



H&R Enters Definitive Agreement to Acquire Primaris for Premium Value to Hostile Bid

- H&R to become Canada's largest REIT by enterprise value
- Combines two unique REITs consisting of high quality, low risk properties, to form a fully diversified commercial portfolio emulating the real estate investment model adopted by large Canadian pension plans
- Provides Primaris unitholders a tax-deferred rollover for substantially all of the unit portion of the consideration
- Offers Primaris unitholders the ability to continue to participate in the future growth and value creation of the combined REIT
- Retains the valuable platform created by Primaris over the last 10 years to acquire, develop, and manage premium enclosed shopping centres in Canada
- Has unanimous approval by the Boards of Trustees of both H&R and Primaris

Investor conference call scheduled for January 17 at 8:00 am Eastern – see below for details. A detailed presentation regarding the transaction will be available at www.primarisreit.com and www.hr-reit.com

Toronto, ON – January 16, 2013 – H&R Real Estate Investment Trust and H&R Finance Trust (collectively “H&R”) and Primaris Retail Real Estate Investment Trust (“Primaris”) are pleased to announce that they, together with PRR Investments Inc., have entered into an arrangement agreement whereby H&R will acquire 100 per cent of the issued and outstanding units of Primaris.

Unitholders of Primaris will be entitled to elect to receive 1.13 stapled units of H&R or \$28.00 cash per unit, subject to a maximum cash amount of \$700 million.

The Boards of Trustees of Primaris and H&R have unanimously agreed to both vote their units in favour of the transaction and to recommend that unitholders vote in favour of the transaction.

Benefits to H&R:

- A unique opportunity to acquire a professional retail platform, with an irreplaceable Canadian enclosed shopping centre portfolio
- This transaction will create the largest REIT in Canada by enterprise value

- Increased market capitalization will result in substantially enhanced liquidity for unitholders
- Broader portfolio diversification geographically, by asset class, and by tenant base
- A deleveraging of the balance sheet to 51.9 per cent Debt/FV (assuming full take-up of the cash consideration)
- Combines two businesses having similar philosophies with respect to asset and tenant qualities and their disciplined approach to real estate investing
- With expected savings from synergies of up to \$10 million over the next two years, the transaction will be accretive to FFO

Benefits to Primaris:

- The transaction offers superior value to the hostile bid currently in the market
- Provides Primaris unitholders the option to retain ownership in the enclosed shopping centre asset class or to elect to receive immediate cash payment, subject to proration
- Offers Primaris unitholders the opportunity for a tax-deferred rollover for substantially all of the unit portion of the consideration
- Improves Primaris distributions by 20 per cent from the current annualized rate of \$1.27 to \$1.53 pro forma (\$1.35 H&R distributions x 1.13 exchange ratio) for those Primaris unitholders who elect to receive unit consideration
- Preserves the substantial value of the asset and employee platform developed over the last 10 years
- H&R is a credible and reputable real estate investor with the financial capability and operational expertise to complete the transaction and successfully integrate the businesses

“This is a unique opportunity to acquire an irreplaceable and much sought-after enclosed shopping centre portfolio. It permits us to expand into a new and exciting asset class in Canada with an existing infrastructure having an experienced and dedicated professional team,” said Tom Hofstedter, CEO of H&R. “This acquisition will solidify H&R’s position as Canada’s leading diversified real estate investment trust and is complementary to our existing low risk, high quality and conservative philosophy.”

“We are excited to be able to participate in the U.S. retail expansion into Canada, with Target set to open in 10 Primaris shopping centres within the next few months. This will undoubtedly lead to increased traffic and sales within the Primaris portfolio and ultimately result in an increase in value to our combined unitholders,” Mr. Hofstedter added.

“This transaction is compelling from a number of perspectives,” said John Morrison, CEO of Primaris. “It enhances H&R’s objective of providing unitholders with stable and growing cash distributions from a diversified portfolio. It also provides H&R with the

unique opportunity to own a significant portfolio of high quality regional shopping centres and management platform.”

“We have succeeded in our mandate to attract a financially superior alternative to the hostile offer currently in the market,” said Bill Biggar, Chair of the Independent Committee at Primaris. “This transaction delivers greater value to our unitholders while allowing them to remain invested in the enclosed shopping centre asset class, and provides our employees with the opportunity to be a part of the largest consolidated REIT in Canada, with excellent growth prospects.”

Transaction Details

Under the terms of the Agreement, H&R will acquire all of the issued and outstanding units of Primaris for a combination of cash and H&R stapled units. For each Primaris unit held, Primaris unitholders may elect to receive either \$28.00 in cash, subject to a maximum amount of \$700 million, or 1.13 stapled units of H&R, substantially all of which would be received on a tax-deferred basis. If the maximum cash is elected, it will represent approximately 25 per cent of the total consideration. In the event that Primaris unitholders elect more cash than is available, the cash consideration will be prorated among those unitholders electing cash, with the balance of the consideration being settled in H&R stapled units on the basis of the 1.13 exchange ratio. Based on H&R's 20-day VWAP ended January 15, 2013 of \$23.99, the value of each Primaris unit under the transaction at full proration will be \$27.33, consisting of \$6.89 in cash, and 0.8518 H&R units (valued at \$20.44). The transaction has been structured so holders of Primaris units will receive their H&R stapled units on a substantially tax-deferred rollover (the receipt of H&R Finance Trust units, expected to be less than 4% of the total unit consideration, will be taxable).

The cash price of \$28.00 for each Primaris unit represents a 22.0 per cent premium over the \$22.95 volume weighted average price of Primaris units for the 20 trading days up to and including December 4, 2012, the day before KingSett Capital announced its hostile bid for Primaris. The full proration price of \$27.33 represents a 19.1 per cent premium over the same reference price. If the maximum cash is elected, Primaris unitholders will own approximately 30 per cent of the combined REIT.

The proposed transaction will be structured as a plan of arrangement. The transaction is subject to the approval of $66\frac{2}{3}$ per cent of Primaris units voted at a special meeting of Primaris unitholders and a 50.1 per cent majority of H&R units voted at a special meeting of H&R unitholders.

It is expected that each of H&R and Primaris will prepare and mail meeting circulars to their respective investors within the next few weeks and that the special unitholder meetings will be held in March. The transaction is also subject to regulatory approvals (including under the *Competition Act* (Canada)), court approvals, required consents and other customary closing conditions. Assuming the requisite approvals and consents are received and other conditions are met or waived, the plan of arrangement is expected to be completed by late March.

Under the arrangement agreement, H&R is entitled to an effective \$106.6 million break fee in certain circumstances, including the acceptance by Primaris of an unsolicited superior proposal from a third party. The break fee is structured as a cash payment of \$70 million and an option to acquire Dufferin Mall and certain Yonge Street properties owned by Primaris, priced at an aggregate \$36.6 million discount to the appraised values of the properties. H&R has also been granted other typical deal protection provisions including a right to match any superior proposal that is received by Primaris on an unsolicited basis.

Prior to closing, holders of Primaris convertible debentures will be entitled to convert their debentures in accordance with their terms and participate in the arrangement on the same basis as other unitholders. In accordance with the terms of these debentures, holders may also require that their convertible debentures be purchased at a price equal to 101% of the principal amount plus accrued and unpaid interest following closing. Following closing, holders of the convertible debentures will be entitled to receive stapled units of H&R upon conversion based on the exchange ratio contemplated by the transaction.

The Board of Trustees of Primaris appointed an Independent Committee in response to the hostile bid from the group led by KingSett Capital. The Independent Committee, together with management of Primaris and its financial and legal advisors, has undertaken a rigorous process designed to achieve a result that is financially superior to the hostile offer and delivers greater value for Primaris unitholders. Through the process, parties from across the globe were contacted, consisting of both potential strategic investors within the real estate industry and financial investors. Primaris signed confidentiality and standstill agreements with a number of those parties who were granted access to the confidential data room of Primaris in order to facilitate offers reflecting the fair value of Primaris and several of those parties submitted proposals. The terms of the arrangement agreement with H&R require Primaris to terminate those discussions and close its data room.

Canaccord Genuity, a financial advisor to the 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 is fair, from a financial point of view, to Primaris unitholders other than KingSett Capital. 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 process described above, 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 is fair, from a financial point of view, and it would be in the best interests of Primaris to enter into the arrangement agreement. The Board of Trustees of Primaris has unanimously agreed to recommend that unitholders of Primaris vote in favour of the transaction.

Each of the Trustees and senior executive management of Primaris have agreed to support the transaction by voting their units in favour of the transaction.

Canaccord Genuity and Evercore Partners were engaged by the 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.

The Board of Trustees of H&R has unanimously agreed to recommend that unitholders of H&R vote in favour of the transaction.

H&R has retained Blake, Cassels & Graydon LLP to act as its legal counsel in this matter.

Conference call:

H&R and Primaris will host an investor conference call on Thursday January 17, 2013 at 8am EST to discuss the transaction. Senior management of both H&R and Primaris will speak to the transaction and be available for questions.

Toronto: (647) 427-7450
North America (toll free): (888) 231-8191

Audio replays of the conference call will be available immediately following its completion and will remain available until March 15.

Phone: (855) 859-2056 Password: 90616174

The audio replay will also be available for download at www.primarisreit.com and at www.hr-reit.com.

About H&R

H&R 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 success since inception in 1996 has been a disciplined strategy that leads to consistent and profitable growth. H&R 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. The current note receivable is U.S. \$162.5 million. In 2008, H&R 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).

INFORMATION

Primaris unitholders who have already tendered their units to the hostile KingSett bid can withdraw them. Unitholders should contact their broker, who will withdraw the units on their behalf. If you require assistance in withdrawing your Primaris units, please contact Kingsdale Shareholder Services Inc. at 1-866-581-1571 toll-free in North America, or 416-867-2272 outside North America (collect calls accepted), or by email at contactus@kingsdaleshareholder.com.

FORWARD LOOKING INFORMATION

This press release contains forward looking statements that reflect current expectations of each of Primaris and H&R 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 and H&R 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 or H&R to differ materially from those expressed or implied by such forward looking statements.

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