



**Primaris REIT with H&R REIT and KingSett Capital Led Consortium Announces Amended Transaction Offering Superior Value to Primaris Unitholders**

*New Offer Made by H&R REIT and KingSett Capital Led Consortium*

**Highlights of the Amended Transaction**

- An increase in aggregate consideration to Primaris unitholders comprised of a cash election of \$28.00 per Primaris unit (total cash consideration of \$1.28 billion increased from \$700 million in the previous H&R/Primaris transaction); or a unit election of 1.166 H&R Units per Primaris unit (increased from 1.13 in the previous H&R/Primaris transaction)
- The value of total consideration received (assuming full proration) will be \$27.98 per Primaris unit, consisting of \$12.58 in cash and 0.642 H&R Units (valued at \$15.40 based on H&R's 20-day VWAP ended January 15, 2013, the last trading day prior to the previously announced H&R/Primaris transaction)
- An increase in cash consideration, facilitated by the inclusion of the KingSett Capital led consortium, represents approximately 45 percent of total consideration and provides additional liquidity for Primaris unitholders
- H&R is acquiring Primaris' operating platform together with 25 shopping centres (including Primaris' Alberta acquisitions announced on February 1, 2013) valued in the aggregate at approximately \$3.1 billion, at an overall 5.6 percent capitalization rate. A complete list of the asset allocation for the transaction is included as appendix to this news release
- KingSett Capital led consortium will acquire the remaining 18 properties in the Primaris portfolio valued at approximately \$1.9 billion
- The Amended and Restated Arrangement has received unanimous approval by the Boards of Trustees of both H&R and Primaris
- The previously announced offer by KS Acquisition II LP has been withdrawn and affiliates of KingSett Capital owning approximately 7 percent of Primaris units outstanding have agreed to support the amended transaction
- There will be no acquisition, disposition or property management fees payable to H&R's property manager in connection with this transaction

*Investor presentation is available at <http://www.hr-reit.com> and <http://www.primarisrealvalue.com/>*

**Toronto, ON – February 5, 2013** – H&R Real Estate Investment Trust and H&R Finance Trust (collectively “H&R”) (TSX: HR.UN) and Primaris Retail Real Estate Investment Trust (“Primaris”) (TSX: PMZ.UN) and the KingSett Capital led consortium today announced that H&R and Primaris, together with PRR Investments Inc., have amended their previously announced arrangement agreement (dated January 16, 2013). Under the amended agreement (the “Amended Agreement”) the KingSett Capital led consortium will participate in the transaction by acquiring certain properties from Primaris. The KingSett Capital led consortium, which consists of certain KingSett Capital managed funds, Ontario Pension Board and RioCan REIT, will acquire 18 Primaris properties pursuant to separate purchase agreements between Primaris and the consortium members.

Tom Hofstedter, CEO of H&R said, “We have created a stronger transaction for both H&R and Primaris unitholders. With this transaction, H&R will become Canada’s largest and leading diversified real estate investment trust, emulating the preferred real estate investment model adopted by large pension plans worldwide. The revised transaction will be accretive to H&R’s funds from operations, reduce its overall leverage ratio and increase market capitalization and liquidity, while allowing H&R to acquire a portfolio of high quality Canadian shopping centres and a valuable management platform. Overall, this is a transformational transaction for H&R that provides considerable benefits for our unitholders.”

John Morrison, CEO of Primaris said, “From the onset of our process we set out to deliver superior value for our unitholders. The result of the two bidders for Primaris joining in this amended transaction has created an opportunity that provides a higher price than what was previously agreed upon. For the benefit of our unitholders, our process has clearly maximized value. The higher cash consideration in the amended transaction provides increased liquidity, meanwhile for those unitholders electing H&R Units, the transaction allows them the ability to maintain their investment in the REIT sector in a tax efficient manner. We are pleased with the Amended Agreement and the value delivered through the process for our unitholders and other stakeholders.”

Jon Love, Managing Partner of KingSett Capital said, “We are pleased to be partnering with H&R and working with Primaris on this amended transaction. We believe this is a very good outcome for all involved.”

KingSett Capital led consortium members Ontario Pension Board and RioCan also commented on the amended transaction:

Mark Fuller, CEO of Ontario Pension Board said, “The amended transaction agreement continues to meet our deal objectives of acquiring high quality real estate assets in support of our long-term investment strategy to increase our exposure to private market investments.”

Ed Sonshine, CEO of RioCan REIT added: “We are pleased to be participating in the amended transaction and the acquisition of interests in two prominent regional malls within the GTA. The properties we have committed to purchase are fully aligned with our strategy and will further strengthen RioCan’s portfolio of enclosed malls.”

### **Transaction Details**

Pursuant to the Amended Agreement, unitholders of Primaris will be entitled to elect to receive \$28.00 in cash, subject to an aggregate cash consideration of approximately \$1.28 billion or 1.166

stapled units of H&R (“H&R Units”), with approximately 65.2 million H&R Units to be issued in aggregate.

- In the event that Primaris unitholders elect either more or less cash or H&R Units than are available, the total consideration shall be prorated, with the actual consideration mix to be received by each unitholder adjusted to reflect the total elections
- Assuming full proration (all Primaris unitholders elect cash or all Primaris unitholders elect H&R Units), Primaris unitholders will receive \$12.58 in cash and 0.642 H&R Units for each Primaris unit
- Based on H&R’s 20-day VWAP ended January 15, 2013 (the last trading day prior to the announcement of the prior H&R/Primaris transaction) of \$23.99, the value of the fully prorated consideration received under the Amended Agreement will be \$27.98 per Primaris unit, which represents a premium of approximately 21.4 percent to Primaris’ closing price of \$23.04 on December 4, 2012 (the last trading day before KS Acquisition II LP announced its intention to make an offer for Primaris). Upon completion of the amended transaction, Primaris unitholders will own approximately 25 percent of H&R
- The amended transaction is structured so holders of Primaris units who are resident in Canada and who hold their Primaris units as capital property will receive their H&R Units on a substantially tax-deferred rollover (the receipt of H&R Finance Trust units, expected to be less than 4 percent of the total unit consideration, will be taxable)

H&R will acquire a \$2.7 billion portfolio of 17 of Primaris’ existing shopping centres along with a further 9 properties valued at approximately \$377 million that Primaris intends to acquire in advance of the close of the H&R and KingSett transaction. The remaining properties in Primaris’ existing portfolio will be acquired by members of the KingSett Capital led consortium and are valued at approximately \$1.9 billion, including assumed debt.

The previously announced KingSett Capital led consortium offer has been withdrawn in accordance with its terms and affiliates of KingSett Capital that own approximately 7 percent of Primaris units have agreed to support the Amended Agreement.

The Board of Trustees of Primaris and H&R have unanimously agreed to vote their units in favour of the Amended Agreement and to recommend that their respective unitholders vote in favour of the transaction.

### **Benefits to Primaris**

- The amended transaction is financially superior for Primaris unitholders with the value of the consideration (assuming full proration) to be received per Primaris unit increased to \$27.98, compared to \$27.33 under the prior agreement (based on H&R’s 20-day ended January 15, 2013)
- Provides Primaris unitholders with an option to retain ownership in the Canadian enclosed shopping centre asset class or to elect to receive an immediate cash payment, subject to proration, described above

- The increase in aggregate cash consideration of approximately \$578 million provides additional liquidity for those Primaris unitholders that elect to receive cash consideration
- Improves distributions by 24 percent from the current annualized rate of \$1.27 to \$1.57 for those Primaris units that are exchanged for H&R Units
- Substantially preserves the value of the professional management platform developed over the last 10 years

### **Benefits to H&R**

- Unique opportunity to acquire a portfolio of 25 high quality Canadian shopping centres along with a strong professional management platform
- Financially attractive transaction that is expected to be approximately \$0.02 accretive to Funds From Operations per unit and results in a deleveraging of H&R's balance sheet from 52.1 percent to approximately 51.1 percent Debt to Fair Value
- Maintains H&R's liquidity with cash available from undrawn bank facilities of approximately \$550 million
- Broader portfolio diversification by geographic region, asset class and tenant base
- Increased market capitalization will result in substantially enhanced liquidity for unitholders
- Combines two businesses having similar philosophies with respect to asset and tenant qualities and a disciplined approach to real estate investing

### **Additional Details**

- The transaction continues to be structured as a Plan of Arrangement and is subject to the approval of 66 <sup>2</sup>/<sub>3</sub> percent of Primaris units voted at a special meeting of Primaris unitholders and a majority of H&R Units voted at a special meeting of H&R unitholders
- Primaris to pay cash proceeds to its unitholders by way of a redemption of units using the proceeds from the KingSett asset sale transactions
- Special unitholder meetings of Primaris and H&R expected to be held in late March
- The transaction is subject to regulatory approvals (including under the Competition Act (Canada)), court approvals, required consents and other customary closing conditions. Assuming the requisite approvals are received and other conditions are met or waived, the transaction is expected to be completed in early April
- H&R and KingSett are entitled to an aggregate all-cash break fee of \$100 million in certain circumstances, including the acceptance by Primaris of an unsolicited superior proposal from a third party

- H&R is entitled to receive customary deal protection provisions including a right to match any superior proposal that is received by Primaris on an unsolicited basis
- No acquisition, disposition or property management fees shall be payable to H&R's property manager with respect to this transaction or for any future acquisition of enclosed shopping centres in Canada
- Holders of Primaris convertible debentures, prior to closing, will be entitled to convert their debentures in accordance with their terms and participate in the arrangement on the same basis as other unitholders and following closing, will be entitled to receive H&R Units upon conversion based on the exchange ratio contemplated by the transaction
- The circular to be mailed to Primaris unitholders will describe the material Canadian federal income tax considerations associated with the transaction. Primaris unitholders are urged to carefully review these tax considerations and to consult their own tax advisors to determine the particular tax effects to them of the transaction, having regard to their own particular circumstances

### **Primaris Independent Committee**

Canaccord Genuity, a financial advisor to the Primaris Independent Committee, has provided the Board of Trustees of Primaris with an opinion to the effect that, as of the date of the opinion and based upon and subject to the limitations and qualifications therein, the consideration to be received under the Amended Agreement is fair, from a financial point of view, to Primaris unitholders.

The Independent Committee carefully considered a number of factors, including the terms of the transaction, the assets and business of H&R, the outcome of the global search process conducted, including the Independent Committee's belief that it is very unlikely that a superior offer will emerge for all the outstanding units of Primaris, and the opinion of Canaccord Genuity in recommending the transaction to the Board of Trustees of Primaris.

Based in part on the recommendation of the Independent Committee and the other factors noted herein, the Board of Trustees of Primaris determined that the consideration to be received by Primaris unitholders under the Amended Agreement is fair, from a financial point of view, and it would be in the best interests of Primaris to enter into the Amended Agreement.

### **Advisors**

Canaccord Genuity and Evercore Partners were engaged by the Primaris Independent Committee as its financial advisors. McCarthy Tétrault LLP was engaged as counsel to the Independent Committee and to Primaris, and Cassels Brock & Blackwell LLP was retained as counsel to Primaris.

Blake, Cassels & Graydon LLP was retained by H&R as its legal counsel.

TD Securities Inc. and CIBC World Markets were engaged by KingSett Capital as its financial advisors. Osler, Hoskin & Harcourt LLP and Bennett Jones LLP were retained as its legal advisors.

Stikeman Elliott LLP and Fogler, Rubinoff LLP were retained by RioCan REIT as legal advisors.

### **About H&R**

H&R REIT is an open-ended real estate investment trust, which owns a North American portfolio of 42 office, 115 industrial and 138 retail properties comprising over 45 million square feet and 2 development projects, with a fair value of approximately \$10 billion. The foundation of H&R's REIT success since inception in 1996 has been a disciplined strategy that leads to consistent and profitable growth. H&R REIT leases its properties long term to creditworthy tenants and strives to match those leases with primarily long-term, fixed-rate financing.

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

### **About Primaris**

Primaris is a TSX listed real estate investment trust that specializes in owning and operating Canadian enclosed shopping centres that are dominant in their local trade areas. Merchandising for each property is dynamic in order to meet the unique needs of its local customers and the community. Primaris maintains a high occupancy rate at its shopping centres and has retail tenants that offer new and exciting brands. Primaris owns 35 income-producing properties comprising approximately 14.7 million square feet located in Canada. As of December 31, 2012, Primaris had 100,346,768 units issued and outstanding (including exchangeable units for which units have yet to be issued).

### **About KingSett Capital**

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

### **About Ontario Pension Board**

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

### **About RioCan**

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

arrangements as at September 30, 2012. RioCan's portfolio also includes 10 properties under development in Canada. For further information, please refer to RioCan's website at [www.riocan.com](http://www.riocan.com).

## FORWARD LOOKING INFORMATION

This press release contains forward looking statements that reflect current expectations of each of Primaris, H&R and KingSett Capital about their future results, performance, prospects and opportunities, including with respect to the closing, costs and benefits of the proposed transaction and all other statements that are not historical facts. The timing and completion of the proposed transaction is subject to customary closing conditions, termination rights and other risks and uncertainties including, without limitation, required regulatory, court, and unitholder approvals. Accordingly, there can be no assurance that the proposed transaction will occur, or that it will occur on the timetable or on the terms and conditions contemplated in this news release. The proposed transaction could be modified, restructured or terminated. Readers are cautioned not to place undue reliance on forward looking information. Each of Primaris, H&R and KingSett Capital has tried to identify these forward looking statements by using words such as "may", "will", "should" "expect", "anticipate", "believe", "intend", "plan", "estimate", "potentially" and similar expressions. By its nature, such forward looking information necessarily involves known and unknown risks and uncertainties that may cause actual results, performance, prospects and opportunities in future periods of Primaris, H&R or KingSett Capital to differ materially from those expressed or implied by such forward looking statements.

### Non-GAAP Measures

The foregoing includes a reference to a non-Generally Accepted Accounting Principles ("GAAP") measure that should not be construed as an alternative to comprehensive income (loss) or cash provided by operations and may not be comparable to similar measures presented by other issuers as there is no standardized meaning of "funds from operations" under GAAP. Management of H&R believes that funds from operations is a meaningful measure of operating performance. Readers are encouraged to refer to H&R's combined MD&A for further discussion of this non-GAAP measure."

### FOR FURTHER INFORMATION:

#### **Primaris Unitholders**

Kingsdale Shareholder Services Inc.

1 (866) 581-1571 (English and Français) toll-free in North America

(416) 867-2272 outside of North America (collect calls accepted)

E-mail: [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)

#### **H&R**

Tom Hofstedter

President & Chief Executive Officer (416) 635-7520

Larry Froom

Chief Financial Officer (416) 635-7520

#### **Media Contact for H&R REIT and KingSett Capital**

Longview Communications

Louise Kozier (604) 644 6090

**Primaris**

John Morrison

President &amp; Chief Executive Officer (416) 642-7860

Louis Forbes

Executive Vice President &amp; Chief Financial Officer (416) 642-7810

**Media Contact for Primaris Retail REIT**

NATIONAL Public Relations

Peter Block (416) 848-1431

Jennifer Lee (416) 848-1383

**Appendix: Asset Allocation Under the Amended Agreement**

<b>Properties</b>	<b>Location</b>
<b>H&amp;R REIT</b>	
Dufferin Mall	Toronto, ON
Stone Road Mall	Guelph, ON
Cataraqui Centre	Kingston, ON
Edinburgh Market Place	Guelph, ON
Place d'Orleans	Orleans, ON
South Cambridge Centre	Cambridge, ON
Northland Professional Centre	Calgary, AB
Northland Shoppes	Calgary, AB
Northland Village Mall	Calgary, AB
Park Place Shopping Centre	Lethbridge, AB
Sunridge Mall	Calgary, AB
Orchard Park Shopping Centre	Kelowna, BC
Garden City	Winnipeg, MB
Grant Park	Winnipeg, MB
McAllister Place	Saint John, NB
Regent Mall	Fredericton, NB
Place du Royaume	Saguenay, QC

NOTE: The 9 properties to be acquired by Primaris as announced on February 1, 2013 will be assumed by H&amp;R

**KingSett CREIF and OPB (50/50 Joint Venture)**

Midtown Plaza Shopping Centre	Saskatoon, SK
Cornwall Centre	Regina, SK

**KingSett CREIF and RioCan REIT (50/50 Joint Venture)**

Burlington Mall	Burlington, ON
-----------------	----------------

**OPB (50% Interest)**

Woodgrove Centre	Nanaimo, BC
------------------	-------------

**RioCan REIT**

Oakville Place	Oakville, ON
----------------	--------------

**KS Acquisition II LP (a 50/50 Joint Venture of KingSett Growth LP No 5 and OPB)**

Sugarloaf Mall	Atholville, NB
Place Vertu	Montreal, QC
Place Fleur De Lys	Quebec City, QC
Eglinton Square	Toronto, ON

Yonge Street Properties  
Lambton Mall  
Tecumseh Mall  
Heritage Place Shopping Centre  
Alliston Mills  
St. Albert Centre  
Driftwood Mall  
Aberdeen Mall  
Westbank Shopping Centre

Toronto, ON  
Sarnia, ON  
Windsor, ON  
Owen Sound, ON  
New Tecumseth, ON  
St. Albert, AB  
Courtenay, BC  
Kamloops, BC  
Kelowna, BC