

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name H&R Real Estate Investment Trust / H&R Finance Trust		2 Issuer's employer identification number (EIN)	
3 Name of contact for additional information Schuyler Levine	4 Telephone No. of contact 416-631-5001	5 Email address of contact slevine@hr-reit.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 500 - 3625 Dufferin Street		7 City, town, or post office, state, and ZIP code of contact Toronto, Ontario, M3K 1N4 Canada	
8 Date of action August 31, 2018		9 Classification and description Stock - see below (question 14)	
10 CUSIP number 404428203	11 Serial number(s)	12 Ticker symbol HR.UN	13 Account number(s)

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ **On August 31, 2018, H&R Real Estate Investment Trust ("H&R REIT"), H&R Finance Trust ("H&R FT"), H&R REIT (U.S.) Holdings Inc. ("H&R US") and certain affiliated companies effected a plan of arrangement (the "Plan of Arrangement") which is more fully described in the Order of the Court of Queen's Branch of Alberta, dated March 21, 2018 (the "Order of the Court"), approving the amended plan of arrangement, which amended the original plan of arrangement described in the joint management information circular of H&R REIT and H&R FT dated October 31, 2017 (the "Circular"). Both the Order of the Court and the Circular are available on H&R REIT's profile on SEDAR at www.sedar.com.**

In relevant part, for U.S. federal income tax purposes, H&R REIT intends to treat the Plan of Arrangement as the contribution (the "Contribution") by each unitholder of H&R REIT of their proportionate share of the property held by H&R FT (notes issued by H&R US) to H&R REIT in exchange for additional stock in H&R REIT and a de minimis amount of cash – CAD\$1,000 in the aggregate (CAD\$0.0000035 per unit).

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ **H&R REIT believes that the Contribution qualifies as a tax-free contribution of property under Section 351 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"). As a result, a U.S. taxpayer that is treated as contributing notes issued by H&R US to H&R REIT in exchange for additional stock in H&R REIT would have a basis in the H&R REIT stock received in the Contribution equal to the taxpayer's basis in the notes of H&R US contributed to H&R REIT, decreased by the amount of cash consideration received in the transaction and increased by the amount of gain, if any recognized in the Contribution.**

Each unitholder must recognize gain, but not loss, equal to the lesser of (i) the amount of cash, if any, received in the Contribution, and (ii) the amount, if any, by which the sum of the cash received and the fair market value of the H&R REIT stock received in the Contribution exceeds the unitholders basis in the notes of H&R US contributed.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ **Please see response to question #15.**

Part II Organizational Action *(continued)*

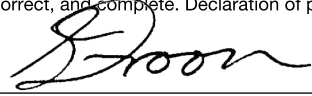
17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ► **H&R REIT believes that the U.S. federal income tax consequences to unitholders of the Contribution is determined under Sections 351, 358 and 367 of the Code.**

18 Can any resulting loss be recognized? ► **No.**

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ► **For unitholders the reportable tax year is the taxable year that includes August 31, 2018 (e.g., a calendar year taxpayer would report the transaction on its federal income tax return filed for the 2018 calendar year).**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ► 

Date ► October 15, 2018

Print your name ► **Larry Froom**

Title ► **CFO**

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name ►	Firm's EIN ►		Phone no.	
Firm's address ►				