

H&R REAL ESTATE INVESTMENT TRUST

ANNUAL INFORMATION FORM

For the Year Ended December 31, 2021

March 31, 2022

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GLOSSARY

The following terms used in this annual information form have the meanings set out below:

“**Acquiring Person**” has the meaning ascribed thereto under “Unitholders’ Rights Plan”.

“**Advance Notice Policy**” has the meaning ascribed thereto under “Declaration of Trust and Description of REIT Units – Meetings of Unitholders and Special Voting Unitholders”.

“**affiliate**” has the meaning ascribed thereto in the *Securities Act* (Ontario).

“**AIF**” means this annual information form.

“**annuitant**” has the meaning ascribed thereto under “Risk Factors – Risks Relating to Securities of the REIT – Unitholder Liability”.

“**associate**” has the meaning ascribed thereto in the CBCA.

“**Audit Committee**” has the meaning ascribed thereto under “Audit Committee Information – Audit Committee Charter”.

“**Board**” means the Board of Trustees of the REIT.

“**CBCA**” means the *Canada Business Corporations Act*, and the regulations thereunder, as amended.

“**CDP**” has the meaning ascribed thereto under “The REIT – Environmental, Social and Governance”.

“**CrestPSP**” means affiliates of Crestpoint Real Estate Investments Ltd. and Public Sector Pension Investment Board and its affiliates as partners of a partnership which is a co-owner with the REIT of certain Canadian assets, and as limited partners in partnership with affiliates of the REIT in a U.S. partnership that owns one U.S. asset.

“**DBRS**” means DBRS Limited.

“**Debenture Trustee**” means, in respect of the Senior Trust Indenture and U.S. Holdco Note Indenture, BNY Trust Company of Canada, or any assignee under the respective indenture thereto.

“**Declaration of Trust**” means the declaration of trust dated November 4, 1996, as amended and restated as of August 8, 1997, May 27, 1999, May 24, 2001, July 21, 2005, June 23, 2006, May 18, 2007, October 1, 2008, May 15, 2009, August 12, 2010, August 11, 2011, June 25, 2012, June 28, 2013, July 10, 2014, June 24, 2016, June 27, 2017, August 31, 2018 and March 30, 2022 governed by the laws of the Province of Ontario, pursuant to which the REIT was created, as further amended, supplemented or amended and restated from time to time.

“**Distribution Date**” means, in the case of monthly distributions, on or about the last day of each month, or such other date as may be determined from time to time by the Trustees.

“**distributions**” means the amount that may be distributed to Unitholders pursuant to the Declaration of Trust.

“**DRIP**” has the meaning ascribed thereto under “Distribution Policy and Distributions – Unitholder Distribution Reinvestment Plan and Unit Purchase Plan”.

“**ECHO**” means the REIT’s 33.7% interest in Echo Realty LP.

“**Exchangeable Securities**” means securities of any trust, limited partnership or corporation other than the REIT that are convertible or exchangeable directly for REIT Units without the payment of additional consideration therefor.

“Financial Statements” has the meaning ascribed thereto under “Non-GAAP Measures”.

“Fixed Rate Senior Debentures” means the Series N Senior Debentures, Series O Senior Debentures, Series Q Senior Debentures, Series R Senior Debentures and Series S Senior Debentures.

“Former Property Manager” means H&R Property Management Ltd., a corporation incorporated under the laws of the Province of Ontario and owned by members of the Hofstedter Family and the Rubinstein Family.

“GAAP” has the meaning ascribed thereto under “Non-GAAP Measures”.

“GHG” has the meaning ascribed thereto under “The REIT – Environmental, Social and Governance”.

“Gross-up Option” has the meaning ascribed thereto under “Description of Exchangeable Units – Primaris Exchangeable Units and the Gross-up Option”.

“H&R Developments” is comprised of three corporations controlled by members of the Hofstedter Family or members of the Rubinstein Family.

“H&R Group” means (i) corporations controlled by members of the Hofstedter Family or the Rubinstein Family which own interests in the Initial Properties, and (ii) other corporations which own interests in the Initial Properties; provided that a corporation referred to in (i) shall no longer be a member of the H&R Group when it ceases to own any interest in the Initial Properties or any REIT Units issued to it under the agreement made as of December 23, 1996 between the REIT and the H&R Group (as subsequently amended and terminated) pursuant to which members of the H&R Group had the right to exchange from time to time until December 23, 2036 the remaining undivided interest in the Initial Properties owned by such members, and a corporation referred to in (ii) shall no longer be a member of the H&R Group when it ceases to own any interest in the Initial Properties.

“Hofstedter Family” means Sandor Hofstedter, his wife, their children, the spouses of such children and the lineal descendants of such children.

“HRLP” means H&R Portfolio Limited Partnership, a limited partnership governed by the laws of the Province of Manitoba.

“HRLP Exchangeable Unit” has the meaning ascribed thereto under “Description of Exchangeable Units – Description of HRLP Exchangeable Units”.

“HRP Trust” means H&R Portfolio LP Trust, an open-ended unit trust established under the laws of the Province of Ontario.

“HRRMSLP” means H&R REIT Management Services LP, a limited partnership governed by the laws of the Province of Manitoba.

“HRRMSLP Exchangeable Unit” has the meaning ascribed thereto under “Description of Exchangeable Units – Description of HRRMSLP Exchangeable Units”.

“IFRS” means International Financial Reporting Standards issued by the International Accounting Standards Board, and as adopted by the Chartered Professional Accountants of Canada, as amended from time to time.

“immediate family member” where used to indicate a relationship with an individual means a parent, child or sibling of such individual.

“Incentive Unit Plan” means the incentive unit plan of the REIT which was established in 2013, as amended from time to time.

“Independent Trustee” means a Trustee who is not a member of the Hofstedter Family, is not a member of the Rubinstein Family and is independent (as that term is used in National Instrument 58-101 – *Disclosure of Corporate Governance Practices*) of the REIT.

“Industrial Segment” means all the industrial properties described under “Properties – Industrial Segment”, which properties comprise a separate reportable operating segment of the REIT.

“Initial Properties” has the meaning ascribed thereto under “The REIT – Business of the REIT”.

“Investment Committee” has the meaning ascribed thereto under “The REIT – Constatting Documents”.

“Jackson Park” means the luxury residential rental unit development in Long Island City, New York.

“Non-Competition Agreement” has the meaning ascribed thereto under “Non-Competition Arrangements”.

“Non-Resident” means, a non-resident of Canada (within the meaning of the Tax Act) or a partnership that is not a “Canadian partnership” (within the meaning of the Tax Act).

“Office Segment” means all the office properties described under “Properties – Office Segment”, which properties comprise a separate reportable operating segment of the REIT.

“Par Call Date” means, with respect to the Series N Senior Debentures, November 30, 2023, with respect to the Series O Senior Debentures, December 23, 2022, with respect to the Series Q Senior Debentures, May 16, 2025, with respect to the Series R Senior Debentures, May 2, 2026 and with respect to the Series S Senior Debentures, January 19, 2027.

“PFIC” has the meaning as described under “Risk Factors – Risks Relating to Securities of the REIT – Additional Tax Risks Applicable to Unitholders”.

“Primaris” means Primaris Real Estate Investment Trust.

“Primaris Spin-Off” has the meaning ascribed thereto under “The REIT – General Developments of the Business of the REIT”.

“Properties” means, collectively, all the office properties, industrial properties, retail properties and residential properties described under “Properties”, which include properties the REIT accounts for as equity accounted investments, as well as properties classified as held for sale.

“Registered Plan” means a registered retirement savings plan, registered retirement income fund, tax-free savings account, deferred profit sharing plan, registered education savings plan or a registered disability savings plan (each as defined in the Tax Act).

“REIT” means H&R Real Estate Investment Trust and, if applicable, includes corporations and other entities wholly-owned, directly or indirectly, by the REIT.

“REIT Exemption” has the meaning ascribed thereto under “Risk Factors – Risks Relating to Securities of the REIT – Tax Risk”.

“REIT Units” means units of participating interest in the REIT created in accordance with the provisions of the Declaration of Trust and includes a fraction of a unit of the REIT, but for the avoidance of doubt, does not include a Special Voting Unit.

“Related Party” means Thomas J. Hofstedter.

“**Residential Segment**” means all the residential properties described under “Properties – Residential Segment”, which properties comprise a separate reportable operating segment of the REIT.

“**Retail Segment**” means, collectively, all of the retail properties described under “Properties – Retail Segment”, including properties owned with ECHO.

“**Rights Plan**” means the unitholders’ rights plan referred to under “Unitholders’ Rights Plan”.

“**Rubinstein Family**” means Bill Rubinstein, his wife, Daniel Rubinstein, his wife, any of their respective children, the spouses of such children and the lineal descendants of such children.

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval.

“**Senior Debentures**” means, collectively, the Series N Senior Debentures, the Series O Senior Debentures, the Series Q Senior Debentures, the Series R Senior Debentures and the Series S Senior Debentures and such other debentures as may be issued under the Senior Trust Indenture from time to time.

“**Senior Trust Indenture**” has the meaning ascribed thereto under “Description of Senior Debentures – General”.

“**Series F Senior Debentures**” means 4.45% Series F Senior Debentures due March 2, 2020.

“**Series N Senior Debentures**” means 3.369% Series N Senior Debentures due January 30, 2024.

“**Series O Senior Debentures**” means 3.416% Series O Senior Debentures due January 23, 2023.

“**Series P Senior Debentures**” means floating rate Series P Senior Debentures due February 13, 2020.

“**Series Q Senior Debentures**” means 4.071% Series Q Senior Debentures due June 16, 2025.

“**Series R Senior Debentures**” means 2.906% Series R Senior Debentures due June 2, 2026.

“**Series S Senior Debentures**” means 2.633% Series S Senior Debentures due February 19, 2027.

“**SIFT Tax**” means the tax payable by a SIFT trust pursuant to paragraph 122(1)(b) of the Tax Act or by a SIFT partnership pursuant to section 197 of the Tax Act.

“**Special Voting Unit**” means a non-participating special voting unit of the REIT, issued in accordance with the provisions of the Declaration of Trust and includes a fraction of a Special Voting Unit.

“**Special Voting Unitholder**” means a holder of a Special Voting Unit.

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder, as amended.

“**The Bow**” means the 2.0 million square foot head office complex in Calgary, Alberta.

“**Total Assets**” means, at any time, the sum of the assets as recorded on the most recent balance sheet of the REIT, prepared on a consolidated basis in accordance with generally accepted accounting principles.

“**Trustees**” means the trustees holding office under the Declaration of Trust.

“**TSX**” means the Toronto Stock Exchange.

“**Unit Option Plan**” means the unit option plan of the REIT which was established in 1996, as amended from time to time.

“Unit Purchase Plan” has the meaning ascribed thereto under “Distribution Policy and Distributions – Unitholder Distribution Reinvestment Plan and Unit Purchase Plan”.

“Unitholder” means, generally, a holder of a REIT Unit.

“U.S. Holdco” has the meaning ascribed thereto under “The REIT – Business of the REIT”.

“U.S. Holdco Note Indenture” means the amended and restated note indenture dated as of August 31, 2018, between U.S. Holdco, as issuer, and the Debenture Trustee (as successor to CIBC Mellon Trust Company), as trustee, which provides for the issuance of unsecured subordinated notes, in one or more series, in registered form denominated in U.S. dollars, as amended, supplemented or amended and restated from time to time.

“U.S. Holdco Notes” means interest bearing unsecured subordinated notes of U.S. Holdco held by the REIT, which are governed by the U.S. Holdco Note Indenture.

“U.S. Tax Reform” has the meaning ascribed thereto under “Risk Factors – Risks Relating to Securities of the REIT – Tax Risk”.

“U.S. Unitholder” means a holder of a REIT Unit that is for U.S. federal income tax purposes (i) an individual citizen or resident of the United States, (ii) a corporation or other entity treated as a corporation created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust if it is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust, or has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

In this AIF, amounts are stated in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING STATEMENTS

Certain information in this AIF contains forward-looking information within the meaning of applicable securities laws (also known as forward-looking statements) including, among others, statements relating to the REIT's objectives, strategies to achieve those objectives, the REIT's beliefs, plans, estimates, projections and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts including, in particular, statements with respect to, future distributions by the REIT, the REIT's Environmental, Social and Governance policies and the impact of efficiency improvements, the REIT's intent to create value through redevelopment and greenfield development, ongoing management fees from The Bow (as defined herein) and the Bell office campus, the use and activities of the REIT's properties under development and future intensification opportunities, including the redevelopment of existing properties and the building of new properties, square footage, number of units, expected approval dates, budget, total cost, cost remaining to complete, expected yield on cost, expected completion date and value of such properties, the increasing involvement in the REIT in residential and mixed-use development projects, potential sources of financing for any required additional capital, continued borrowing of funds from the REIT by U.S. Holdco to fund acquisitions, its operations or to refinance existing loans, the REIT's intent to follow health and safety guidelines with respect to disease outbreaks and COVID-19, the ability of the portfolio's cash flow to cover any cash flow shortfalls on a property, the allocation of income and net taxable capital gains, the application of or amendments to tax legislation, the continued qualification by the REIT for the REIT Exemption and the outcome of legal proceedings. Forward-looking statements generally can be identified by words such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans", "project", "seek", "budget" or "continue" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect the REIT's current beliefs and are based on information currently available to management.

Forward-looking statements are provided for the purpose of assisting readers in understanding the REIT and its business, operations, prospects and risks at a point in time in the context of historical and possible developments, including management's current expectations and plans relating to the future, and readers are cautioned that such statements may not be appropriate for other purposes. These statements are not guarantees of future performance and are based on the REIT's estimates and assumptions that are subject to risks and uncertainties, including those described below under "Risk Factors" and those discussed in the REIT's materials filed with the Canadian securities regulatory authorities from time to time, which could cause the actual results and performance of the REIT to differ materially from the forward-looking statements contained in this AIF. Those risks and uncertainties include, among other things, risks related to: the business of the REIT (disease outbreaks and COVID-19; real property ownership; current economic environment; credit risk and tenant concentration; lease rollovers; interest rates and debt; development; residential rental; capital expenditures; currency; liquidity; cyber security; financing credit; environmental and climate change matters; general uninsured losses; co-ownership interest in properties; joint arrangements and investments; dependence on key personnel; potential acquisition, investment and disposition opportunities and joint venture arrangements; potential undisclosed liabilities associated with acquisitions; competition for real property investments; and potential conflicts of interest) and securities of the REIT (prices of REIT securities; availability of cash for distributions; credit ratings; ability to access capital markets; tax; additional tax risk applicable to Unitholders; dilution; Unitholder liability; the right to redeem REIT Units; investment eligibility of REIT Units; the Senior Debentures; inability of the REIT to purchase Senior Debentures on a change of control; and statutory remedies available to Unitholders). Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking statements include that the general economy is gradually recovering as a result of the COVID-19 pandemic, the extent and duration of which is unknown; and debt markets continue to provide access to capital at a reasonable cost, notwithstanding the ongoing economic downturn. The REIT cautions that this list of factors is not exhaustive. Although the forward-looking statements contained in this AIF are based upon what the REIT believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Furthermore, readers are also urged to examine the REIT's materials filed with the Canadian securities regulatory authorities from time to time as they may contain discussions on risks and uncertainties which could cause the actual results and performance of the REIT to differ materially from the forward-looking statements contained in this AIF.

All forward-looking statements in this AIF are qualified by these cautionary statements. These forward-looking statements are made only as of the date hereof, and the REIT, except as required by applicable Canadian law, assumes no obligation to update or revise them to reflect new information or the occurrence of future events or circumstances.

NON-GAAP MEASURES

The financial statements of the REIT (the “**Financial Statements**”) are prepared in accordance with IFRS. However, management uses a number of measures, including the REIT’s proportionate share and debt to Total Assets at the REIT’s proportionate share, which do not have a meaning recognized or standardized under IFRS or Canadian Generally Accepted Accounting Principles (“**GAAP**”). These non-GAAP measures and non-GAAP ratios should not be construed as an alternative to financial measures calculated in accordance with GAAP. Further, the REIT’s method of calculating these supplemental non-GAAP measures and ratios may differ from the methods of other real estate investment trusts or other issuers, and accordingly may not be comparable. The REIT uses these measures to better assess the REIT’s underlying performance and provides these additional measures so that investors may do the same.

The REIT’s proportionate share

The REIT accounts for investments in joint ventures and associates as equity accounted investments in accordance with IFRS. The REIT’s proportionate share is a non-GAAP measure that adjusts the Financial Statements to reflect the REIT’s financial position and share of net income (loss) from the REIT’s equity accounted investments on a proportionately consolidated basis at the REIT’s ownership interest of the applicable investment. Management believes this measure is important for investors as it is consistent with how the REIT reviews and assesses operating performance of its entire portfolio. Refer to the “Non-GAAP Measures” section of the REIT’s management’s discussion and analysis of results of operations and financial position of the REIT for the year ended December 31, 2021 for a reconciliation of the REIT’s proportionate share back to relevant GAAP measures, which is available at www.hr-reit.com and on the REIT’s profile on SEDAR at www.sedar.com and is incorporated by reference herein. The REIT does not independently control its unconsolidated joint ventures and associates, and the presentation of pro-rata assets, liabilities, revenue, and expenses may not accurately depict the legal and economic implications of the REIT’s interest in its joint ventures and associates.

All financial and ownership related information in this AIF has been presented at the REIT’s proportionate share, unless otherwise stated.

Debt to Total Assets at the REIT’s proportionate share

The REIT’s Declaration of Trust (as defined below) limits the indebtedness of the REIT (subject to certain exceptions) to a maximum of 65% of the Total Assets of the REIT, based on the REIT’s Financial Statements. The REIT also presents this ratio at the REIT’s proportionate share which is a non-GAAP ratio. Debt includes mortgages, debentures, unsecured term loans and lines of credit payable to lenders. Total Assets has been adjusted to exclude The Bow, which the REIT legally disposed of in October 2021. The transaction did not meet the criteria of a transfer of control under IFRS 15 as the REIT has an option to repurchase 100% of The Bow for \$737.0 million in 2038 or earlier under certain circumstances. As a result, the REIT continues to recognize the income producing property in its consolidated statement of financial position, and the fair value of The Bow will be adjusted over the remaining life of the Ovintiv Inc. lease, bringing the value of the real estate asset to nil by the lease maturity. Refer to the “Non-GAAP Measures” section of the REIT’s management’s discussion and analysis of results of operations and financial position of the REIT for the year ended December 31, 2021, which is available at www.hr-reit.com and on the REIT’s profile on SEDAR at www.sedar.com and is incorporated by reference herein.

Management uses this ratio to determine the REIT’s flexibility to incur additional debt. Management believes this is useful for investors in order to assess the REIT’s leverage and debt obligations.

ANNUAL INFORMATION FORM

(Information as at December 31, 2021 unless otherwise indicated)

THE REIT

Constituting Documents

H&R Real Estate Investment Trust is an unincorporated real estate investment trust created by the Declaration of Trust under, and governed by, the laws of the Province of Ontario. The REIT is an open-ended investment trust. Since November 4, 1996, the initial Declaration of Trust has been amended and restated, with the approval of Unitholders, on multiple occasions.

Effective August 8, 1997, the Declaration of Trust was amended and restated to revise the investment guidelines and operating policies and to provide that, at the discretion of the Trustees, the REIT may make distributions to Unitholders on a monthly basis.

Effective May 27, 1999, the Declaration of Trust was amended and restated to make further changes to the REIT's investment guidelines and operating policies.

Effective May 24, 2001, the Declaration of Trust was amended and restated to amend the REIT's distribution policy and the limitation on indebtedness of the REIT.

Effective July 21, 2005, the Declaration of Trust was amended and restated to, among other things, provide Unitholders with the right of redemption for their REIT Units and to respond to mandated changes in accounting principles.

Effective June 23, 2006, the Declaration of Trust was amended and restated to simplify the REIT's indebtedness limitation.

Effective May 18, 2007, the Declaration of Trust was amended and restated to, among other things, clarify the manner of calculating payments of cash distributable by the REIT and distributions payable in REIT Units in certain circumstances and to clarify the definition of "indebtedness" used in the REIT's operating policy.

Effective October 1, 2008, the Declaration of Trust was amended and restated to, among other things, reflect the stapling of REIT Units and units of H&R Finance Trust.

Effective May 15, 2009, the Declaration of Trust was amended and restated to, among other things, eliminate any reference to the term "Distributable Cash" or a specified minimum cash distribution.

Effective August 12, 2010, the Declaration of Trust was amended and restated to, among other things, exclude certain guarantees provided by the REIT of debt assumed by purchasers, on a primary obligor basis, in connection with past dispositions of properties and for which the purchaser has provided the REIT an indemnity or similar arrangement from the calculation of gross book value, and to adjust the REIT's operating policy so as to provide that the requirement to obtain an independent appraisal in connection with property acquisitions is at the discretion of the REIT's Investment Committee (the "**Investment Committee**").

Effective August 11, 2011, the Declaration of Trust was amended and restated to, among other things, revise the REIT's investment guidelines to eliminate the geographic limitation on the REIT's investments, to revise the REIT's operating policies to change the basis of measurement for the leasing limitation to a comparison based on the gross leasable area, and to amend the requirements concerning the provision of the Financial Statements to Unitholders.

Effective June 25, 2012, the Declaration of Trust was amended and restated to, among other things, amend the operating policy for holding title to real property to provide flexibility relating to the structuring of the REIT's holdings, to eliminate the classified board of trustees structure, to create an unconditional requirement for the REIT to pay out no less

than its taxable income each year (whether by distribution of cash or REIT Units), to change the investment guideline relating to joint venture arrangements to be consistent with those required to be satisfied for an investment in a partnership, to change the operating policy of the REIT relating to its 65% debt-to-gross book value ratio so that partnerships are also treated in the same manner as joint venture arrangements in determining such ratio, and to permit the REIT to declare distributions payable in the form of units of H&R Finance Trust (whether or not held by the REIT) to Unitholders of the REIT and to address the funding of the applicable withholding tax liability in respect of such distributions.

Effective June 28, 2013, the Declaration of Trust was amended and restated, to, among other things, revise the REIT's investment guidelines and operating policies to provide greater flexibility to the Trustees and senior management regarding the investments and operations of the REIT, and to adjust the duties of the Investment Committee to provide that transactions under \$50 million may be authorized by management and do not require consideration by the Investment Committee, while transactions exceeding \$500 million must be considered by the Trustees.

Effective July 10, 2014, the Declaration of Trust was amended and restated to, among other things, create and permit the REIT to issue a new class of units of the REIT designated as "Special Voting Units", and to implement the Advance Notice Policy.

Effective June 24, 2016, the Declaration of Trust was amended and restated to, among other things, (i) further align the Declaration of Trust with evolving governance best practices which includes introducing rights and remedies in favour of Unitholders consistent with those available to shareholders of a corporation pursuant to the CBCA; (ii) enhance Unitholders' rights respecting the process for and procedures at Unitholder meetings; and (iii) modify the existing provisions of the Advance Notice Policy to be consistent with evolving governance best practices with respect to time periods contemplated therein and adjournments or postponements of meetings.

Effective June 27, 2017, the Declaration of Trust was amended and restated to, among other things, modify the responsibilities of the Investment Committee of the REIT to provide additional flexibility for the Investment Committee to review transactions and/or to delegate such responsibilities to senior management of the REIT, subject to applicable financial thresholds as determined by the Trustees from time to time.

Effective August 31, 2018, the Declaration of Trust was amended and restated to, among other things, reflect the unwinding of the REIT's "stapled unit" structure with H&R Finance Trust.

Most recently and effective March 30, 2022, the Declaration of Trust was amended and restated to reflect the subdivision of the Special Voting Units to result in there being a total of 13,013,698 Special Voting Units outstanding, with each having one vote per Special Voting Unit, for ease of administrative burden, as well as certain other clerical amendments.

The REIT's operations, including the management of the REIT's investments, are subject to the control and direction of the Trustees. The Trustees have powers and responsibilities analogous to those applicable to boards of directors of corporations.

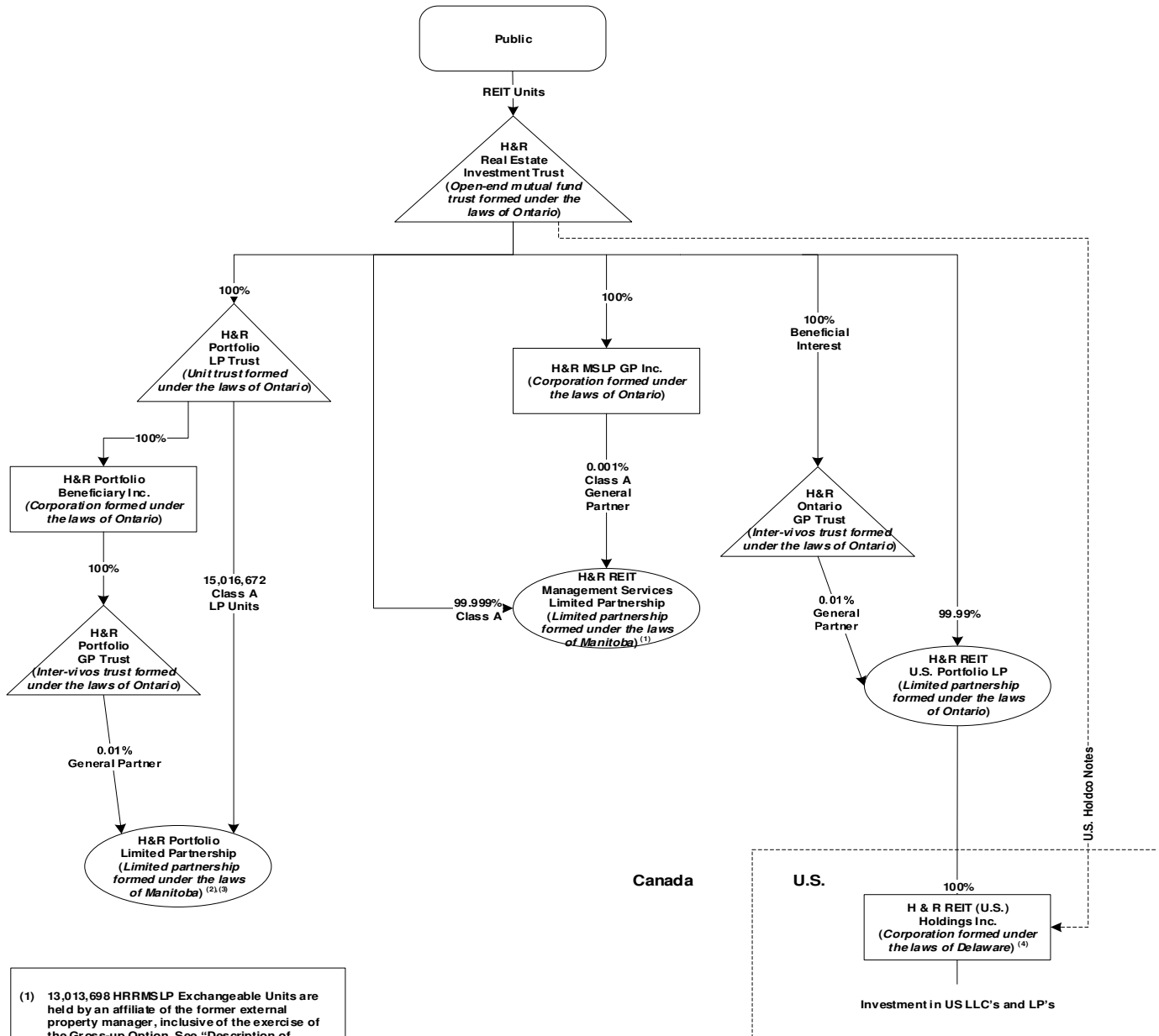
The REIT is not a mutual fund and is not subject to the requirements of Canadian mutual fund policies and regulations under Canadian securities legislation.

The REIT is not a trust company and, accordingly, is not registered under the *Trust and Loan Companies Act* (Canada) or the trust company legislation of any province as the REIT does not carry on, nor intend to carry on, the business of a trust company.

Organizational Structure

The following chart summarizes the structure of the REIT as at the date hereof, including material and certain other subsidiaries:

H&R REAL ESTATE INVESTMENT TRUST Organizational Structure



- (1) 13,013,698 HRRMSLP Exchangeable Units are held by an affiliate of the former external property manager, inclusive of the exercise of the Gross-up Option. See "Description of Exchangeable Units".
- (2) 5,265,848 HRLP Exchangeable Units are held by members of the H&R Group, inclusive of the exercise of the Gross-up Option. See "Description of Exchangeable Units".
- (3) Remaining ownership interests not displayed in the organizational chart are held directly by the REIT.
- (4) Investments in US LLC's and LP's are held directly by H&R REIT (U.S.) Holdings Inc.

Business of the REIT

The REIT commenced operations on December 23, 1996 with the completion of its initial public offering of REIT Units, represented by instalment receipts. Contemporaneously with the completion of its initial public offering, the REIT acquired a substantial interest in a portfolio of 12 office properties and 15 industrial properties (the “**Initial Properties**”). The REIT, as at December 31, 2021, owned and operated a portfolio of interests in 414 Properties (including 236 properties held through the REIT’s 33.7% interest in ECHO). The total leasable area of the Properties was approximately 30 million square feet. The portfolio consists of 23 properties located in Alberta, 80 properties located in Ontario, 29 properties located elsewhere in Canada and 282 properties located in the United States. The REIT also has an interest in 22 properties under development. Since January 1, 2022, the REIT has disposed of its 33.3% interest in one property under development.

The REIT generally owns its interest in the Properties or develops its projects through nominee companies. Each of these companies is a non-operating holding company, the purpose of which is to hold as nominee the REIT’s interest in one particular property. In addition, H&R REIT (U.S.) Holdings Inc. (“**U.S. Holdco**”) is the indirect owner of all the real properties and buildings located in the United States, and HRLP holds a 50% interest in one industrial property and an approximate 30% interest in three industrial properties and eight office properties. All of the outstanding Class A units of HRLP are owned by HRP Trust and the REIT. All of the outstanding units of HRP Trust are held by the REIT. The general partner of HRLP is an *inter vivos* trust settled for the sole benefit of a wholly-owned subsidiary of HRP Trust. See “– Organizational Structure”.

As at December 31, 2021, the REIT and its wholly-owned subsidiaries employed 479 employees of which 177 are female. The head and registered office of the REIT is located at Suite 500, 3625 Dufferin Street, Toronto, Ontario, M3K 1N4.

The REIT seeks to mitigate risk (see “Risk Factors”) through diversification, both by asset class and geographic location. The REIT currently invests in four real estate asset classes, being office, industrial, residential and retail properties, and acquires properties both in Canada and the United States. Therefore, the REIT has four operating segments and management assesses the results of these operations separately:

	December 31, 2021	December 31, 2020	December 31, 2019
Office Segment	27	33	33
Retail Segment	292	311	319
Industrial Segment	72	87	87
Residential Segment	23	23	24
Total	414	470	455

Each of these reportable operating segments are distinguishable components of the business of the REIT which provide related products or services that are subject to risks and rewards that are different from those of the other reportable segment. Further disclosure of segmented information by reportable operating segment (and by geographic area) can be found in the audited annual financial statements of the REIT for the financial year ended December 31, 2021.

Office Segment

The Office Segment, consists of interests in 23 office properties throughout Canada and 4 office properties in select markets in the United States, aggregating 7.3 million square feet, at the REIT’s ownership interest, with an average lease term to maturity of 8.8 years as at December 31, 2021. The Office portfolio is leased on a long-term basis to creditworthy tenants, with 81.0% of office revenue from tenants with investment grade ratings. The Office Segment’s rental revenue from investment properties was \$502.4 million for the year ended December 31, 2021 (\$535.4 million for the year ended December 31, 2020). With long average lease terms resulting in less than 3.2% of square feet expiring in 2022, as well as high credit tenants, this segment tends to generate stable property operating income with gradual growth driven by contractual rental rate increases, and to a lesser extent, lease renewals.

Retail Segment

The Retail Segment consists of interests in 40 properties throughout Canada which includes grocery-anchored and single-tenant properties as well as 15 automotive-tenanted retail properties and one multi-tenant retail property in the United States. In addition, it also holds a 33.7% interest in ECHO, a privately held real estate and development company which focuses on developing and owning a core portfolio of grocery-anchored shopping centres in the United States. In total, the Retail Segment includes 40 properties throughout Canada and 252 properties in the United States comprising 6.1 million square feet, at the REIT's ownership interest, with an average lease term to maturity of 8.8 years as at December 31, 2021. The Retail Segment's rental revenue from investment properties was \$387.2 million for the year ended December 31, 2021 (\$398.6 million for the year ended December 31, 2020). The Retail Segment's rental revenue from investment properties for the year ended December 31, 2021 includes rental revenue from the properties disposed of pursuant to the Primaris Spin-Off.

Industrial Segment

The Industrial Segment consists of interests in 69 industrial properties throughout Canada and 3 industrial properties in the United States comprising 8.6 million square feet, at the REIT's ownership interest, with an average lease term to maturity of 5.6 years as at December 31, 2021. The Industrial Segment's rental revenue from investment properties was \$81.2 million for the year ended December 31, 2021 (\$84.4 million for the year ended December 31, 2020).

Residential Segment

The Residential Segment, which operates as Lantower Residential, consists of interests in 23 residential properties in the United States comprising 8,305 residential rental units, at the REIT's ownership interest, as at December 31, 2021. Lantower Residential's strategy is to acquire or develop class A properties in U.S. sunbelt cities where there is strong population and employment growth and to develop properties with partners in gateway cities. The Residential Segment's rental revenue from investment properties was \$201.6 million for the year ended December 31, 2021 (\$200.1 million for the year ended December 31, 2020).

Environmental, Social and Governance ("ESG")

As one of Canada's largest REITs, the REIT strives to lead by example within the industry and be a part of the ever-changing journey to a more sustainable future. With the current COVID-19 landscape, having an integrated and forward-thinking sustainability program is of utmost importance. Although the REIT formally implemented its Sustainability Policy and established its Sustainability Committee in 2019, sustainability has always been part of the REIT's culture in every facet of the REIT's business. The REIT has always viewed sustainability as its responsibility to its Unitholders in terms of transparency, to its employees in terms of communication, collaboration and opportunity, to its tenants in terms of providing healthy working and living environments and to the greatest extent, to its communities in which the REIT's employees live and the REIT does business.

In furtherance of the foregoing, the REIT is committed to, among other things, investing responsibly, monitoring its use of resources and associated emissions, reducing consumption and pollution, increasing energy efficiency and integrating sustainability into the REIT's business, including the REIT's decision-making processes.

The REIT is proud to have shared its second annual Sustainability Report in the Summer of 2021, highlighting ESG initiatives and accomplishments for the 2020 calendar year. The REIT's second annual Sustainability Report outlines the REIT's ESG framework, in a consistent and efficient manner, and the REIT's commitment to drive sustainable performance and improvement. The REIT continues to work alongside Energy Profiles Limited to benchmark the REIT's performance within the REIT industry, ensuring transparency and continuous improvements year-over-year.

Key programs and initiatives include:

Environmental

- The REIT continues to implement programs to reduce carbon emissions, energy use, water use and waste;
- The REIT has tracked and reported on investor grade utility data and emissions for the majority of the REIT's office properties since 2013;
- In 2020, the REIT expanded its reporting boundary to report utility consumption and emissions wherever the REIT has control over utility use and/or is able to access utility data;
- Since 2020, the REIT has opted to report using selected Standards with a Global Reporting Initiative (GRI)-referenced claim. In addition, the REIT reports on indicators from the Standards set out by the Sustainability Accounting Standards Board (SASB) Real Estate subsector. Both frameworks provide the REIT with the capacity to benchmark its performance within the REIT industry, ensuring transparency;
- The REIT has reported to the Carbon Disclosure Project ("CDP") since 2016, reflecting 2015 performance onwards. In 2019, the REIT scored better than all but one of 11 Canadian REITs (2020 CDP Reporting);
- The REIT's like-for-like Greenhouse Gas ("GHG") market-based emissions decreased by over 10% in 2020 compared to 2019; equivalent to taking 2,093 passenger vehicles off the road, according to the United States Environmental Protection Agency⁽¹⁾;
- The REIT's like-for-like electricity use decreased by 9% in 2020 compared to 2019; this reduction is equivalent to the electricity use of 2,920 single-family homes in Ontario, according to the Ontario Energy Board⁽²⁾;
- The REIT's like-for-like water use decreased by 9.6% in 2020 compared to 2019; equivalent to the annual household water use of 1,398 people, according to the U.S. Geological Survey⁽³⁾;
- Although it is difficult to accurately report the portion of savings resulting from resource reduction initiatives versus those resulting from a reduced number of occupants in office and retail properties during the pandemic in 2020, the REIT is confident that as operations and occupancy stabilize the efficiency improvements made will be reflected in the energy and utility performance in future years;
- Green building certifications, such as LEED and BOMA BEST, provide third-party validation of property management, environmental programs and development practices within building portfolios. As of December 31, 2021, approximately 70.5% of the REIT's office portfolio, based on net rentable area and percentage ownership, was LEED and/or BOMA BEST certified; and
- The REIT conducts environmental due diligence prior to acquiring a property, obtains and/or peer reviews Phase I Environmental Site Assessment reports conducted by independent and experienced consultants, and if recommended, undertakes further remedial action and monitoring.

(1) Greenhouse Gas Emissions from a Typical Passenger Vehicle (United States Environmental Protection Agency, 2018).

(2) OEB Report: Defining Ontario's Typical Electricity Customer (Ontario Energy Board, 2018).

(3) How much water do I use at home each day? (U.S. Geological Survey).

Social

- As of December 31, 2021, 45% of the REIT's Tier 1 and 2 Executives and 50% of the REIT's Tier 3 Executives are women. Overall, 37% of the REIT's workforce are women. As well, 33% of the current members of the REIT's board of Trustees are women, surpassing the 30% Club Canada's aim for better gender balance at the board level as well as exceeding the REIT's target of 25% women on the board of Trustees;

- The REIT is proud to have been recognized again by “Women Lead Here” highlighting the emphasis the REIT places on diversity and inclusion in 2020 and 2021;
- The REIT’s corporate and on-site staff participate in employee and community charity initiatives and programs;
- Employee and professional advancement is encouraged with first consideration given to existing staff. This allows movement and growth within the organization, thus enabling our employees to acquire new skills and achieve personal development;
- The REIT offers professional fee reimbursement and contributions to relevant professional development courses;
- Accommodation for leaves of absence, flexible hours and paid time off for employees related to sick time and childcare; and
- Use of a written diversity policy.

Governance

- Use of a code of business conduct and ethics policy, whistle-blower policy, trading policy and disclosure and social media policy;
- On an annual basis, each employee acknowledges the company’s policies have been reviewed and that they agree to comply with them;
- The REIT has established policies governing the tenure and constitution of its board of Trustees including that the tenure for all new Trustees is limited to 10 years. In accordance with this policy, two Trustees resigned in 2021, and four new Trustees were elected, leading to significant board of Trustees refreshment;
- Use of an Independent Board Chairperson;
- Majority Independent Trustees, with 78% of the Trustees being fully independent;
- Use of a “Say on Pay” vote and independent compensation consultants retained by the Compensation, Governance and Nominating Committee of the board of Trustees;
- Use of a minimum unit ownership requirement for Trustees, the CEO, CFO and senior management; and
- Use of a clawback policy applicable to all incentive compensation.

For the REIT’s Sustainability Policy and additional information about its Sustainability Committee and Sustainability Report, visit the REIT’s website under “Sustainability”. The contents of the REIT’s website, including the REIT’s Sustainability Policy and Sustainability Report, are expressly not incorporated by reference into, and do not form part of, this AIF.

General Developments of the Business of the REIT

On October 27, 2021, the REIT announced its transformational strategic repositioning plan to create a simplified, growth-oriented business focused on residential and industrial properties in order to surface significant value for Unitholders. The REIT’s target is to be a leading owner, operator and developer of residential and industrial properties, creating value through redevelopment and greenfield development in prime locations within Toronto, Montreal, Vancouver, and high growth U.S. sunbelt and gateway cities.

Over the last three completed financial years, the portfolio of Properties that the REIT has an interest in has changed both in number (from interests in 466 Properties as at December 31, 2018 to interests in 414 Properties as at December 31, 2021) and in leasable area (from approximately 42.5 million square feet as at December 31, 2018 to approximately 29.6 million square feet as at December 31, 2021), reflecting the REIT’s commitment to its strategic repositioning plan and focus on reducing exposure to certain asset classes, including office with no redevelopment potential and retail. On December 31,

2021, the REIT completed the Primaris Spin-Off, pursuant to which the REIT transferred 27 retail properties, including all of the REIT's enclosed shopping centres, to Primaris, which operates as a stand-alone public REIT.

Between January 1, 2019 and December 31, 2021, the portfolio of Properties owned and operated by the REIT increased with the acquisition of interests in 25 properties and development of 10 properties, and decreased with the disposition of 85 properties and two properties transferred to properties under development. During the same period, the REIT acquired the remaining 49.5% ownership interest in two properties, and sold a parcel of land adjacent to its head office in Toronto.

Over the last three completed financial years, the REIT has completed one public offering and two private placement offerings raising total aggregate gross proceeds of approximately \$950 million through the issuance of Senior Debentures. Generally, proceeds from the REIT offerings have been used to fund acquisitions and developments, repay indebtedness, and for general trust purposes.

In January 2019, the REIT sold a U.S. office property located in Lithia Springs, Georgia for gross proceeds of U.S. \$69.8 million.

In February 2019, the REIT sold excess land at its head office in Toronto, Ontario for gross proceeds \$15.4 million.

In March 2019, the REIT borrowed \$250.0 million by way of an unsecured term loan maturing in March 2024 with an option to extend for a further two years. Through an interest rate swap, the REIT fixed the interest rate at 3.3% for the full five-year term.

In March 2019, the REIT repaid all of its outstanding Series K senior debentures due March 1, 2019 upon maturity for a total cash payment of \$200.0 million.

In March 2019, Jackson Park reached substantial completion and was transferred from properties under development to investment properties within equity accounted investments.

In June 2019, the REIT sold an office and retail complex located in Toronto, Ontario for gross proceeds of \$640.0 million and provided the purchaser with a vendor take-back mortgage of \$256.0 million, bearing interest at an annual rate of 4.56%. The vendor take-back mortgage was repaid on January 9, 2020.

In June 2019, the REIT purchased the remaining 49.5% interest in a U.S. industrial property for U.S. \$2.2 million and sold its 50.5% interest in two U.S. industrial properties for approximately U.S. \$20.1 million.

In June 2019, the REIT acquired 314 residential rental units in Orlando, Florida for U.S. \$74.7 million as well as acquired a 100% leasehold interest in 24 acres of land to develop up to 670 residential rental units in Orlando, FL, known as "Sunrise". See "Properties under Development – U.S. Properties under Development".

In July 2019, the REIT acquired 322 residential rental units in Charlotte, North Carolina for U.S. \$62.8 million.

In July 2019, the REIT repaid all of its outstanding Series M senior debentures due July 23, 2019 upon maturity for a cash payment of \$150.0 million.

In August 2019, the REIT acquired a 50% ownership interest in excess lands, held for future re-development, in Burnaby, British Columbia adjacent to the REIT's 3777 Kingsway office tower of which it has a 50% ownership interest for \$6.7 million. See "Properties under Development – Canadian Properties under Development – 3791 Kingsway, Burnaby, BC".

In September 2019, the REIT, together with its partners, secured a U.S. \$1 billion interest-only first mortgage on Jackson Park in which the REIT has a 50% ownership interest (U.S. \$500 million at the REIT's ownership interest), at an annual interest rate of 3.25% for a 10-year term.

In September 2019, the REIT sold 400 residential rental units in Orlando, Florida for U.S. \$77.0 million and also acquired a 100% interest in approximately 8.4 acres of land for the development of 201 residential rental units in Tampa, Florida for U.S. \$6.0 million. See "Properties under Development – U.S. Properties under Development".

In September 2019, the REIT sold its 50% ownership interest in a multi-tenanted industrial property in Kanata, Ontario for \$24.3 million.

On December 10, 2019, the REIT received approval from the TSX for a normal course issuer bid pursuant to which the REIT had the ability to purchase for cancellation up to a maximum of 15,000,000 REIT Units during the period commencing on December 17, 2019 and ending on December 16, 2020.

In December 2019, the REIT issued a mortgage receivable for U.S. \$124.1 million secured against 12.4 acres of land in Jersey City, New Jersey. See "Mortgage Receivables – Jersey City, New Jersey".

During the period from January 2019 through December 2019, the REIT sold three Canadian retail properties for approximately \$20.4 million.

During the period from December 2018 through November 2019, ECHO acquired two properties and four properties under development for approximately U.S. \$11.5 million, at the REIT's ownership interest. During the same period, ECHO sold a parcel of vacant land, seven properties and two outparcels which were previously part of existing properties for approximately U.S. \$37.7 million, at the REIT's ownership interest.

During the period from January 2019 through December 2019, excluding Jackson Park noted above, the REIT secured 10 new mortgages totalling \$229.1 million at a weighted average interest rate of 3.6% for an average term of 9.4 years and repaid 10 mortgages totalling \$518.2 million at a weighted average interest rate of 4.5%.

In January 2020, the REIT sold two residential properties in Texas comprised of 666 residential rental units for approximately U.S. \$89.9 million.

In January 2020, the REIT received \$256.0 million for the repayment of a mortgage receivable.

In February 2020, the REIT repaid all of its outstanding Series P Senior Debentures upon maturity for a cash payment of U.S. \$125.0 million.

In March 2020, the REIT repaid all of its outstanding Series F Senior Debentures upon maturity for a cash payment of \$175.0 million.

During Q1 2020, the REIT acquired a 50% ownership interest in one Canadian industrial property for \$6.6 million and acquired the remaining 49.5% interest in one U.S. industrial property for U.S. \$11.6 million.

In June 2020, the REIT completed a public offering of \$400.0 million principal amount of Series Q Senior Debentures.

During Q2 2020, the REIT secured a \$500.0 million unsecured line of credit from a syndicate of five Canadian banks for a one-year term.

During Q2 2020, the REIT completed an agreement with the tenant of one of the REIT's office properties located in Dallas, Texas that had been significantly damaged by a tornado and a concurrent agreement with the insurance company resulting in the REIT receiving the following: (i) a lease termination payment of U.S. \$2.3 million in exchange for the tenant's lease expiring at September 30, 2020 (previously December 31, 2025); and (ii) a settlement with the insurance company for U.S. \$10.9 million. As part of this agreement, the REIT repaid the associated mortgage totalling U.S. \$5.3 million at an interest rate of 5.4%. The property was transferred from investment properties to properties under development in Q4 2020 and was recorded at the land value of U.S. \$0.5 million as at December 31, 2020 compared to U.S. \$10.0 million for land and building as at December 31, 2019.

In July 2020, the REIT acquired 15.4 acres of land in Mississauga, Ontario for \$18.7 million. See "Properties under Development – Canadian Properties under Development".

In November 2020, the REIT acquired a 50% interest in 24.6 acres of land in Mississauga, Ontario. The REIT's partner contributed the land valued at approximately \$36.9 million, and the REIT has contributed \$2.1 million with the balance of capital to be contributed as development costs are incurred. See "Properties under Development – Canadian Properties under Development".

In November 2020, the REIT acquired a multi-tenanted office property in Toronto, Ontario for \$11.5 million which shares its northern property line with the REIT's 55 Yonge St. office property. See "Future Intensification Opportunities".

In December 2020, the REIT completed a private offering of \$250 million principal amount of Series R Senior Debentures.

In December 2020, the REIT acquired a 100% ownership interest in 5.4 acres of land in Dallas, Texas for approximately U.S. \$9.7 million. See "Properties under Development – U.S. Properties under Development".

During Q4 2020, the REIT transferred three properties under development to investment properties, the largest of which was the commercial portion of River Landing, an urban in-fill mixed used site in Miami, Florida.

During the period from December 2019 through November 2020, ECHO acquired 18 properties and transferred two properties under development to investment properties for approximately U.S. \$25.0 million, at the REIT's ownership interest. During the same period, ECHO sold two properties under development, three properties and three outparcels which were previously part of existing properties for approximately U.S. \$13.2 million, at the REIT's ownership interest.

During the period from January 2020 through December 2020, the REIT sold two Canadian retail properties for approximately \$11.4 million.

During the period from January 2020 through December 2020, the REIT sold a 50% ownership interest in a Canadian industrial property and a 50.5% ownership interest in a U.S. industrial property for approximately \$21.6 million at the REIT's ownership interest.

During the period from January 2020 through December 2020, the REIT secured seven new mortgages totalling \$214.8 million at a weighted average interest rate of 3.5% for an average term of 7.4 years and repaid eight mortgages totalling \$120.8 million at a weighted average interest rate of 4.2%.

In January 2021, the REIT sold a U.S. office property located in Culver City, California for U.S. \$165.0 million.

In January 2021, the REIT acquired 12.4 acres of vacant land in Jersey City, New Jersey for U.S. \$162.0 million. The REIT's outstanding mortgage receivable of approximately U.S. \$146.2 million, secured by this land and bearing interest at 10% per annum, was applied toward the purchase.

In February 2021, the REIT completed a private offering of \$300 million principal amount of Series S Senior Debentures.

In March 2021, the REIT repaid its \$200.0 million unsecured term loan and settled the related interest rate swap which fixed the interest rate at 2.56% per annum on U.S. \$130.0 million of the U.S. dollar denominated borrowing of this facility.

In April 2021, the REIT secured a one-year extension on the REIT and CrestPSP revolving secured line of credit for \$25.0 million at the REIT's ownership interest.

In the second quarter of 2021, the REIT's River Landing development property achieved final completion. River Landing includes approximately 341,000 square feet of retail space, approximately 149,000 square feet of office space and 528 residential rental units. It is adjacent to the Health District with approximately 1,000 feet of waterfront on the Miami River, two miles from downtown Miami. In Q1 2021, the first of two residential towers at River Landing reached substantial completion and was transferred from properties under development to investment properties. In Q2 2021, the second residential tower at River Landing reached substantial completion and was transferred from properties under development to investment properties.

In July 2021, the REIT sold a single-tenanted property in Markham, Ontario for approximately \$13.1 million.

In September 2021, the REIT sold its 33.3% non-managing interest in Esterra Park and its 31.7% non-managing interest in The Exchange at Bayfront in Hercules, California for approximately U.S. \$79.7 million and repaid the associated construction financing facilities of approximately U.S. \$39.0 million.

In October 2021, the REIT sold a 100% ownership interest in the land and building of The Bow in Calgary, Alberta, and an effective 85% interest in the net rent payable under a lease with Ovintiv Inc. through expiry in May 2038. In addition, the REIT also sold a 100% ownership interest in the 1.1 million square foot Bell office campus located in Mississauga, Ontario. Total gross proceeds from these dispositions were approximately \$1.47 billion. As part of these transactions, in October 2021, the REIT redeemed its Bow Centre Street Limited Partnership Series B and Series C Secured Bonds secured by The Bow for a combined redemption amount of \$524.0 million, inclusive of pre-payment penalties. The REIT also repaid \$25.0 million of mortgages secured by the Bell office campus, inclusive of pre-payment penalties, while another \$97.0 million of associated mortgage debt was assumed by the buyer. The combined proceeds after the debt repayments, mortgage assumption and transaction costs amounted to approximately \$800.0 million, which were used to repay lines of credit and the mortgage secured against Two Gotham Centre, Long Island City, New York, totalling \$419.0 million. The remaining proceeds were used to redeem the \$325.0 million principal amount outstanding 2.923% Series L senior debentures of the REIT in November 2021. The REIT effectively retains a 15% interest in the net rent payable under the lease with Ovintiv Inc. to the expiry of the lease in May 2038 and will continue to manage The Bow. The retained interest in the cash flow from the lease with Ovintiv Inc. totals approximately \$15.0 million annually. The REIT will also continue to manage the Bell office campus for the remainder of the term of the existing Bell office campus leases, earning management fees of approximately \$1.6 million annually.

In October 2021, the REIT announced a strategic repositioning plan to transform from a diversified real estate investment trust into a simplified, growth-oriented real estate investment trust with increased residential and industrial exposure. In connection therewith, the REIT further announced its intention to complete an internal reorganization pursuant to which the REIT's enclosed shopping mall business and certain other assets with an appraised value of approximately \$2.4 billion would be spun-out to Primaris by way of statutory plan of arrangement (the "**Primaris Spin-Off**"). A meeting of Unitholders was held on December 13, 2021 to approve the Primaris Spin-Off. The Unitholders approved the proposed Primaris Spin-Off, with approximately 99.72% of the Unitholders voting in favour of the Primaris Spin-Off. On December 23, 2021, the REIT received a final order from the Court of Queen's Bench of Alberta approving the Primaris Spin-Off and the transaction closed on December 31, 2021, resulting in the disposition of 27 retail properties, including all of the REIT's enclosed shopping centres.

In November 2021, the REIT repaid all of its outstanding Series L senior debentures due May 6, 2022 for a cash payment of \$325.0 million, using the balance of the proceeds from The Bow and Bell office campus transactions noted above.

In December 2021, the REIT received approval from the TSX for a normal course issuer bid pursuant to which the REIT has the ability to purchase for cancellation up to a maximum of 14,000,000 REIT Units during the period commencing on December 16, 2021 and ending on December 15, 2022.

In December 2021, the REIT acquired an industrial property in Toronto, Ontario for \$92.5 million. See “Future Intensification Opportunities”.

In December 2021, the REIT sold a single tenanted retail property in Coconut Creek, Florida for U.S. approximately U.S. \$10.4 million.

In December 2021, as part of the Primaris Spin-Off, the REIT renegotiated its credit facilities which resulted in the REIT cancelling three revolving unsecured facilities totalling \$650.0 million. In addition, the REIT reduced the \$300.0 million Primaris revolving line of credit to \$150.0 million which was then transferred to Primaris on December 31, 2021 pursuant to the Primaris Spin-Off. The REIT replaced these facilities with a new \$750.0 million revolving unsecured facility maturing December 14, 2026. In addition, the REIT’s secured debt was reduced by approximately \$580.0 million in respect of the mortgages to be assumed by Primaris. During the period from January 2021 through December 2021, the REIT secured three new mortgages for three properties included in the Primaris Spin-Off totalling \$283.1 million at a weighted average interest rate of 2.2% for an average term of 1.4 years.

During the period from January 2021 through December 2021, the REIT sold a 50% ownership interest in 14 single tenanted and two multi-tenanted Canadian industrial properties for approximately \$160.4 million.

During the period from January 2021 through December 2021, the REIT acquired three land parcels in the United States totalling 22.7 acres for approximately U.S. \$30.9 million. See “Properties under Development – U.S. Properties under Development”.

During the period from January 2021 through December 2021, excluding mortgages relating to properties disposed of pursuant to the Primaris Spin-Off, the REIT secured four new mortgages totalling \$76.1 million at a weighted average interest rate of 1.9% for an average term of 1.8 years and repaid 28 mortgages totalling \$1.5 billion at a weighted average interest rate of 3.9%.

During Q1 2022, the REIT repaid 14 mortgages totalling \$92.1 million at a weighted average interest rate of 4.0%.

During Q1 2022, the REIT sold its 3,336,016 Primaris units at a weighted average price of \$14.77 per unit, for a total cost of \$49.3 million.

In March 2022, the REIT sold its 33.3% non-managing interest in The Pearl in Austin, Texas for approximately U.S. \$45.8 million and repaid the associated construction financing of approximately U.S. \$15.3 million.

As at March 30, 2022, the REIT purchased and cancelled 9,217,500 Units at a weighted average price of \$12.99 per Unit, for a total cost of \$119.7 million, under its current normal course issuer bid.

OBJECTIVES OF THE REIT

The following objectives have been approved by the Trustees and may be amended or replaced by the Trustees from time to time. In setting the objectives of the REIT, the Trustees are subject to the investment guidelines and operating policies set out in the Declaration of Trust. See “Investment Guidelines and Operating Policies of the REIT”.

The objectives of the REIT are to maximize net asset value per REIT Unit through ongoing active management of the REIT’s assets and the development and construction of projects. On October 27, 2021, the REIT announced its transformational strategic repositioning plan to create a simplified, growth-oriented business focused on residential and industrial properties in order to surface significant value for Unitholders. The REIT’s target is to be a leading owner, operator and developer of residential and industrial properties, creating value through redevelopment and greenfield development in prime locations within Toronto, Montreal, Vancouver, and high growth U.S. sunbelt and gateway cities.

The REIT finances its activities with a combination of long-term property-level fixed rate debt financing, unsecured debentures, unsecured term loans and drawings under lines of credit. To the extent that the Trustees determine to seek additional capital, the REIT may raise such capital through additional equity offerings or debt financings.

INVESTMENT GUIDELINES AND OPERATING POLICIES OF THE REIT

Investment Guidelines

The Declaration of Trust provides for certain guidelines on investments which may be made by the REIT. The assets of the REIT may be invested only in accordance with the following guidelines:

- (a) the REIT will focus its investment activities on: (i) interests (including fee ownership, leasehold interests, mortgages and mortgage bonds) in real properties (including, for greater certainty, real properties which are intended for, have the potential for or are otherwise under, development) which are, may be or will be income-producing; (ii) assets ancillary thereto necessary for the operation of such real properties; and (iii) such other activities as may be determined by the Trustees; and
- (b) the REIT shall not, directly or indirectly, make any investment, take any action or omit to take any action where such investment, action or omission, as the case may be, (i) would result in REIT Units or Special Voting Units not being units of a “mutual fund trust” within the meaning of the Tax Act, (ii) would result in REIT Units or Special Voting Units not being qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts, (iii) would result in the REIT being liable to pay tax under the registered investment provisions of the Tax Act imposed for exceeding certain investment limits, or (iv) would result in the REIT not being a “real estate investment trust” for purposes of the Tax Act.

Operating Policies

The Declaration of Trust provides that the operations and affairs of the REIT shall be conducted in accordance with the following policies:

- (a) (i) any written instrument creating an obligation which is or includes the granting by the REIT of a mortgage, and (ii) to the extent the Trustees determine to be practicable and consistent with their fiduciary duty to act in the best interests of the Unitholders and Special Voting Unitholders, any written instrument which is, in the judgment of the Trustees, a material obligation, shall contain a provision or be subject to an acknowledgement to the effect that the obligation being created is not personally binding upon, and that resort shall not be had to, nor shall recourse or satisfaction be sought from, the private property of any of the Trustees, Unitholders, Special Voting Unitholders, annuitants under a plan of which a Unitholder or Special Voting Unitholder acts as a trustee or carrier, or officers, employees or agents of the REIT, but that only property of the REIT or a specific portion thereof shall be bound; the REIT, however, is not required, but shall use all reasonable efforts, to comply with this requirement in respect of obligations assumed by the REIT upon the acquisition of real property;
- (b) the REIT shall not lease to any person any real property where that person and its affiliates would, after the contemplated lease, be leasing real property having an aggregate leasable area in excess of 20% of the aggregate leasable area of all real property held by the REIT;
- (c) the limitation contained in paragraph (b) shall not apply to the renewal of a lease and shall not apply where the lessee is, or where the lease is guaranteed by:
 - (i) the Government of Canada, the Government of the United States, any province or territory of Canada, any state of the United States or any municipality or city in Canada or the United States, or any agency or crown corporation thereof; or

- (ii) any issuer, of which any of the bonds, debentures or other evidences of indebtedness or any other securities of, or guaranteed by, such issuer:
 - (A) are authorized as an investment for insurance companies pursuant to subsections 86(l)(k), (m) or (n) of the *Canadian and British Insurance Companies Act* in effect on December 31, 1991; or
 - (B) have received and continue to hold an “investment grade” rating from at least one recognized credit rating agency,
 - in each case at the time the lease is entered into, or at the time other satisfactory leasing arrangements (as determined by the Trustees in their discretion) were entered into; or
- (iii) a Canadian chartered bank or a trust company or insurance company registered or licensed federally or under the laws of a province of Canada; and
- (d) the REIT shall not incur or assume any indebtedness if, after giving effect to the incurring or assumption of the indebtedness, the total indebtedness of the REIT would be more than 65% of the Total Assets; for the purposes of this paragraph, the term “indebtedness” means any obligation of the REIT for borrowed money to the extent that it appears as a liability on the balance sheet of the REIT calculated in accordance with generally accepted accounting principles but does not include (1) convertible debt instruments issued by the REIT under which the principal amount owing may be satisfied by the REIT through the issuance of REIT Units, (2) any preferred trust units that have not been called for redemption, (3) any trade accounts payable, distributions payable to Unitholders and accrued liabilities arising in the ordinary course of business, or (4) the fair value of any units, shares or other securities convertible into or exchangeable for REIT Units without the payment of additional consideration therefor.

For greater certainty, each subsidiary of the REIT shall comply with the foregoing policies, except that all percentage thresholds set forth in the foregoing paragraphs shall be calculated on a consolidated basis.

Amendments to Investment Guidelines and Operating Policies

Pursuant to the Declaration of Trust, all of the investment guidelines set out under the heading “– Investment Guidelines” and the operating policy contained in paragraph (d) under the heading “– Operating Policies” may be amended only with the approval of at least two-thirds of the aggregate votes cast by Unitholders and Special Voting Unitholders entitled to vote thereon at a meeting of Unitholders and Special Voting Unitholders called for such purpose. Notwithstanding the foregoing sentence, if at any time a government or regulatory authority having jurisdiction over the REIT or any property of the REIT shall enact any law, regulation or requirement which is in conflict with any investment restriction of the REIT then in force, such restriction in conflict shall, if the Trustees on the advice of legal counsel to the REIT so resolve, be deemed to have been amended to the extent necessary to resolve any such conflict and, notwithstanding anything to the contrary, any such resolution of the Trustees shall not require the prior approval of Unitholders or Special Voting Unitholders. The remaining operating policies under the heading “– Operating Policies” may be amended with the approval of a majority of the aggregate votes cast by holders of REIT Units and Special Voting Units entitled to vote thereon at a meeting called for such purpose.

PROPERTIES

The following is a detailed description of the REIT's Properties as at December 31, 2021.

Office Segment

Office Properties	Ownership Interest	Year Built /Renovated	Net Rentable Area (Square Feet)	Occupancy	Major Tenant
160 Elgin St. Ottawa, Ontario	100.0%	1971 / 2017	974,171	98.3%	Bell Canada, Public Works and Government Services Canada, Gowlings Canada Inc., Telesat Canada
450-1st St. S.W. Calgary, Alberta	50.0%	2001 / 2016	931,187	100.0%	TC Energy Corporation
1501 McKinney St. Houston, Texas	100.0%	2011	844,763	100.0%	Hess Corporation
3777 Kingsway Burnaby, British Columbia	50.0%	1976 / 2020	671,555	100.0%	Telus Communications
42-01 28th St. Long Island City, New York	100.0%	2011	669,554	100.0%	New York City Department of Health and Mental Hygiene
310-320-330 Front St. W. Toronto, Ontario	100.0%	1988 / 2015	611,804	100.0%	Toronto Dominion Bank, Royal Bank of Canada, Penguin Random House Canada Ltd.
25 Dockside Dr. Toronto, Ontario	100.0%	2009	479,437	100.0%	Corus Entertainment Inc.
100 Wynford Dr. Toronto, Ontario	100.0%	1970 / 2011	444,898	100.0%	Bell Canada
200 Boul. Bouchard Dorval, Quebec	100.0%	1969 / 2011	437,157	100.0%	Bell Canada
25 Sheppard Ave. W. Toronto, Ontario	100.0%	1994 / 2018	386,564	98.4%	Financial Services Regulatory Authority of Ontario, Nestle Canada, Public Works and Government Services Canada
160 McNabb St. Markham, Ontario	100.0%	1986	220,000	100.0%	AC Nielsen Company of Canada
26 Wellington St. E. Toronto, Ontario	98.5%	1981 / 2015	180,603	100.0%	United Way, Industrial Alliance, IA Clarington Investments Inc.
55 Yonge St. Toronto, Ontario	100.0%	1956 / 2011	163,593	100.0%	CIBC
145 Wellington St. W. Toronto, Ontario	100.0%	1987 / 2022	160,098	86.9%	Touchstone Institute
649 North Service Rd. Burlington, Ontario	100.0%	1991 / 2011	123,000	100.0%	L3Harris
6900 Maritz Dr. Mississauga, Ontario	100.0%	2001 / 2022	104,689	100.0%	Bond Brand Loyalty Inc.
2611-3rd Ave. S.E. Calgary, Alberta	50.0%	1998 / 2013	95,225	100.0%	AltaLink L.P.
9330 Amberton Pkwy. Dallas, Texas	100.0%	1978 / 2020	92,694	100.0%	Texas Health Resources

Office Properties	Ownership Interest	Year Built /Renovated	Net Rentable Area (Square Feet)	Occupancy	Major Tenant
200 Jameson Dr. Peterborough, Ontario	100.0%	2001 / 2018	89,405	100.0%	City of Peterborough
69 Yonge St. Toronto, Ontario	100.0%	1914 / 2021	87,359	95.0%	MoneyKey, Destech Consulting, Shoppers Drug Mart
5901 E. Fowler Ave. Temple Terrace, Florida	100.0%	1991	85,725	100.0%	Coca-Cola Enterprises Inc.
88 McNabb St. Markham, Ontario	100.0%	1987 / 2019	74,592	100.0%	Johnson & Johnson
3625 Dufferin St. Toronto, Ontario	100.0%	1965 / 2022	73,494	89.8%	H&R REIT Management Services LP, H&R Property Management Ltd.
2767-2nd Ave. S.E. Calgary, Alberta	100.0%	1998 / 2010	69,793	100.0%	AltaLink L.P.
136 Charlotte St. Sydney, Nova Scotia	100.0%	1989 / 2021	69,500	100.0%	Province of Nova Scotia
15 Dorchester St. Sydney, Nova Scotia	100.0%	1987 / 2021	50,671	100.0%	Public Works and Government Services Canada, MNP LLP, CIBC
53 Yonge St. Toronto, Ontario	100.0%	1913	8,741	58.3%	53 Yonge St. Inc.
Office Segment: Total			8,200,272	99.3%	
Office Segment: REIT Total⁽¹⁾			7,348,580	99.2%	

(1) After giving effect to the actual percentage ownership interest of the REIT in the properties.

Retail Segment

Retail Properties	Ownership Interest	Year Built /Renovated	Net Rentable Area (Square Feet)	Occupancy	Major Tenant
ECHO (236 properties) ⁽¹⁾ United States	33.7%	1939 / 2017	8,433,839	95.8%	Giant Eagle, Inc., GetGo, Harris Teeter, Publix Super Markets Inc.
1400-1420 & 1440 N.W. North River Dr. Miami, Florida	100.0%	2020	491,060	55.4%	Publix Super Markets, Hobby Lobby, Burlington Coat Factory, Ross, T.J. Maxx
10450-42nd Ave. Edmonton, Alberta	100.0%	1993	150,457	100.0%	Lowe's
505 Hwy. 118 W. Bracebridge, Ontario	50.0%	1988 / 2001	131,582	70.8%	Metro Ontario Inc., Habitat for Humanity, Fabricland Distributors Inc.
2343 Princess St. Kingston, Ontario	100.0%	2003	129,181	100.0%	Rona Inc.
1 Boul. Bouthillier Rosemere, Quebec	100.0%	1998	124,851	100.0%	Lowe's
225 Joseph Casavant Ave. Beauport, Quebec	100.0%	1990	124,182	100.0%	Lowe's
775 Panet Rd. Winnipeg, Manitoba	100.0%	1997 / 2019	121,962	100.0%	Lowe's

Retail Properties	Ownership Interest	Year Built /Renovated	Net Rentable Area (Square Feet)	Occupancy	Major Tenant
1880 Innes Rd. Ottawa, Ontario	100.0%	1999 / 2018	118,526	100.0%	Lowe's
5035 Boul. Cousineau Saint-Hubert, Quebec	100.0%	1996	117,765	100.0%	Lowe's
7277 St. Jacques St. Montreal, Quebec	100.0%	2000	110,004	100.0%	Lowe's
730 Ottawa St. S. Kitchener, Ontario	100.0%	2004 / 2018	105,978	100.0%	Lowe's
275 Boul. Rideau Rouyn-Noranda, Quebec	20.0%	1996 / 2021	104,222	100.0%	Walmart
1550 & 1580 Cameron St. Hawkesbury, Ontario	100.0%	1997	103,596	100.0%	Walmart, McDonalds
1020 Dawson Rd. Thunder Bay, Ontario	100.0%	1969 / 2016	98,521	100.0%	Walmart
2665-32nd St. N.E. Calgary, Alberta	100.0%	1998	89,438	100.0%	Rona Inc.
1333 Sargent Ave. Winnipeg, Manitoba	100.0%	1998	87,769	100.0%	Lowe's
1020 & 1090 Dawson Rd. (County Fair Mall) Thunder Bay, Ontario	50.0%	1970 / 1996	86,396	84.5%	No Frills, Dollarama, Fabricland Distributors Inc.
1058-1100 10th St. Hanover, Ontario	100.0%	2001 / 2021	78,114	100.0%	Walmart
590-640 River St. Thunder Bay, Ontario	100.0%	1965 / 2022	76,980	97.1%	Metro Ontario Inc., Shoppers Drug Mart, Royal Bank of Canada
555 Rossland Rd. E. Oshawa, Ontario	50.0%	1975	66,876	98.4%	Metro Ontario Inc., Shoppers Drug Mart, LCBO
500 Hwy. 118 W. & 100/150 Muskoka Rd. Hwy. 118 W. Bracebridge, Ontario	50.0%	1989 / 1998	60,970	100.0%	Staples Canada Inc., Mark's, Bank of Montreal, Dollarama
4610 Ontario St. Beamsville, Ontario	100.0%	2003 / 2005	50,457	100.0%	Sobeys, Dollarama, TD Canada Trust
15 & 35 Alkenbrack St. Napanee, Ontario	100.0%	1999 / 2022	49,718	100.0%	Metro Ontario Inc.
110 Hwy. 20 E. Pelham, Ontario	100.0%	2001 / 2014	47,804	100.0%	Sobeys, LCBO
231-247 Mill St. Angus, Ontario	100.0%	2001	47,504	100.0%	Sobeys, Shoppers Drug Mart
315 Grand River St. N. Paris, Ontario	100.0%	2000 / 2009	45,711	100.0%	Sobeys
2080 Jans Blvd. Innisfil, Ontario	100.0%	2002 / 2021	43,816	100.0%	Sobeys
1800-1812 LaSalle Blvd. Sudbury, Ontario	100.0%	1975 / 2019	42,689	100.0%	Metro Ontario Inc.
812, 814, 818 Durham St. Kincardine, Ontario	100.0%	2000 / 2020	42,132	100.0%	Sobeys
140 Algonquin Blvd. W. Timmins, Ontario	100.0%	1985 / 2016	40,640	100.0%	Metro Ontario Inc.

Retail Properties	Ownership Interest	Year Built /Renovated	Net Rentable Area (Square Feet)	Occupancy	Major Tenant
191 Indian Rd. S. Sarnia, Ontario	100.0%	2002 / 2015	40,464	100.0%	Metro Ontario Inc.
640 First St. Extension Collingwood, Ontario	100.0%	2000 / 2017	38,000	100.0%	Metro Ontario Inc.
20210 Communication Rd. Blenheim, Ontario	100.0%	2002	35,076	100.0%	Sobeys
505 Arthur St. W. Thunder Bay, Ontario	100.0%	1965 / 2001	34,713	100.0%	Metro Ontario Inc.
560 Exmouth St. Sarnia, Ontario	100.0%	1955 / 2015	32,214	100.0%	Metro Ontario Inc.
1012 Broad St. E. Dunnville, Ontario	100.0%	2001	30,320	100.0%	Sobeys
14 Main St. Brighton, Ontario	100.0%	2002	29,730	100.0%	Sobeys
2615 County Rd. 43 Kemptville, Ontario	100.0%	2005 / 2017	25,127	100.0%	Metro Ontario Inc.
10645 State Bridge Rd. Alpharetta, Georgia	100.0%	2003	18,529	100.0%	Shell Oil Products
2755 Laurier St. Rockland, Ontario	100.0%	2006	16,890	100.0%	Shoppers Drug Mart
4845 & 4865 Alabama Rd. N.W. Roswell, Georgia	100.0%	2002	16,406	100.0%	Shell Oil Products
902 Mohawk Rd. E. Hamilton, Ontario	100.0%	2004	15,847	100.0%	Shoppers Drug Mart
1546 E. Ray Rd. Gilbert, Arizona	100.0%	2002	14,916	100.0%	Shell Oil Products
593 Summit Blvd. Broomfield, Colorado	100.0%	2000 / 2022	14,441	60.5%	Leeds West Tire Group Inc.
901 Supermall Rd. Auburn, Washington	100.0%	2001	14,434	100.0%	Discount Tire, Jackson Foods, Wendy's
1739 Buford Hwy. Cumming, Georgia	100.0%	2003	13,597	100.0%	Shell Oil Products
1947 & 1959 S. Greenfield Rd. Mesa, Arizona	100.0%	2004	13,498	100.0%	Shell Oil Products
16542 Keystone Blvd. Parker, Colorado	100.0%	1999 / 2020	13,417	100.0%	Brakes Plus, 7-Eleven
4901 & 4951 W. Eldorado Pkwy. McKinney, Texas	100.0%	2002	13,404	100.0%	Shell Oil Products
22994 E. Smoky Hill Rd. Aurora, Colorado	100.0%	2000 / 2022	13,283	57.5%	Big O Development, LLC
3332 Arapahoe Rd. Erie, Colorado	100.0%	1999 / 2020	12,007	100.0%	Fine Tuned Auto, 7-Eleven
8327 W. Thunderbird Rd. Peoria, Arizona	100.0%	2002	11,811	100.0%	Shell Oil Products
7520 Village Square Dr. Castle Pines, Colorado	100.0%	2000 / 2020	11,707	100.0%	Lucatello LLC, 7-Eleven
502-37th Ave. S.E. Puyallup, Washington	100.0%	2004	10,102	100.0%	Shell Oil Products

Retail Properties	Ownership Interest	Year Built /Renovated	Net Rentable Area (Square Feet)	Occupancy	Major Tenant
3990 Red Cedar Dr. Highlands Ranch, Colorado	100.0%	2004	9,332	100.0%	Shell Oil Products
17 Alkenbrack St. Napane, Ontario	100.0%	2002 / 2003	3,399	100.0%	Wendy's Restaurant
H&R Retail Segment: Total			11,925,404	94.7%	
H&R Retail Segment: REIT Total⁽²⁾			6,075,708	93.8%	

(1) ECHO reports its holdings to the REIT one month in arrears due to time constraints on its reporting. The information included above is current as of November 30, 2021.

(2) After giving effect to the actual percentage ownership interest of the REIT in the properties.

Industrial Segment

Industrial Properties⁽¹⁾	Ownership Interest	Year Built /Renovated	Net Rentable Area (Square Feet)	Occupancy	Major Tenant
8550 Goreway Dr. Brampton, Ontario	100.0%	1989 / 1992	1,148,972	100.0%	Canadian Tire Corporation Ltd.
6336-114th Ave. S.E. Calgary, Alberta	100.0%	2000 / 2005	954,813	100.0%	Canadian Tire Corporation Ltd.
170 Butts St. South Hill, Virginia	50.5%	1998 / 2001	817,000	100.0%	Jones Apparel Group Inc.
7900 Airport Rd. Brampton, Ontario	50.0%	2014	744,413	100.0%	Unilever Canada Inc.
2300 Rue Senkus LaSalle, Quebec	50.0%	1972 / 2013	742,000	100.0%	Owens-Illinois Canada Corp.
100 Metropolitan Rd. Toronto, Ontario	50.0%	1975 / 2016	738,102	100.0%	Hudson's Bay Company
55 West Dr. Brampton, Ontario	50.0%	1969 / 2022	505,565	100.0%	Winners Apparel Ltd.
3300-70th Ave. Leduc, Alberta	33.3%	2018	404,649	100.0%	Ford Motor Company of Canada
205 Speirs Giffen Ave. Caledon, Ontario	100.0%	2020	342,821	100.0%	Trillium Supply Chain Inc.
4441-76th Ave. S.E. Calgary, Alberta	50.0%	1980 / 1991	319,748	70.3%	Lynden International Logistics Co., EasyTrim Reveals Inc.
137 Horner Ave. Toronto, Ontario	50.0%	1962 / 2018	317,503	100.0%	Wilson's Truck Lines Ltd., Production Resources
2121 Cornwall Rd. Oakville, Ontario	50.0%	1997 / 1998	314,166	0.0%	N/A
1600 Boul. Lionel Boulet Varenes, Quebec	50.0%	1971 / 2016	311,103	100.0%	Hitachi Energy Canada Inc.
7830 Tranmere Dr. Mississauga, Ontario	50.0%	1985 / 2018	265,469	100.0%	Graphic Packaging International Canada ULC
283009 Logistics Dr. Calgary, Alberta	50.0%	2014	264,802	100.0%	Princess Auto Ltd.
1595 North Service Rd. E. Oakville, Ontario	50.0%	2002 / 2019	254,818	100.0%	Hunter Amenities International Ltd., Communications Test Design Inc.

Industrial Properties⁽¹⁾	Ownership Interest	Year Built /Renovated	Net Rentable Area (Square Feet)	Occupancy	Major Tenant
1 Chandaria Pl. Kitchener, Ontario	50.0%	1967 / 2019	254,719	100.0%	Vectorbloc Corp.
475 Admiral Blvd. Mississauga, Ontario	50.0%	1994 / 2010	219,950	100.0%	National Logistics Services
2695 Meadowvale Blvd. Mississauga, Ontario	50.0%	1999 / 2018	218,639	100.0%	Lorama Group Inc.
15 Production Rd. Brampton, Ontario	100.0%	2017	215,020	100.0%	Solutions 2 Go Inc.
5105 Fisher St. Montreal, Quebec	50.0%	1965 / 2020	211,858	100.0%	Nature's Touch Frozen Foods Inc.
2001 Forbes St. Whitby, Ontario	50.0%	1986 / 2021	196,989	100.0%	FedEx Ground Packaging System, Ltd.
77 Union St. Toronto, Ontario	100.0%	1977	195,000	100.0%	Consolidated Bottle Corporation
1616 Rue Eiffel Boucherville, Quebec	50.0%	1989 / 2019	186,793	100.0%	Staples Canada Inc.
30 Aero Dr. N.E. Calgary, Alberta	50.0%	2001	184,377	100.0%	Purolator Courier Ltd.
7575 Brewster Ave. Philadelphia, Pennsylvania	100.0%	1981 / 2021	163,936	100.0%	Amazon.com Services Inc.
6735-11th St. N.E. Calgary, Alberta	50.0%	1979	163,899	100.0%	Finning International Inc.
525 Boxwood Dr. Cambridge, Ontario	50.0%	2003 / 2018	161,159	100.0%	United Auto Parts Inc.
10910-170th St. N.W. Edmonton, Alberta	50.0%	1977 / 1999	154,721	100.0%	Finning International Inc.
1, 4 & 8 Prince Andrew Pl. Toronto, Ontario	50.0%	1966 / 1985	139,520	100.0%	Symcor Inc.
1670 Rue Eiffel Boucherville, Quebec	50.0%	1999	127,776	100.0%	Carquest Canada
7920 Airport Rd. Brampton, Ontario	100.0%	2017	127,040	100.0%	Sleep Country Canada Inc.
400 Traders Blvd. E. Mississauga, Ontario	50.0%	1985 / 1999	126,790	100.0%	Amhil Enterprises Ltd.
5550 Skyline Way N.E. Calgary, Alberta	50.0%	1984 / 2019	124,805	100.0%	Hunting Oilfield Services (Canada) Ltd.
510 E. Courtland St. Morton, Illinois	100.0%	2000	123,090	100.0%	Veritiv Operating Company
17718-114th Ave. Edmonton, Alberta	50.0%	2000	121,315	100.0%	Purolator Courier Ltd.
7000 Rue Armand-Viau Quebec City, Quebec	50.0%	2000	120,584	100.0%	Purolator Courier Ltd.
300 Humber College Blvd. Toronto, Ontario	50.0%	2005	114,316	100.0%	Give and Go Prepared Foods Corp.
19100-94th Ave. Surrey, British Columbia	50.0%	1998 / 2001	112,819	100.0%	Finning International Inc.
6740 Campobello Rd. Mississauga, Ontario	50.0%	1980 / 2017	94,700	100.0%	Bureau Veritas Canada (2019) Inc.

Industrial Properties⁽¹⁾	Ownership Interest	Year Built /Renovated	Net Rentable Area (Square Feet)	Occupancy	Major Tenant
9300 Airport Rd. Hamilton, Ontario	50.0%	2000	93,357	100.0%	Purolator Courier Ltd.
1550 Creditstone Rd. Vaughan, Ontario	50.0%	2000	88,584	100.0%	Purolator Courier Ltd.
11 Simmonds Dr. Halifax, Nova Scotia	50.0%	1981 / 2021	86,900	100.0%	Ocean Choice International
2600 Meadowvale Blvd. Mississauga, Ontario	50.0%	2000	84,486	100.0%	Purolator Courier Ltd.
1999 Forbes St. Whitby, Ontario	50.0%	1987	78,485	100.0%	Woodbridge Foam Corporation
10430-178th St. N.W. Edmonton, Alberta	50.0%	1979	70,676	100.0%	Finning International Inc.
180 Market Dr. Milton, Ontario	50.0%	1979 / 2018	69,000	100.0%	Heligear Corp.
2675 Ave. C North Saskatoon, Saskatchewan	50.0%	2001	66,355	100.0%	Purolator Courier Ltd.
118 MacDonald Cres. Fort McMurray, Alberta	50.0%	1977	65,169	100.0%	Finning International Inc.
1764 & 1776 Kelly Douglas Rd. Kamloops, British Columbia	50.0%	1965 / 1989	64,271	100.0%	Finning International Inc.
9201 Rue de l'Innovation Anjou, Quebec	50.0%	2000	62,691	100.0%	Purolator Courier Ltd.
6520 Kestrel Rd. Mississauga, Ontario	50.0%	2000	62,217	100.0%	Purolator Courier Ltd.
2005 Boul. Dagenais O. Laval, Quebec	50.0%	2000	62,217	100.0%	Purolator Courier Ltd.
550 York Rd. Niagara-on-the-Lake, Ontario	50.0%	2000	62,185	100.0%	Purolator Courier Ltd.
3104-97th St. N.W. Edmonton, Alberta	50.0%	2000	62,169	100.0%	Purolator Courier Ltd.
2860 Plymouth Dr. Oakville, Ontario	50.0%	1989 / 2022	58,339	100.0%	Polar Sapphire Ltd.
8610-87 Ave., Industrial Park W. Peace River, Alberta	50.0%	1970	44,668	100.0%	Finning International Inc.
72 Plant Farm Blvd. Brantford, Ontario	50.0%	1990 / 2001	44,500	100.0%	Stone Straw Ltd.
5321-11th St. N.E. Calgary, Alberta	50.0%	1991	42,985	100.0%	Seitel Canada Ltd.
2815 Matheson Blvd. E. Mississauga, Ontario	94.0%	1987	40,000	100.0%	ADT Security Services
2021-41st Ave. N.E. & 4000 19th St. N.E. Calgary, Alberta	50.0%	1975	39,272	100.0%	Bureau Veritas Canada (2019) Inc.
749 Douglas Fir Rd. Sparwood, British Columbia	50.0%	1978	31,784	100.0%	Finning International Inc.
6740-67th Ave. Red Deer, Alberta	50.0%	1975	30,655	100.0%	Finning International Inc.

Industrial Properties⁽¹⁾	Ownership Interest	Year Built /Renovated	Net Rentable Area (Square Feet)	Occupancy	Major Tenant
1604 & 1720 Willow St. Campbell River, British Columbia	50.0%	1980	30,000	100.0%	Finning International Inc.
9331-48th St. N.W. Edmonton, Alberta	50.0%	1983	29,832	100.0%	Bureau Veritas Canada (2019) Inc.
19498-92nd Ave. Surrey, British Columbia	50.0%	1992	28,621	100.0%	Finning International Inc.
45 Bodrington Ct. Markham, Ontario	50.0%	1992 / 2011	28,089	100.0%	Canada Bread Company Ltd.
450 Mackenzie Ave. & 265 Fifth Ave. S. Williams Lake, British Columbia	50.0%	1959 / 1978	27,321	100.0%	Finning International Inc.
2400 Matheson Blvd. E. Mississauga, Ontario	50.0%	1993	25,273	100.0%	Genwave Technologies Inc.
Mile 49.5 Alaska Hwy. Fort St. John, British Columbia	50.0%	1979	21,259	100.0%	Finning International Inc.
4750-101 St. N.W. Edmonton, Alberta	50.0%	1978	20,457	100.0%	Finning International Inc.
700 Vanalman Ave. Victoria, British Columbia	50.0%	1990	14,411	100.0%	Finning International Inc.
Industrial Segment: Total			13,941,987	97.1 %	
Industrial Segment: REIT Total⁽²⁾			8,560,570	97.6 %	

(1) Of the 72 industrial properties owned as at December 31, 2021, the REIT has a 50% ownership interest in 61 Canadian industrial properties, a 50.5% ownership interest in one U.S. industrial property, and a 33.3% interest in one Canadian industrial property, with CrestPSP owning the remaining interest.

(2) After giving effect to the actual percentage ownership interest of the REIT in the properties.

Residential Segment

Residential Properties	Ownership Interest	Year Built /Renovated	Net Rentable Area (Square Feet)	Number of Units	Occupancy
28-10, 28-30, 28-40 Jackson Ave. Long Island City, New York	50.0%	2019	1,337,157	1,871	98.5%
10440 Sanderling Shores Dr. Tampa, Florida	100.0%	2016	506,372	450	94.4%
1810 Sweetbroom Cir. Lutz, Florida	100.0%	2010	477,513	451	94.7%
1480 & 1500 N.W. North River Dr. Miami, Florida	100.0%	2021	438,250	528	94.9%
6101 Ardrey Kell Rd. Charlotte, North Carolina	100.0%	2016	360,391	375	94.4%
12932 Mallory Cir. Orlando, Florida	100.0%	2004	351,010	314	93.9%
1801 Warner Ranch Dr. Round Rock, Texas	100.0%	2001	337,838	358	95.3%
2725 Reseda Pl. Charlotte, North Carolina	100.0%	2019	330,928	322	96.0%

Residential Properties	Ownership Interest	Year Built /Renovated	Net Rentable Area (Square Feet)	Number of Units	Occupancy
3767 S.W. Durham Dr. Durham, North Carolina	100.0%	2014	315,469	322	96.3%
15175 Integra Junction Odessa, Florida	100.0%	2017	314,048	322	94.4%
4504 W. Spruce St. Tampa, Florida	100.0%	2014	307,764	300	93.7%
3512 Grande Reserve Way Orlando, Florida	100.0%	2018	304,278	314	96.5%
4025 Huffines Blvd. Carrollton, Texas	100.0%	2012	297,450	312	95.5%
6000 Elevate Cir. Cary, North Carolina	100.0%	2018	296,138	308	92.5%
11660 Westwood Blvd. Orlando, Florida	100.0%	2017	293,832	282	95.4%
14301 N. Interstate Hwy. 35 Austin, Texas	100.0%	2017	278,578	370	95.4%
325 Murray Farm Rd. Fairview, Texas	100.0%	2008	278,146	304	95.4%
504 E. Pettigrew St. Durham, North Carolina	100.0%	2018	276,720	305	94.8%
14233 The Lakes Blvd. Austin, Texas	100.0%	2016	272,427	375	94.9%
2600 Lake Ridge Rd. Lewisville, Texas	100.0%	2016	265,038	301	92.0%
327 W. Sunset Rd. San Antonio, Texas	100.0%	2015	259,951	312	93.6%
14201 N. Interstate 35 Frontage Rd. Austin, Texas	100.0%	2018	255,412	328	96.6%
125 & 175 Fountain Crt. Fairview, Texas	100.0%	2008	104,908	116	95.7%
Residential Segment: Total			8,259,618	9,240	95.6%
Residential Segment: REIT Total⁽¹⁾			7,591,040	8,305	95.2%

(1) After giving effect to the actual percentage ownership interest of the REIT in the properties.

Overview of Portfolio

The following tables summarize information relating to the Properties as at December 31, 2021 (based on the REIT's proportionate share).

	Office Segment	Retail Segment	Industrial Segment	Residential Segment	Total
Number of Properties	27	292	72	23	414
Total Leasable Area (square feet in thousands)	7,349	6,075	8,561	7,591	29,576
Occupancy	99.2%	93.8%	97.6%	95.2%	96.6%
Average contractual rent per sq.ft. - Canadian properties ⁽¹⁾	\$20.67	\$11.80	\$7.30	N/A	\$12.77
Average contractual rent per sq.ft. - U.S. properties ⁽¹⁾⁽²⁾	\$36.04	\$19.18	\$4.11	\$23.79	\$23.18
Interest Rate on Outstanding Mortgages	4.2%	4.8%	4.3%	3.6%	3.9%
Average remaining term to maturity (in years)	8.8	8.8	5.6	N/A	8.3
Average remaining term to maturity of mortgages payable (in years)	3.8	8.2	4.2	6.4	5.8

(1) Excludes properties sold in 2021.

(2) Excludes the office component of River Landing Commercial which is currently in lease-up.

Lease Maturity Profile

Canadian Portfolio:

Lease Expiries	Office		Retail		Industrial		Total	
	Sq.ft.	Rent (\$) ⁽¹⁾	Sq.ft.	Rent (\$) ⁽¹⁾	Sq.ft.	Rent (\$) ⁽¹⁾	Sq.ft.	Rent (\$) ⁽¹⁾
2022	232,710	23.00	15,538	20.67	549,757	5.40	798,005	10.83
2023	271,108	24.21	50,173	12.69	375,148	6.85	696,429	14.03
2024	574,422	12.04	76,839	14.84	1,077,310	10.13	1,728,571	10.97
2025	422,077	20.56	126,548	13.38	705,155	6.64	1,253,780	12.01
2026	536,881	16.62	106,553	13.25	401,586	7.73	1,045,020	12.86
	2,037,198	17.88	375,651	13.85	3,108,956	7.80	5,521,805	11.93
Total % of each segment	36.0%		14.8%		39.5%		34.4%	

(1) Rent per sq. ft. on expiry stated in Canadian dollars.

U.S. Portfolio:

	Office		Retail		Industrial		Total	
	Sq.ft.	Rent (\$) ⁽¹⁾	Sq.ft.	Rent (\$) ⁽¹⁾	Sq.ft.	Rent (\$) ⁽¹⁾	Sq.ft.	Rent (\$) ⁽¹⁾
Lease Expiries								
2022	563	57.48	201,294	24.63	-	-	201,857	24.72
2023	85,725	5.86	234,321	21.49	412,585	3.00	732,631	9.25
2024	-	-	170,586	16.01	123,090	3.75	293,676	10.87
2025	92,694	15.23	182,925	21.21	-	-	275,619	19.20
2026	278,850	36.19	160,515	21.80	-	-	439,365	30.93
	457,832	26.29	949,641	21.17	535,675	3.17	1,943,148	17.42
Total % of each segment	27.0%		26.9%		76.5%		32.8%	

(1) Rent per sq. ft. on expiry stated in U.S. dollars.

Mortgage Maturities

Year	Office Segment (\$000's)	Retail Segment (\$000's)	Industrial Segment (\$000's)	Residential Segment (\$000's)	Total (\$000's)
2022	184,435	3,554	37,051	37,763	262,803
2023	3,175	127	22,850	65,462	91,614
2024	135	7,232	36,737	-	44,104
2025	140	9,540	7,311	85,556	102,547
2026	19,262	3,190	28,185	-	50,637

PROPERTIES UNDER DEVELOPMENT

The following is a description of the REIT's properties under development as at December 31, 2021. ECHO also has 6 properties under development which are not included in the discussion below.

Canadian Properties under Development

The following table presents the REIT's Canadian properties under development as at December 31, 2021.

As at December 31, 2021	At the REIT's Ownership Interest							
	Ownership Interest	Square Feet	Number of Acres	Total Development Budget (\$000's)	Properties Under Development (\$000's)	Costs Remaining to Complete (\$000's)	Expected Yield on Cost	Expected Completion Date
<i>Current Developments:</i>								
34 Speirs Giffen Ave., Caledon, ON ⁽¹⁾	100.0%	105,014	4.9	16,342	10,325	6,017	7.0%	Q2 2022
140 Speirs Giffen Ave., Caledon, ON ⁽²⁾	100.0%	77,875	4.7	14,538	9,080	5,278	6.0%	Q2 2022
		182,889	9.6	30,700	19,405	11,295		
<i>2022 Construction Starts⁽³⁾:</i>								
Meadowvale Commerce Pk, Mississauga, ON ⁽⁴⁾	100.0%	330,000	15.4	-	21,305	-		2023
Slate Dr., Mississauga, ON ⁽⁵⁾	50.0%	245,000	12.3	-	20,026	-		2023
		575,000	27.7	-	41,331	-		
<i>Future Developments⁽³⁾:</i>								
Industrial Lands (Remaining Lands), Caledon, ON	100.0%		117.6	-	75,259	-		
3791 Kingsway, Burnaby, BC ⁽⁶⁾	50.0%		0.3	-	8,509	-		
					83,768			
Total Developments:		757,889	155.2	30,700	144,504	11,295		

- (1) In April 2021, the REIT entered into a 10-year lease with an industrial tenant to occupy the entire property totalling 105,014 square feet. This will be the second property constructed at the REIT's industrial business park in Caledon, Ontario.
- (2) This will be the third property constructed at the REIT's industrial business park in Caledon, Ontario, completing the first phase of the REIT's Caledon industrial development.
- (3) The development budgets for the 2022 Constructions Starts and Future Developments have not been finalized as at December 31, 2021.
- (4) Expected to be developed into two industrial buildings totalling approximately 330,000 square feet.
- (5) Expected to be developed into two industrial buildings totalling approximately 245,000 square feet at the REIT's ownership interest.
- (6) Excess lands held for future redevelopment. These lands are adjacent to the REIT's 3777 Kingsway office tower of which the REIT also has a 50% ownership interest.

U.S. Properties under Development

The following table presents the REIT's U.S. properties under development as at December 31, 2021.

As at December 31, 2021	At the REIT's Ownership Interest							
	Ownership Interest	Number of Acres	Number of Residential Rental Units	Total Development Budget (U.S. \$000's)	Properties under Development (U.S. \$000's)	Costs Remaining to Complete (U.S. \$000's)	Expected Yield on Cost	Expected Completion Date
Current Developments:								
Shoreline, Long Beach, CA	31.2%	0.3	98	71,097	66,291	4,806	6.2%	Q1 2022
Hercules Project (Phase 2), Hercules, CA	31.7%	0.9	73	31,633	30,263	1,370	6.0%	Q1 2022
		1.2	171	102,730	96,554	6,176		
2022 Construction Starts⁽¹⁾:								
West Love, Dallas, TX	100.0%	5.4	413	-	12,260	-		2024
Bayside, Tampa, FL	100.0%	8.4	271	-	7,416	-		2024
Midtown Park, Dallas, TX	100.0%	4.2	351	-	10,327	-		2024
Sunrise (Phase 1), Orlando, FL	100.0%	11.6	322	-	15,397	-		2024
CityLine, Dallas, TX	100.0%	3.7	290	-	6,424	-		2024
The Cove (Phase 1), Jersey City, NJ	100.0%	2.2	500	-	29,226	-		2024
		35.5	2,147	-	81,050	-		
2023 & Future Developments⁽¹⁾:								
The Cove (Remaining Phases), Jersey City, NJ	100.0%	10.2	2,340	-	136,775	-		
Other Remaining Future Developments ⁽²⁾		61.4	2,231	-	77,530	-		
		71.6	4,571	-	214,305	-		
Total Developments (excluding ECHO)		108.3	6,889	102,730	391,909	6,176		

(1) The development budgets for the 2022 Constructions Starts and 2023 & Future Developments have not been finalized as at December 31, 2021.

(2) Consists of five separate parcels of land in the United States totalling 61.4 acres at the REIT's ownership interest. The REIT has a 31.7% interest in one of the parcels amounting to U.S. \$12.1 million at the REIT's ownership interest. The REIT is the sole owner of the remaining five parcels.

FUTURE INTENSIFICATION OPPORTUNITIES

The following table presents the REIT's properties being advanced for rezoning for redevelopment into their highest and best use, at the REIT's ownership interest, as at December 31, 2021.

Property ⁽¹⁾	Geography	Ownership	Future Use	Current Square Feet	Anticipated Residential Units	Anticipated Commercial Square Feet	Approval Status ⁽²⁾	Expected Approval Date
145 Wellington St. W.	Toronto, ON	100%	Residential	160,146	400	140,000	ZBA & SPA Submitted	Q2 2022
100 Wynford Dr.	Toronto, ON	100%	Residential	444,898	1,950	440,000	Conversion Letter Submitted	Q3 2022
53 & 55 Yonge St.	Toronto, ON	100%	Residential	172,334	400	170,000	ZBA Submitted	Q1 2023
310 Front St. W.	Toronto, ON	100%	Residential	611,804	450	600,000	ZBA Submitted	Q1 2023
200 Boul. Bouchard	Dorval, QC	100%	Residential	437,157	800	-	Submission Pending	Q1 2023
3777 & 3791 Kingsway	Burnaby, BC	50%	Residential	335,778	1,250	240,000	Rezoning Application Submitted	Q3 2023
77 Union St.	Toronto, ON	100%	Residential	195,000	1,350	100,000	Submission Pending	Q3 2023
69 Yonge St.	Toronto, ON	100%	Residential	87,359	50	10,000	SPA Submitted	TBD
160 McNabb St.	Markham, ON	100%	Industrial	220,000	-	250,000	Submission Pending	TBD
649 North Service Rd.	Burlington, ON	100%	Industrial	123,000	-	140,000	Under Review	TBD
				2,787,476	6,650	2,090,000		

(1) These properties are currently included in the REIT's Office Segment, however 77 Union St. is currently included in the REIT's Industrial Segment.

(2) Zoning By-law Amendment is referred to as "ZBA" and Site Plan Control is referred to as "SPA" in the table above.

MORTGAGE RECEIVABLES

The REIT has seven other mortgage receivables outstanding as at December 31, 2021 totalling approximately \$191.0 million.

FINANCING

The Declaration of Trust provides that the REIT shall not incur or assume any indebtedness if, after giving effect to the incurring or assumption of the indebtedness, the total indebtedness of the REIT would be more than 65% of the Total Assets (see “Investment Guidelines and Operating Policies of the REIT”). As at December 31, 2021, the REIT’s aggregate amount of indebtedness amounted to approximately 46.6% of the Total Assets at the REIT’s proportionate share.

The following table reflects the repayment schedule for mortgages relating to the REIT’s Properties, the REIT’s debentures payable and the REIT’s unsecured term loans as at December 31, 2021 (based on the REIT’s proportionate share).

Future Repayments by Year of Maturity	Periodic Amortized Principal (\$000’s)	Principal on Maturity (\$000’s)	Total Principal (\$000’s)	% of Total Principal	Weighted Average Interest Rate on Maturity
2022	50,411	262,803	313,214	6.8%	3.4%
2023	51,826	341,614	393,440	8.5%	3.6%
2024	54,273	644,104	698,377	15.1%	3.3%
2025	43,872	502,547	546,419	11.8%	4.0%
2026	52,682	550,637	603,319	13.0%	3.5%
Thereafter			2,083,348	44.8%	
Total			4,638,117	100.0%	

NON-COMPETITION ARRANGEMENTS

H&R Developments and the Related Party entered into the non-competition agreement (the “**Non-Competition Agreement**”) with the REIT, effective December 23, 1996, pursuant to which H&R Developments is prohibited from investing in any office or industrial property in Canada and the Related Party (and his spouse and minor children) is prohibited from investing in any office, industrial or retail property in Canada, unless such investment has first been offered to the REIT in accordance with the terms of the Non-Competition Agreement or subject to the following exceptions relating to office or industrial property development and office property acquisition: (i) if the “excepted property” is not a build to suit, it must be offered to the REIT at fair market value after it has been substantially leased; (ii) if the “excepted property” is a proposed build to suit for a specific tenant on a “turnkey” basis, it must be offered in advance to the REIT for purchase on completion and occupancy by the tenant; and (iii) if the “excepted property” is a build to suit to be sold (unless such property was built for a specific tenant on a “turnkey” basis), it must be first offered to the REIT, subject to the rights of tenants and co-owners. H&R Developments and the Related Party have also agreed that, during the term of any lease of a tenant of any Initial Property or within 60 days after the expiry thereof, they and their applicable spouses and minor children will not solicit such tenant to move to a building in which the REIT does not have an interest.

The restrictions in the Non-Competition Agreement apply to H&R Developments until Thomas J. Hofstedter ceases to be bound by the Non-Competition Agreement and has no active role in the management of H&R Developments.

The Related Party is bound by such restrictions until one year after ceasing to be a Trustee, officer or employee of the REIT. A breach of the Non-Competition Agreement by Thomas J. Hofstedter or H&R Developments (so long as Thomas J. Hofstedter has an active role in the management of H&R Developments) entitles the REIT to terminate his employment with the REIT without severance.

The restrictions in the Non-Competition Agreement do not apply, among other exclusions, to (i) any investments in respect of which H&R Developments or the Related Party have no active management or which they do not control; (ii) any multi-tenant industrial properties (that are not built to suit) acquired by a corporation within H&R Developments which is controlled by members of the Rubinstein Family; (iii) certain industrial or office properties in which H&R Developments or the Related Party at the time had an interest which are at least 50% owned by parties unrelated to the H&R Group or which at the time were under construction, (with respect to all of which the REIT has a first opportunity to purchase in the event of a sale, subject to the rights of tenants and co-owners); and (iv) retail properties which were at the time held directly or indirectly by the Related Party. However, no exclusion limits the restriction on soliciting tenants described above.

UNITHOLDERS' RIGHTS PLAN

The following is a summary of certain material provisions of the Rights Plan and does not purport to be complete and is subject to, and is qualified in its entirety by, reference to the Rights Plan, as filed on SEDAR.

On June 23, 2006, holders of REIT Units approved a unitholders' rights plan, which was amended and restated on October 1, 2008, further amended and restated as of May 15, 2009 with the approval of holders of REIT Units, further amended and restated as of June 18, 2012 with the approval of holders of REIT Units, further amended and restated as of June 8, 2015 with the approval of holders of REIT Units, further amended and restated as of June 18, 2018 with the approval of holders of REIT Units, further amended and restated as of August 31, 2018 in connection with the unwinding of the REIT's "stapled unit" structure and further amended and restated as of June 29, 2021 with the approval of holders of REIT Units (as amended or amended and restated from time to time, the "**Rights Plan**"). The Rights Plan utilizes the mechanism of the "**Permitted Bid**" (as described below) to ensure that a person seeking control of the REIT gives Unitholders and the Trustees sufficient time to evaluate the bid, negotiate with the initial bidder and encourage competing bids to emerge. The purpose of the Rights Plan is to protect Unitholders by requiring all potential bidders to comply with the conditions specified in the Permitted Bid provisions or else such bidders are subject to the dilutive features of the Rights Plan. Generally, to qualify as a Permitted Bid, a bid must (i) be made to all Unitholders (other than the bidder), (ii) be open until the earlier of: (a) the date 105 days following the date of the bid and (b) the last day of the initial deposit period that the bidder must allow securities to be deposited under the bid pursuant to National Instrument 62-104 *Take-Over Bids and Issuer Bids* and that after such period, the bidder may take up and pay for such REIT Units and/or Convertible Securities (as defined in the Rights Plan) only if more than 50% of the REIT Units held by "**Independent Unitholders**" (as defined in the Rights Plan) are deposited or tendered to the bid and not withdrawn and (iii) be extended for a further period of ten days if (ii) above is met on the same terms to allow those Unitholders who did not initially tender their REIT Units and/or Convertible Securities to tender to the bid if they so choose. Thus, there is no coercion to tender during the initial tender period because the bid must be open for acceptance for at least ten days after the expiry of the initial tender period.

On August 31, 2018, one right (a "**Right**") was issued and attached to each outstanding REIT Unit and each previously issued right to purchase one "stapled unit" (consisting of REIT Units and units of H&R Finance Trust) was cancelled. One Right has attached and will also attach to any subsequently issued REIT Units until the earlier of the "Separation Time" (as defined below) and the "**Expiration Time**" (as defined in the Rights Plan). The initial exercise price of the Rights is \$100 (the "**Exercise Price**"), subject to appropriate anti-dilution adjustments.

The issue of the Rights is not initially dilutive. Upon a "Flip-in Event" (as defined below) occurring and the Rights separating from the attached REIT Units, reported earnings per REIT Unit on a fully diluted or non-diluted basis may be affected. Holders of Rights who do not exercise their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

The Rights will separate from the REIT Units to which they are attached and will become exercisable at the time (the "**Separation Time**") that is: (A) the close of business on the eighth trading day after the earliest of (i) the date of the first public announcement by the REIT or an Acquiring Person of facts indicating that a person has become an Acquiring Person (the "**Unit Acquisition Date**"), (ii) the date of the commencement of or first public announcement of the intent of any person to commence a take-over bid other than a Permitted Bid or a "**Competing Permitted Bid**" (as defined in the Rights Plan), and (iii) the date

upon which a Permitted Bid or a Competing Permitted Bid ceases to be a Permitted Bid or a Competing Permitted Bid, as applicable; or (B) such later date as may be determined by the Trustees acting in good faith. From and after the Separation Time and prior to the Expiration Time, each Right (other than those held by the Acquiring Person) will permit the holder to purchase REIT Units with a total market value equal to twice the Exercise Price for an amount in cash equal to the Exercise Price (i.e., at a 50% discount). Any Rights held by an Acquiring Person on or after the earlier of the Separation Time or the Unit Acquisition Date will become null and void upon the occurrence of a Flip-in Event.

The acquisition by a person (an “**Acquiring Person**”) of 20% or more of the outstanding REIT Units (including REIT Units held by “**affiliates**” and “**associates**” of such person (each as defined in the Rights Plan) and persons acting jointly or in concert with such person), other than by way of a “**Permitted Bid Acquisition**” (as defined in the Rights Plan) and other than certain limited circumstances described in the Rights Plan, is referred to as a “**Flip-in Event**”. A person is not deemed to beneficially own securities deposited or tendered pursuant to a permitted lock-up agreement or otherwise deposited or tendered pursuant to any take-over bid made by such person, such person’s affiliates and associates or persons acting jointly or in concert with such person, until such deposited or tendered securities have been either taken up or paid for.

If required by the rules and regulations of any stock exchange on which the REIT Units are then listed, at or prior to the annual meeting of the Unitholders to be held in 2024, and at every third annual meeting thereafter, provided that a Flip-in Event has not occurred prior to such time, the Trustees shall submit a resolution ratifying the continued existence of the Rights Plan to all holders of REIT Units and Special Voting Unitholders for their consideration and, if thought advisable, approval. If such approval is not required by the rules and regulations of any stock exchange on which the REIT Units are then listed, at or prior to the annual meeting of the Unitholders to be held in 2024, and at every third annual meeting thereafter, provided that a Flip-in Event has not occurred prior to such time, the Trustees shall submit a resolution ratifying the continued existence of the Rights Plan to the Independent Unitholders for their consideration and, if thought advisable, approval. At each such annual meeting of the Unitholders, unless the majority of the votes cast by holders of REIT Units and Special Voting Unitholders or the Independent Unitholders, as applicable, who vote in respect of such resolution are voted in favour of the continued existence of the Rights Plan, the Rights Plan and all outstanding Rights will terminate and be void and of no further force and effect. The Rights Plan will terminate upon the termination of the annual meeting of Unitholders to be held in 2030, unless terminated earlier.

DECLARATION OF TRUST AND DESCRIPTION OF REIT UNITS

The following is a summary of certain material provisions of the Declaration of Trust and does not purport to be complete and is subject to, and is qualified in its entirety by, reference to the Declaration of Trust, as filed on SEDAR.

General

The REIT is an open-ended unincorporated investment trust created pursuant to the Declaration of Trust and governed by the laws of the Province of Ontario. See also “Investment Guidelines and Operating Policies of the REIT”.

REIT Units and Special Voting Units

The beneficial interests in the REIT are divided into two classes of trust units: REIT Units and Special Voting Units. The aggregate number of REIT Units which the REIT may issue is unlimited and the aggregate number of Special Voting Units which the REIT may issue is 13,013,698. See “Description of Exchangeable Units – Description of HRRMSLP Exchangeable Units”. Each REIT Unit represents an equal undivided interest in the REIT with all outstanding REIT Units. No REIT Unit has any preference or priority over another. The legal ownership of the assets of the REIT and the right to conduct the affairs of the REIT are vested exclusively in the Trustees and no Unitholder has or is deemed to have any right of ownership in any of the assets of the REIT. Each REIT Unit confers the right to one vote at any meeting of Unitholders and to participate in any distributions by the REIT and, in the event of termination of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities.

Special Voting Units may be issued in series and shall only be issued concurrently or in relation to the issuance of Exchangeable Securities on such terms and conditions as may be determined by the Trustees. Special Voting Units will be automatically cancelled, without any further action of the Trustees or the REIT, and the former holder of such Special Voting Unit will cease to have any rights with respect thereto, concurrently with the issuance of REIT Units on the conversion, exchange or cancellation of the related Exchangeable Securities. At all meetings of Unitholders and Special Voting Unitholders and in respect of any written resolution of the Unitholders and Special Voting Unitholders, a Special Voting Unit is entitled to the number of votes equal to the number of REIT Units into which the Exchangeable Securities to which such Special Voting Unit relates are exchangeable or convertible. Holders of Special Voting Units are not entitled to any distribution from the REIT and do not have any legal or beneficial interests in any assets of the REIT on termination or winding-up of the REIT.

Subject to applicable regulatory approval, the issued and outstanding REIT Units and Special Voting Units may be subdivided or consolidated from time to time by the Trustees. No certificates for fractional REIT Units or fractional Special Voting Units will be issued and fractional REIT Units and fractional Special Voting Units will not entitle the holders thereof to vote except to the extent that they may represent in the aggregate one or more whole REIT Units or Special Voting Units, as applicable.

Transferability of REIT Units and Special Voting Units

The REIT Units are freely transferable and, other than as provided in the Declaration of Trust, the Trustees shall not impose any restriction on the transfer of REIT Units. Special Voting Units shall not be transferable separately and apart from the Exchangeable Securities to which they are attached.

Purchases of REIT Units

The REIT may from time to time purchase REIT Units for cancellation in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange or regulatory policies.

Redemption of REIT Units

The right of redemption provides Unitholders with a right to require the REIT to redeem their REIT Units on demand upon delivery to the REIT of a duly completed and properly executed notice requesting redemption. Upon receipt of the redemption request by the REIT, the Unitholder will thereafter cease to have any rights with respect to each REIT Unit tendered for redemption other than to receive the “REIT Unit Redemption Price” (as defined below).

REIT Unit Redemption Price and Payment

The “**REIT Unit Redemption Price**” is the price per REIT Unit equal to the amount by which the lesser of: (i) 90% of the “**market price**” (as defined in the Declaration of Trust) of a REIT Unit during the 10-trading day period commencing immediately prior to the date on which the REIT Unit is tendered to the REIT for redemption (the “**REIT Unit Redemption Date**”); and (ii) the “**closing market price**” (as defined in the Declaration of Trust) of a REIT Unit on the REIT Unit Redemption Date.

The aggregate redemption price payable by the REIT in respect of any REIT Units surrendered for redemption during a particular calendar month will be satisfied by the mailing to the redeeming Unitholder of a payment by cheque no later than the last day of the month following the month during which the REIT Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their REIT Units is subject to the conditions that: (i) the total amount payable by the REIT in respect of those REIT Units and all other REIT Units tendered for redemption in the same calendar month does not exceed \$50,000 (subject to certain adjustments and provided that the Trustees may, in their sole discretion, waive this limitation in respect of all REIT Units tendered for redemption in any calendar month); (ii) at the time the REIT Units are tendered for redemption, the outstanding REIT Units are listed for trading or quoted on any stock exchange or market which, in the sole discretion of the Trustees, provides representative fair market value prices for the REIT Units; and

(iii) the normal trading of REIT Units is not suspended or halted on any stock exchange on which the REIT Units are listed (or, if not so listed, on any market on which the REIT Units are quoted for trading) on the REIT Unit Redemption Date or for more than five trading days during the ten-day trading period commencing immediately prior to such date.

If a Unitholder is not entitled to receive cash upon the redemption of REIT Units as a result of one or more of the foregoing conditions, then each REIT Unit tendered for redemption will, subject to any applicable regulatory approvals, be redeemed by way of a distribution *in specie* of notes of HRP Trust. The notes will be issued pursuant to a note indenture of HRP Trust which provides for the issuance of interest bearing unsecured subordinated notes of HRP Trust. The notes will be issuable in four series, in denominations to be determined by the Trustees, and will bear interest from the date of issue at rates stipulated in the note indenture. In the event of an *in specie* distribution of notes on redemption of a REIT Unit, a Unitholder may receive series 2, series 3 or series 4 notes of HRP Trust, or a combination thereof, in the Trustees' discretion, in an aggregate amount equal to the fair market value of the REIT Units tendered for redemption, as determined by the Trustees. No fractional notes of HRP Trust in integral multiples of less than \$100 (or such other lower amount as the Trustees may establish from time to time) will be delivered and, where the amount of notes of HRP Trust to be received by a redeeming Unitholder includes a fraction or a multiple less than \$100, that number shall be rounded to the next lowest whole number or integral multiple of \$100. The series 2, series 3 and series 4 notes of HRP Trust will bear interest at prime rate plus 1% and will mature, respectively, within one year, in twenty-five years and in twenty-five years of their date of issue. The REIT and HRP Trust have entered into a redemption funding agreement under which the REIT will provide HRP Trust with sufficient cash or other assets or a combination thereof to support the principal amount of any series 4 notes to be issued in connection with an *in specie* redemption of REIT Units.

Take-over Bids

The Declaration of Trust contains provisions to the effect that if a take-over bid is made for the REIT Units within the meaning of the *Securities Act* (Ontario) and not less than 90% of the REIT Units (other than REIT Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the REIT Units held by Unitholders who did not accept the offer either, at the election of such Unitholders, on the terms offered by the offeror or at the fair value of such Unitholders' REIT Units determined in accordance with the procedures set out in the Declaration of Trust.

Meetings of Unitholders and Special Voting Unitholders

The Declaration of Trust provides that meetings of Unitholders and Special Voting Unitholders must be called and held for the appointment, election or removal of Trustees, the appointment or removal of the auditors of the REIT, the approval of amendments to the Declaration of Trust (except as described under “– Amendments to the Declaration of Trust”), the sale or transfer of the assets of the REIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the REIT as approved by the Trustees) and the termination of the REIT. Meetings of Unitholders and Special Voting Unitholders will be called and held annually for the election of the Trustees and the appointment of auditors of the REIT and for transacting such other business as the Trustees may determine or as may properly be brought before the meeting.

A meeting of Unitholders and Special Voting Unitholders may be convened at any time and for any purpose by the Trustees and must be convened, except in certain circumstances, if requisitioned by Unitholders and Special Voting Unitholders holding in the aggregate not less than 5% of the REIT Units and Special Voting Units then outstanding. A requisition must state in writing and in reasonable detail the business proposed to be transacted at the meeting. Unitholders and Special Voting Unitholders have the right to obtain a list of registered Unitholders and Special Voting Unitholders to the same extent and upon the same conditions as those which apply to shareholders of a corporation governed by the CBCA.

Unitholders and Special Voting Unitholders may attend and vote at all meetings of the Unitholders and Special Voting Unitholders either in person or by proxy and a proxyholder need not be a Unitholder or Special Voting Unitholder. The Declaration of Trust contains provisions as to quorum, the notice required and other procedures with respect to the calling and holding of meetings of Unitholders and Special Voting Unitholders. In particular, the Declaration of Trust provides that only

persons who are nominated in accordance with the procedures set out in the Declaration of Trust will be eligible for election as Trustees (the “**Advance Notice Policy**”). Nominations of persons for election as Trustees may be made at any annual meeting of Unitholders and Special Voting Unitholders, or at any special meeting of Unitholders and Special Voting Unitholders, if one of the purposes for which the special meeting was called was the election of Trustees: (i) by or at the direction of the Board, including pursuant to a notice of meeting; (ii) by or at the direction or request of one or more Unitholders pursuant to a requisition of the Unitholders or Special Voting Unitholders made in compliance with the Declaration of Trust; or (iii) by any person (a “**Nominating Unitholder**”) who (A) at the close of business on the date of the giving of the notice provided for such purposes in the Declaration of Trust and on the record date for notice of such meeting, is entered in the register as a holder of one or more REIT Units or Special Voting Units carrying the right to vote at such meeting or who beneficially owns REIT Units or Special Voting Units that are entitled to be voted at such meeting; and (B) who complies with the notice procedures set forth for such purposes in the Declaration of Trust. In addition to any other applicable requirements, for such a nomination to be made by a Nominating Unitholder, the Unitholder must have given timely notice thereof to the Trustees in the manner prescribed by the Declaration of Trust. To be timely, a Nominating Unitholder’s notice to the Trustees must be made: (i) in the case of an annual meeting of Unitholders and Special Voting Unitholders, not less than 30 days prior to the date of the annual meeting of Unitholders and Special Voting Unitholders; provided, however, that in the event that the annual meeting of Unitholders and Special Voting Unitholders is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Unitholder may be made not later than the close of business on the 10th day following the date of such public announcement; and (ii) in the case of a special meeting (which is not also an annual meeting) of Unitholders and Special Voting Units called for the purpose of electing Trustees (whether or not called for other purposes), not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting of Unitholders and Special Voting Unitholders was made.

Issuance of REIT Units

The REIT may issue, from time to time, new REIT Units (subject to the provisions noted at “– Transferability of REIT Units and Special Voting Units” and “– Limitation on Non-Resident Ownership”), and rights, warrants, and options to subscribe for fully paid REIT Units (“**Other Securities**”), in such manner, for the consideration, and to such persons or class of persons that the Trustees determine. Unitholders do not have any pre-emptive rights whereby additional REIT Units proposed to be issued must first be offered to existing Unitholders. In addition to REIT Units or options which may be issued pursuant to the Unit Option Plan, Incentive Unit Plan, DRIP and Unit Purchase Plan, or the Rights Plan, new REIT Units or Other Securities may be issued through public offerings, through rights offerings to existing Unitholders (i.e., offerings in which Unitholders receive rights to subscribe for new REIT Units or Other Securities in proportion to their existing holdings of REIT Units or Other Securities, which rights may be exercised or sold to other investors), through private placements (i.e., offerings to specific investors which are not made generally available to the public or existing Unitholders) or as a result of conversion or subscription rights exercised under Other Securities. REIT Units may be also issued in satisfaction of any non-cash distribution of the REIT to Unitholders where the Trustees determine that the REIT does not have available cash to fund such distribution or where the Trustees otherwise determine in their absolute discretion that all or a portion of such distribution should not be paid in cash (subject to the provisions noted at “– Transferability of REIT Units and Special Voting Units” and “– Limitation on Non-Resident Ownership”) or pursuant to an extraordinary distribution of REIT Units as declared by the Trustees. In certain instances, the REIT may also issue new REIT Units as consideration for the acquisition of new properties or assets. The price or the value of the consideration for which REIT Units may be issued will be determined by the Trustees, generally in consultation with investment dealers or brokers who may act as underwriters or agents in connection with offerings of REIT Units.

Limitation on Non-Resident Ownership

At no time may Non-Residents be the beneficial owners of 49% or more of the REIT Units and the Trustees have informed the transfer agent and registrar of this restriction. The transfer agent and registrar may require declarations as to the jurisdictions in which beneficial owners of REIT Units are resident. If the transfer agent and registrar become aware, as a result of requiring such declarations as to beneficial ownership, that the beneficial owners of 49% or more of the REIT Units then outstanding are,

or may be, Non-Residents or that such a situation is imminent, the transfer agent and registrar will advise the Trustees and, upon receiving direction from the Trustees, may make a public announcement thereof and shall not accept a subscription for REIT Units from or issue or register a transfer of REIT Units to a person unless the person provides a declaration that the person is not a Non-Resident. If, notwithstanding the foregoing, the transfer agent and registrar determine that 49% or more of the REIT Units are held by Non-Residents, the transfer agent and registrar may, upon receiving a direction and suitable indemnity from the Trustees, send a notice to registered Unitholders who are Non-Residents, chosen in inverse order to the order of acquisition or registration or in such manner as the Trustees may consider equitable and practicable, requiring them to sell their REIT Units or a portion thereof within a specified period of not less than 60 days. If the Unitholders receiving such notice have not sold the specified number of REIT Units or provided the Trustees with satisfactory evidence that they are not Non-Residents within such period, the transfer agent and registrar, upon receiving such a direction from the Trustees, may on behalf of such Unitholders sell such REIT Units and, in the interim, shall suspend the voting and distribution rights attached to the REIT Units forming part of such REIT Units. Upon such sale the affected holders shall cease to be Unitholders and their rights shall be limited to receiving the net proceeds of sale upon surrender of the certificate representing such REIT Units.

Under the Tax Act, the REIT will not be considered to be a mutual fund trust if it is established or maintained primarily for the benefit of Non-Residents. The Tax Act does not provide any means of rectifying a loss of mutual fund trust status that occurs in this way, such that if, at any time, the REIT were to lose its mutual fund trust status as a result of the application of this rule, the REIT would permanently cease to be a mutual fund trust.

Information and Reports

Within such time period as is acceptable under applicable securities legislation, and at least 21 days prior to each annual meeting of Unitholders and Special Voting Unitholders, upon a Unitholder's and/or Special Voting Unitholder's request or otherwise as required by applicable law, the Trustees shall send to such Unitholder and/or Special Voting Unitholder audited comparative financial statements for such year, prepared in compliance with applicable securities laws. Within such time period as is acceptable under applicable securities legislation and after the end of each of the first three fiscal quarters of each year, upon a Unitholder's or Special Voting Unitholder's request or otherwise as required by applicable law, the Trustees shall send unaudited comparative financial statements for the period then ended to such Unitholder and/or Special Voting Unitholder. The Trustees will supply Unitholders and Special Voting Unitholders with any information that may be required by them in connection with their obligations under the Tax Act and equivalent provincial legislation.

Notice of all meetings of the Unitholders and Special Voting Unitholders will be mailed or delivered by the Trustees to each Unitholder and Special Voting Unitholders at his address appearing in the register, to each Trustee and to the auditors of the REIT not less than 21 nor more than 60 days before the meeting. Notice of any meeting of the Unitholders and Special Voting Unitholders will state the purposes of the meeting.

A Unitholder has the right to examine the Declaration of Trust during normal business hours upon submission of a request and affidavit, together with payment of reasonable fees, in the manner as contemplated by the Declaration of Trust. Unitholders and Special Voting Unitholders have the right to obtain a list of the registered Unitholders or holders of Special Voting Units to the same extent which are substantially similar rights and requirements applicable to shareholders of a corporation governed by the CBCA.

Amendments to the Declaration of Trust

The Declaration of Trust may be amended or altered from time to time. The following amendments require approval by at least two-thirds of the aggregate votes cast by Unitholders and Special Voting Unitholders entitled to vote thereon at a meeting of Unitholders and Special Voting Unitholders called for such purpose: (i) to change a right with respect to any outstanding REIT Units or Special Voting Units to reduce the amount payable on the REIT Units upon termination of the REIT or to diminish or eliminate any voting rights pertaining to the REIT Units or the Special Voting Units; (ii) any amendment to the duration or termination provisions of the REIT; (iii) any amendment relating to the powers, duties, obligations, liabilities or indemnification of the Trustees; (iv) any sale or transfer of the REIT as an entirety or substantially as an entirety; and (v)

certain other amendments as described in the Declaration of Trust. Other amendments to the Declaration of Trust require approval by a majority of the aggregate votes cast by holders of REIT Units and Special Voting Units entitled to vote thereon at a meeting called for such purpose.

The Trustees may, without the approval of the Unitholders and Special Voting Unitholders, make certain amendments to the Declaration of Trust, including amendments:

- for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustees or over the REIT, its status as a “mutual fund trust” and a “registered investment” under the Tax Act or the distribution of REIT Units;
- which, in the opinion of the Trustees, provide additional protection for the Unitholders or Special Voting Unitholders;
- to make minor corrections which are, in the opinion of Trustees, necessary or desirable and not prejudicial to the Unitholders or Special Voting Unitholders;
- which, in the opinion of the Trustees, are necessary or desirable (i) as a result of changes in taxation laws from time to time which may affect the REIT, the Unitholders, the Special Voting Unitholders or annuitants under a plan of which a Unitholder or Special Voting Unitholder acts as trustee or carrier, or to qualify for a particular status under taxation laws including to qualify as a “real estate investment trust” for purposes of the Tax Act or to otherwise prevent the REIT or any of its subsidiaries from becoming subject to SIFT Tax, or (ii) as a result of changes in accounting standards (including the implementation of IFRS) from time to time which may affect the REIT, the Unitholders, the Special Voting Unitholders or annuitants under a plan of which a Unitholder or Special Voting Unitholder acts as trustee or carrier; and
- for any purpose (except one in respect of which a Unitholder and Special Voting Unitholder vote is specifically otherwise required) if the Trustees are of the opinion that the amendment is not prejudicial to Unitholders or Special Voting Unitholders and is necessary or desirable.

Ratifying Amendments to the Declaration of Trust

Pursuant to the terms of the Declaration of Trust, the Trustees shall submit any amendment to the Declaration of Trust that has not been approved by the Unitholders pursuant to section 12.01 of the Declaration of Trust, other than amendments pursuant to Section 4.03, Section 12.01(a), Section 12.01(e) or Section 12.01(f) of the Declaration of Trust and amendments the Trustees determine are necessary or advisable pursuant to or in connection with applicable tax laws, securities laws, accounting rules or other applicable laws or regulations or such amendments, the equivalent of which, would not otherwise be required to be ratified by shareholders pursuant to the CBCA, to the Unitholders and Special Voting Unitholders at the next meeting of Unitholders and Special Voting Unitholders and the Unitholders and Special Voting Unitholders entitled to vote on the amendment may, by a vote representing at least a majority of the REIT Units and Special Voting Units voted, in person or by proxy, confirm, reject or amend the amendment to the Declaration of Trust.

If an amendment to the Declaration of Trust is rejected by the Unitholders and Special Voting Unitholders, or if the Trustees do not submit an amendment to the Unitholders and Special Voting Unitholders as required, the amendment ceases to be effective immediately after the meeting of Unitholders and Special Voting Unitholders referred to above and no subsequent resolution of the Trustees to amend the Declaration of Trust having substantially the same purpose or effect is effective until it is confirmed or confirmed as amended by the Unitholders and Special Voting Unitholders.

Term of the REIT and Sale of Substantially All Assets

The REIT has been established for an indefinite term. Pursuant to the Declaration of Trust, termination of the REIT or the sale or transfer of the assets of the REIT as an entirety or substantially as an entirety (other than as part of an internal

reorganization of the assets of the REIT as approved by the Trustees) requires approval by at least two-thirds of the aggregate votes cast by Unitholders and Special Voting Unitholders entitled to vote thereon at a meeting of Unitholders and Special Voting Unitholders called for such purpose.

Rights of Unitholders and Special Voting Unitholders

The rights of Unitholders and Special Voting Unitholders, with respect to REIT Units and Special Voting Units held, respectively, are set out in the Declaration of Trust. Although the Declaration of Trust confers upon a Unitholder and Special Voting Unitholder many of the same protections, rights and remedies an investor would have as a shareholder of a corporation governed by the CBCA, there are significant differences, some of which are discussed below.

The Declaration of Trust contains provisions entitling a Unitholder that is entitled to vote at a meeting the ability, upon compliance with the requirements set out in the Declaration of Trust, to dissent to certain matters resolved by the REIT. In particular, the dissent rights may apply in circumstances where the REIT resolves to (i) sell, lease or exchange of all or substantially all the property and assets of the REIT, (ii) carry out a going-private transaction, or (iii) make certain specified amendments to the Declaration of Trust. The Declaration of Trust also contains provisions that entitle any registered holder or beneficial owner of REIT Units to make an application to a court for purposes of determining whether certain actions or omissions of the REIT, the conduct of the business or affairs of the REIT, or the powers of the Trustees having been exercised in a manner, that is oppressive or unfairly prejudicial to or that unfairly disregards the interests of any Unitholder, securityholder, creditor, Trustee or officer. The Declaration of Trust sets forth the procedures and requirements in respect of any such application, as well as set forth the remedies that a court may include in any interim or final order.

Special Voting Unitholders do not have recourse to the above-mentioned dissent rights and similarly do not have recourse to the oppression remedy provided in the Declaration of Trust.

The CBCA also permits shareholders to bring or intervene in derivative actions in the name of the corporation or any of its subsidiaries, with the leave of a court. The Declaration of Trust does not include a comparable right of Unitholders and Special Voting Unitholders to commence or participate in legal proceedings with respect to the REIT.

DESCRIPTION OF SENIOR DEBENTURES

The following is a summary of the material attributes and characteristics of the Senior Debentures and does not purport to be complete and is subject to, and is qualified in its entirety by, reference to the terms of the Senior Trust Indenture as filed on SEDAR.

The Senior Trust Indenture authorizes the REIT to issue an unlimited aggregate principal amount of debt securities in one or more series. Each such issue will be made by way of a supplemental indenture which will set out the terms of the relevant series of debt securities. The REIT may, from time to time, without the consent of the holders of Senior Debentures, issue additional debentures of a different series under the Senior Trust Indenture as supplemented by further supplemental trust indentures from time to time.

General

The Senior Debentures are governed by an indenture dated February 3, 2010, entered into between the REIT and the Debenture Trustee (as successor to CIBC Mellon Trust Company) (as supplemented from time to time, the “**Senior Trust Indenture**”).

In November 2016, the REIT issued \$200 million principal amount of the Series L senior debentures pursuant to the Senior Trust Indenture. In August 2017, the REIT completed a public offering of an additional \$125 million principal amount of Series L senior debentures, bringing the total principal amount of Series L senior debentures to \$325 million. The Series L senior debentures mature on May 6, 2022.

In January 2017, the REIT issued \$200 million principal amount of the Series N Senior Debentures pursuant to the Senior Trust Indenture. In April 2017, the REIT completed a public offering of an additional \$150 million principal amount of Series N Senior Debentures, bringing the total principal amount of Series N Senior Debentures to \$350 million. The Series N Senior Debentures mature on January 30, 2024.

In January 2018, the REIT issued \$250 million principal amount of the Series O Senior Debentures pursuant to the Senior Trust Indenture. The Series O Senior Debentures mature on January 23, 2023.

In June 2020, the REIT issued \$400 million principal amount of the Series Q Senior Debentures pursuant to the Senior Trust Indenture. The Series Q Senior Debentures mature on June 16, 2025.

In December 2020, the REIT issued \$250 million principal amount of the Series R Senior Debentures pursuant to the Trust Indenture. The Series R Senior Debentures mature on June 2, 2026.

In February 2021, the REIT issued \$300 million principal amount of the Series S Senior Debentures pursuant to the Trust Indenture. The Series S Senior Debentures mature on February 19, 2027.

The Senior Debentures are direct senior unsecured obligations of the REIT and rank equally and rateably with each other Senior Debenture and with all other unsecured and unsubordinated indebtedness of the REIT, except to the extent prescribed by law. The Senior Trust Indenture does not limit the aggregate principal amount of Senior Debentures that may be outstanding from time to time and the REIT may, from time to time, without the consent of the holders of Senior Debentures, issue additional Senior Debentures under the Senior Trust Indenture, in addition to the Senior Debentures.

Interest

Fixed Rate Senior Debentures

The Fixed Rate Senior Debentures bear interest at an annual rate of 3.369% (with respect to the Series N Senior Debentures), 3.416% (with respect to the Series O Senior Debentures), 4.071% (with respect to the Series Q Senior Debentures), 2.906% (with respect to the Series R Senior Debentures) and 2.633% (with respect to the Series S Senior Debentures) payable semi-annually in arrears on, in the case of the Series N Senior Debentures, January 30 and July 30 in each year, in the case of the Series O Senior Debentures, January 23 and July 23 in each year, in the case of the Series Q Senior Debentures, June 16 and December 16 in each year, in the case of the Series R Senior Debentures, June 2 and December 2 in each year and in the case of the Series S Senior Debentures, February 19 and August 19 in each year.

Redemption

The REIT may redeem the Fixed Rate Senior Debentures in whole at any time, or in part from time to time, prior to maturity on payment of a redemption price equal to, prior to the Par Call Date, the greater of (i) the Canada Yield Price and (ii) par, and after the Par Call Date, at a redemption price equal to par. “**Canada Yield Price**” means, in respect of the Fixed Rate Senior Debentures, a price equal to the price of such Fixed Rate Senior Debentures calculated to provide a yield to the Par Call Date, compounded semi-annually and calculated in accordance with generally accepted financial practice, equal to the Government of Canada Yield calculated at 10:00 a.m. (Toronto time) on the date on which the REIT gives notice of redemption pursuant to the terms of the Senior Trust Indenture, plus (i) in respect of the Series N Senior Debentures, 0.485%; (ii) in respect of the Series O Senior Debentures, 0.34%; (iii) in respect of the Series Q Senior Debentures, 0.91%; (iv) in respect of the Series R Senior Debentures, 0.61%; and (v) in respect of the Series S Senior Debentures, 0.48%.

“**Government of Canada Yield**” on any date means the yield to the Par Call Date on such date, compounded semi-annually and calculated in accordance with generally accepted financial practice, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada, at 100% of its principal amount on such date with a term to maturity equal to the remaining yield to the Par Call Date, calculated as of the redemption date of the applicable Fixed Rate Senior

Debenture, such yield to the Par Call Date being the average of the yields provided by two major Canadian investment dealers selected by the REIT.

Where less than all of any series of Fixed Rate Senior Debentures are to be redeemed pursuant to their terms, the Fixed Rate Senior Debentures of such series to be redeemed will be redeemed on a *pro rata* basis according to the principal amount of Fixed Rate Senior Debentures of such series registered in the respective name of each holder of Fixed Rate Senior Debentures of such series or in such other manner as the Debenture Trustee may consider equitable.

Purchase of Senior Debentures

The REIT may at any time and from time to time purchase all or any Senior Debentures in the market (which will include purchases from or through an investment dealer or a firm holding membership on a recognized stock exchange) or by invitation to tender or private contract at any price. Senior Debentures that are so purchased will be cancelled and no Senior Debentures will be issued in substitution therefor.

Certain Senior Trust Indenture Covenants

The Senior Trust Indenture contains covenants in favour of holders of the Senior Debentures including the following:

Consolidated EBITDA to Adjusted Interest Expense Ratio

For each reference period, the REIT will ensure the maintenance of a ratio of Consolidated EBITDA to Adjusted Interest Expense not less than 1.65:1.

“**Consolidated EBITDA**” of the REIT for any period means consolidated net income (as calculated in accordance with the Senior Trust Indenture) increased by the sum of (i) Consolidated Interest Expense (as defined below), excluding interest that has been capitalized on projects that are under development or held for future development, for such period, (ii) income tax expense of the REIT for such period (other than income taxes, either positive or negative, attributable to extraordinary or non-recurring gains or losses) determined on a consolidated basis in accordance with generally accepted accounting principles, (iii) amortization of income properties (including provisions for impairment of income properties) for such period, determined on a consolidated basis in accordance with generally accepted accounting principles, (iv) amortization of the fair value of intangible assets and liabilities for such period, determined on a consolidated basis in accordance with generally accepted accounting principles, (v) any additional amortization of the REIT for such period, determined on a consolidated basis in accordance with generally accepted accounting principles, and (vi) other non-cash items in determining consolidated net income for such period.

“**Adjusted Interest Expense**” for any period means the consolidated interest expense (as calculated in accordance with the Senior Trust Indenture) of the REIT for such period less (i) the amount of interest capitalized on The Bow and (ii) interest expense of the REIT for such period in respect of released non-recourse indebtedness.

With respect to the Series O Senior Debentures, Series Q Senior Debentures, Series R Senior Debentures and the Series S Senior Debentures, the Senior Trust Indenture contains the following covenant in favour of holders of such Senior Debentures:

Consolidated EBITDA to Consolidated Interest Expense Ratio

For each reference period, the REIT will ensure the maintenance of a ratio of Consolidated EBITDA (as defined above) to Consolidated Interest Expense of not less than 1.65:1.

“**Consolidated Interest Expense**” of the REIT for any period means the aggregate amount of interest expense of the REIT in respect of certain permitted indebtedness (as described in the Senior Trust Indenture), capital lease obligations (as described in the Senior Trust Indenture), the original issue discount of any Indebtedness (as defined in the Senior Trust

Indenture) issued at a price less than the face amount thereof paid, accrued or scheduled to be paid or accrued by the REIT during such period and, to the extent interest has been capitalized on projects that are under development or held for future development during the period, the amount of interest so capitalized, all as determined on a consolidated basis in accordance with generally accepted accounting principles (provided that, notwithstanding its presentation under generally accepted accounting principles, all interest expense of the REIT in respect of convertible debt Indebtedness will be included (without duplication) in determining Consolidated Interest Expense).

Restrictions on Additional Indebtedness

The REIT will not incur or assume, or permit any subsidiary to incur or assume, any indebtedness, except for certain permitted indebtedness (as described in the Senior Trust Indenture) unless the quotient (expressed as a percentage) obtained by dividing Consolidated Indebtedness by aggregate assets, calculated on a *pro forma* basis as described below (the “**Indebtedness Percentage**”), would be less than or equal to 65%. “**Consolidated Indebtedness**” as at any date means the consolidated indebtedness of the REIT as at such date determined, except as otherwise expressly provided in the Senior Trust Indenture, in accordance with generally accepted accounting principles.

The Senior Trust Indenture provides that the Indebtedness Percentage will be calculated on a *pro forma* basis as at the date of the REIT’s most recently published statement of financial position giving effect to the incurrence of the indebtedness to be incurred or assumed and the application of the proceeds therefrom and to any other event that has increased or decreased Consolidated Indebtedness or aggregate assets since the statement of financial position date to the date of calculation.

Equity Maintenance

The REIT will ensure the maintenance of an Adjusted Unitholders’ Equity of not less than \$1 billion, determined as at the date of the REIT’s most recently published statement of financial position. “**Adjusted Unitholders’ Equity**” means, at any time, the aggregate of (in each case as recorded in the books and records of the REIT prepared on a consolidated basis in accordance with generally accepted accounting principles): (i) the amount of unitholders’ equity of the REIT, (ii) the amount of accumulated depreciation and/or amortization in respect of properties of the REIT, (iii) any discount on any instalment receipts receivable, and (iv) all non-controlling interests.

Change of Control

“**Change of Control**” means the acquisition by a person, or group of persons acting jointly or in concert, of REIT Units (and/or securities convertible into REIT Units) representing (on a diluted basis, but only giving effect to the conversion or exercise of convertible securities held by such person or group of persons) greater than 50% of REIT Units.

In the event of a Change of Control, the holders of Series N Senior Debentures may require the REIT to repurchase their Senior Debentures, in whole or in part, at a price of (i) 101% of the principal amount of such Senior Debentures plus (ii) all accrued interest to the date of repurchase.

With respect to the Series O Senior Debentures, Series Q Senior Debentures, Series R Senior Debentures and the Series S Senior Debentures, if a Change of Control Triggering Event occurs, the REIT will be required to make an offer to repurchase all or, at the option of the holder of such series of Senior Debentures, any part of each holder’s Senior Debentures of that series, for a payment in cash equal to (i) 101% of the principal amount of such Senior Debentures plus (ii) all accrued interest to the date of repurchase.

“**Change of Control Triggering Event**” means the occurrence of both a Change of Control and a Rating Event.

“**Investment Grade Rating**” means a Rating equal to or higher than “Baa3” (or the equivalent) in the case of Moody’s Investors Service, Inc. “BBB–” (or the equivalent) in the case of Standard & Poor’s Rating Services, a Division of McGraw-Hill Financial, Inc., “BBB (low)” (or the equivalent) in the case of DBRS, “BBB–” (or the equivalent) by Fitch Ratings Inc.,

or any equivalent investment grade credit rating by any other specified rating agency (as described in the Senior Trust Indenture).

“**Rating**” means the final rating (without reference to any outlook or trend), if any, assigned to the senior unsecured debt of the REIT or to the REIT, as applicable, by a specified rating agency.

“**Rating Event**” means any of: (A) the Rating of the Senior Debentures is lowered to below an Investment Grade Rating by at least two of the specified rating agencies if there are three or more specified rating agencies or all of the specified rating agencies if there are one or two specified rating agencies (the “**Required Threshold**”) on any day within the 60-day period (which 60-day period will be extended so long as the Rating of Senior Debentures is under publicly announced consideration for a possible downgrade by such number of the specified rating agencies which, together with specified rating agencies which have already lowered their ratings on the Senior Debentures as aforesaid, would aggregate in number the Required Threshold, but only to the extent that, and for so long as, a Change of Control Triggering Event would result if such downgrade were to occur) after the earlier of (i) the occurrence of a Change of Control, and (ii) public notice of the occurrence of a Change of Control or of the REIT’s intention or agreement to effect a Change of Control; (B) the Rating of the Senior Debentures by the Required Threshold is below an Investment Grade Rating upon the occurrence of a Change of Control and the Rating of the Senior Debentures by the Required Threshold remains below an Investment Grade Rating 30 days after the occurrence of such Change of Control (which 30-day period will be extended so long as the Rating of Senior Debentures is under publicly announced consideration for a possible increase by such number of the specified rating agencies which, together with specified rating agencies which have already increased their ratings on the Senior Debentures as aforesaid, would aggregate in number the Required Threshold); or (C) following the occurrence of Change of Control, (i) one or more of the specified rating agencies cease to rate the Senior Debentures such that only one specified rating agency continues to rate the Senior Debentures if there are two or more specified rating agencies, or (ii) the specified rating agency ceases to rate the Senior Debentures if there is only one specified rating agency.

Defeasance

The Senior Trust Indenture contains provisions requiring the Debenture Trustee to release the REIT from its obligations under the Senior Trust Indenture relating to a particular series of Senior Debentures provided that, among other things, the REIT satisfies the Debenture Trustee that it has deposited funds or made due provision for, among other things, the payment of (i) the expenses of the Debenture Trustee and (ii) all principal, premium (if any), interest and other amounts due or to become due in respect of the applicable series of Senior Debentures.

Modification

Certain rights of the holders of a series of Senior Debentures may be modified if authorized by Extraordinary Resolution (as defined below). The approval threshold for an Extraordinary Resolution will generally be 66²/₃% but will be 75% for the following: (a) to change the stated maturity of the principal or redemption price of or any premium or instalment of interest on, any Senior Debentures of such series, (b) to reduce the principal amount of, or interest or premium (if any) on, any Senior Debentures of such series, (c) to change the place or currency of payment of the principal of, premium (if any) on redemption price of or interest on, any Senior Debentures of such series, or (d) to amend the percentage of Senior Debentures of such series necessary to approve an Extraordinary Resolution.

For purposes of the Senior Trust Indenture, “**Extraordinary Resolution**” means, for any series of Senior Debentures, an instrument in writing signed by the holders of not less than 66²/₃% (or 75% in certain events as described above) of the aggregate outstanding principal amount of such series of Senior Debentures or a resolution passed as an Extraordinary Resolution by the affirmative vote of the holders of not less than 66²/₃% (or 75% in certain events as described above) of the aggregate outstanding principal amount of such series of Senior Debentures represented and voting at a meeting of holders of such series of Senior Debentures duly convened and held in accordance with the Senior Trust Indenture, all upon compliance with the procedures specified in the Senior Trust Indenture.

Events of Default

If an event of default has occurred and is continuing, the Debenture Trustee may, in its discretion, or will, upon the request of holders of at least 25% in aggregate principal amount of the outstanding Senior Debentures of such series, declare the principal, premium (if any), interest and all additional amounts (if any) and other money payable on such series of Senior Debentures to be due and payable. Notwithstanding the foregoing, if the REIT or any material subsidiary of the REIT generally does not pay its liabilities as they become due or is subject to certain events of insolvency, bankruptcy, winding up or dissolution, or certain similar events, the outstanding Senior Debentures will become immediately due and payable without any declaration or other act on the part of the Debenture Trustee or any holders of Senior Debentures.

Waiver

In addition to certain waiver rights of the Debenture Trustee as provided in the Senior Trust Indenture, the holders of a majority of the outstanding principal amount of a series of Senior Debentures, on behalf of all holders of such series of Senior Debentures, may waive certain events of default under the Senior Trust Indenture with respect to such series of Senior Debentures.

Payment of Interest and Principal

The REIT expects that the depository, CDS Clearing and Depository Services Inc., as registered holder of the global certificates representing each series of Senior Debentures, upon receipt of any payment of principal or interest in respect of a global certificate, will credit participants' accounts, on the date principal or interest is payable, with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global certificate as shown on the records of the depository. The REIT also expects that payments of principal and interest by participants to the owners of beneficial interests in such global certificates will be governed by standing instructions and customary practices and will be the responsibility of such participants. The responsibility and liability of the REIT and the Debenture Trustee in respect of Senior Debentures represented by a global certificate is limited to making payment of any principal and interest due on such global certificate to the depository.

CREDIT RATING

On June 15, 2021, DBRS publicly confirmed that the Senior Debentures have a rating of BBB (high) (with a Negative trend) and, since that date, DBRS has not made any announcement, and the REIT is not aware of any proposed announcement to be made, to the effect that DBRS is reviewing or intends to revise or withdraw such rating. DBRS provides credit ratings of debt securities for commercial entities and the following description has been sourced from information made publicly available by DBRS.

The DBRS rating scale applicable to the Senior Debentures is intended to provide an opinion on the risk that an issuer will fail to satisfy its financial obligations in accordance with the terms under which an obligation has been issued. DBRS ratings are opinions based on the quantitative and qualitative analysis of information sourced and received by DBRS, which information is not audited or verified by DBRS. As the goal of each DBRS rating is to provide a forward-looking assessment, DBRS takes a longer-term "through the cycle" view of the issuer or debt obligation which emphasizes stability and as such, rating changes are not based solely on normal cycles in the economy. DBRS cautions that no two issuers possess exactly the same characteristics, nor are they likely to have the same future opportunities and, accordingly, two issuers with the same rating should not be considered to be of exactly the same credit quality.

The BBB (high) (with a Negative trend) rating assigned to the Senior Debentures by DBRS is the fourth highest rating of DBRS's ten major rating categories, which range from AAA to D. With the exception of the AAA and D categories, DBRS also uses "high" or "low" designations to indicate the relative standing of the securities being rated within a particular rating category, while the absence of either a "high" or "low" designation indicates the rating is in the middle of the category. Under the DBRS rating system, debt securities rated BBB are of adequate credit quality and while the capacity for the payment of financial obligations is considered acceptable, the securities may be vulnerable to future events. The assignment of a "Positive",

“Stable” or “Negative” trend modifier provides guidance in respect of DBRS’s opinion regarding the outlook for the rating assigned to the Senior Debentures. The rating trend indicates the direction in which DBRS considers the rating is headed should present tendencies continue.

The credit rating assigned to the Senior Debentures by DBRS is not a buy, hold or sell recommendation, does not address the market price of the Senior Debentures, and is not an assessment of the appropriateness of ownership of the Senior Debentures given various investment objectives. The credit ratings on the Senior Debentures may not reflect the potential impact of all risks and factors affecting the value of the Senior Debentures, including market risk, trading liquidity risk and covenant risk. In addition, real or anticipated changes in the credit ratings assigned to the Senior Debentures may affect their market value. DBRS uses rating symbols as a simple and concise method of expressing its opinion to the market, although DBRS ratings usually consist of broader contextual information regarding the security provided by DBRS in rating reports, which generally set out the full rationale for the chosen rating symbol, and in other releases. There is no assurance that any rating will remain in effect for any given period of time and ratings may be upgraded, downgraded, placed under review, confirmed and discontinued by DBRS in the future if in its judgment circumstances so warrant.

The REIT has made customary payments of rating fees to DBRS in connection with the above-mentioned ratings assigned to the Senior Debentures as well as in connection with the ratings assigned to the REIT’s other Senior Debentures, and will continue to make such payments to DBRS in the ordinary course from time to time in connection with the confirmation of such ratings and future offerings of certain debt securities of the REIT, if any. As well, within the last two years, credit ratings were provided, and payments were made to DBRS in connection with ratings on the first mortgage bonds secured by The Bow.

DESCRIPTION OF EXCHANGEABLE UNITS

Description of HRLP Exchangeable Units

The Class B Limited Participation LP units of HRLP (the “**HRLP Exchangeable Units**”) are entitled to cash distributions from HRLP equal to the cash distributions on the REIT Units into which they are exchangeable. HRLP Exchangeable Units are exchangeable on a one-for-one basis at any time for REIT Units (such REIT Units will be issued at the time of the exchange in accordance with the exchange and support agreement described below) plus a nominal cash amount. The outstanding HRLP Exchangeable Units are held by members of the H&R Group that exchanged their interest in the remaining Initial Properties for the HRLP Exchangeable Units on November 1, 2004 or members of the H&R Group to whom such HRLP Exchangeable Units have been transferred.

HRLP, the REIT and HRP Trust entered into an amended and restated exchange and support agreement dated as of August 31, 2018 that provides, among other things, for (i) certain capital contributions to be made by the REIT in case HRLP has insufficient funds to pay the required distributions on the HRLP Exchangeable Units and (ii) the mechanics whereby HRLP Exchangeable Units may be exchanged for REIT Units.

During 2021, 91,000 HRLP Exchangeable Units were converted by holders thereof into 91,000 REIT Units.

As at the date hereof, there are 5,265,848 HRLP Exchangeable Units outstanding, exchangeable into 5,265,848 REIT Units.

Description of HRRMSLP Exchangeable Units

The Exchangeable GP Units of HRRMSLP (the “**HRRMSLP Exchangeable Units**”) are entitled to cash distributions from HRRMSLP equal to the cash distributions on the REIT Units into which they are exchangeable. HRRMSLP Exchangeable Units are exchangeable on a one-for-one basis at any time for REIT Units (such REIT Units will be issued at the time of the exchange in accordance with the exchange agreement described below) plus a nominal cash amount. The outstanding HRRMSLP Exchangeable Units were issued to the Former Property Manager upon closing of the internalization of the REIT’s property management function and are now held by an affiliate of the Former Property Manager.

The amended and restated exchange agreement dated August 31, 2018 entered into by HRRMSLP, the REIT, H&R MSLP GP Inc. and an affiliate of the Former Property Manager, that provides, among other things, for the mechanics whereby HRRMSLP Exchangeable Units may be exchanged for REIT Units.

As at the date hereof, there are 13,013,698 HRRMSLP Exchangeable Units outstanding, exchangeable into 13,013,698 REIT Units, and 13,013,698 associated Special Voting Units outstanding, entitling the holder thereof to 13,013,698 votes. During 2021, no HRRMSLP Exchangeable Units were converted by the holder thereof, and in connection with the Primaris Spin-Off and the grant of the Gross-up Option, the affiliate of the Former Property Manager entered into an agreement whereby it would agree not to exchange its HRRMSLP Exchangeable Units for a period of one year from the closing date of the Primaris Spin-Off, subject to early release in the event of certain “change of control” transactions affecting the REIT.

Primaris Exchangeable Units and the Gross-up Option

Immediately following and as a consequence of the Primaris Spin-Off, the HRLP Exchangeable Units and the HRRMSLP Exchangeable Units (collectively, “**H&R Exchangeable Units**”) were each exchangeable for one REIT Unit and one quarter of one unit of Primaris (and a nominal amount of cash), subject to the right of the Trustees to irrevocably elect that on an exchange of an H&R Exchangeable Unit, the holder will receive in lieu of Primaris units an additional number of REIT Units that the Trustees determined on or before the effective date of the Primaris Spin-Off to be economically equivalent to such Primaris units (the “**Gross-up Option**”). In order to enable the REIT to satisfy such exchange rights, as at December 31, 2021, the REIT held 13,344,071 exchangeable units of a subsidiary of Primaris exchangeable into 3,336,016 Primaris units (“**Primaris Exchangeable Units**”).

On January 4, 2022, the Trustees exercised the Gross-up Option, such that the REIT was no longer obliged to deliver Primaris units on an exchange of H&R Exchangeable Units and instead, holders of H&R Exchangeable Units would only receive REIT Units, and the votes associated with the Special Voting Units would reflect the number of votes associated with the REIT Units deliverable upon exchange of the HRRMSLP Exchangeable Units. As a result of the exercise of the Gross-up Option, on January 10, 2022, the REIT exchanged its Primaris Exchangeable Units for Primaris units and as at the date hereof, no longer holds any units of Primaris. Subsequent to the exercise of the Gross-up Option, the H&R Exchangeable Units and Special Voting Units were subdivided to result in a one-for-one exchange ratio for ease of administration. The subdivision did not result in any additional entitlements to holders of H&R Exchangeable Units.

DISTRIBUTION POLICY AND DISTRIBUTIONS

The following outlines the distribution policy of the REIT, as well as related provisions contained in the Declaration of Trust.

General

Pursuant to the Declaration of Trust, the REIT may distribute to Unitholders on each Distribution Date such amounts as shall be determined by the Trustees in their discretion for the calendar month ending on the Distribution Date (or, if the Distribution Date does not coincide with the last day of the calendar month, for the last calendar month ended immediately preceding the Distribution Date).

On each Distribution Date, any distribution by the Trustees shall be payable proportionately to persons who are Unitholders on the record date for distribution in respect of each such distribution.

Notwithstanding the foregoing, the total amount of distributions due and payable by the REIT on or before the last day of any taxation year of the REIT for purposes of the Tax Act shall not be less than the amount necessary to ensure that the REIT will not be liable to pay income tax under Part I of the Tax Act for such year. The amount, if any, which is required to be distributed to comply with the preceding sentence shall be due and payable, on the earlier of the last Distribution Date in respect of each year and the last day of such taxation year, to persons who are Unitholders of record on that date, such amount

to be payable in cash unless the Trustees determine in their absolute discretion to pay such amount in REIT Units in any particular year, in which case such amount shall be payable in REIT Units for that year.

Where the Trustees determine that the REIT does not have available cash in an amount sufficient to make payment of the full amount of any distribution payable on the Distribution Date, or where the Trustees otherwise determine in their absolute discretion that all or a portion of such distribution should not be paid in cash, the payment may, at the option of the Trustees, include the issuance of additional REIT Units, or fractions of REIT Units, if necessary, having a fair market value as determined by the Trustees equal to the difference between the amount of such distribution and the amount of cash which either has been determined by the Trustees in their absolute discretion to be available, or which the Trustees have otherwise determined shall be distributed in their absolute discretion as the case may be, for the payment of such distribution.

At any time the Trustees may declare an extraordinary distribution of cash, REIT Units or property of the REIT *in specie*. Distributions shall be made in cash or REIT Units pursuant to any distribution reinvestment plan or distribution reinvestment and unit purchase plan adopted by the Trustees, or, in the case of an extraordinary distribution, in cash, REIT Units or property of the REIT *in specie*.

Any distribution, including an extraordinary distribution, of REIT Units shall be subject to the restrictions noted at “Declaration of Trust and Description of REIT Units – Limitation on Non-Resident Ownership”.

Allocation of Income and Net Taxable Capital Gains

During each year, the Trustees will generally allocate the income and net taxable capital gains of the REIT for the purposes of the Tax Act monthly on a *pro rata* basis to Unitholders, based on the monthly distribution received by each Unitholder. The \$0.63 per REIT Unit special distribution payable in REIT Units to Unitholders of record on December 31, 2021, was designated as a capital gain.

Tax Deferral on Distributions

The adjusted cost base of REIT Units held by a Unitholder will generally be reduced by the non-taxable portion of distributions made to the Unitholder (other than the non-taxable portion of certain capital gains). A Unitholder will generally realize a capital gain to the extent that the adjusted cost base of the Unitholder’s REIT Units would otherwise be a negative amount.

Withholding Taxes

The REIT may deduct and withhold from each distribution payable to any Unitholder, all amounts which the REIT is required or permitted by law to deduct or withhold therefrom. In addition, in the case of non-cash distributions, the REIT shall (except as otherwise determined by the Trustees) publicly announce the amount of tax required to be withheld from the portion of the distribution that is payable to Non-Residents, and allow for such Non-Residents to remit to the REIT an amount equal to the tax required to be withheld from the distribution. If a Non-Resident does not remit such amount for withholding tax purposes, the REIT shall have the right to recover the full amount of such withholding tax by directing the transfer agent for the REIT Units to, on behalf of such Unitholder, sell all or a portion of the Non-Resident’s REIT Units. Upon any such sale, the affected Unitholder shall cease to be the holder of such REIT Units.

Distribution Policy

The Trustees retain the right to re-evaluate the distribution policy from time to time as they consider appropriate. As all distributions remain subject to declaration by the Trustees, there is no assurance that the actual distributions declared will be as currently intended. See also “Risk Factors – Risks Relating to Securities of the REIT – Availability of Cash for Distributions”. In light of operating and capital market conditions, the Board approved a 50% reduction of monthly distributions effective May 2020, from \$0.11500 per REIT Unit to \$0.05750 per REIT Unit, or \$0.690 per REIT Unit annually. As a result

of the Primaris Spin-Off, the Trustees approved a new monthly distribution policy of \$0.04333 per REIT Unit, or \$0.52 per REIT Unit annually.

Distributions

The following table sets forth the REIT's cash distributions per REIT Unit (rounded to the nearest hundred-thousandth of a dollar) on a monthly basis:

Month	2019	2020	2021
January	\$0.11500	\$0.11500	\$0.05750
February	\$0.11500	\$0.11500	\$0.05750
March	\$0.11500	\$0.11500	\$0.05750
April	\$0.11500	\$0.11500	\$0.05750
May	\$0.11500	\$0.05750	\$0.05750
June	\$0.11500	\$0.05750	\$0.05750
July	\$0.11500	\$0.05750	\$0.05750
August	\$0.11500	\$0.05750	\$0.05750
September	\$0.11500	\$0.05750	\$0.05750
October	\$0.11500	\$0.05750	\$0.05750
November	\$0.11500	\$0.05750	\$0.05750
December	\$0.11500	\$0.05750	\$0.05750

In addition to the regular monthly cash distributions, the REIT declared a special distribution of \$0.73 per REIT Unit, payable in cash (as to \$0.10 per REIT Unit) and additional REIT Units (\$0.63 per REIT Unit), which additional REIT Units were immediately consolidated such that there was no change in the number of REIT Units held by each Unitholder, payable to Unitholders of record as of December 31, 2021. The non-cash portion of the distribution was paid on December 31, 2021 and the cash portion of the distribution was paid on January 12, 2022.

In each of the months of January 2022 and February 2022, the REIT paid distributions in the amount of \$0.0433 per REIT Unit. On February 14, 2022, the REIT also declared a distribution in the amount of \$0.0433 per REIT Unit, payable on April 18, 2022 to Unitholders of record on March 31, 2022.

Unitholder Distribution Reinvestment Plan and Unit Purchase Plan

Participants in the REIT's unitholder distribution reinvestment plan (the "**DRIP**") are entitled to elect to have the cash distributions of the REIT automatically reinvested in additional REIT Units at a price per REIT Unit calculated by reference to the weighted average price of REIT Units on the TSX for the five trading days immediately preceding the relevant Distribution Date. In addition, participating Unitholders are entitled to receive an additional distribution, which is reinvested in additional REIT Units, equal to 3% of each cash distribution reinvested pursuant to the DRIP.

Participants in the REIT's unit purchase plan (the "**Unit Purchase Plan**") are entitled to elect to make additional, monthly cash payments for investment in additional REIT Units at the weighted average price of REIT Units on the TSX for the five trading days immediately preceding the last business day of each calendar month. Purchases by each participant under the Unit Purchase Plan are subject to a monthly minimum of \$250 and an annual maximum of \$13,500, while the aggregate number of REIT Units that may be issued in each year under the Unit Purchase Plan may not exceed 2% of the number of REIT Units outstanding at the commencement of the REIT's fiscal year.

No commissions, service charges or brokerage fees are payable in connection with the purchase of REIT Units under the DRIP and the Unit Purchase Plan (collectively, the "**Plans**") and all administrative costs are borne by the REIT. The Plans are available to registered Unitholders resident in Canada for purposes of the Tax Act. Upon ceasing to be a resident of Canada, a participating Unitholder must terminate its participation in the Plans.

Effective February 28, 2018, the REIT suspended the DRIP and the Unit Purchase Plan until further notice.

PRIOR SALES OF UNLISTED SECURITIES

The following securities of the REIT were issued during the year ended December 31, 2021 and are not listed or quoted on a marketplace:

- In February 2021, the REIT completed a private offering of \$300 million principal amount of Series S Senior Debentures.

MARKET FOR SECURITIES

The REIT Units trade on the TSX under the trading symbol “HR.UN”. The following table sets forth the high and low trading prices and trading volumes of the REIT Units on the TSX for the periods indicated:

Period	High (\$)	Low (\$)	Volume
January 2021	13.36	11.99	14,305,397
February 2021	14.12	12.13	15,245,468
March 2021	15.25	13.77	21,244,840
April 2021	15.26	14.23	13,081,769
May 2021	16.01	15.07	10,934,300
June 2021	16.74	15.83	15,962,183
July 2021	17.14	15.93	10,454,184
August 2021	17.15	15.67	11,769,356
September 2021	16.80	15.43	16,593,595
October 2021	17.27	15.50	16,900,765
November 2021	17.25	15.59	16,269,942
December 2021	16.27	15.36	17,345,234

Source: TSX MarketData

MANAGEMENT OF THE REIT

Management Overview

The day-to-day operations of the REIT are under the direction of management. The operations of the REIT are subject to the control of the Trustees. Among other duties, management is responsible for providing the Trustees and the Investment Committee with information and advice relating to acquisitions, dispositions and financing, maintaining the books and financial records of the REIT, preparing reports and other information required to be sent to Unitholders and Special Voting Unitholders and other disclosure documents, calculating and determining all allocations, designations, elections and determinations to be made in connection with the income and capital gains of the REIT for tax and accounting purposes, preparing all documentation relating to meetings of Unitholders and Special Voting Unitholders, completing or supervising completion of transactions and assisting in the recruitment of suitable individuals for nomination as Trustees. The approval of either the Investment Committee, if an Investment Committee has been appointed, or the Trustees is required prior to the REIT making any acquisition or disposition and for all borrowings and for the assumption or granting of any mortgage or other security interest in real property (other than the renewal of any existing mortgage or other security interests) where the purchase price, estimated capital commitment, proceeds from disposition or principal amount of mortgage or other security, as applicable, exceeds the threshold set by the Trustees and the Investment Committee, from time to time, for management-approved transactions. Furthermore, notwithstanding the appointment of the Investment Committee, the Trustees may consider and approve any matter which the Investment Committee has the authority to consider or approve and, in the case of transactions where the purchase price, estimated capital commitment, proceeds from disposition or principal amount of mortgage or other security, as applicable, exceeds \$500 million, must consider and approve such transaction.

Board of Trustees

General Provision in the Declaration of Trust

The Declaration of Trust provides that the REIT must have a minimum of five and a maximum of eleven Trustees. Presently, the REIT has nine Trustees. The number of Trustees within such minimum and maximum numbers may be changed by the Unitholders and the Special Voting Unitholders or, if authorized by the Unitholders and the Special Voting Unitholders, by the Trustees, provided that the Trustees may not, between meetings of Unitholders and Special Voting Unitholders, appoint an additional Trustee if, after such appointment, the total number of Trustees would be greater than one and one-third times the number of Trustees in office immediately following the last annual meeting of Unitholders and Special Voting Unitholders. The Trustees have been authorized to change the number of Trustees as aforesaid.

Trustees hold office for a term expiring at the earlier of the close of the next annual meeting of the Unitholders and Special Voting Unitholders following their respective appointment or election, or until their respective successors are elected or appointed. The Trustees have adopted a policy that entitles each Unitholder and Special Voting Unitholder to vote for each nominee on an individual basis rather than for a fixed slate of nominees. Further, the Trustees have adopted a “majority voting” policy for circumstances involving an “uncontested” election of Trustees.

A Trustee may be removed at any time with or without cause by two-thirds of the votes cast at a meeting of Unitholders and Special Voting Unitholders called for that purpose or by the written consent of Unitholders and Special Voting Unitholders holding in the aggregate not less than two-thirds of the outstanding REIT Units entitled to vote thereon or with cause by a resolution passed by an affirmative vote of not less than two-thirds of the remaining Trustees. The Declaration of Trust may only be amended to require a greater number of votes of Unitholders and Special Voting Unitholders to remove a Trustee other than the preceding number upon unanimous consent of the Unitholders and Special Voting Unitholders. The Trustees have adopted term limits requiring a Trustee to resign after such Trustee has been serving for 10 years since his or her initial election, subject to the Trustees’ ability to waive such limit. In addition, the REIT had a retirement guideline, which provided that the Trustees who were members of the Board prior to the annual meeting of Unitholders and Special Voting Unitholders of the REIT held on June 17, 2016, other than Trustees that are also members of management, were expected to submit their resignations no later than the date of the annual meeting of Unitholders and Special Voting Unitholders of the REIT held on

June 29, 2021 (the “**2021 Meeting**”), subject to the Board’s ability to waive such requirement. In accordance with such guideline, two Trustees did not stand for re-election at the 2021 Meeting. A vacancy occurring among the Trustees may be filled by the Unitholders and Special Voting Unitholders or by resolution of a majority of the remaining Trustees.

The Declaration of Trust contains additional provisions to the following effect with respect to Trustees:

- a majority of the Trustees must be resident Canadians;
- a majority of the Trustees, and of committee members, must be Independent Trustees; and
- a majority of the Trustees, at least two-thirds of members of the Investment Committee, and at least two-thirds of the Trustees voting on an acquisition or disposition of real property, shall have had at least five years substantial experience in the real estate industry.

Subject to the terms and conditions of the Declaration of Trust, the Trustees have full, absolute, and exclusive power, control and authority over the assets and affairs of the REIT to the same extent as if the Trustees were the sole owners of the assets of the REIT in their own right, to do all such acts and things as in their sole judgment and discretion are necessary or incidental to, or desirable for, the carrying out of any of the purposes of the REIT or the conducting of the affairs of the REIT.

The standard of care and duties of the Trustees provided in the Declaration of Trust are similar to those imposed on a director of a corporation governed by the CBCA. Accordingly, each Trustee is required to exercise the powers and carry out their functions as Trustees honestly, in good faith and in the best interests of the REIT and, in connection therewith, to exercise that degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. To the extent that the Trustees have contracted or delegated the performance of all or a portion of their activities to a property manager, they shall be deemed to have satisfied this standard of care.

Independent Trustee Matters

The following matters, among others, require the approval of a majority of the Independent Trustees to become effective:

- any changes in compensation of the Chief Executive Officer or the Chief Financial Officer; and
- the enforcement of any agreement entered into by the REIT with a non-Independent Trustee or with an associate of a non-Independent Trustee.

Trustees

The name, province and country of residence, principal occupation of each Trustee and their years of service as Trustees are as follows:

<u>Name, Province and Country of Residence</u>	<u>Principal Occupation</u>	<u>Year first became a Trustee</u>
Jennifer Chasson ⁽²⁾ Ontario, Canada	Partner, Zeifmans LLP, Chartered Accountants and President of Springbank Capital Corp.	2021
Mark Cowie ⁽¹⁾ Ontario, Canada	Principal at Cowie Capital Partners Inc.	2021
Stephen Gross ⁽¹⁾ Ontario, Canada	Principal at Initial Corporation	2021
Brenna Haysom ⁽³⁾ New York, United States	Chief Executive Officer, Rally Labs	2020
Thomas J. Hofstедter ⁽¹⁾ Ontario, Canada	President and Chief Executive Officer of the REIT	1996
Ashi Mathur Ontario, Canada	President of Marlin Spring	2021
Juli Morrow Ontario, Canada	Counsel, Goodmans LLP	2017
Marvin Rubner ⁽¹⁾⁽²⁾ Ontario, Canada	Manager and Founder, YAD Investments Limited	2020
Ronald C. Rutman ⁽¹⁾⁽²⁾⁽³⁾ Ontario, Canada	Partner, Zeifmans LLP, Chartered Accountants	1996

(1) Member of the Investment Committee.

(2) Member of the Audit Committee.

(3) Member of the Compensation, Governance and Nominating Committee.

Each of the Trustees, other than Mark Cowie and Ashi Mathur, has been engaged in the principal occupation described in the table above during the last five years. Prior to his current occupation, Mark Cowie was an executive president at Colliers International. Prior to his current occupation, Ashi Mathur held a number of roles with BMO Capital Markets.

Executive Officers

The name, province and country of residence, office of each executive officer of the REIT are as follows:

<u>Name, Province and Country of Residence</u>	<u>Office</u>
Thomas J. Hofstedter..... Ontario, Canada	President and Chief Executive Officer
Larry Froom Ontario, Canada	Chief Financial Officer
Philippe Lapointe Texas, United States	President, Lantower Residential
Robyn Kestenberg Ontario, Canada	Executive Vice President, Office & Industrial
Cheryl Fried..... Ontario, Canada	Executive Vice President, Finance
Blair Kundell Ontario, Canada	Executive Vice President, Operations
Matt Kingston..... Ontario, Canada	Executive Vice President, Development & Construction

Each of the executive officers of the REIT has held the office described in the table above as his or her principal occupation during the last five years except that:

- Philippe Lapointe was, prior to October, 2021, Chief Operating Officer, Lantower Residential;
- Robyn Kestenberg was, prior to October, 2021, Executive Vice President, Corporate Development of the REIT and prior to January 2017, a consultant to the REIT;
- Blair Kundell was, prior to July 2020, Vice President, Operations of the REIT; and
- Matt Kingston was, prior to January 1, 2022, Vice President, Construction & Development of the REIT's subsidiary, Primaris Management Inc., and prior to May 2018, Vice President, Development of Minto Properties Inc.

As at the date hereof, the Trustees and executive officers of the REIT, as a group, owned or beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of 5,876,454 REIT Units, representing approximately 2.1% of the outstanding REIT Units. In addition, Thomas J. Hofstedter is an officer, director and shareholder of a company, which in turn has voting control of a company (of which Mr. Hofstedter is also a director and officer) that owns 1,012,742 HRLP Exchangeable Units that are exchangeable on a one-for-one basis at any time for REIT Units (such REIT Units will be issued from treasury at the time of the exchange) – see “Description of Exchangeable Units – Description of HRLP Exchangeable Units”.

Corporate Cease Trade Orders or Bankruptcies

No Trustee or executive officer of the REIT is or has been, within the preceding ten years, a director, trustee, chief executive officer or chief financial officer of any company or trust (including a personal holding company of any such persons) that:

- (a) was subject to a cease trade order (or similar order that denied the company access to any exemption under securities legislation) that was issued while the Trustee or executive officer was acting in the capacity as director, trustee, chief executive officer or chief financial officer, or
- (b) was subject to a cease trade order (or similar order that denied the company access to any exemption under securities legislation) that was issued after the Trustee or executive officer ceased to be a director, trustee, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, trustee, chief executive officer or chief financial officer.

No Trustee or executive officer of the REIT is or has been, within the preceding ten years, a director, trustee or executive officer of any company or trust that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

No Trustee or executive officer of the REIT, or a personal holding company of any such persons, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making any investment decision concerning the securities of the REIT.

Individual Bankruptcies

No Trustee or executive officer of the REIT, or a personal holding company of any such persons, has, within the preceding ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that such person.

Conflict of Interest Restrictions and Provisions

The Declaration of Trust contains “conflict of interest” provisions that serve to protect Unitholders and Special Voting Unitholders without creating undue limitations on the REIT. Given that the Trustees are engaged in a wide range of real estate and other activities, the Declaration of Trust contains provisions, similar to those contained in the CBCA, that require each Trustee or officer of the REIT to disclose to the REIT any interest in a material contract or transaction or proposed material contract or transaction with the REIT or the fact that such person is a director or officer of or has a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with the REIT. Such disclosure is required to be made by a Trustee (i) at the first meeting of the Trustees or the Investment Committee at which a proposed contract or transaction is considered, (ii) if the Trustee was not then interested in a proposed contract or transaction or becomes interested after a contract is made or a transaction is entered into, at the first such meeting after the Trustee becomes so interested, or (iii) if a person who is interested in a contract or transaction later becomes a Trustee, at the first such meeting after such person becomes a Trustee. In the case of an officer of the REIT who is not a Trustee, such disclosure is required to be made (i) immediately after such person becomes aware that the contract or transaction or proposed contract or transaction is to be considered or has been considered at a meeting of the Trustees or the Investment Committee, (ii) if such person becomes interested after a contract is made or a transaction is entered to, immediately after such person becomes so interested, or (iii) if a person who is interested in a contract or transaction later becomes an officer of the REIT who is not a Trustee, immediately after such person becomes an officer of the REIT. In the event that a material contract or transaction or proposed material contract or transaction is one that in the ordinary course would not require approval by the Trustees or Unitholders and the Special Voting Unitholders, a Trustee or officer of the REIT is required to disclose in writing to the Trustees or request to have entered into the minutes of meetings of the Trustees the nature and extent of such person’s interest immediately after such person becomes aware of the contract or transaction

or proposed contract or transaction. In any case, a Trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating primarily to his remuneration as a Trustee, officer, employee or agent of the REIT or any affiliate of the REIT or one for indemnity under the provisions of the Declaration of Trust or the purchase of liability insurance.

In the event of any such conflict, the Trustees and officers of the REIT are required to conduct themselves in accordance with the obligations imposed on them by law or pursuant to any contractual arrangements that are binding upon them, including the Declaration of Trust.

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The responsibilities and duties of the REIT's Audit Committee (the "**Audit Committee**") are set out in the Audit Committee's charter, the text of which is set forth in Schedule A to this AIF.

Composition of the Audit Committee

Currently, there are three members of the Audit Committee, each of whom has been determined by the Trustees to be "independent" and "financially literate" as such terms are defined under Canadian securities laws. Each member of the Audit Committee has the ability to perform his responsibilities as an Audit Committee member based on his education and/or experience as summarized below.

Jennifer Chasson is a partner at Zeifmans LLP, Chartered Accountants (formerly Zeifman & Company, Chartered Accountants) and the founder and President of Springbank Capital Corporation (previously Chasson Financial), a boutique corporate finance advisory firm bringing investment banking to entrepreneurs in the Canadian mid-market. Jennifer earned her CPA, CA and CBV (Chartered Business Valuator) designations in 1996 and 2006, respectively. Ms. Chasson's academic and professional experience indicates expertise in the areas of executive management, finance and accounting.

Marvin Rubner has been the manager and founder of YAD Investments Limited, a private investment corporation located in Toronto, Ontario, since 1982. YAD Investments Limited invests in, manages and develops commercial, retail, and residential apartment buildings primarily in Canada and the United States. Mr. Rubner's professional experience indicates expertise in the areas of executive management and finance.

Ronald C. Rutman graduated from the Commerce and Finance Program of the University of Toronto in 1975 and received his designation as a Chartered Accountant in 1976. Mr. Rutman has been a partner at Zeifmans LLP, Chartered Accountants (formerly Zeifman & Company, Chartered Accountants) for over 40 years and has substantial real estate experience. Mr. Rutman's academic and professional experience, as well as his ongoing professional development courses and seminars, indicates expertise in the areas of finance and accounting.

Pre-Approval of Non-Audit Services

In accordance with the independence standards for auditors, the REIT is restricted from engaging its external auditors to provide certain non-audit services to the REIT, including bookkeeping or other services related to the accounting records or Financial Statements, financial information systems design and implementation, valuation services, actuarial services, internal audit services, corporate finance services, management functions, human resources functions, legal services and expert services unrelated to the audit. The REIT does engage its external auditors from time to time, to provide certain non-audit services other than the restricted services. All non-audit services must be specifically pre-approved by the Audit Committee.

External Auditor Service Fees

The following table sets forth the approximate amounts of fees paid and accrued to KPMG LLP, the REIT's external auditors, for services rendered for the fiscal years 2021, and 2020:

<u>Fee Category</u>	<u>2021</u>	<u>2020</u>
Audit fees ⁽¹⁾	\$1,743,859	\$1,383,335
Tax fees ⁽²⁾	\$251,460	\$403,466
Advisory and other fees ⁽³⁾	\$348,020	\$564,430
Total	\$2,343,229	\$2,351,231

- (1) "Audit fees" include the aggregate professional fees paid to KPMG LLP for the audit of the annual financial statements, the review of quarterly financial statements, and the fees paid for the assistance with regulatory filings and public offerings of REIT Units and debentures including compliance with legislative, regulatory initiatives and other services.
- (2) "Tax fees" include the aggregate fees paid and accrued to KPMG LLP for the provision of tax compliance, tax advice, tax planning and other tax-related services relating to acquisitions of properties or otherwise.
- (3) "Advisory and other fees" include the aggregate fees paid and accrued to KPMG LLP for items such as property audits, audits of operating costs and GHG services.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There are no proposed transactions, nor have there been any transactions within the last three fiscal years, which in either case have materially affected or will materially affect the REIT in which any of the Trustees or officers of the REIT or their affiliates had or has any material interest, direct or indirect.

LEGAL PROCEEDINGS

The REIT is involved in various non-material ordinary course legal proceedings. Although such proceedings cannot be predicted with certainty, management of the REIT does not expect that the outcome of these matters will have a material adverse effect on the REIT.

REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent for the REIT Units is TSX Trust Company at its principal office in Toronto, Ontario and the register of transfers of the REIT Units is located in Toronto.

BNY Trust Company of Canada, at its principal office in Toronto, Ontario, is the Debenture Trustee for the Senior Debentures.

MATERIAL CONTRACTS

The following are the only material contracts, other than contracts entered into in the ordinary course of business, which have been entered into by the REIT or any of the REIT's subsidiaries during 2021, or before 2021 but subsequent to December 31, 2001 and which are still in effect:

- (a) the Senior Trust Indenture (as more fully described under "Description of Senior Debentures"); and
- (b) the arrangement agreement in respect of the Primaris Spin-Off (see "The REIT – General Developments of the Business of the REIT").

Copies of all material contracts listed above may be found on SEDAR at www.sedar.com.

INTERESTS OF EXPERTS

KPMG LLP are the external auditors of the REIT and have audited the consolidated financial statements of the REIT as at and for the years ended December 31, 2021 and 2020, and have confirmed they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

RISK FACTORS

There are certain risks inherent in an investment in securities of the REIT and in the activities of the REIT, including the following which investors should carefully consider before investing in securities of the REIT.

Business Risks

Risks Associated with Disease Outbreaks and COVID-19

A local, regional, national or international outbreak of a contagious disease, including, but not limited to, the ongoing COVID-19 pandemic, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, or any other similar illness could result in restrictive measures being taken by various governments and businesses, such as those adopted in connection with the COVID-19 pandemic, which may result in additional risks and uncertainties to the REIT's business, operations and financial performance.

The duration and impact of any disease outbreak, including the COVID-19 pandemic, on the REIT and the efficacy of any government interventions are difficult to predict. As such, it is not possible to reliably estimate the length and severity of any impacts related to disease outbreaks on the financial results and operations of the REIT. Disruptions caused by a disease outbreak may negatively impact the market price for the equity securities of the REIT and may, in the short or long term, materially adversely impact the REIT's tenants and/or the debt and equity markets, both of which could materially adversely affect the REIT's operations and financial performance and ability to pay distributions. In addition, the REIT may experience delays with its current and future development projects, as is currently the case with respect to COVID-19 related delays.

The extent of the effect of any ongoing disease outbreak, including the COVID-19 pandemic, on the REIT's operational and financial performance will depend on numerous factors, including the duration, spread and intensity of the outbreak, the actions by governments and others taken to contain the outbreak or mitigate its impact, changes in the preferences of tenants and prospective tenants, and the direct and indirect economic effects of the outbreak and containment measures, all of which are uncertain and difficult to predict as such factors evolve rapidly over the course of any such disease outbreak. As a result, it is not possible to reliably ascertain the long term impact of any disease outbreak, including COVID-19, on the REIT's business and operations. Certain aspects of the REIT's business and operations that have been or could potentially continue to be impacted by disease outbreaks, including COVID-19, include rental income, occupancy, tenant inducements, future demand for space and market rents, as well as increased costs resulting from the REIT's efforts to mitigate the impact of such outbreak, longer-term stoppage of development projects, temporary or long-term labour shortages or disruptions, temporary or long-term impacts on domestic and global supply chains, increased risks to IT systems and networks, further impairments and/or write-downs of assets, and the deterioration of worldwide credit and financial markets that could limit the REIT's ability to access capital and financing on acceptable terms or at all.

Even after any disease outbreak has subsided, the REIT may continue to experience material adverse impacts to its business as a result of the global economy, including any related recession, as well as lingering effects on the REIT's employees, suppliers, third-party service providers and/or tenants.

With respect to the COVID-19 pandemic in particular, management continues to actively assess and respond where possible, to the effects of the COVID-19 pandemic on the REIT's employees, tenants, suppliers, and service providers, and

evaluate governmental actions being taken to curtail its spread. The REIT is continuing to review its future cash flow projections and the valuation of its properties in light of the COVID-19 pandemic, and intends to follow health and safety guidelines as they continue to evolve.

Real Property Ownership

All real property investments are subject to a degree of risk and uncertainty. Such investments are affected by various factors including general economic conditions, local real estate markets, the impact of disease outbreaks and COVID-19, demand for leased premises, competition from other available premises and various other factors.

The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants. Distributable cash and the REIT's income would be adversely affected if one or more major tenants or a significant number of tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the properties in which the REIT has an interest is not able to be leased on economically favourable lease terms. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting the REIT's investment may be incurred. Furthermore, at any time, a tenant of any of the properties in which the REIT has an interest may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and thereby cause a reduction in the cash flow available to the REIT.

The ability to rent unleased space in the properties in which the REIT has an interest will be affected by many factors and costs may be incurred in making improvements or repairs to property required by a new tenant. A prolonged deterioration in economic conditions could increase and exacerbate the foregoing risks. The failure to rent unleased space on a timely basis or at all would likely have an adverse effect on the REIT's financial condition.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing any income. If the REIT is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.

The REIT may, in the future, be exposed to a general decline of demand by tenants for space in properties. As well, certain of the leases of the properties held by the REIT have early termination provisions which, if exercised, would reduce the average lease term. However, such termination rights are generally exercisable only at a cost to the tenant and the amount of space in the portfolio of properties currently held by the REIT which could be affected is not significant.

A mortgage on any one property may, from time to time, exceed the estimated current market value of the related property. The cash flow from such a property may not be sufficient to cover debt servicing for that property. The cash flow from the portfolio of properties currently held by the REIT is, however, expected by management to be sufficient to cover any cash flow shortfalls on such a property.

Current Economic Environment

The REIT is subject to risks involving the economy in general, including inflation, deflation or stagflation, unemployment, geopolitical issues and a local, regional, national or international outbreak of a contagious disease, including the outbreak of COVID-19. Poor economic conditions could adversely affect the REIT's ability to generate revenues, thereby reducing its operating income and earnings. It could also have an adverse impact on the ability of the REIT to maintain occupancy rates which could harm the REIT's financial condition. In weak economic environments, the REIT's tenants may be unable to meet their rental payments and other obligations due to the REIT, which could have a material and adverse effect on the REIT. In addition, fluctuation in interest rates or other financial market volatility may adversely affect the REIT's ability to refinance existing Indebtedness on its maturity or on terms that are as favourable as the terms of existing indebtedness, which may impact negatively on the REIT's performance, may restrict the availability of financing for future prospective purchasers of the REIT's investments and could potentially reduce the value of such investments, or may adversely affect the ability of

the REIT to complete acquisitions on financially desirable terms. With respect to the COVID-19 outbreak, refer to the “Risks Associated with Disease Outbreaks and COVID-19” above.

Credit Risk and Tenant Concentration

The REIT is exposed to credit risk in the event that borrowers default on the repayment of the amounts owing to the REIT. Management mitigates this risk by ensuring adequate security has been provided in support of mortgages receivable.

The REIT is exposed to credit risk as an owner of real estate in that tenants may become unable to pay the contracted rents. Management mitigates this risk by carrying out appropriate credit checks and related due diligence on the significant tenants. Management has historically diversified the REIT’s holdings so that it owns several categories of properties (office, retail, industrial and residential) and acquires properties throughout Canada and the United States. In addition, management ensures that no tenant or related group of tenants, other than investment grade tenants, account for a significant portion of the cash flow.

In that regard, the Declaration of Trust restricts the leasing of real property to any person and that person’s affiliates where that person and its affiliates would, after the contemplated lease, be leasing real property having an aggregate leasable area in excess of 20% of the aggregate leasable area of all real property held by the REIT, unless the lessee is, or the lease is guaranteed by, the Government of Canada, the Government of the United States, a province or territory of Canada, any state of the United States, a municipality in Canada or the United States, or any agency or crown corporation thereof and certain corporations, the securities of which meet stated investment criteria or are investment grade. At December 31, 2021, the REIT was in compliance with this restriction. Furthermore, the only tenants which individually account for more than 5% of the rentals from investment properties of the REIT are Hess Corporation, New York City Department of Health and Bell Canada. Each of these entities have a public debt rating that is rated at least a BBB- Stable by a recognized rating agency.

Lease Rollover Risk

Lease rollover risk arises from the possibility that the REIT may experience difficulty renewing leases as they expire or in re-leasing space vacated by tenants upon lease expiry, or that the REIT may not achieve rental rate increases upon such renewals. Management attempts to enter into long-term leases to mitigate this risk. Management attempts to mitigate the risk by having staggered lease maturities and entering into longer term leases with built-in rental escalations. The leases for 34.0% of the REIT’s total commercial leasable area will expire in the next five years. The ability to rent unleased space in the properties in which the REIT has an interest will be affected by many factors. The failure to rent unleased space on a timely basis or at all or to achieve rental rate increases would likely have an adverse effect on the REIT’s financial condition and cash available for distributions may be adversely affected.

Interest Rate and Other Debt-Related Risks

The REIT is exposed to financing risk on maturing debt and interest rate risk on its borrowings. It minimizes this risk by negotiating fixed rate term debt with staggered maturities on the Properties portfolio and attempting to match average lease maturity to average debt maturity. At December 31, 2021, the percentage of fixed rate debt to total debt was 93.8% (December 31, 2020 – 89.0%). In addition, the REIT matches the terms to maturity of its mortgages on specific properties to the corresponding lease terms to maturity as closely as possible. As at December 31, 2021, the REIT had been granted mortgage financings in the aggregate amount of approximately \$2.6 billion (December 31, 2020 – \$4.4 billion) (including the REIT’s proportionate share of mortgages related to equity accounted investments) and the weighted average term to maturity of the mortgages was 5.8 years (December 31, 2020 – 4.9 years) compared to the remaining average lease term of 8.3 years (December 31, 2020 – 9.5 years). Only 12.1% of the total mortgage principal will mature before the end of 2022 and 5.5% of the total mortgage principal will mature during 2023. Derivative financial instruments may be utilized by the REIT in the management of its interest rate exposure. The REIT also minimizes financing risk by restricting total debt (subject to certain exceptions) to 65% of Total Assets as well as by obtaining non-recourse debt wherever possible. At December 31, 2021, the debt to Total Assets at the REIT’s proportionate share was 46.6% (December 31, 2020 – 51.1%).

The Senior Debentures, unsecured term loans and lines of credit of the REIT contain certain covenants and conditions applicable to the REIT, including without limitation, those requiring the REIT to maintain, at all times, the following financial ratios (i) ratio of debt to gross asset value of not greater than 0.65:1.0 measured at the end of each fiscal quarter; (ii) interest coverage of not less than 1.65:1.0 measured at the end of each fiscal quarter for such quarter and the prior three fiscal quarters; and (iii) unitholders' equity of not less than \$2.0 billion. As of December 31, 2021, the REIT was in compliance with each of the preceding financial ratios.

If REIT indebtedness is replaced by new debt that has less favourable terms or the REIT is unable to secure adequate funding, distributions by the REIT to holders of REIT Units may be adversely impacted. In addition, failure by the REIT to comply with its obligations under the documents governing such indebtedness (including in the case of the credit facilities, the failure to meet certain financial ratios and financial conditions tests) may adversely impact cash distributions on the REIT Units.

The REIT has been able to leverage off the low interest rate environment that the Canadian and U.S. economy has experienced in recent years. A reversal of this trend, however, may lead to the REIT's debt being refinanced at higher rates, thereby reducing net income and cash flows which could ultimately affect the level of distributions.

Development Risks

It is likely that, subject to compliance with the Declaration of Trust, the REIT will be involved in various development projects. The REIT's obligations in respect of properties under construction, or which are to be constructed, are subject to risks which include (i) the potential insolvency of a third party developer (where the REIT is not the developer); (ii) a third party developer's failure to use advanced funds in payment of construction costs; (iii) construction or other unforeseeable delays including the impact of COVID-19; (iv) cost overruns; (v) the failure of tenants to occupy and pay rent in accordance with existing lease agreements, some of which are conditional; (vi) the incurring of construction costs before ensuring rental revenues will be earned from the project; and (vii) increases in interest rates during the period of the development. Management strives to mitigate these risks where possible by entering into fixed price construction contracts with general contractors (and to the extent possible, on a bonded basis) and by attempting to obtain long-term financing as early as possible during construction.

Residential Rental Risk

The REIT expects to be increasingly involved in residential development projects and mixed-use development projects that include rental apartments and may include condominiums. As a landlord of its properties that include rental apartments, the REIT is subject to the risks inherent in the multi-unit residential rental business, including, but not limited to, fluctuations in occupancy levels, individual credit risk, heightened reputation risk, tenant privacy concerns, potential changes to rent control regulations, increases in operating costs including the costs of utilities and the imposition of new taxes or increased property taxes. Purchaser demand for residential condominiums is cyclical and is affected by changes in general market and economic conditions, such as consumer confidence, employment levels, availability of financing for home buyers, interest rates, demographic trends, housing supply and housing demand.

Currency Risk

The REIT is exposed to foreign exchange fluctuations as a result of ownership of assets in the United States and the rental income earned from these properties. In order to mitigate the risk, the REIT's debt on these properties is also held in U.S. dollars to act as a natural hedge.

The REIT is also exposed to foreign exchange fluctuations as a result of U.S. unsecured term loans and the U.S. lines of credit, each being denominated in U.S. dollars.

Capital Expenditures

Leasing capital and maintenance capital are incurred in irregular amounts and may exceed actual cash available from operations during certain periods. The REIT may be required to use part of its debt capacity or reduce distributions in order to accommodate such items. Capital for recoverable improvements may exceed recovery of amounts from tenants.

Liquidity Risk

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relationship with demand for and the perceived desirability of such investments. Such illiquidity will tend to limit the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If for whatever reason, liquidation of assets is required, there is a risk that sale proceeds realized might be less than the previously estimated market value of the REIT's investments or that market conditions, including the impact of COVID-19, would prevent prompt disposition of assets.

Cyber Security Risk

Cyber security has become an increasingly problematic issue for issuers and businesses in Canada and around the world, including the REIT. Cyber attacks against large organizations are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use or disrupting business operations. A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of the REIT's information resources. More specifically, a cyber-incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information. As the REIT's reliance on technology has increased, so have the risks posed to its systems. The REIT's primary risks that could directly result from the occurrence of a cyber-incident include operational interruption, damage to its reputation, damage to the REIT's business relationships with its tenants, disclosure of confidential information regarding its tenants, employees and third parties with whom the REIT interacts, and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny and litigation. The REIT has implemented processes, procedures and controls to help mitigate these risks, but these measures, as well as its increased awareness of a risk of a cyber-incident, do not guarantee that its financial results will not be negatively impacted by such an incident.

Financing Credit Risk

The REIT is also exposed to credit risk as a lender on the security of real estate in the event that a borrower is unable to make the contracted payments. Such risk is mitigated through credit checks and related due diligence of the borrowers and through careful evaluation of the worth of the underlying assets.

Environmental and Climate Change Risk

As an owner and manager of real property in Canada and the United States, the REIT is subject to various laws relating to environmental matters. These laws impose a liability for the cost of removal and remediation of certain hazardous materials released or deposited on properties owned by the REIT on or adjacent properties. The REIT will make the necessary capital and operating expenditures to ensure compliance with environmental laws and regulations. Although there can be no assurances, the REIT does not believe that costs relating to environmental matters will have a material adverse effect on the REIT's business, financial condition or results of operations. However, environmental laws and regulations may change and the REIT may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on the REIT's business, financial condition or results of operations.

In accordance with best management practices, Phase I audits are completed on all properties prior to acquisition. Further investigation is conducted if Phase I tests indicate a potential problem. The REIT has operating policies to monitor and

manage risk. In addition, the standard lease requires compliance with environmental laws and regulations and restricts tenants from carrying on environmentally hazardous activities or having environmentally hazardous substances on site.

Natural disasters and severe weather such as floods, ice storms, blizzards and rising temperatures may result in damage to the Properties. The extent of the REIT's casualty losses and loss in property operating income in connection with such events is a function of the severity of the event and the total amount of exposure in the affected area. The REIT is also exposed to risks associated with inclement winter weather, including increased need for maintenance and repair of the REIT's buildings. In addition, climate change, to the extent it causes changes in weather patterns, could have effects on the REIT's business by increasing the cost to recover and repair Properties and by increasing property insurance costs to insure a Property against natural disasters and severe weather events, and/or energy costs at the Properties. As a result, the consequences of natural disasters, severe weather and climate change could increase the REIT's costs and reduce the REIT's cash flow.

The REIT has taken proactive steps to mitigate the risk of climate change on its business and its properties and to address the REIT's environmental impact. See the "ESG" section of this AIF for additional details on the REIT's environmental and sustainability practices and initiatives.

General Uninsured Losses

The REIT carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks, generally of a catastrophic nature, such as wars or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. The REIT will have insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements, and will continue to carry such insurance if it is economical to do so. Should an uninsured or underinsured loss occur, the REIT could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, but the REIT would continue to be obliged to repay any recourse mortgage indebtedness on such properties.

Co-Ownership Interest in Properties

In certain situations, the REIT may be adversely affected by a default by a co-owner of a property under the terms of a mortgage, lease or other agreement. Although all co-owners agreements entered into by the REIT provide for remedies to the REIT in such circumstances, such remedies may not be exercisable in all circumstances, or may be insufficient or delayed, and may not cure a default in the event that such default by a co-owner is deemed to be a default of the REIT.

Joint Arrangement and Investment Risks

The REIT has several investments in joint ventures and investments in associates. The REIT is subject to risks associated with the management and performance of these joint arrangements and investments. Such risks include any disagreements with its partners relating to the development or operations of a property, as well as differences with respect to strategic decision making. Other risks include partners not meeting their financial or operational obligations. The REIT attempts to mitigate these risks by maintaining good working relationships with its partners, and conducting due diligence on their partners to ensure there is a similar alignment of strategy prior to creating a joint arrangement or investment.

Dependence on Key Personnel

The management of the REIT depends on the services of certain key personnel, including Thomas J. Hofstedter. The loss of the services of any of these key personnel could have an adverse effect on the REIT.

Potential Acquisition, Investment and Disposition Opportunities and Joint Venture Arrangements

The REIT evaluates business and growth opportunities and considers a number of acquisition, investment and disposition opportunities and joint venture arrangements to achieve its business and growth strategies. In the normal course,

the REIT may have outstanding non-binding letters of intent and/or conditional agreements or may otherwise be engaged in discussions with respect to potential acquisitions and financing of new assets, the refinancing of existing assets, potential dispositions, establishment of new joint venture arrangements, the viability and status of its joint venture arrangements, and changes to its capital structure, each of which, individually or in the aggregate, may or may not be material if they were to progress. However, there can be no assurance that any of these discussions will result in a definitive agreement and, if they do, what the terms or timing of any acquisition, investment or disposition would be or that such acquisition, investment or disposition will be completed by the REIT. Similarly, there can be no assurance that the REIT will enter into new joint venture arrangements or continue any existing joint venture arrangements. If the REIT does complete such transactions, the REIT cannot provide assurance that they will ultimately strengthen its competitive position or that they will not be viewed negatively by customers, securities analysts or investors. Such transactions may also involve significant commitments of the REIT's financial and other resources. Any such activity may not be successful in generating revenue, income or other returns to the REIT, and the resources committed to such activities will not be available to the REIT for other purposes.

Acquisitions of properties by the REIT are subject to the normal commercial risks and satisfaction of closing conditions that may include, among other things, lender approval, *Competition Act* (Canada) approval, receipt of estoppel certificates and obtaining title insurance. Such acquisitions may not be completed or, if completed, may not be on terms that are exactly the same as initially negotiated. In the event that the REIT does not complete an acquisition, it may have an adverse effect on the operations and results of the REIT in the future and its cash available for distributions to Unitholders.

Potential Undisclosed Liabilities Associated with Acquisitions

The REIT may acquire properties that are subject to existing liabilities, some of which may be unknown at the time of the acquisition or which the REIT may fail to uncover in its due diligence. Unknown liabilities might include liabilities for cleanup or remediation of undisclosed environmental conditions, claims by tenants, vendors or other persons dealing with the vendor or predecessor entities (that have not been asserted or threatened to date), and accrued but unpaid liabilities incurred in the ordinary course of business. Representations and warranties given by third parties to the REIT regarding acquired properties may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties. While in some instances the REIT may have the right to seek reimbursement against an insurer or another third party for certain of these liabilities, the REIT may not have recourse to the vendor of the properties for any of these liabilities.

Competition for Real Property Investments

The real estate business is competitive. Numerous other developers, managers and owners of properties compete with the REIT in seeking tenants. Some of the properties located in the same markets as the REIT's properties may be newer, better located, less levered or have better tenant profiles than the REIT's properties. Some property owners with properties located in the same markets as the REIT's properties may be better capitalized and may be stronger financially and hence better able to withstand an economic downturn. Competitive pressures in such markets could have a negative effect on the REIT's ability to lease space in its properties and on the rents charged or concessions granted, which could have an adverse effect on the REIT's financial condition and results of operation and decrease the amount of cash available for distribution.

The REIT competes for suitable real property investments with individuals, corporations, other real estate investment trusts and institutions (both Canadian and foreign) which are presently seeking, or which may seek in the future, real property investments similar to those desired by the REIT. Many of these investors have greater financial resources than those of the REIT, or operate without the REIT's investment restrictions, or according to more flexible conditions. An increase in the availability of investment funds and an increase in interest in real property investments, would tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yields thereon.

Potential Conflicts of Interest

The REIT may be subject to various conflicts of interest because of the fact that the members of management and the Trustees may be engaged in a wide range of real estate and other business activities and the REIT may become involved in transactions which conflict with the interests of the foregoing.

REIT management and the Trustees may from time to time deal with persons, firms, institutions or corporations with which the REIT may be dealing, or which may be seeking investments similar to those desired by the REIT. The interests of these persons could conflict with those of the REIT. In addition, from time to time, these persons may be competing with the REIT for available investment opportunities.

Any decisions regarding the enforcement by the REIT of the terms of any agreement entered into by the REIT with a non-Independent Trustee or with an associate of a non-Independent Trustee may be made by a majority of the Independent Trustees. There is a risk that non-Independent Trustees may attempt to influence the Independent Trustees in this regard.

The Declaration of Trust contains “conflicts of interest” provisions requiring Trustees to disclose material interests in material contracts and transactions and refrain from voting thereon. See “Management of the REIT – Conflict of Interest Restrictions and Provisions”.

The REIT entered into the Non-Competition Agreement with certain parties which addresses certain potential conflicts of interest. See “Non-Competition Arrangements”.

Risks Relating to Securities of the REIT

Prices of REIT Securities

Publicly traded trust units will not necessarily trade at values determined solely by reference to the underlying value of trust assets. Accordingly, the REIT Units may trade at a premium or a discount to the underlying value of the assets of the REIT.

One of the factors that may influence the quoted price of the REIT Units is the annual yield on the REIT Units. Accordingly, an increase in market interest rates may lead investors in REIT Units to demand a higher annual yield which could adversely affect the quoted price of the REIT Units. In addition, the quoted price of the REIT Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of the REIT.

Challenging market conditions, the health of the economy as a whole and numerous other factors beyond the control of the REIT may have a material effect on the business, financial condition, liquidity and results of operations of the REIT. Financial markets have previously experienced significant price and volume fluctuations that have particularly affected the market prices of securities of issuers and that have often been unrelated to the operating performance, underlying asset values or the prospects of such issuers. There can be no assurance that such fluctuations in price and volume will not occur again. Accordingly, the market price of the REIT Units may decline even if the REIT’s operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such increased levels of volatility and market turmoil occur, the REIT’s operations could be adversely impacted and the trading price of the REIT Units may be adversely affected.

Availability of Cash for Distributions

The REIT’s current proposed distribution policy is outlined under “Distribution Policy and Distributions – Distribution Policy”. Although the REIT intends to make distributions of its available cash to Unitholders in accordance with its distribution

policy, these cash distributions may be reduced or suspended, including as a result of the impact of COVID-19 on the REIT's business. The actual amount distributed by the REIT will depend on numerous factors including capital market conditions, the financial performance of the Properties, the REIT's debt covenants and obligations, its working capital requirements, its future capital requirements, its development commitments and fluctuations in interest rates. Cash available to the REIT for distributions may be reduced from time to time because of items such as principal repayments on debt, tenant allowances, leasing commissions, capital expenditures or any other business needs that the Trustees deem reasonable. The REIT may be required to use part of its debt capacity in order to accommodate any or all of the above items. The market value of the REIT Units may decline significantly if the REIT suspends or reduces distributions. The Trustees retain the right to re-evaluate the distribution policy from time to time as they consider appropriate.

Credit Ratings on Securities of the REIT

See "Credit Rating".

Ability to Access Capital Markets

As the REIT distributes a substantial portion of its income to holders of REIT Units, the REIT may need to obtain additional capital through capital markets and the REIT's ability to access the capital markets through equity issues and forms of secured or unsecured debt financing may affect the operations of the REIT as such financing may be available only on disadvantageous terms, if at all. If financing is not available on acceptable terms, further acquisitions or ongoing development projects may be curtailed and cash available for distributions or to fund future commitments may be adversely affected.

Tax Risk

The Tax Act includes rules (referred to herein as the "**SIFT Rules**") which effectively tax certain income of a publicly traded trust that is distributed to its investors or of a publicly traded partnership on the same basis as would have applied had the income been earned through a taxable corporation and distributed by way of dividend to its shareholders. The SIFT Rules apply only to "SIFT trusts", "SIFT partnerships" (each as defined in the Tax Act) and their investors. A trust that qualifies as a "real estate investment trust" (as defined in the Tax Act) for a taxation year will not be considered to be a SIFT trust in that year (the "**REIT Exemption**").

Based on a review of the REIT's assets and revenues, management believes that the REIT satisfied the tests to qualify for the REIT Exemption for 2021. Management of the REIT intends to conduct the affairs of the REIT so that it qualifies for the REIT Exemption at all future times. However, as the REIT Exemption includes complex revenue and asset tests, no assurances can be provided that the REIT has qualified for the REIT Exemption for its 2021 taxation year or will qualify for the REIT Exemption for its current or any subsequent taxation year.

The REIT currently qualifies as a mutual fund trust for purposes of the Tax Act. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the Canada Revenue Agency, including in respect of the treatment of mutual fund trusts or SIFT trusts, will not be changed in a manner which adversely affects the REIT or holders of REIT Units. If the REIT does not qualify as a "mutual fund trust" under the Tax Act or were to cease to so qualify, the income tax considerations applicable to the REIT and an investment in REIT Units would be materially and adversely different. For example, if the REIT were to cease to qualify as a mutual fund trust and the REIT Units cease to be listed on a designated stock exchange (which currently includes the TSX), the REIT Units would cease to be qualified investments for Registered Plans.

The 2021 Canadian Federal Budget included proposals to amend the Tax Act to introduce a new limitation on the deductibility of interest and other financing-related expenses. Draft legislation to implement these proposals was released on February 4, 2022, with a proposed effective date of January 1, 2023 (the "**Draft EIFEL Rules**"). In general, the Draft EIFEL Rules propose to limit the deductibility of interest and other financing-related expenses by an entity to the extent that such expenses, net of interest and other financing-related income, exceed a fixed ratio of the entity's taxable income before interest,

taxes, depreciation and amortization (referred to as tax EBITDA). The rules provide, in certain circumstances, for unused deduction capacity in a particular year to be carried back or forward to other taxation years. The Draft EIFEL Rules and their application are highly complex, and there can be no assurances that the Draft EIFEL Rules, if enacted as proposed, will not have adverse consequences to the REIT or its Unitholders. In particular, if these rules were to apply to restrict deductions otherwise available to the REIT, the taxable component of distributions paid by the REIT to Unitholders may be increased, which could reduce the after-tax return associated with an investment in REIT Units.

If the REIT experiences a “loss restriction event”, as defined in the Tax Act, (i) it will be deemed to have a year-end for tax purposes (which would result in an unscheduled distribution of undistributed net income and net realized capital gains, if any, at such time to Unitholders to the extent necessary to ensure that the REIT is not liable for income tax on such amounts under Part I of the Tax Act), and (ii) it will become subject to the loss restriction rules generally applicable to a corporation that experiences an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on its ability to carry forward unused losses to future taxation years. Generally, the REIT will be subject to a loss restriction event if a person becomes a “majority-interest beneficiary”, or a group of persons becomes a “majority-interest group of beneficiaries”, of the REIT, each as defined in the affiliated persons rules contained in the Tax Act, with certain modifications. Generally, a majority-interest beneficiary of a trust is a beneficiary of the trust whose beneficial interests in the income or capital of the trust, as the case may be, together with the beneficial interests in the income or capital of the trust, as the case may be, of persons and partnerships with whom such beneficiary is affiliated for the purposes of the Tax Act, represent greater than 50% of the fair market value of all the interests in the income or capital of the trust, as the case may be.

The REIT operates in the United States through U.S. Holdco, which is capitalized with debt and equity provided by the REIT. During 2018, the REIT made loans to U.S. Holdco (“**U.S. Holdco Loans**”), including a revolving loan that U.S. Holdco drew upon in 2020 and 2021, to refinance existing loans, including U.S. Holdco Notes, or indirectly fund additional U.S. Holdco acquisitions of income generating real property. Management anticipates that U.S. Holdco will continue to borrow funds from the REIT in the future for similar purposes, to fund its operations or to refinance existing loans. U.S. Holdco treats the U.S. Holdco Notes and U.S. Holdco Loans as indebtedness for U.S. federal income tax purposes. If the IRS or a court were to determine that the U.S. Holdco Notes and/or the U.S. Holdco Loans should be treated for U.S. federal income tax purposes as equity rather than debt, the interest on the U.S. Holdco Notes and/or the U.S. Holdco Loans could be treated as a dividend, and interest on the U.S. Holdco Notes and/or the U.S. Holdco Loans would not be deductible for U.S. federal income tax purposes. In addition, if the IRS were to determine that the interest rate on the U.S. Holdco Notes and/or the U.S. Holdco Loans did not represent an arm’s length rate, any excess amount over the arm’s length rate would not be deductible and could be re-characterized as a dividend payment instead of an interest payment. This would significantly increase the U.S. federal income tax liability of U.S. Holdco, potentially including the tax liability for prior years in which U.S. Holdco has claimed a deduction for interest paid on the U.S. Holdco Notes. In addition, U.S. Holdco could be subject to penalties. Such an increase in tax liability could materially adversely affect U.S. Holdco’s ability to make interest payments on the U.S. Holdco Loans or the REIT’s ability to make distributions on the REIT Units.

For taxable years beginning before January 1, 2018, Section 163(j) of the Internal Revenue Code prior to its amendment (“**Prior Section 163(j)**”) by the Tax Cuts and Jobs Act of 2017 (“**U.S. Tax Reform**”) applied to limit the deduction of interest paid to a related party, including debt financing provided by the REIT to U.S. Holdco (e.g., the U.S. Holdco Loans or by acquiring U.S. Holdco Notes). With respect to the U.S. Holdco Notes, the REIT took the position that, due to the treatment of H&R Finance Trust as a grantor trust that was disregarded for U.S. federal tax purposes, the interest paid to H&R Finance Trust was treated as having been paid to the holders of the H&R Finance Trust units and was therefore not subject to Prior Section 163(j). If Prior Section 163(j) applied to interest paid to the REIT and/or H&R Finance Trust, depending on the facts and circumstances and the availability of net operating losses to U.S. Holdco (which are subject to normal assessment by the IRS), the U.S. federal income tax liability of U.S. Holdco could increase for years subject to Prior Section 163(j).

Under U.S. Tax Reform, Prior Section 163(j) has been repealed and replaced with a new section 163(j) that is applicable to taxable years beginning after December 31, 2017. New section 163(j) applies to both related and third-party debt and there is no debt to equity ratio safe harbor. New section 163(j) limits all interest deductions (related and third party) to 30% (50% for the 2019 and 2020 taxable years) of “adjusted taxable income” (defined similarly to earnings before interest, taxes,

depreciation and amortization for taxable years beginning before January 1, 2022, and earnings before interest and taxes thereafter). However, there is an exception to the limitation of new section 163(j) for certain “real property trades or businesses” that make an irrevocable election. If such an election is made, the real property trade or business is required to use the alternative depreciation system (ADS) to depreciate certain assets for U.S. federal income tax purposes. Management believes U.S. Holdco was eligible to make this election and did so for 2018 onwards.

As the new U.S. Tax Reform continues to move through the implementation process, there is risk that regulatory, administrative or legislative actions could have a materially adverse effect on the REIT’s deferred income tax assets or liabilities. Management continues to monitor ongoing developments and IRS guidance.

Additional Tax Risks Applicable to Unitholders

The REIT is classified as a foreign corporation for United States federal income tax purposes. A foreign corporation will be classified as a passive foreign investment company, or “**PFIC**”, for United States federal income tax purposes if either (i) 75% or more of its gross income is passive income or (ii) on average for the taxable year, 50% or more of its assets (by value) produce or are held for the production of passive income. If the REIT were treated as a PFIC, then in the absence of certain elections being made by a U.S. Unitholder with respect to such U.S. Unitholder’s REIT Units, any distributions in respect of REIT Units which are treated as “excess distributions” under the applicable rules and any gain on a sale or other disposition of REIT Units would be treated as ordinary income and would be subject to special tax rules, including an interest charge. In addition, if the REIT were treated as a PFIC, then dividends paid on REIT Units will not qualify for the reduced 20% U.S. federal income tax rate applicable to certain qualifying dividends received by non-corporate taxpayers.

The foregoing adverse consequences of PFIC characterization can be mitigated by making certain elections. U.S. Unitholders should consult with their own tax advisors regarding the implications of these rules and the advisability of making one of the applicable PFIC elections, taking into account their particular circumstances. If the REIT were a PFIC, U.S. Unitholders would be required to file an annual return on IRS Form 8621.

U.S. individuals are required to report an interest in any “specified foreign financial asset” if the aggregate value of such assets owned by the U.S. individual exceeds \$50,000 (or such higher threshold as may apply to a particular taxpayer pursuant to the instructions to IRS Form 8938). REIT Units are treated as a specified foreign financial asset for this purpose.

A holder of REIT Units that is a resident of the U.S. for purposes of the Tax Act will generally be subject to Canadian withholding tax under Part XIII of the Tax Act at the rate of 25% on the portion of the income of the REIT (including, in general, taxable capital gains deemed to be “TCP gains distributions” for purposes of the Tax Act) paid or credited (whether in cash or *in specie*) in respect of such REIT Units, subject to reduction under the *Canada-U.S. Tax Convention* (the “**U.S. Treaty**”), if applicable. The withholding rate applicable to a U.S. Unitholder entitled to the benefits of the U.S. Treaty in respect of such income generally would be reduced to 15% in the case of income arising in Canada and to 0% in the case of income arising outside of Canada. U.S. Unitholders may be entitled to a refund of a portion of such withholding tax if the rate applied by the REIT were determined to be excessive. You should consult with your own tax advisor regarding the advisability of applying for such a refund.

Dilution

The number of REIT Units the REIT is authorized to issue is unlimited. The Trustees have the discretion to issue additional REIT Units in certain circumstances, including under the Unit Option Plan and Incentive Unit Plan. In addition, the REIT may issue REIT Units pursuant to the DRIP and Unit Purchase Plan. Any issuance of REIT Units may have a dilutive effect on the investors of REIT Units.

Unitholder Liability

The Declaration of Trust provides that no holder of REIT Units, Special Voting Units or annuitant under a plan of which a holder of REIT Units or Special Voting Units acts as trustee or carrier (an “**annuitant**”) will be held to have any personal liability as such, and that no resort shall be had to, nor shall recourse or satisfaction be sought from, the private property of any holder of REIT Units, Special Voting Units or annuitant for any liability whatsoever, in tort, contract or otherwise, to any person in connection with property of the REIT or the affairs of the REIT including, without limitation, for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the REIT or of the Trustees or any obligation which a holder of REIT Units, Special Voting Units or annuitant would otherwise have to indemnify a Trustee for any personal liability incurred by the Trustee as such. Only assets of the REIT are intended to be liable and subject to levy or execution for satisfaction of such liability.

The Declaration of Trust further provides that certain written instruments signed by the REIT (including all mortgages and, to the extent the Trustees determine to be practicable and consistent with their fiduciary duty to act in the best interests of holders of REIT Units and Special Voting Units, other written instruments creating a material obligation of the REIT) shall contain a provision or be subject to an acknowledgment to the effect that such obligation will not be personally binding upon holders of REIT Units and Special Voting Units or upon and that resort shall not be had to, nor shall recourse or satisfaction be sought from, the private property of any annuitant.

However, in conducting its affairs, the REIT has acquired and may acquire real property investments subject to existing contractual obligations, including obligations under mortgages and leases. The Trustees will use all reasonable efforts to have any such obligations modified so as not to have such obligations personally binding upon any of the holders of REIT Units, Special Voting Units or annuitants. However, the REIT may not be able to obtain such modification in all cases. To the extent that claims are not satisfied by the REIT, there is a risk that a holder of REIT Units, Special Voting Units or annuitant will be held personally liable for obligations of the REIT where the liability is not disavowed as described above.

Personal liability may also arise in respect of claims against the REIT that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The possibility of any personal liability of this nature arising is considered remote as the nature of the REIT’s activities are such that most of its obligations arise by contract and non-contractual risks are largely insurable. However, the insurance policies maintained by the REIT have exclusions for certain environmental liabilities. In the event that payment of a REIT obligation were to be made by a holder of REIT Units or Special Voting Units, such holder would be entitled to reimbursement from the available assets of the REIT.

The Trustees will cause the activities of the REIT to be conducted with the advice of counsel, in such a way and in such jurisdictions as to avoid, to the extent they determine to be practicable and consistent with their fiduciary duty to act in the best interests of the holders of REIT Units and Special Voting Units, any material risk of liability on the holders of REIT Units and Special Voting Units for claims against the REIT. The Trustees will, to the extent available on terms which they determine to be practicable, cause the insurance carried by the REIT, to the extent applicable, to cover the holders of REIT Units, Special Voting Units and annuitants as additional insured.

Legislation has been enacted in the Province of Ontario and certain other provinces that is intended to provide unitholders in those provinces with limited liability. On December 16, 2004, the *Trust Beneficiaries’ Liability Act, 2004* (Ontario), came into force. Such legislation provides that unitholders of a trust that is a reporting issuer and governed by the laws of Ontario are not liable, as beneficiaries, for any act, default, obligation or liability of the trust or any of its trustees that arise after the legislation came into force. A trust is considered governed by the laws of Ontario if its declaration of trust or other constating instrument contains the customary provision to that effect. The Declaration of Trust contains such a provision, and accordingly, the holders of REIT Units and Special Voting Units are protected by this legislation. However, there remains a risk, which the REIT considers to be remote in the circumstances, that a holder of REIT Units and Special Voting Units could be held personally liable for the REIT’s obligations to the extent that claims are not satisfied out of the REIT’s assets. It is intended that the REIT’s affairs will be conducted to seek to minimize such risk wherever possible.

Redemption Right

Holders of REIT Units are entitled to have their REIT Units redeemed at any time on demand (see “Declaration of Trust and Description of REIT Units – Redemption of REIT Units”). It is anticipated that this redemption right will not be the primary mechanism for holders of REIT Units to liquidate their investments. The entitlement of holders of REIT Units to receive cash upon the redemption of their REIT Units is subject to the limitations that: (i) the total amount payable by the REIT in respect of those REIT Units and all other REIT Units tendered for redemption in the same calendar month does not exceed \$50,000 (subject to certain adjustments and provided that the Trustees may waive this limitation at their sole discretion); (ii) at the time such REIT Units are tendered for redemption, the outstanding REIT Units shall be listed for trading or quoted on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the REIT Units; and (iii) the normal trading of the REIT Units is not suspended or halted on any stock exchange on which the REIT Units are listed (or, if not so listed, on any market on which the REIT Units are quoted for trading) on the redemption date or for more than five trading days during the ten-day trading period commencing immediately prior to such date. In certain circumstances, the Declaration of Trust provides for the *in specie* distributions of notes of HRP Trust in the event of a redemption of REIT Units. The notes which may be distributed *in specie* to Unitholders in connection with a redemption will not be listed on any stock exchange and are not expected to be qualified investments for Registered Plans, no established market is expected to develop for such notes and they may be subject to resale restrictions under applicable securities laws.

Investment Eligibility

The Tax Act imposes penalties for the acquisition or holding of non-qualified or prohibited investments (as defined in the Tax Act) by certain Registered Plans. The REIT will endeavour to ensure that REIT Units continue to be qualified investments for Registered Plans, but there can be no assurances in this regard. Holders, annuitants and subscribers of Registered Plans should consult their own tax advisors with respect to whether REIT Units would be prohibited investments having regard to their particular circumstances.

Debentures

The likelihood that purchasers of the Senior Debentures will receive payments owing to them under the terms of such debentures will depend on the financial health of the REIT and its creditworthiness. In addition, such debentures are unsecured obligations of the REIT and are subordinate in right of payment to all the REIT’s existing and future senior indebtedness as defined in each such respective trust indenture. Therefore, if the REIT becomes bankrupt, liquidates its assets, reorganizes or enters into certain other transactions, the REIT’s assets will be available to pay its obligations with respect to such debentures only after it has paid all of its senior indebtedness in full. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the debentures then outstanding.

The debentures are also effectively subordinate to claims of creditors (including trade creditors) of the REIT’s subsidiaries except to the extent the REIT is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors. A parent entity is entitled only to the residual equity of its subsidiaries after all debt obligations of its subsidiaries are discharged. In the event of bankruptcy, liquidation or reorganization of the REIT, holders of indebtedness of the REIT (including holders of Senior Debentures) may become subordinate to lenders to the subsidiaries of the REIT. The indentures governing such debentures do not prohibit or limit the ability of the REIT or its subsidiaries to incur additional debt or liabilities (including senior indebtedness), to amend and modify the ranking of any indebtedness or to make distributions, except, in respect of distributions, where an event of default has occurred and such default has not been cured or waived. The indentures do not contain any provision specifically intended to protect holders of debentures in the event of a future leveraged transaction involving the REIT.

Inability of the REIT to Purchase Senior Debentures on a Change of Control

The REIT may be required to purchase all outstanding Senior Debentures upon the occurrence of a change of control. However, it is possible that following a change of control, the REIT will not have sufficient funds at that time to make any required purchase of such outstanding debentures or that restrictions contained in other indebtedness will restrict those purchases. See “Description of Senior Debentures – Change of Control”.

Statutory Remedies

The REIT is not a legally recognized entity within the relevant definitions of the *Bankruptcy and Insolvency Act*, the *Companies’ Creditors Arrangement Act* and in some cases, the *Winding Up and Restructuring Act*. As a result, in the event a restructuring of the REIT were necessary, the REIT would not be able to access the remedies available thereunder.

The rights granted in the Declaration of Trust are granted as contractual rights afforded to securityholders of the REIT (“**Securityholders**”). Similar to other existing rights contained in the Declaration of Trust (e.g. take-over bid provisions and conflict of interest provisions), making these rights and remedies and certain procedures available by contract is structurally different from the manner in which the equivalent rights and remedies or procedures (including the procedure for enforcing such remedies) are made available to shareholders of a corporation, who benefit from those rights and remedies or procedures by the corporate statute that governs the corporation, such as the CBCA. As such, there is no certainty how these rights, remedies or procedures may be treated by the courts in the non-corporate context or that a Securityholder will be able to enforce the rights and remedies in the manner contemplated by the Declaration of Trust. Furthermore, how the courts will treat these rights, remedies and procedures will be at the discretion of the court, and a court may choose to not accept jurisdiction to consider any claim contemplated in the Declaration of the Trust.

ADDITIONAL INFORMATION

Additional information, including Trustees’ and officers’ remuneration and indebtedness, principal holders of the REIT’s securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in the REIT’s management information circular for its most recent annual meeting of security holders that involves the election of Trustees. Additional financial information is provided in the comparative financial statements and management’s discussion and analysis for the most recently completed financial year of the REIT.

Additional information relating to the REIT may be found on SEDAR at www.sedar.com.

SCHEDULE A

H&R REAL ESTATE INVESTMENT TRUST

AUDIT COMMITTEE CHARTER

PURPOSE

The trustees (the “**Trustees**”) of H&R Real Estate Investment Trust (the “**Trust**”) have established an audit committee (the “**Audit Committee**”) to assist them in fulfilling their responsibility for overseeing the Trust’s financial reporting process in accordance with section 8.03 of the Trust’s Amended and Restated Declaration of Trust (the “**Declaration of Trust**”) dated as of May 15, 2009. This Charter sets out the mandate and responsibilities of the Audit Committee as required by the Declaration of Trust and National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”).

COMPOSITION

The Audit Committee shall be comprised of not fewer than three Trustees, each of whom is an independent Trustee, and a majority of whom must be resident Canadians. For purposes of this Charter, an “**independent**” Trustee is one who has no direct or indirect material relationship with the Trust and is an Independent Trustee (as such term is defined in the Declaration of Trust), provided, however, that if at any time a member of the Audit Committee ceases to be an independent Trustee for reasons outside the member’s reasonable control or there is a vacancy on the Audit Committee because of the death, disability or resignation of such Trustee, this requirement shall not be applicable for a period ending on the later of (i) the next annual meeting of unitholders or (ii) six months from the date that the vacancy is created or the event which caused the Trustee not to be independent, as the case may be, only if the remaining Trustees have determined that not complying with this requirement will not materially adversely affect the ability of the Audit Committee to act independently and to satisfy the requirements of NI 52-110. A “**material relationship**” is a relationship which could, in the view of the Trustees, reasonably interfere with the exercise of a Trustee’s independent judgement. Examples of individuals with a material relationship to the Trust may include:

- (a) an individual who is, or who has been within the last three years, an employee or executive officer of the Trust;
- (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the Trust;
- (c) an individual who (i) is a partner of a firm that is the Trust’s internal or external auditor, (ii) is an employee of that firm, or (iii) was within the last three years a partner or employee of that firm and personally worked on the Trust’s audit within that time;
- (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual (i) is a partner of a firm that is the Trust’s internal or external auditor, (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, (iii) or was within the last three years a partner or employee of that firm and personally worked on the Trust’s audit within that time;
- (e) an individual who, or whose immediate family member, is or has been within the last three years an executive officer of an entity if any of the Trust’s current executive officers serves or served at that same time on the entity’s compensation committee;
- (f) an individual who received, or whose immediate family member who is employed as an executive officer of the Trust received, more than \$75,000 in direct compensation during any 12 month period within the last three years, other than as remuneration for acting in his capacity as a Trustee or as a member of any committee of the Trustees;

- (g) an individual who accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the Trust or any of its subsidiary entities, other than as remuneration for acting in his capacity as a Trustee or as a member of any committee of the Board, or as a part-time chair or vice-chair of the Board or any committee of the Board; and
- (h) an individual who is an affiliated entity of the Trust or any of the Trust's subsidiary entities.

This list is not meant to be exhaustive. For further guidance on the issue of independence, Trustees should consult sections 1.4 and 1.5 of NI 52-110.

All members of the Audit Committee shall be financially literate. “**Financial literacy**” means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Trust's financial statements.

AUTHORITY

In recognition of the fact that the external auditors are ultimately accountable to the Trustees and the Audit Committee as representatives of the unitholders, the Audit Committee shall have the primary responsibility to select, evaluate and recommend to the Trustees the appointment or re-appointment and where appropriate, replacement of, the external auditors for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Trust. The Audit Committee shall also review and recommend to the Trustees all audit engagement fees and terms and pre-approve all non-audit engagements with and services to be provided by the external auditors to the Trust or its subsidiary entities. The Audit Committee will also discuss the rotation of the engagement of the audit partners when required. The Audit Committee shall consult with management but shall not delegate its responsibilities. The Audit Committee will also have the authority to communicate directly with the Trust's external auditors and any internal auditors. The external auditors will report directly to the Audit Committee.

RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties, the Audit Committee shall:

- (a) Review the accounting principles, policies and practices followed by the Trust and its subsidiaries and controlled entities in accounting for and reporting its financial results of operations and satisfy themselves as to the appropriateness thereof.
- (b) Review the Trust's audited annual consolidated financial statements and the unaudited quarterly financial statements and report thereon to the Trustees before the Trust publicly discloses this information.
- (c) Review and recommend to the Trustees for approval any Management's Discussion and Analysis and annual and interim earnings press releases before the Trust publicly discloses this information.
- (d) Make recommendations to the Trustees with respect to the selection of the external auditors to be put forward to the unitholders at the annual meeting.
- (e) Obtain annually a formal written statement from the external auditors delineating all relationships between the audit firm and the Trust, and review and discuss with the external auditors such relationships to determine the “independence” of the auditors.
- (f) Review any management letter prepared by the external auditors concerning the Trust's internal financial controls, record keeping and other matters and management's response thereto.

- (g) Discuss with the external auditors their views about the quality of the implementation of Canadian generally accepted accounting principles, with a particular focus on the accounting estimates and judgments made by management and management's selection of accounting principles and meet in private with appropriate members of management and separately with the external auditors to share perceptions on these matters, discuss any potential concerns and agree upon appropriate action plans.
- (h) Approve the scope of the annual audit, the audit plan, the access granted to the Trust's records and the co-operation of management in any audit and review function and pre-approves the scope and cost of any non-audit services to be undertaken by the Trust's external auditors.
- (i) Directly oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Trust, including the resolution of disagreements between management and the external auditors regarding financial reporting.
- (j) Review the effectiveness of the independent audit effort, including approval of the fees charged in connection with the annual audit, any quarterly reviews and any non-audit services being provided.
- (k) Assess the effectiveness of the working relationship of the external auditors with management and resolve any disagreements between management and external auditors regarding financial reporting.
- (l) Review annually this Charter for adequacy and recommend any changes to this Charter to the Trustees.
- (m) Report to the Trustees on the major items covered at each Audit Committee meeting and make recommendations to the Trustees and management concerning these matters.
- (n) Require officers of the Trust to review the Trust's public disclosure of financial information extracted or derived from the Trust's financial statements.
- (o) Ensure that the appropriate internal controls over financial reporting are in place, so as to permit the Chief Executive Officer and the Chief Financial Officer to provide the required certification of the Trust's annual and interim filings.
- (p) Review and approve the Trust's hiring policies regarding partners, employees and former partners and employees of present and former external auditors of the Trust.
- (q) Ensure that the financial information required by the various committees of the Trustees is available to them so as to permit them to fulfil their mandates.
- (r) Establish procedures for the receipt, retention and treatment of complaints received by the Trust regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submission by employees of the Trust of concerns regarding questionable accounting or auditing matters.
- (s) Perform any other activities consistent with this Charter, the Declaration of Trust and governing law as the Audit Committee or the Trustees deem necessary or appropriate.

RELATIONSHIP TO INTERNAL AUDIT

The Audit Committee will:

- (a) Review and approve management's decisions relating to any potential need for internal auditing, including whether this function should be outsourced and if such function is outsourced, approve the supplier of such service.
- (b) Ensure that an effective system of internal control over financial reporting has been designed and is being implemented.
- (c) Approve the mandate for the internal audit function, if any.
- (d) Review annually the internal audit department's objectives, goals, staffing and financial budget, if any.
- (e) Ensure that the Chief Financial Officer has direct and open communication with the Audit Committee with respect to planned audits, findings, recommendations and management response thereto, and that he or she meets with the Audit Committee without other management personnel present.
- (f) Ensure that, taken together, the work of the external auditors and any internal auditors provide an appropriate level of audit coverage and are effectively coordinated.

AUDIT COMMITTEE MEETINGS

The Audit Committee will meet on a regular basis, at least quarterly, and will hold special meetings as circumstances require. The auditors of the Trust are entitled to receive notice of every meeting of the Audit Committee and, at the expense of the Trust, to attend and be heard thereat and, if so requested by a member of the Audit Committee, shall attend any meeting of the Audit Committee held during the term of office of the auditors. The auditors of the Trust or a member of the Audit Committee may call a meeting of the Audit Committee on not less than 48 hours' notice. The procedure at meetings shall be determined by the Chairman of the Audit Committee. At least two-fifths of the members of the Audit Committee present in person or participating by conference telephone shall constitute a quorum of the Audit Committee (provided that a majority of the members comprising such quorum shall not be non-residents of Canada).

The acts of the Audit Committee at a duly constituted meeting shall require no more than the vote of a majority of the members present. A resolution or other instrument in writing signed by all members of the Audit Committee shall constitute an act of the Audit Committee.

RESOURCES

The Audit Committee shall have the authority to (i) retain independent legal, accounting and other consultants to advise it as it deems necessary to carry out its duties and (ii) to set and pay the compensation for any such consultants. The Audit Committee may request that any member of management or outside consultant attend a meeting of the Audit Committee or meet with any members of, or consultants to, the Audit Committee.