

## Tax Reporting for Primaris Acquisition

On April 4th, 2013, H&R REIT completed its acquisition of all of the outstanding units of Primaris Retail Real Estate Investment Trust ("Primaris") pursuant to a court-approved plan of arrangement (the "Transaction"). Primaris unitholders had the option to elect to receive either cash consideration of \$28.00 per Primaris unit (the "Cash Consideration") or non-cash consideration of 1.166 H&R Stapled Units per Primaris unit (the "Non-Cash Consideration"), subject to proration to account for the fixed aggregate amount of cash consideration provided for in the plan of arrangement. As a result of such proration, Primaris unitholders who validly elected to receive cash received Cash Consideration for approximately 55% of their Primaris units and Non-Cash Consideration for the balance. Primaris unitholders who did not validly elect to receive cash for their Primaris units received Non-Cash Consideration for each Primaris unit.

Below is an explanation of the Canadian tax reporting slips that former holders of Primaris units will receive reporting the disposition of their Primaris units in the Transaction. Primaris unitholders who received a combination of Cash Consideration and Non-Cash Consideration will receive a T3 slip and a T5008 slip in respect of the units disposed of for Cash Consideration and two separate T5008 slips in respect of the units disposed of for Non-Cash Consideration, each as described below. Primaris unitholders who received only Non-Cash Consideration will receive only the two T5008 slips in respect of the disposition of their units.

A general discussion of the principal Canadian federal income tax considerations applicable to certain unitholders in connection with the Transaction was included in the management information circular of Primaris dated February 19, 2013, a copy of which can be found at [www.sedar.com](http://www.sedar.com).

**The explanation below is not intended as a substitute for the description of tax considerations in the circular and is not intended to be, and should not be construed as, legal or tax advice to any former holder of Primaris units. Former holders of Primaris units should consult with their own tax advisors for advice with respect to their particular circumstances.**

### Primaris units disposed of for Cash Consideration

As part of the Transaction, Primaris sold certain properties to a consortium led by KingSett Capital (the "Sale Transactions"). Under the plan of arrangement, income and capital gains arising from the Sale Transactions were made payable and distributed to those Primaris unitholders who received Cash Consideration for their Primaris units in partial satisfaction of the Cash Consideration payable to such unitholders. The balance of the Cash Consideration received by each Primaris unitholder is treated as proceeds of disposition of such units under the plan of arrangement.

The per unit breakdown of the Cash Consideration received for each such Primaris unit will be reported in the T3 and T5008 slips issued on behalf of Primaris in respect of the transaction as follows:

<b>Capital Gain (50% taxable) (T3 Box 21)</b>	<b>Other Taxable Income (T3 Box 26)</b>	<b>Proceeds of Disposition (T5008 Box 21)</b>	<b>Total Cash Consideration</b>
12.20	2.62	13.18	\$28.00

### Primaris units disposed of for Non-Cash Consideration

Under the plan of arrangement, Primaris unitholders receiving Non-Cash Consideration for their Primaris units disposed of 3.788% of each such unit to H&R REIT in consideration for 1.166 units of H&R Finance Trust (the "FT% Disposition"). The remaining 96.212% of each such unit was redeemed by Primaris in consideration for 1.166 units of H&R REIT (the "Primaris Redemption").

The H&R REIT units and H&R Finance Trust units so received trade together on the TSX as H&R Stapled Units (TSX symbol HR.UN).

The FT% Disposition is a taxable disposition which will be reported on T5008 slips issued on behalf of H&R REIT. The proceeds of disposition reflected on such slips will be based on the Transaction valuation of \$1.06 for every 1.166 H&R Finance Trust units delivered. Holders may realize a capital gain or capital loss on the FT% Disposition.

The Primaris Redemption was structured as a tax-deferred “qualifying exchange” for purposes of the *Income Tax Act* (Canada). Primaris unitholders who received Non-Cash Consideration for their Primaris units and who held such units as capital property are deemed to have disposed of the 96.212% of each such Primaris unit for proceeds of disposition equal to their “adjusted cost base”. As a result, no capital gain or capital loss will be realized in respect of the Primaris Redemption (i.e. this is a “rollover” transaction). The Primaris Redemption will be reported on a separate T5008 slip issued by Primaris, but because this is a rollover transaction, this slip will not indicate any amount for proceeds of disposition and instead will only reflect the number of units of H&R REIT delivered as consideration.

An example of the T5008 slips that would be provided to a holder who disposed of 1,000 Primaris units for Non-Cash Consideration is set out below.

	<b>Number of Primaris units disposed of (T5008 Box 16)</b>	<b>Proceeds of Disposition (T5008 Box 21)</b>	<b>Securities received on settlement (T5008 Box 23 &amp; 24)</b>
FT% Disposition	37.88 <sup>1</sup>	\$1,060 <sup>3</sup>	n/a <sup>5</sup>
Primaris Redemption	962.12 <sup>2</sup>	n/a <sup>4</sup>	1,166 H&R REIT units

Notes:

1. 3.788% x 1,000 Primaris units.
2. 96.212% x 1,000 Primaris units.
3. \$1.06 for each 3.788% of a Primaris unit disposed of.
4. Proceeds of disposition will not be reported on the T5008s for the Primaris Redemption.
5. While 1,166 H&R Finance Trust units are received as consideration, because the FT% Disposition is a taxable disposition the T5008 slip will only report the cash value of the Finance Trust units received.