Alberta, the economy of this province can be significantly impacted by commodity prices. For the year ended December 31, 2017, approximately 25.9% of the REIT's Same-Asset property operating income (cash basis) was generated from Alberta. Accordingly, any continuing decline or prolonged weakness in commodity prices, could adversely affect those tenants of the REIT that are involved in the oil and gas industry, thereby increasing the credit risk of such tenants to the REIT which in turn may adversely affect the REIT's operating results.

With respect to the Primaris Segment, retail shopping centres have traditionally relied on there being a number of anchor tenants (department stores, discount department stores and grocery stores) in the centre, and therefore they are subject to the risk of such anchor tenants either moving out of the property or going out of business. Within the Primaris Segment, certain of the major tenants are permitted to cease operating from their leased premises at any time at their option, however, they remain liable to pay all remaining rent in accordance with their leases. Other major tenants are permitted to cease operating from their leased premises or to terminate their leases if certain events occur. Some commercial retail unit tenants have a right to cease operating from their premises if certain major tenants cease operating from their premises. The exercise of such rights by a tenant may have a negative effect on a property. There can be no assurance that such rights will not be exercised in the future.

The ability to rent unleased space in the properties in which the REIT has an interest will be affected by many factors and costs may be incurred in making improvements or repairs to property required by a new tenant. A prolonged deterioration in economic conditions could increase and exacerbate the foregoing risks. The failure to rent unleased space on a timely basis or at all would likely have an adverse effect on the REIT's financial condition.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing any income. If the REIT is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.

The REIT may, in the future, be exposed to a general decline of demand by tenants for space in properties. As well, certain of the leases of the properties held by the REIT have early termination provisions which, if exercised, would reduce the average lease term. However, such termination rights are generally exercisable only at a cost to the tenant and the amount of space in the portfolio of properties currently held by the REIT which could be affected is not significant.

A mortgage on any one property may, from time to time, exceed the estimated current market value of the related property. The cash flow from such a property may not be sufficient to cover debt servicing for that property. The cash flow from the portfolio of properties currently held by the REIT is, however, expected by management to be sufficient to cover any cash flow shortfalls on such a property.

Credit Risk and Tenant Concentration

The REIT is exposed to credit risk in the event that borrowers default on the repayment of the amounts owing to the REIT. Management mitigates this risk by ensuring adequate security has been provided in support of mortgages receivable.

The REIT is exposed to credit risk as an owner of real estate in that tenants may become unable to pay the contracted rents. Management mitigates this risk by carrying out appropriate credit checks and related due diligence on the significant tenants. Management has diversified the REIT's holdings so that it owns several categories of properties (office, retail, industrial and residential) and acquires properties throughout Canada and the United States. In addition, management ensures that no tenant or related group of tenants, other than investment grade tenants, account for a significant portion of the cash flow.

In that regard, the REIT Declaration of Trust restricts the leasing of real property to any person and that person's affiliates where that person and its affiliates would, after the contemplated lease, be leasing real property having an aggregate leasable area in excess of 20% of the aggregate leasable area of all real property held by the REIT, unless the lessee is, or the lease is guaranteed by, the Government of Canada, the Government of the United States, a province or territory of Canada, any state of the United States, a municipality in Canada or the United States, or any agency or crown corporation thereof and certain corporations, the securities of which meet stated investment criteria or are investment grade. At December 31, 2017, the REIT was in compliance with this restriction. Furthermore, the only tenants which individually account for more than 5% of the rentals from investment properties of the REIT are Encana Corporation, Bell Canada and Hess Corporation. All of these companies have a public debt rating that is rated at least a BBB- Stable by a recognized rating agency.

Lease Rollover Risk

Lease rollover risk arises from the possibility that the REIT may experience difficulty renewing leases as they expire or in re-leasing space vacated by tenants upon lease expiry, or that the REIT may not achieve rental rate increases upon such renewals. Management's strategy is to sign creditworthy tenants to leases that are long-term in nature and to mitigate the risk by having staggered lease maturities and using built-in rental escalations which assists in the REIT's attempt to fulfill its primary goal of maintaining a predictable cash flow. Leases (excluding leases relating to properties in the Lantower Residential Segment) representing 39.6% of the REIT's total square footage expire by the end of 2022 (see "Properties – Overview of Portfolio") and only 6.7% are expiring in 2018. The ability to rent unleased space in the properties in which the REIT has an interest will be affected by many factors. The failure to rent unleased space on a timely basis or at all or to achieve rental rate increases would likely have an adverse effect on the REIT's financial condition and cash available for distributions may be adversely affected.

Interest Rate and Other Debt-Related Risks

The REIT is exposed to financing risk on maturing mortgages, bank indebtedness and interest rate risk on its borrowings. It minimizes this risk by negotiating fixed rate term debt with staggered maturities on the Properties portfolio and attempting to match average lease maturity to average debt maturity. At December 31, 2017, the percentage of fixed rate debt to total debt was 86.8% (December 31, 2016 – 89.0%). In addition, the REIT matches the terms to maturity of its mortgages on specific properties to the corresponding lease terms to maturity as closely as possible. As at December 31, 2017, the REIT had been granted mortgage financings in the aggregate amount of approximately \$4.2 billion (December 31, 2016 – \$4.3 billion) (including the REIT's proportionate share of mortgages related to equity accounted investments) and the weighted average term to maturity of the mortgages was 5.6 years (December 31, 2016 – 5.7 years) compared to the remaining average lease term of 9.1 years (December 31, 2016 – 9.5 years). Only 6.8% of the total mortgage principal will mature before the end of 2018 and 6.9% of the total mortgage principal will mature during 2019. Derivative financial instruments may be utilized by the REIT in the management of its interest rate exposure. The REIT also minimizes financing risk by restricting total debt (subject to certain exceptions) to 65% of Total Assets as well as by obtaining non-recourse debt wherever possible. At December 31, 2017, the debt to Total Assets ratio was 43.9% (December 31, 2016 – 43.0%), as calculated in accordance with the provisions of the REIT Declaration of Trust, while the percentage of non-recourse mortgage to total mortgage was 49.1% (December 31, 2016 – 54.2%).

The Senior Debentures and operating facilities of the REIT contain certain covenants and conditions applicable to the REIT, including without limitation, those requiring the REIT to maintain, at all times on a combined basis with Finance Trust, the following financial ratios (i) ratio of debt to gross asset value of not greater than 0.65:1.0 measured at the end of each fiscal quarter; (ii) interest coverage of not less than 1.65:1.0 measured at the end of each fiscal quarter for such quarter and the prior three fiscal quarters and (iii) unitholders' equity of not less than \$3.0 billion. As of December 31, 2017, the REIT was in compliance with each of the preceding financial ratios.

If REIT indebtedness is replaced by new debt that has less favourable terms or the REIT is unable to secure adequate funding, distributions by the REIT to holders of REIT Units may be adversely impacted. In addition, failure by the REIT to comply with its obligations under the documents governing such indebtedness (including in the case of the credit facilities, the failure to meet certain financial ratios and financial conditions tests) may adversely impact cash distributions on the Stapled Units.

The REIT and Finance Trust are exposed to interest rate risk on the U.S. Holdco Notes and the REIT is exposed to interest rate risk on the Floating Rate Senior Debentures due to the volatility of variable interest rates. The interest rate on the U.S. Holdco Notes is adjusted monthly and is equal to the then-prevailing ten-year U.S. Treasury note rate plus 8% per annum. The floor interest rate of 8% mitigates the effect of a change in short-term market interest rates while the floating component linked to the ten-year U.S. Treasury rate results in decreased earnings when the short-term market interest rate increases.

In the low interest rate environment that the Canadian economy has experienced in recent years, leverage has enabled the REIT to enhance its return to Unitholders. A reversal of this trend, however, may lead to the REIT's debt being refinanced at higher rates, thereby reducing net income and cash flows which could ultimately affect the level of distributions.

Construction Risks

It is likely that the REIT will be involved in various development projects. The REIT's obligations in respect of properties under construction, or which are to be constructed, are subject to risks which include (i) the potential insolvency of a third party developer (where the REIT is not the developer); (ii) a third party developer's failure to use advanced funds in payment of construction costs; (iii) construction or other unforeseeable delays; (iv) cost overruns; (v) the failure of tenants to occupy and pay rent in accordance with existing lease agreements, some of which are conditional; (vi) the incurring of construction costs before ensuring rental revenues will be earned from the project; and (vii) increases in interest rates during the period of the development. Management strives to mitigate these risks where possible by entering into fixed price construction contracts with general contractors (and to the extent possible, on a bonded basis) and by attempting to obtain long-term financing as early as possible during construction.

Currency Risk

The REIT is exposed to foreign exchange fluctuations as a result of ownership of assets in the United States and the rental income earned from these properties. In order to mitigate the risk, the REIT's debt on these properties is also held in U.S. dollars to act as a natural hedge.

The REIT is also exposed to foreign exchange fluctuations as a result of the U.S. Holdco Notes, the Series J Senior Debentures and the U.S. bank indebtedness, each being denominated in U.S. dollars.

Liquidity Risk

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relationship with demand for and the perceived desirability of such investments. Such illiquidity will tend to limit the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If for whatever reason, liquidation of assets is required, there is a risk that sale proceeds realized might be less than the previously estimated market value of the REIT's investments or that market conditions would prevent prompt disposition of assets.

Cyber Security Risk

Cyber security has become an increasingly problematic issue for issuers and businesses in Canada and around the world, including the REIT. Cyber attacks against large organizations are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use or disrupting business operations. A cyber incident is considered to be any adverse event that threatens

the confidentiality, integrity or availability of the REIT's information resources. More specifically, a cyber-incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information. As the REIT's reliance on technology has increased, so have the risks posed to its systems. The REIT's primary risks that could directly result from the occurrence of a cyber-incident include operational interruption, damage to its reputation, damage to the REIT's business relationships with its tenants, disclosure of confidential information regarding its tenants, employees and third parties with whom the REIT interacts, and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny and litigation. The REIT has implemented processes, procedures and controls to help mitigate these risks, but these measures, as well as its increased awareness of a risk of a cyber-incident, do not guarantee that its financial results will not be negatively impacted by such an incident.

Financing Credit Risk

The REIT is also exposed to credit risk as a lender on the security of real estate in the event that a borrower is unable to make the contracted payments. Such risk is mitigated through credit checks and related due diligence of the borrowers and through careful evaluation of the worth of the underlying assets.

Environmental Risk

As an owner and manager of real property in Canada and the United States, the REIT is subject to various laws relating to environmental matters. These laws impose a liability for the cost of removal and remediation of certain hazardous materials released or deposited on properties owned by the REIT on or adjacent properties.

In accordance with best management practices, Phase I audits are completed on all properties prior to acquisition. Further investigation is conducted if Phase I tests indicate a potential problem. The REIT has operating policies to monitor and manage risk. In addition, the standard lease requires compliance with environmental laws and regulations and restricts tenants from carrying on environmentally hazardous activities or having environmentally hazardous substances on site.

Co-Ownership Interest in Properties

In certain situations, the REIT may be adversely affected by a default by a co-owner of a property under the terms of a mortgage, lease or other agreement. Although all co-owners agreements entered into by the REIT provide for remedies to the REIT in such circumstances, such remedies may not be exercisable in all circumstances, or may be insufficient or delayed, and may not cure a default in the event that such default by a co-owner is deemed to be a default of the REIT.

Joint Arrangement and Investment Risks

The REIT has several investments in joint ventures and investments in associates. The REIT is subject to risks associated with the management and performance of these joint arrangements and investments. Such risks include any disagreements with its partners relating to the development or operations of a property, as well as differences with respect to strategic decision making. Other risks include partners not meeting their financial or operational obligations. The REIT attempts to mitigate these risks by maintaining good working relationships with its partners, and conducting due diligence on their partners to ensure there is a similar alignment of strategy prior to creating a joint arrangement or investment.

Dependence on Key Personnel

The management of the REIT depends on the services of certain key personnel, including Thomas J. Hofstedter. The loss of the services of any of these key personnel could have an adverse effect on the REIT.

Failure to Complete Acquisitions

Acquisitions of properties by the REIT are subject to the normal commercial risks and satisfaction of closing conditions that may include, among other things, lender approval, *Competition Act* (Canada) approval, receipt of estoppel certificates and obtaining title insurance. Such acquisitions may not be completed or, if completed, may not be on terms that are exactly the same as initially negotiated. In the event that the REIT does not complete an acquisition, it may have an adverse effect on the operations and results of the REIT in the future.

Competition for Real Property Investments

The REIT competes for suitable real property investments with individuals, corporations, other real estate investment trusts and institutions (both Canadian and foreign) which are presently seeking, or which may seek in the future, real property investments similar to those desired by the REIT. Many of these investors have greater financial resources than those of the REIT, or operate without the REIT's investment restrictions, or according to more flexible conditions. An increase in the availability of investment funds, and an increase in interest in real property investments, would tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yields thereon.

Potential Conflicts of Interest

The REIT may be subject to various conflicts of interest because of the fact that the members of management and the REIT Trustees may be engaged in a wide range of real estate and other business activities and the REIT may become involved in transactions which conflict with the interests of the foregoing.

REIT management and the REIT Trustees may from time to time deal with persons, firms, institutions or corporations with which the REIT may be dealing, or which may be seeking investments similar to those desired by the REIT. The interests of these persons could conflict with those of the REIT. In addition, from time to time, these persons may be competing with the REIT for available investment opportunities.

Any decisions regarding the enforcement by the REIT of the terms of any agreement entered into by the REIT with a non-Independent REIT Trustee or with an associate of a non-Independent REIT Trustee may be made by a majority of the Independent REIT Trustees. There is a risk that non-Independent REIT Trustees may attempt to influence the Independent REIT Trustees in this regard.

The REIT Declaration of Trust contains "conflicts of interest" provisions requiring REIT Trustees to disclose material interests in material contracts and transactions and refrain from voting thereon. See "Management of the REIT – Conflict of Interest Restrictions and Provisions".

The REIT entered into the Non-Competition Agreement with certain parties which addresses certain potential conflicts of interest. See "Non-Competition Arrangements".

Risks Relating to Securities of the REIT

Prices of REIT Securities

Publicly traded trust units will not necessarily trade at values determined solely by reference to the underlying value of trust assets. Accordingly, the Stapled Units may trade at a premium or a discount to the underlying value of the assets of the REIT and Finance Trust. Investors in Stapled Units will be subject to all of the risks of an investment in Finance Trust Units and of an investment in REIT Units.

One of the factors that may influence the quoted price of the Stapled Units is the annual yield on the Stapled Units. Accordingly, an increase in market interest rates may lead investors in Stapled Units to demand a higher annual yield which could adversely affect the quoted price of Stapled Units. In addition, the quoted price for Stapled Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of the REIT and/or Finance Trust.

Challenging market conditions, the health of the economy as a whole and numerous other factors beyond the control of the REIT may have a material effect on the business, financial condition, liquidity and results of operations of the REIT and/or Finance Trust. Financial markets have previously experienced significant price and volume fluctuations that have particularly affected the market prices of securities of issuers and that have often been unrelated to the operating performance, underlying asset values or the prospects of such issuers. There can be no assurance that such fluctuations in price and volume will not occur again. Accordingly, the market price of the Stapled Units may decline even if the REIT's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such increased levels of volatility and market turmoil occur, the REIT's operations could be adversely impacted and the trading price of the Stapled Units may be adversely affected.

Since REIT Units and Finance Trust Units do not trade independently, but rather are stapled together as Stapled Units, investors in Stapled Units will be subject to all of the risks of an investment in both REIT Units and Finance Trust Units.

Availability of Cash for Distributions

The REIT's current proposed distribution policy is outlined under "Distribution Policy and Distributions – The REIT". As the monthly cash distribution paid by Finance Trust fluctuates monthly, the monthly cash distribution paid by the REIT will also fluctuate in order to result in an aggregate monthly cash distribution as previously outlined. Although the REIT intends to make distributions of its available cash to Unitholders in accordance with its distribution policy, these cash distributions may be reduced or suspended. The actual amount distributed by the REIT will depend on numerous factors including monthly cash distributions paid by Finance Trust, capital market conditions, the financial performance of the Properties, the REIT's debt covenants and obligations, its working capital requirements, its future capital requirements, its development commitments and fluctuations in interest rates. Cash available to the REIT for distributions may be reduced from time to time because of items such as principal repayments on debt, tenant allowances, leasing commissions, capital expenditures or any other business needs that the REIT Trustees deem reasonable. The REIT may be required to use part of its debt capacity in order to accommodate any or all of the above items. The market value of Stapled Units may decline significantly if the REIT and/or Finance Trust suspends or reduces distributions. The REIT Trustees retain the right to re-evaluate the distribution policy from time to time as they consider appropriate.

Credit Ratings on Securities of the REIT

See “Credit Rating”.

Ability to Access Capital Markets

As the REIT distributes a substantial portion of its income to holders of REIT Units, the REIT may need to obtain additional capital through capital markets and the REIT’s ability to access the capital markets through equity issues and forms of secured or unsecured debt financing may affect the operations of the REIT as such financing may be available only on disadvantageous terms, if at all. If financing is not available on acceptable terms, further acquisitions or ongoing development projects may be curtailed and cash available for distributions or to fund future commitments may be adversely affected.

Tax Risk

The Tax Act includes rules (referred to herein as the “**SIFT Rules**”) which effectively tax certain income of a publicly traded trust or partnership that is distributed to its investors on the same basis as would have applied had the income been earned through a taxable corporation and distributed by way of dividend to its shareholders. The SIFT Rules apply only to “SIFT trusts”, “SIFT partnerships” (each as defined in the Tax Act, and collectively, “**SIFTs**”) and their investors. A trust that qualifies as a “real estate investment trust” (as defined in the Tax Act) for a taxation year will not be considered to be a SIFT trust in that year (the “**REIT Exemption**”).

Based on a review of the REIT’s assets and revenues, management believes that the REIT satisfied the tests to qualify for the REIT Exemption for 2017. Management of the REIT intends to conduct the affairs of the REIT so that it qualifies for the REIT Exemption at all times. However, as the REIT Exemption includes complex revenue and asset tests, no assurances can be provided that the REIT will continue to qualify for any subsequent year.

The Tax Act includes rules affecting certain publicly traded stapled securities of SIFTs, REITs and corporations, which can result in the denial of a deduction for certain payments made by another entity to a REIT, or to a subsidiary of a REIT (the “**Stapled Security Rules**”). Management of each of the REIT and Finance Trust has reviewed the Stapled Security Rules and has concluded that the Stapled Security Rules should not materially adversely affect the REIT, Finance Trust or holders of Stapled Units. However, no assurances can be given in this regard.

There can be no assurance that income tax laws and the treatment of mutual fund trusts will not be changed in a manner which adversely affects holders of Stapled Units. If the REIT or Finance Trust ceases to qualify as a “mutual fund trust” under the Tax Act and the units thereof cease to be listed on a designated stock exchange (which currently includes the TSX), the REIT Units or Finance Trust Units, as the case may be, will cease to be qualified investments for registered retirement savings plans, deferred profit sharing plans, registered retirement income funds, registered education savings plans, registered disability savings plans and tax-free savings accounts.

Pursuant to rules in the Tax Act, if the REIT or Finance Trust experiences a “loss restriction event” (i) it will be deemed to have a year-end for tax purposes (which would result in an unscheduled distribution of undistributed net income and net realized capital gains, if any, at such time to Unitholders to the extent necessary so that such trust is not liable for income tax on such amounts under Part I of the Tax Act), and (ii) it will become subject to the loss restriction rules generally applicable to a corporation that experiences an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on its ability to carry forward losses. Generally, the REIT or Finance Trust will be subject

to a loss restriction event if a person becomes a “majority-interest beneficiary”, or a group of persons becomes a “majority-interest group of beneficiaries”, of such trust, each as defined in the affiliated persons rules contained in the Tax Act, with certain modifications. Generally, a majority-interest beneficiary of a trust is a beneficiary of the trust whose beneficial interests in the income or capital of the trust, as the case may be, together with the beneficial interests in the income or capital of the trust, as the case may be, of persons and partnerships with whom such beneficiary is affiliated for the purposes of the Tax Act, represent greater than 50% of the fair market value of all the interests in the income or capital of the trust, as the case may be.

The REIT operates in the United States through U.S. Holdco which is capitalized with debt and equity provided by the REIT and debt in the form of U.S. Holdco Notes owed to Finance Trust and HRLP. As at December 31, 2017, Finance Trust holds U.S. \$223.9 million of U.S. Holdco Notes. During 2017, the REIT made loans to U.S. Holdco (“**U.S. Holdco Loans**”) to indirectly fund additional U.S. Holdco acquisitions of income generating real property and management of the REIT anticipates that U.S. Holdco will continue to borrow funds from the REIT in the future for similar purposes, to fund its operations or to refinance existing loans.

U.S. Holdco treats the U.S. Holdco Notes and U.S. Holdco Loans as indebtedness for U.S. federal income tax purposes. If the Internal Revenue Service (“**IRS**”) or a court were to determine that the U.S. Holdco Notes and/or the U.S. Holdco Loans should be treated for U.S. federal income tax purposes as equity rather than debt, the interest on the U.S. Holdco Notes and/or the U.S. Holdco Loans could be treated as a dividend, and interest on the U.S. Holdco Notes and/or the U.S. Holdco Loans would not be deductible for U.S. federal income tax purposes. In addition, if the IRS were to determine that the interest rate on the U.S. Holdco Notes and/or the U.S. Holdco Loans did not represent an arm’s length rate, any excess amount over the arm’s length rate would not be deductible and could be re-characterized as a dividend payment instead of an interest payment. This would significantly increase the U.S. federal income tax liability of U.S. Holdco, potentially including the tax liability for prior years in which U.S. Holdco has claimed a deduction for interest paid on the U.S. Holdco Notes. In addition, U.S. Holdco could be subject to penalties. Such an increase in tax liability could materially adversely affect U.S. Holdco’s ability to make interest payments on the U.S. Holdco Notes and/or the U.S. Holdco Loans or the REIT’s ability to make distributions on its units. Additionally, payments of interest on the U.S. Holdco Notes considered to be paid to non-U.S. holders of Stapled Units as discussed below could be subject to withholding taxes.

On October 13, 2016, the U.S. Treasury and the IRS issued final and temporary regulations under section 385 of the Code (“**Section 385 Regulations**”) that could potentially apply to recharacterize as equity certain related party indebtedness issued after April 4, 2016. Generally, the Section 385 Regulations (i) establish threshold documentation requirements that must be satisfied for related party indebtedness issued after January 1, 2018 (however, the effective date of this provision has been delayed one year and is only applicable for debt issues after January 1, 2019 per IRS Notice 2017-36) in order for such related party indebtedness to be treated as debt for U.S. federal income tax purposes, (ii) treat related party indebtedness as equity for U.S. federal income tax purposes if such related party indebtedness was issued in certain transactions, including in exchange for stock of a related party or in a distribution and (iii) recharacterize related party indebtedness as equity for U.S. federal income tax purposes in certain circumstances including where the debtor corporation pays a distribution after April 4, 2016 in excess of the accumulated earnings and profits for tax years ending after April 4, 2016, during which the debtor corporation is related to the holder of the debt. In general, the Section 385 Regulations only apply to related party indebtedness debt issued by U.S. corporations after April 4, 2016 and so most of the U.S. Holdco Notes should not be impacted by the Section 385 Regulations. However, the Section 385 Regulations could apply to U.S. Holdco Notes that are refinanced in the future and/or to any issuances of related party indebtedness issued after April 4, 2016, including the U.S. Holdco Loans issued after this

date. Management believes that the Section 385 Regulations should not apply to treat the existing U.S. Holdco Loans as equity as the U.S. Holdco Loans were not issued in exchange for stock of a related party or otherwise in a transaction described in the Section 385 Regulations and U.S. Holdco has not paid any distributions to the REIT since April 4, 2016 or engaged in any other transaction that would cause such loans to be recharacterized under the Section 385 Regulations. Management does not currently anticipate causing U.S. Holdco to pay distributions in excess of U.S. Holdco's earnings and profits accumulated in tax years ending after April 4, 2016 or engaging in any other transactions that will cause indebtedness of U.S. Holdco to be treated or recharacterized as equity. However, there can be no assurance that such a distribution or transaction will not occur in the future. In the event that any indebtedness of U.S. Holdco were recharacterized as equity, any interest paid or accrued on such indebtedness would not be deductible by U.S. Holdco and any payments made by U.S. Holdco thereon could be treated as dividends subject to U.S. withholding tax.

For taxable years beginning before January 1, 2018, Section 163(j) of the Code (prior to its amendment by U.S. Tax Reform, "**Prior Section 163(j)**") applied to limit the deduction of interest paid to a related party, including debt financing provided by the REIT to U.S. Holdco (e.g., the U.S. Holdco Loans or by acquiring U.S. Holdco Notes). With respect to the U.S. Holdco Notes, the REIT took the position that, due to the treatment of Finance Trust as a grantor trust that is disregarded for U.S. federal tax purposes, the interest paid to Finance Trust was treated as having been paid to the holders of the Finance Trust Units and was therefore not subject to Prior Section 163(j). If Prior Section 163(j) applied to interest paid to the REIT and/or Finance Trust, depending on the facts and circumstances and the availability of net operating losses to U.S. Holdco (which are subject to normal assessment by the IRS), the U.S. federal income tax liability of U.S. Holdco could increase for years subject to Prior Section 163(j).

As part of U.S. Tax Reform, Prior Section 163(j) has been repealed and replaced with a new section 163(j) that is applicable to taxable years beginning after December 31, 2017. New section 163(j) applies to both related and third party debt and there is no debt to equity ratio safe harbor. New section 163(j) limits all interest deductions (related and third party) to 30% of "adjusted taxable income" (defined similarly to earnings before interest, taxes, depreciation and amortization for taxable years beginning before January 1, 2022, and earnings before interest and taxes thereafter). However, there is an exception to the limitation of new section 163(j) for certain "real property trades or businesses" that make an irrevocable election. If such an election is made, the real property trade or business is required to use the alternative depreciation system ("**ADS**") that applies to tax-exempt use property to depreciate certain assets for U.S. federal income tax purposes. With input from its tax advisors, the REIT has taken the view that its U.S. subsidiaries are eligible for the real property trade or business exception and may elect out of section 163(j) if the interest deduction limitation would cause adverse tax results.

It is expected that treasury regulations will be released to provide guidance on the timing and manner of making the election.

As the new U.S. tax law moves through the implementation process, there is risk that regulatory, administrative or legislative actions could have a materially adverse effect on the REIT's deferred income tax assets or liabilities. Management continues to monitor ongoing developments and IRS guidance.

Additional Tax Risks Applicable to Unitholders

The REIT is classified as a foreign corporation for United States federal income tax purposes. A foreign corporation will be classified as a PFIC for United States federal income tax purposes if either (i) 75% or more of its gross income is passive income or (ii) on average for the taxable year, 50% or more of its assets (by value) produce or are held for the production of passive income. The properties of the REIT

are managed by subsidiaries of the REIT rather than directly by its own employees. Although the REIT's officers and employees oversee the activities of the managers, it is unclear whether the REIT will be characterized as a PFIC for U.S. federal income tax purposes. If the REIT were treated as a PFIC, then in the absence of certain elections being made by a U.S. Unitholder with respect to such U.S. Unitholder's REIT Units, any distributions in respect of the REIT Units which are treated as "excess distribution" under the applicable rules and any gain on a sale or other disposition of the REIT Units would be treated as ordinary income and would be subject to special tax rules, including an interest charge. In addition, if the REIT were treated as a PFIC, then dividends paid on the REIT Units will not qualify for the reduced 20% U.S. federal income tax rate applicable to certain qualifying dividends received by noncorporate taxpayers.

The foregoing adverse consequences of PFIC characterization can be mitigated by making certain elections. U.S. Unitholders should consult with their own tax advisors regarding the implications of these rules and the advisability of making one of the applicable PFIC elections, taking into account their particular circumstances. If the REIT were a PFIC, U.S. Unitholders would be required to file an annual return on IRS Form 8621.

U.S. individuals are required to report an interest in any "specified foreign financial asset" if the aggregate value of such assets owned by the U.S. individual exceeds \$50,000 (or such higher threshold as may apply to a particular taxpayer pursuant to the instructions to IRS Form 8938). The REIT Units are treated as a specified foreign financial asset for this purpose.

Finance Trust qualifies as an investment trust that is classified as a grantor trust for U.S. federal income tax purposes under Treasury Regulation section 301.7701-4(c) (a "**Fixed Investment Trust**") and section 671 of the Code. 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 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 Finance Trust Units will be treated as owning directly their pro rata shares of all of the Finance Trust assets (i.e. primarily the U.S. Holdco Notes). Moreover, all payments made on the U.S. Holdco Notes will be treated as payments made directly to the holders of the Finance Trust Units in proportion to their interest in Finance Trust.

Provided that Finance Trust qualifies as a Fixed Investment Trust and the U.S. Holdco Notes are respected as debt for U.S. federal income tax purposes, payments of principal and interest on the U.S. Holdco Notes will be treated as payments directly to Unitholders. Interest on the U.S. Holdco Notes will generally be taxable to U.S. holders as ordinary income at the time it is paid or accrued and will be subject to U.S. federal income taxation at a maximum marginal rate of 39.6% (37% for taxable years beginning after December 31, 2017 and beginning before January 1, 2026), plus an additional 3.8% tax that applies to investment income earned by certain high income non-corporate taxpayer. Interest on the U.S. Holdco Notes paid to Canadian resident Unitholders may be eligible for an exemption from U.S. withholding tax under the *Canada-U.S. Tax Convention* (the "**U.S. Treaty**") if the applicable limitation on benefit provisions contained in the U.S. Treaty are satisfied. If the U.S. Holdco Notes were treated as equity rather than debt for U.S. federal income tax purposes, then the stated interest on the U.S. Holdco Notes would be treated as a distribution with respect to units.

U.S. Unitholders are required to file an information return on IRS Form 3520 to report their interest in the Finance Trust and to include a copy of their Form 3520-A Foreign Grantor Trust Owner Statement, which is being provided by Finance Trust to its registered U.S. Unitholders. If you have not received a Foreign Grantor Trust Owner Statement, pro forma information to prepare a Form 3520-A

Foreign Grantor Trust Owner Statement will be available on our website. You should consult with your own tax advisor regarding the requirements of filing information returns.

A holder of Stapled Units that is a resident of the U.S. for purposes of the Tax Act will generally be subject to Canadian withholding tax under Part XIII of the Tax Act at the rate of 25% on the portion of the income of the REIT and Finance Trust paid or credited (whether in cash or *in specie*) in respect of such Stapled Units, subject to reduction under the U.S. Treaty if applicable. In the case of income paid or credited on REIT Units, the withholding rate applicable to a U.S. Unitholder entitled to the benefits of the U.S. Treaty in respect of such income would generally be reduced to 15% in the case of income arising in Canada and to 0% in the case of income arising outside of Canada. In the case of income paid or credited to a U.S. resident holder of Finance Trust Units, there is uncertainty as to the appropriate rate of withholding under the U.S. Treaty and in light of this uncertainty, management of Finance Trust currently applies the 25% withholding rate under the Tax Act to income paid or credited to U.S. residents. U.S. Unitholders may be entitled to a refund of a portion of such withholding tax if the rate applied by Finance Trust were determined to be excessive. You should consult with your own tax advisor regarding the advisability of applying for such a refund.

Dilution

The number of REIT Units the REIT is authorized to issue is unlimited. The REIT Trustees have the discretion to issue additional REIT Units in certain circumstances, including under the Unit Option Plan and Incentive Unit Plan. In addition, the REIT and Finance Trust issue Stapled Units pursuant to the DRIP and Unit Purchase Plan (if reinstated in the future). Any issuance of REIT Units may have a dilutive effect on the investors of Stapled Units.

Unitholder Liability

The REIT Declaration of Trust provides that no holder of REIT Units, Special Voting Units or annuitant under a plan of which a holder of REIT Units or Special Voting Units acts as trustee or carrier (an “**annuitant**”) will be held to have any personal liability as such, and that no resort shall be had to, nor shall recourse or satisfaction be sought from, the private property of any holder of REIT Units, Special Voting Units or annuitant for any liability whatsoever, in tort, contract or otherwise, to any person in connection with property of the REIT or the affairs of the REIT including, without limitation, for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the REIT or of the REIT Trustees or any obligation which a holder of REIT Units, Special Voting Units or annuitant would otherwise have to indemnify a REIT Trustee for any personal liability incurred by the REIT Trustee as such. Only assets of the REIT are intended to be liable and subject to levy or execution for satisfaction of such liability.

The REIT Declaration of Trust further provides that certain written instruments signed by the REIT (including all mortgages and, to the extent the REIT Trustees determine to be practicable and consistent with their fiduciary duty to act in the best interests of holders of REIT Units and Special Voting Units, other written instruments creating a material obligation of the REIT) shall contain a provision or be subject to an acknowledgment to the effect that such obligation will not be personally binding upon holders of REIT Units and Special Voting Units or upon and that resort shall not be had to, nor shall recourse or satisfaction be sought from, the private property of any annuitant.

However, in conducting its affairs, the REIT has acquired and may acquire real property investments subject to existing contractual obligations, including obligations under mortgages and leases. The REIT Trustees will use all reasonable efforts to have any such obligations modified so as not to have such obligations personally binding upon any of the holders of REIT Units, Special Voting Units or

annuitants. However, the REIT may not be able to obtain such modification in all cases. To the extent that claims are not satisfied by the REIT, there is a risk that a holder of REIT Units, Special Voting Units or annuitant will be held personally liable for obligations of the REIT where the liability is not disavowed as described above.

Personal liability may also arise in respect of claims against the REIT that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The possibility of any personal liability of this nature arising is considered remote as the nature of the REIT's activities are such that most of its obligations arise by contract and non-contractual risks are largely insurable. However, the insurance policies maintained by the REIT have exclusions for certain environmental liabilities. In the event that payment of a REIT obligation were to be made by a holder of REIT Units or Special Voting Units, such holder would be entitled to reimbursement from the available assets of the REIT.

The REIT Trustees will cause the activities of the REIT to be conducted with the advice of counsel, in such a way and in such jurisdictions as to avoid, to the extent they determine to be practicable and consistent with their fiduciary duty to act in the best interests of the holders of REIT Units and Special Voting Units, any material risk of liability on the holders of REIT Units and Special Voting Units for claims against the REIT. The REIT Trustees will, to the extent available on terms which they determine to be practicable, cause the insurance carried by the REIT, to the extent applicable, to cover the holders of REIT Units, Special Voting Units and annuitants as additional insured.

Legislation has been enacted in the Province of Ontario and certain other provinces that is intended to provide unitholders in those provinces with limited liability. On December 16, 2004, the *Trust Beneficiaries' Liability Act, 2004* (Ontario), came into force. Such legislation provides that unitholders of a trust that is a reporting issuer and governed by the laws of Ontario are not liable, as beneficiaries, for any act, default, obligation or liability of the trust or any of its trustees that arise after the legislation came into force. A trust is considered governed by the laws of Ontario if its declaration of trust or other constating instrument contains the customary provision to that effect. The REIT Declaration of Trust contains such a provision, and accordingly, the holders of REIT Units and Special Voting Units are protected by this legislation. However, there remains a risk, which the REIT considers to be remote in the circumstances, that a holder of REIT Units and Special Voting Units could be held personally liable for the REIT's obligations to the extent that claims are not satisfied out of the REIT's assets. It is intended that the REIT's affairs will be conducted to seek to minimize such risk wherever possible.

Redemption Right

Holders of Stapled Units are entitled to have their REIT Units and Finance Trust Units redeemed at any time on demand (see "REIT Declaration of Trust and Description of REIT Units – Redemption of REIT Units" and "Finance Trust Declaration of Trust and Description of Finance Trust Units – Redemption of Finance Trust Units"). It is anticipated that this redemption right will not be the primary mechanism for holders of Stapled Units to liquidate their investments. The entitlement of holders of REIT Units to receive cash upon the redemption of their REIT Units is subject to the limitations that: (i) the total amount payable by the REIT in respect of those REIT Units and all other REIT Units tendered for redemption in the same calendar month does not exceed \$50,000 (subject to certain adjustments and provided that the REIT Trustees may waive this limitation at their sole discretion), (ii) at the time such REIT Units are tendered for redemption, the outstanding Stapled Units shall be listed for trading or quoted on a stock exchange or traded or quoted on another market which the REIT Trustees consider, in their sole discretion, provides representative fair market value prices for the Stapled Units; and (iii) the normal trading of the REIT Units is not suspended or halted on any stock exchange on which the Stapled Units are listed (or, if not so listed, on any market on which the Stapled Units are quoted for trading) on

the redemption date or for more than five trading days during the ten-day trading period commencing immediately prior to such date.. In certain circumstances, the REIT's Declaration of Trust provides for the *in specie* distributions of notes of HRP Trust in the event of redemption of REIT Units. The notes which may be distributed *in specie* to Unitholders in connection with a redemption will not be listed on any stock exchange, no established market is expected to develop for such notes and they may be subject to resale restrictions under applicable securities laws.

Uncoupling of Stapled Units

An Event of Uncoupling shall occur only: (a) in the event that holders of REIT Units vote in favour of the uncoupling; or (b) at the sole discretion of the Finance Trust Trustees, but only in response to certain insolvency-related events in respect of the REIT or U.S. Holdco (see "Description of Stapled Units – An Event of Uncoupling"). As a result of changes in applicable Canadian or U.S. tax laws, or otherwise, it may become desirable to uncouple REIT Units and Finance Trust Units such that the two securities trade separately. There can be no guarantee that such an uncoupling will be accomplished in a timely manner, or at all, and the REIT may incur significant expenditures related to administrative expenses, legal and tax advice, in respect of holding a meeting of holders of REIT Units or otherwise to effect an uncoupling of REIT Units and Finance Trust Units. The market value of the Stapled Units may decline significantly if a desirable uncoupling cannot be effected in a timely manner, or at all.

As noted above, the REIT is in the process of seeking the necessary approvals to implement the Amended Reorganization in 2018 with the effect of unwinding the Stapled Unit structure. As part of the Amended Reorganization, the Stapled Units will be uncoupled. See "The REIT – General Developments of the Business of the REIT" in this annual information form.

Investment Eligibility

The REIT will endeavour to ensure that the Stapled Units continue to be qualified investments for registered retirement savings plans, deferred profit sharing plans, registered retirement income funds, registered education savings plans, registered disability savings plans and tax-free savings accounts. The Tax Act imposes penalties for the acquisition or holding of non-qualified or ineligible investments and there is no assurance that the conditions prescribed for such qualified or eligible investments will be adhered to at any particular time.

Debentures

The likelihood that purchasers of the Senior Debentures will receive payments owing to them under the terms of such debentures will depend on the financial health of the REIT and its creditworthiness. In addition, such debentures are unsecured obligations of the REIT and are subordinate in right of payment to all the REIT's existing and future senior indebtedness as defined in each such respective trust indenture. Therefore, if the REIT becomes bankrupt, liquidates its assets, reorganizes or enters into certain other transactions, the REIT's assets will be available to pay its obligations with respect to such debentures only after it has paid all of its senior indebtedness in full. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the debentures then outstanding.

The debentures are also effectively subordinate to claims of creditors (including trade creditors) of the REIT's subsidiaries except to the extent the REIT is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors. Finance Trust is a creditor of U.S. Holdco, a subsidiary of the REIT. A parent entity is entitled only to the residual equity of its subsidiaries after all debt obligations of its subsidiaries are discharged. In the event of bankruptcy, liquidation or reorganization of the REIT, holders

of indebtedness of the REIT (including holders of Senior Debentures) may become subordinate to lenders to the subsidiaries of the REIT. The indentures governing such debentures do not prohibit or limit the ability of the REIT or its subsidiaries to incur additional debt or liabilities (including senior indebtedness), to amend and modify the ranking of any indebtedness or to make distributions, except, in respect of distributions, where an event of default has occurred and such default has not been cured or waived. The indentures do not contain any provision specifically intended to protect holders of debentures in the event of a future leveraged transaction involving the REIT.

Statutory Remedies

The REIT is not a legally recognized entity within the relevant definitions of the *Bankruptcy and Insolvency Act*, the *Companies' Creditors Arrangement Act* and in some cases, the *Winding Up and Restructuring Act*. As a result, in the event a restructuring of the REIT were necessary, the REIT would not be able to access the remedies available thereunder.

On June 24, 2016, the REIT amended and restated the REIT Declaration of Trust to further align it with evolving governance best practices. The rights granted in the REIT Declaration of Trust are granted as contractual rights afforded to securityholders of the REIT ("**Securityholders**"). Similar to other existing rights contained in the REIT Declaration of Trust (e.g. take-over bid provisions and conflict of interest provisions), making these rights and remedies and certain procedures available by contract is structurally different from the manner in which the equivalent rights and remedies or procedures (including the procedure for enforcing such remedies) are made available to shareholders of a corporation, who benefit from those rights and remedies or procedures by the corporate statute that governs the corporation, such as the CBCA. As such, there is no certainty how these rights, remedies or procedures may be treated by the courts in the non-corporate context or that a Securityholder will be able to enforce the rights and remedies in the manner contemplated by the REIT Declaration of Trust. Furthermore, how the courts will treat these rights, remedies and procedures will be at the discretion of the court, and a court may choose to not accept jurisdiction to consider any claim contemplated in the REIT Declaration of the Trust.

Creation and Issuance of Preferred Units

At the annual and special meetings of Unitholders held on June 16, 2011, the holders of REIT Units authorized the REIT Trustees to have the flexibility to amend the REIT Declaration of Trust 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 hereof, the REIT Trustees have not yet amended the REIT Declaration of Trust to create the Preferred Units and no Preferred Units have been issued, but the REIT Trustees 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 REIT Units) and the distribution of assets of the REIT or return of capital in the event of the liquidation, dissolution or winding-up of the REIT, whether voluntary or involuntary, or any other return of capital or distribution of assets of the REIT among Unitholders for the purpose of winding-up its affairs, be entitled to preference over the REIT Units, and over any other equity interests of the 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 REIT Declaration of Trust, over the REIT Units, and any other equity interests of the REIT ranking by their terms junior to the Preferred Units, as may be fixed by the REIT Trustees. Further, prior to the creation and issue of Preferred Units, the 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 REIT Units.

"Closed-End" Unit Trust Status

In the event that the REIT Trustees determine that it is in the best interests of the REIT to create and issue Preferred Units, the REIT will be required to convert into a “closed-end” unit trust for purposes of the Tax Act. Following such a conversion, the 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 the REIT intends to conduct the affairs of the 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.

ADDITIONAL INFORMATION

Additional information, including REIT Trustees’ and officers’ remuneration and indebtedness, principal holders of the REIT’s securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in the REIT’s Management Information Circular for its most recent annual meeting of security holders that involves the election of REIT Trustees. Additional financial information is provided in the combined comparative financial statements and management’s discussion and analysis for the most recently completed financial year of the REIT and Finance Trust.

Additional information relating to the REIT may be found on SEDAR at www.sedar.com.

Information relating to Finance Trust may be found on SEDAR at www.sedar.com.

SCHEDULE A

H&R REAL ESTATE INVESTMENT TRUST

Audit Committee Charter

PURPOSE

The trustees (the “**Trustees**”) of H&R Real Estate Investment Trust (the “**Trust**”) have established an audit committee (the “**Audit Committee**”) to assist them in fulfilling their responsibility for overseeing the Trust’s financial reporting process in accordance with section 8.03 of the Trust’s Amended and Restated Declaration of Trust (the “**Declaration of Trust**”) dated as of May 15, 2009. This Charter sets out the mandate and responsibilities of the Audit Committee as required by the Declaration of Trust and National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”).

COMPOSITION

The Audit Committee shall be comprised of not fewer than three Trustees, each of whom is an independent Trustee, and a majority of whom must be resident Canadians. For purposes of this Charter, an “**independent**” Trustee is one who has no direct or indirect material relationship with the Trust and is an Independent Trustee (as such term is defined in the Declaration of Trust), provided, however, that if at any time a member of the Audit Committee ceases to be an independent Trustee for reasons outside the member’s reasonable control or there is a vacancy on the Audit Committee because of the death, disability or resignation of such Trustee, this requirement shall not be applicable for a period ending on the later of (i) the next annual meeting of unitholders or (ii) six months from the date that the vacancy is created or the event which caused the Trustee not to be independent, as the case may be, only if the remaining Trustees have determined that not complying with this requirement will not materially adversely affect the ability of the Audit Committee to act independently and to satisfy the requirements of NI 52-110. A “**material relationship**” is a relationship which could, in the view of the Trustees, reasonably interfere with the exercise of a Trustee’s independent judgement. Examples of individuals with a material relationship to the Trust may include:

- (a) an individual who is, or who has been within the last three years, an employee or executive officer of the Trust;
- (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the Trust;
- (c) an individual who (i) is a partner of a firm that is the Trust’s internal or external auditor, (ii) is an employee of that firm, or (iii) was within the last three years a partner or employee of that firm and personally worked on the Trust’s audit within that time;
- (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual (i) is a partner of a firm that is the Trust’s internal or external auditor, (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, (iii) or was within the last three years a partner or employee of that firm and personally worked on the Trust’s audit within that time;
- (e) an individual who, or whose immediate family member, is or has been within the last three years an executive officer of an entity if any of the Trust’s current executive officers serves or served at that same time on the entity’s compensation committee;

- (f) an individual who received, or whose immediate family member who is employed as an executive officer of the Trust received, more than \$75,000 in direct compensation during any 12 month period within the last three years, other than as remuneration for acting in his capacity as a Trustee or as a member of any committee of the Trustees;
- (g) an individual who accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the Trust or any of its subsidiary entities, other than as remuneration for acting in his capacity as a Trustee or as a member of any committee of the Trustees, or as a part-time chair or vice-chair of the board of Trustees or any committee of the Trustees; and
- (h) an individual who is an affiliated entity of the Trust or any of the Trust's subsidiary entities.

This list is not meant to be exhaustive. For further guidance on the issue of independence, Trustees should consult sections 1.4 and 1.5 of NI 52-110.

All members of the Audit Committee shall be financially literate. “**Financial literacy**” means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Trust's financial statements.

AUTHORITY

In recognition of the fact that the external auditors are ultimately accountable to the Trustees and the Audit Committee as representatives of the unitholders, the Audit Committee shall have the primary responsibility to select, evaluate and recommend to the Trustees the appointment or re-appointment and where appropriate, replacement of, the external auditors for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Trust. The Audit Committee shall also review and recommend to the Trustees all audit engagement fees and terms and pre-approve all non-audit engagements with and services to be provided by the external auditors to the Trust or its subsidiary entities. The Audit Committee will also discuss the rotation of the engagement of the audit partners when required. The Audit Committee shall consult with management but shall not delegate its responsibilities. The Audit Committee will also have the authority to communicate directly with the Trust's external auditors and any internal auditors. The external auditors will report directly to the Audit Committee.

RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties, the Audit Committee shall:

- (a) Review the accounting principles, policies and practices followed by the Trust and its subsidiaries and controlled entities in accounting for and reporting its financial results of operations and satisfy themselves as to the appropriateness thereof.
- (b) Review the Trust's audited annual consolidated financial statements and the unaudited quarterly financial statements and report thereon to the Trustees before the Trust publicly discloses this information.

- (c) Review and recommend to the Trustees for approval any Management's Discussion and Analysis and annual and interim earnings press releases before the Trust publicly discloses this information.
- (d) Make recommendations to the Trustees with respect to the selection of the external auditors to be put forward to the unitholders at the annual meeting.
- (e) Obtain annually a formal written statement from the external auditors delineating all relationships between the audit firm and the Trust, and review and discuss with the external auditors such relationships to determine the "independence" of the auditors.
- (f) Review any management letter prepared by the external auditors concerning the Trust's internal financial controls, record keeping and other matters and management's response thereto.
- (g) Discuss with the external auditors their views about the quality of the implementation of Canadian generally accepted accounting principles, with a particular focus on the accounting estimates and judgments made by management and management's selection of accounting principles and meet in private with appropriate members of management and separately with the external auditors to share perceptions on these matters, discuss any potential concerns and agree upon appropriate action plans.
- (h) Approve the scope of the annual audit, the audit plan, the access granted to the Trust's records and the co-operation of management in any audit and review function and pre-approves the scope and cost of any non-audit services to be undertaken by the Trust's external auditors.
- (i) Directly oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Trust, including the resolution of disagreements between management and the external auditors regarding financial reporting.
- (j) Review the effectiveness of the independent audit effort, including approval of the fees charged in connection with the annual audit, any quarterly reviews and any non-audit services being provided.
- (k) Assess the effectiveness of the working relationship of the external auditors with management and resolve any disagreements between management and external auditors regarding financial reporting.
- (l) Review annually this Charter for adequacy and recommend any changes to this Charter to the Trustees.
- (m) Report to the Trustees on the major items covered at each Audit Committee meeting and make recommendations to the Trustees and management concerning these matters.
- (n) Require officers of the Trust to review the Trust's public disclosure of financial information extracted or derived from the Trust's financial statements.

- (o) Ensure that the appropriate internal controls over financial reporting are in place, so as to permit the Chief Executive Officer and the Chief Financial Officer to provide the required certification of the Trust's annual and interim filings.
- (p) Review and approve the Trust's hiring policies regarding partners, employees and former partners and employees of present and former external auditors of the Trust.
- (q) Ensure that the financial information required by the various committees of the Trustees is available to them so as to permit them to fulfil their mandates.
- (r) Establish procedures for the receipt, retention and treatment of complaints received by the Trust regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submission by employees of the Trust of concerns regarding questionable accounting or auditing matters.
- (s) Perform any other activities consistent with this Charter, the Declaration of Trust and governing law as the Audit Committee or the Trustees deem necessary or appropriate.

RELATIONSHIP TO INTERNAL AUDIT

The Audit Committee will:

- (a) Review and approve management's decisions relating to any potential need for internal auditing, including whether this function should be outsourced and if such function is outsourced, approve the supplier of such service.
- (b) Ensure that an effective system of internal control over financial reporting has been designed and is being implemented.
- (c) Approve the mandate for the internal audit function, if any.
- (d) Review annually the internal audit department's objectives, goals, staffing and financial budget, if any.
- (e) Ensure that the Chief Financial Officer has direct and open communication with the Audit Committee with respect to planned audits, findings, recommendations and management response thereto, and that he or she meets with the Audit Committee without other management personnel present.
- (f) Ensure that, taken together, the work of the external auditors and any internal auditors provide an appropriate level of audit coverage and are effectively coordinated.

AUDIT COMMITTEE MEETINGS

The Audit Committee will meet on a regular basis, at least quarterly, and will hold special meetings as circumstances require. The auditors of the Trust are entitled to receive notice of every meeting of the Audit Committee and, at the expense of the Trust, to attend and be heard thereat and, if so requested by a member of the Audit Committee, shall attend any meeting of the Audit Committee held during the term of office of the auditors. The auditors of the Trust or a member of the Audit Committee may call a meeting of the Audit Committee on not less than 48 hours' notice. The procedure at meetings shall be determined by the Chairman of the Audit Committee. At least two-fifths of the members of the

Audit Committee present in person or participating by conference telephone shall constitute a quorum of the Audit Committee (provided that a majority of the members comprising such quorum shall not be non-residents of Canada).

The acts of the Audit Committee at a duly constituted meeting shall require no more than the vote of a majority of the members present. A resolution or other instrument in writing signed by all members of the Audit Committee shall constitute an act of the Audit Committee.

RESOURCES

The Audit Committee shall have the authority to (i) retain independent legal, accounting and other consultants to advise it as it deems necessary to carry out its duties and (ii) to set and pay the compensation for any such consultants. The Audit Committee may request that any member of management or outside consultant attend a meeting of the Audit Committee or meet with any members of, or consultants to, the Audit Committee.