



## **H&R Real Estate Investment Trust and H&R Finance Trust Call Joint Special Meetings to Consider Internal Reorganization**

### *Will Result in the Effective Replacement of H&R Finance Trust with H&R Finance (2017) Trust*

TORONTO, Canada, (October 19, 2017) – H&R Real Estate Investment Trust (“**H&R REIT**” or “**H&R**”) and H&R Finance Trust (“**H&R Finance Trust**” and, together with H&R REIT, the “**Trusts**”) (TSX: HR.UN and HR.DB.D) have announced today that they are proposing to complete an internal reorganization (the “**Reorganization**”) which is intended to continue and enhance the benefits of the existing Stapled Unit structure that was approved by unitholders of H&R REIT in 2008 (the “**2008 Reorganization**”) and has been in place since that time. The Reorganization is being contemplated due to the growth in H&R’s U.S. investment portfolio since the 2008 Reorganization. The result of the Reorganization will be to effectively replace H&R Finance Trust in H&R’s stapled unit (“**Stapled Unit**”) structure with a newly formed entity called H&R Finance (2017) Trust (“**H&R F17 Trust**”), which will have substantively the same characteristics as H&R Finance Trust.

The Reorganization will be effected by way of a plan of arrangement involving H&R REIT, H&R Finance Trust and certain of H&R REIT’s subsidiaries resulting in, among other things, holders of Stapled Units, through a series of steps, disposing of their H&R Finance Trust units and acquiring units of H&R F17 Trust. Following completion of the Reorganization, investments that are currently held through H&R REIT and H&R Finance Trust will instead be held through H&R REIT and H&R F17 Trust, units of H&R REIT and H&R F17 Trust will trade together as stapled units (“**New Stapled Units**”) on the TSX under the ticker symbol “HR.UN”, and H&R F17 Trust will be expected to hold a note (“**U.S. Holdco Notes**”) evidencing a debt obligation in the principal amount of approximately US\$1 billion issued by H&R REIT (U.S.) Holdings Inc. (“**U.S. Holdco**”) (an increase from the approximately US\$225 million principal amount of notes currently held by H&R Finance Trust, which increase is reflective of the growth in H&R’s U.S. investment portfolio).

Following completion of the Reorganization, H&R REIT and H&R F17 Trust intend to file combined financial statements in the same manner as H&R REIT and H&R Finance Trust currently file with the effect of the U.S. Holdco Notes continuing to be eliminated as a result of the combined reporting. A request for an exemption from the local securities regulatory authority or regulator in each of the provinces of Canada for such reporting (among other things) has been filed by H&R REIT.

Joint special meetings (the “**Meetings**”) of unitholders of the Trusts (the “**Unitholders**”) will be held on Thursday, December 7, 2017 at the offices of Blake, Cassels & Graydon LLP, 199 Bay Street, Suite 4000, Commerce Court West, Toronto, Ontario to consider the Reorganization, as further described in the joint management information circular (the “**Circular**”) to be filed in connection with the Meetings.

The Reorganization is subject to the approval of the Unitholders by way of the affirmative vote of at least two-thirds of the votes cast by Unitholders present in person or by proxy at the Meetings, together with certain other customary conditions. **The board of trustees of H&R REIT (the “H&R REIT Trustees”) and the board of trustees of H&R Finance Trust (the “H&R Finance Trust Trustees”) have unanimously determined that the Reorganization is in the best interests of H&R REIT and H&R Finance Trust, respectively, and accordingly, the H&R REIT Trustees and the H&R Finance Trust Trustees unanimously recommend that Unitholders vote IN FAVOUR OF the Reorganization**, in each case, for the reasons to be set out in detail in the Circular. Certain of such reasons are similar to those disclosed to the H&R REIT unitholders when they were considering the 2008 Reorganization.

In connection with the Reorganization, H&R REIT will apply to the Court of Queen’s Bench of Alberta for an interim order confirming, among other things, the calling and holding of the Meetings. In addition, H&R REIT has (i)

applied to the Canada Revenue Agency for an advance income tax ruling confirming certain Canadian federal income tax consequences of the Reorganization (the “**CRA Ruling**”), (ii) received conditional approval from the TSX for the listing and posting for trading of the New Stapled Units, and (iii) requested the exemptive relief from securities regulatory authorities described above. If the Reorganization is approved by the Unitholders and assuming timely satisfaction (or waiver) of all other closing conditions, including receipt of a final order of the Court of Queen’s Bench of Alberta and the CRA Ruling, it is anticipated that the Reorganization will be completed by the end of December 2017.

The Trusts believe that the Reorganization will occur without significant adverse tax consequences to Unitholders resident in Canada. U.S. holders may have different tax consequences as a result of the Reorganization depending on their individual circumstances. U.S. holders are encouraged to read the U.S. federal income tax consequences of the Reorganization, which will appear under the heading “Material U.S. Federal Income Tax Consequences” in the Circular. In addition, U.S. holders may face an increased average rate of Canadian withholding tax on their New Stapled Unit distributions following implementation of the Reorganization.

The foregoing is qualified in its entirety by the more detailed information appearing in the Circular. Unitholders are urged to carefully read the Circular, once available, before making their decision with regards to the Reorganization.

### **About H&R REIT and H&R Finance Trust**

H&R REIT is Canada’s largest diversified real estate investment trust with total assets of approximately \$14.1 billion at June 30, 2017. H&R REIT is a fully internalized real estate investment trust and has ownership interests in a North American portfolio of high quality office, retail, industrial and residential properties comprising over 46 million square feet.

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 note receivable balance was US\$222.7 million as at June 30, 2017. In 2008, H&R REIT completed an internal reorganization which resulted in each issued and outstanding H&R REIT unit trading together with a unit of H&R Finance Trust as a “Stapled Unit” on the TSX.

### **Forward-looking Statements**

Certain statements in this news release contain forward-looking statements within the meaning of applicable securities laws (also known as forward-looking statements). These forward-looking statements include, but are not limited to the Trusts’ plans, objectives, expectations and intentions, including concerning the ability to obtain the final order and the CRA Ruling on the terms and timing contemplated by the parties, to complete the Reorganization on the terms and on the timing contemplated by management, the assumption that all necessary conditions will be met for the completion of the Reorganization and the amount of the increase expected in the principal amount of U.S. Holdco Notes. Such forward-looking statements reflect the Trusts’ current beliefs and are based on information currently available to management. These statements are not guarantees of future performance and are based on the Trusts’ estimates and assumptions that are subject to risks and uncertainties, including those to be set forth in the Circular and in H&R REIT’s materials filed with the Canadian securities regulatory authorities from time to time, which could cause the actual results and performance of the Trusts to differ materially from the forward-looking statements contained in this news release. Although the forward-looking statements contained in this news release are based upon what the Trusts believe are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. All forward-looking statements in this news release are qualified by these cautionary statements. These forward-looking statements are made as of today and the Trusts, except as required by applicable law, assume no obligation to update or revise them to reflect new information or the occurrence of future events or circumstances.

Additional information regarding H&R REIT and H&R Finance Trust is available at <http://www.hr-reit.com> and on [www.sedar.com](http://www.sedar.com). For more information, please contact Larry Froom, Chief Financial Officer, H&R REIT and H&R Finance Trust (416) 635-7520, or e-mail [info@hr-reit.com](mailto:info@hr-reit.com)

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