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OneREIT to be Privatized in a Transaction Valued at \$1.1B

SmartREIT and Strathallen Acquisitions Inc. enter into agreements to acquire all of the assets and liabilities of OneREIT for cash and units of SmartREIT

**TORONTO, ONTARIO--(Marketwired - Aug. 4, 2017) -
Key Transaction Highlights**

- The Transaction values OneREIT units on a fully diluted basis (excluding units issuable pursuant to convertible debentures) at an equivalent to \$4.26 per OneREIT unit
- The Transaction represents a premium of 14.8% to the 20-day volume weighted average unit price on the TSX as at August 3, 2017 and a premium of 22.4% to the unaffected unit price on June 7, 2016, the day prior to OneREIT's announcement of a strategic review process
- OneREIT's board of trustees unanimously recommends that unitholders vote in favour of the Transaction

OneREIT (TSX:ONR.UN) announced today that it has entered into separate agreements with Smart Real Estate Investment Trust ("**SmartREIT**") and Strathallen Acquisitions Inc. ("**Strathallen**"), an affiliate of Strathallen Capital Corp., to acquire all of OneREIT's assets and assume all of its liabilities, including long-term debt and all residual liabilities, whereupon OneREIT will redeem all of its publicly traded units (the "**Transaction**"). The Transaction is the outcome of OneREIT's strategic review process, previously announced in June 2016. The consideration for the Transaction is comprised of cash and SmartREIT units that value OneREIT units at \$4.26 per unit on a fully prorated basis. The consideration represents a premium of 14.5% to the August 3, 2017 closing price and a premium of 14.8% to the 20-day volume weighted average unit price ending August 3, 2017. As well, the consideration represents a premium of 22.4% to the unaffected unit price on June 7, 2016, the day prior to OneREIT's announcement that it would explore strategic alternatives.

Mr. Mitchell Goldhar directly or indirectly owns or exercises control over approximately 18% of the outstanding OneREIT units. Pursuant to OneREIT's Declaration of Trust, Mr. Goldhar is entitled to exercise voting rights representing an aggregate of 25% of the votes that can be cast at a OneREIT unitholder meeting. Mr. Goldhar and all of the Class B LP Unitholders (collectively, "**Interested Parties**") have entered into support agreements with OneREIT to vote the OneREIT voting units owned or controlled by them in favour of the Transaction. Mr. Goldhar also directly or indirectly owns approximately 22% of the units of SmartREIT (on a diluted basis).

OneREIT's board of trustees, based on the recommendation of a special committee of independent trustees (the "**Special Committee**"), has unanimously recommended (excluding interested trustees) that unitholders vote in favour of the Transaction. The board of trustees has obtained an opinion from each of TD Securities Inc. ("**TD Securities**"), financial advisor to OneREIT, and National Bank Financial Inc. ("**NBF**"), financial advisor to the Special Committee and independent valuator, that, as at August 3, 2017, subject to the assumptions and limitations described therein, the consideration to be received by the unitholders pursuant to the Transaction is fair, from a financial point of view, to OneREIT unitholders, other than the Interested Parties. In addition, under the supervision of the Special Committee, NBF has prepared an independent valuation in accordance with *Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**") and has rendered its opinion that, subject to the assumptions and limitations described therein, as at August 3, 2017, the fair market value of the OneREIT units is in the range of \$4.00 to \$4.65 per unit. Hani Zayadi, Chair of the Special Committee, stated, "This Transaction represents the culmination of an extensive evaluation of strategic alternatives. The Board of Trustees believe this opportunity provides unitholders with a compelling value for their units and have accordingly unanimously voted in favor of the Transaction."

Consideration

The Transaction values the OneREIT units on a fully diluted basis (excluding units issuable pursuant to convertible debentures) at an equivalent to \$4.26 per OneREIT unit. The consideration will be comprised of approximately \$305 million of cash and approximately \$75 million of SmartREIT units to be issued under the Transaction.

On redemption of their OneREIT units, OneREIT unitholders will be entitled to elect to receive \$4.275 per unit in cash, or units of SmartREIT representing \$4.20 of value per OneREIT unit, with the number of SmartREIT units to be determined using the reference price as set forth below. In addition, holders of OneREIT special voting units and the related underlying Class B limited partnership units which are exchangeable for OneREIT units (the "**LP Units**") will be entitled to elect to receive \$4.275 per unit in cash for their LP Units or retain their LP Units. If a holder of LP Units elects to retain their LP Units, those LP Units will become exchangeable into the number of SmartREIT units the holder would otherwise have received under the Transaction had those LP Units been exchanged for the underlying REIT units prior to the closing of the Transaction. In addition, such holders will receive SmartREIT special voting units in exchange for their OneREIT special voting units.

If OneREIT unitholders and holders of LP Units, collectively, elect to receive more or less than the amount of approximately \$305 million of cash, such elections will be subject to proration. The actual number of SmartREIT units to be issued per OneREIT unit will be based upon an exchange ratio calculated by dividing \$4.20 by a reference price. Such reference price will be based upon the SmartREIT unit price and calculated using the volume weighted average trading price of SmartREIT units on the Toronto Stock Exchange for the five trading days immediately preceding the date which is three business days prior to the special meeting of OneREIT unitholders which is being called to consider the Transaction, subject to a minimum of \$30.51 and maximum of \$32.73. The closing price of the SmartREIT units was \$30.92 as of August 3, 2017. The portion of the Transaction completed through an exchange of OneREIT units for SmartREIT units is expected to occur on a tax-deferred basis for Canadian income tax purposes.

Holders of OneREIT convertible debentures will be entitled to exercise their conversion rights and participate in the Transaction on the terms described above; however, the current conversion price for the convertible debentures exceeds the \$4.26 unit transaction value. In the alternative, the debentures will become convertible debentures of SmartREIT and will be convertible at the option of a holder for SmartREIT units. The conversion price will be adjusted based upon and having regard to the reference price as set forth above.

Board Recommendation

OneREIT's board of trustees, based on the recommendation of the Special Committee, has determined that the Transaction is in the best interests of OneREIT and has recommended that OneREIT unitholders and special voting unitholders vote in favour of the Transaction. The Special Committee had been formed by OneREIT's board of trustees concurrently with the commencement of the strategic review process which was announced in June 2016.

Conditions Precedent

The Transaction is subject to customary conditions including the approval of the Transaction by at least 66 2/3% of votes cast by OneREIT unitholders and special voting unitholders at the unitholder meeting held for such purpose. SmartREIT is considered to be a related party of OneREIT under MI 61-101 as Mr. Goldhar is deemed to be a control person of each of SmartREIT and OneREIT because of his beneficial ownership of, or control or direction over, directly or indirectly, voting securities of SmartREIT and OneREIT. Accordingly, the Transaction is also subject to the approval of a majority of the votes cast by unitholders excluding the Interested Parties.

The Transaction is subject to regulatory approvals (including under the *Competition Act* (Canada)), court approval (since the Transaction is to be implemented by way of a plan of arrangement), TSX approval of the listing of the SmartREIT units to be issued, required mortgagee consents, the depositary confirming it is holding in escrow sufficient cash to satisfy the redemption of all OneREIT units that are being redeemed for cash, and other customary closing conditions. Assuming the requisite approvals are received and other conditions are met or waived, the Transaction is expected to be completed in 2017.

Transaction Details

Proposed Transaction with Strathallen

OneREIT and its subsidiary, ONR Limited Partnership, have entered into an agreement of purchase and sale with Strathallen for a transaction involving the purchase from ONR Limited Partnership of 44 properties for a purchase price of \$703.5 million, plus certain capital expenditures and leasing costs and commissions relating to such properties (the "**Strathallen Transaction**") for cash consideration, net of the assumption of existing mortgage debt relating to such properties, and subject to working capital and other adjustments. The proceeds received from the Strathallen Transaction and cash on hand as may be required will be used to satisfy the redemption price of the OneREIT units being redeemed for cash and to pay certain OneREIT transaction costs.

Proposed Transaction with SmartREIT

OneREIT has also entered into an arrangement agreement with SmartREIT for a court ordered plan of arrangement. Pursuant to that plan, SmartREIT will (i) purchase the balance of OneREIT's assets, including OneREIT's interest in the limited partnerships owned directly or indirectly by OneREIT and all intellectual property, and (ii) assume all of OneREIT's remaining liabilities and obligations, including its convertible debentures to the extent those debentures are not converted (the "**SmartREIT Transaction**"). The purchase price for the net assets of OneREIT will be paid through the issuance of approximately \$75 million of SmartREIT units using the reference price as described above. The units received from SmartREIT will be used to satisfy the unit consideration under the Transaction on the redemption of OneREIT units.

Additional Details

SmartREIT and Strathallen are each entitled to receive customary deal protection provisions, including a right to match any superior proposal that is received by OneREIT on an unsolicited basis. An all-cash break fee of \$6.75 million will be payable to each of SmartREIT and Strathallen in certain circumstances, including the acceptance by OneREIT of an unsolicited superior proposal from a third party.

In certain circumstances, including where OneREIT unitholders do not approve the Transaction, SmartREIT and Strathallen are entitled to be reimbursed for their respective costs to a maximum of \$1.5 million each. Strathallen is providing to OneREIT a purchase price deposit of \$5.0 million in connection with the execution of the agreement of purchase and sale. In the event that OneREIT terminates the agreement with Strathallen due to its own default, Strathallen is entitled to compensation for monetary damages resulting from such default, and to be reimbursed for its costs to a maximum of \$5.0 million.

Holders of OneREIT units will continue to receive usual monthly distributions in respect of such units for the months of July (payable on August 15, 2017) and August (payable on September 15, 2017) but such distributions will thereupon cease unless closing has not occurred by October 31, 2017. If closing occurs on or after November 1, 2017, either a special prorated distribution will be made in respect of the period from and including October 1, 2017 to closing or normal monthly distributions will recommence as the OneREIT board determines.

Pursuant to the terms of the arrangement agreement with SmartREIT, OneREIT has suspended until further notice its distribution reinvestment plan ("**DRIP**") effective after the distribution payable on August 15, 2017. For OneREIT unitholders that have been participating in the DRIP, all future distributions after the August 15, 2017 distribution made by OneREIT will automatically be paid in cash and will no longer be used to purchase additional units of the REIT.

The circular to be mailed to OneREIT unitholders and special voting unitholders will describe the Transaction in detail including the material Canadian federal income tax considerations associated with the Transaction. OneREIT unitholders are urged to carefully review these tax considerations and to consult their own tax advisors to determine the particular tax effects to them of the Transaction, having regard to their own particular circumstances.

Advisors

TD Securities has been engaged by OneREIT as its financial advisor and NBF has been engaged by the OneREIT Special Committee as its financial advisor. Fasken Martineau DuMoulin LLP and Goodmans LLP are acting as legal advisors to OneREIT and the OneREIT Special Committee.

CIBC World Markets Inc. acted as financial advisor to SmartREIT. Osler, Hoskin & Harcourt LLP and Davies Ward Phillips & Vineberg LLP are acting as legal advisors to SmartREIT.

Stikeman Elliott LLP is acting as legal advisor to Strathallen.

About OneREIT

OneREIT is an unincorporated, open-end real estate investment trust with more than \$1 billion of total assets. It owns and manages 56 properties across 10 provinces and territories in Canada covering 7 million square feet. OneREIT specializes in owning and operating income producing shopping centres. OneREIT's portfolio offers a mix of new format shopping centres, open air strip plazas and enclosed shopping malls. OneREIT's objective is to enhance long-term unitholder value and generate consistent distributions. Its avenues of growth include increasing portfolio occupancy, identifying and pursuing redevelopment opportunities, and strategic acquisitions.

About SmartREIT

SmartREIT is one of Canada's largest real estate investment trusts with total assets of approximately \$8.9 billion. It owns and manages 32 million square feet in value-oriented, principally Walmart-anchored retail centres, having the strongest national and regional retailers as well as strong neighbourhood merchants. In addition, SmartREIT is a joint-venture partner in the Premium Outlets locations in Toronto and Montreal with Simon Property Group. SmartREIT is now expanding the breadth of its portfolio to include residential (condominium and rental),

office and self-storage, either on its large urban properties such as the Vaughan Metropolitan Centre or as an adjunct to its existing shopping centres. SmartREIT's core vision is to provide a value-oriented shopping experience in all forms to Canadian consumers and to create high quality mixed use developments in urban settings.

About Strathallen Capital Corporation

Strathallen Capital Corporation is a fully integrated Canadian real estate management company. The Transaction will increase assets under management to approximately \$1.7 billion and 8.9 million square feet. Founded in 2003 by seasoned real estate executives, Strathallen provides asset management, property management and strategic advisory services to institutional and high net worth investors. The company currently manages and operates four private closed-end funds, with the mandate to strategically acquire and dispose of quality retail investments and deliver industry leading risk-adjusted returns. Strathallen provides investors with confidence through co-investing and incentive fee arrangements. The company is supported by; in-house asset management, property management, financial, leasing and development teams. Strathallen specializes in creating value in opportunistic property investments on behalf of institutional clients.

Forward-Looking Information

This press release includes forward-looking information. In some cases, forward-looking information can be identified by the use of words such as "may", "will", "should", "expect", "intend", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", and by discussions of strategies that involve risks and uncertainties. The forward-looking information is based on certain key expectations and assumptions made by each of OneREIT, SmartREIT and Strathallen, including with respect to the structure of the Transaction and all other statements that are not historical facts. The timing and completion of the Transaction is subject to customary closing conditions, termination rights and other risks and uncertainties including, without limitation, required regulatory, court, and unitholder approvals. Although management of each of OneREIT, SmartREIT and Strathallen believe that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that any transaction, including the Transaction, will occur or that it will occur on the timetable or on the terms and conditions contemplated in this news release. The Transaction could be modified, restructured or terminated. Readers are cautioned not to place undue reliance on forward-looking information. By its nature, such forward-looking information necessarily involves known and unknown risks and uncertainties that may cause actual results, performance, prospects and opportunities in future periods of OneREIT, SmartREIT or Strathallen to differ materially from those expressed or implied by such forward-looking statements. None of OneREIT, SmartREIT, Strathallen and any other person assumes responsibility for the accuracy and completeness of any forward-looking information, and no one has any obligation to update or revise any forward-looking information, whether as a result of new information, future events or such other factors which affect this information, except as required by law.

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