

**CANADIAN APARTMENT PROPERTIES REAL ESTATE
INVESTMENT TRUST**



CAPREIT

**ANNUAL AND SPECIAL
MEETING OF
UNITHOLDERS
MANAGEMENT INFORMATION CIRCULAR**

March 31, 2016

TABLE OF CONTENTS

SOLICITATION OF PROXIES	1
APPOINTMENT OF PROXIES	1
EXERCISE OF DISCRETION BY PROXIES.....	3
AUTHORIZED CAPITAL, VOTING UNITS AND PRINCIPAL HOLDERS THEREOF	3
QUORUM.....	4
NON-IFRS FINANCIAL MEASURES	4
MATTERS REQUIRING UNITHOLDER APPROVAL	4
1.Election of Trustees	4
2.Appointment of Auditor	12
3.Special Business –Amendment and Reconfirmation of Unitholders’ Rights Plan Agreement	13
4. Special Business – Amendments to Declaration of Trust – Preferred Units	14
5. Special Business – Amendments to Declaration of Trust – Independent Trustee Matter	15
COMPENSATION DISCUSSION & ANALYSIS	16
Compensation Discussion and Analysis.....	16
SUMMARY COMPENSATION TABLE.....	29
Narrative Discussion	31
INCENTIVE PLAN AWARDS.....	34
Outstanding Unit-based Awards and Option-based Awards	34
Incentive Plan Awards – Value Vested or Earned During the Year.....	35
Narrative Discussion.....	35
PENSION PLAN BENEFITS	42
TERMINATION AND CHANGE OF CONTROL BENEFITS.....	42
TRUSTEE COMPENSATION	45
Trustee Compensation Table for 2015.....	45
Narrative Discussion	45
Outstanding Unit-based Awards and Option-based Awards	48
Incentive Plan Awards – Value Vested or Earned During the Year	49
Narrative Discussion	49
EQUITY COMPENSATION PLAN INFORMATION	49
INDEBTEDNESS OF TRUSTEES AND EXECUTIVE OFFICERS.....	50
Aggregate Indebtedness.....	50
Indebtedness of Trustees and Executive Officers under the LTIP and SELTIP in the Most Recently Completed Financial Year.....	50
STATEMENT OF GOVERNANCE PRACTICES	53

General.....	53
Board of Trustees	53
Declaration of Trust	55
Committees of Trustees.....	56
Position Descriptions	57
Orientation and Continuing Education	64
Nomination of Trustees.....	65
Ethical Business Conduct.....	65
Compensation.....	66
Trustee Term Limits and Other Mechanisms of Board Renewal	67
Policies Regarding the Representation of Women on the Board.....	67
Consideration of the Representation of Women in the Trustee Identification and Selection Process ..	68
Consideration of the Representation of Women in Executive Officer Appointments.....	68
CAPREIT’s Targets Regarding the Representation of Women on the Board and in Executive Officer Positions	69
Number of Women on the Board and in Executive Officer Positions	69
INDEMNIFICATION OF TRUSTEES AND OFFICERS.....	69
INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON.....	69
INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS	69
INFORMATION ON CAPREIT’S AUDITOR.....	70
GENERAL.....	70
ADDITIONAL INFORMATION	70
APPROVAL OF TRUSTEES.....	70

ADDENDA

SCHEDULE “A” SUMMARY OF UNITHOLDERS’ RIGHTS PLAN AGREEMENT
SCHEDULE “B” RESOLUTION OF THE UNITHOLDERS OF CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST- AMENDMENT AND RECONFIRMATION OF UNITHOLDERS’ RIGHTS PLAN AGREEMENT
SCHEDULE “C” SUMMARY OF PROPOSED AMENDMENTS TO DECLARATION OF TRUST
SCHEDULE “D” RESOLUTION OF THE UNITHOLDERS OF CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST- AMENDMENTS TO DECLARATION OF TRUST – PREFERRED UNITS
SCHEDULE “E” RESOLUTION OF THE UNITHOLDERS OF CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST- AMENDMENTS TO DECLARATION OF TRUST –INDEPENDENT TRUSTEE MATTER

**CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST
MANAGEMENT INFORMATION CIRCULAR RELATING TO THE ANNUAL AND SPECIAL
MEETING OF UNITHOLDERS TO BE HELD ON MAY 25, 2016**

SOLICITATION OF PROXIES

This management information circular (the “**Circular**”) is furnished in connection with the solicitation by and on behalf of the management of Canadian Apartment Properties Real Estate Investment Trust (“**CAPREIT**”) of proxies to be used at the annual and special meeting (the “**Meeting**”) of the holders (the “**Unitholders**”) of the units (the “**Units**”) and the special voting units (the “**Special Voting Units**”) of CAPREIT to be held on the 25th day of May, 2016, at the time and place and for the purposes set forth in the notice of meeting (the “**Notice of Meeting**”) accompanying this Circular and at any adjournment(s) or postponement(s) thereof. It is expected that the solicitation will be primarily by mail. The costs of the solicitation will be borne by CAPREIT. All information in this Circular is given as of March 31, 2016 unless otherwise indicated.

APPOINTMENT OF PROXIES

A form of proxy is enclosed and, if it is not your intention to be present in person at the Meeting, you are asked to complete and return the form of proxy in the envelope provided. The proxy must be executed by the Unitholder or the attorney of such Unitholder, duly authorized in writing. Proxies to be used at the Meeting must be deposited with Computershare Investor Services Inc., Proxy Department, 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1, or the head office of CAPREIT, 11 Church Street, Suite 401, Toronto, Ontario M5E 1W1, not later than 4:30 p.m. (Toronto time) on May 20, 2016 or, if the Meeting is adjourned or postponed, prior to 4:30 p.m. (Toronto time) on the second business day before any adjournment(s) or postponement(s) of the Meeting.

The persons designated in the enclosed form of proxy are trustees and executive officers of CAPREIT. **Each Unitholder has the right to appoint a person (who need not be a Unitholder), other than the person specified in the enclosed form of proxy, to attend and act on his or her behalf at the Meeting or any adjournment(s) or postponement(s) thereof.** Such right may be exercised by striking out the names of the specified persons and inserting the name of the Unitholder’s nominee in the space provided or by completing another appropriate form of proxy and, in either case, delivering the form of proxy to CAPREIT prior to the holding of the Meeting.

Non-Registered Unitholders

Only registered Unitholders, or the persons they appoint as their proxies, are entitled to attend and vote at the Meeting. Most Unitholders are “**non-registered**” Unitholders because the Units they own are not registered in their names, but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased their Units. More particularly, a person is not a registered Unitholder in respect of Units which are held on behalf of that person (the “**Non-Registered Unitholder**”) but which are registered either:

- (i) in the name of an intermediary (an “**Intermediary**”) that the Non-Registered Unitholder deals with in respect of the Units (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or
- (ii) in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant.

In accordance with the requirements of National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators, CAPREIT has distributed copies of the Notice of Meeting, this Circular and the form of proxy (collectively, the "**Meeting Materials**") to the clearing agencies and Intermediaries for onward distribution to Non-Registered Unitholders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Unitholders unless a Non-Registered Unitholder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to only registered Unitholders. Generally, Non-Registered Unitholders who have not waived the right to receive Meeting Materials will either:

- (i) be given (typically by a facsimile, stamped signature) a form of proxy which has already been signed by the Intermediary, which is restricted as to the number of Units beneficially owned by the Non-Registered Unitholder but which is otherwise not completed. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Unitholder when submitting the proxy. In this case, the Non-Registered Unitholder who wishes to submit a proxy should otherwise properly complete the form of proxy and deliver it to CAPREIT c/o Computershare Investor Services Inc. as provided above; or
- (ii) more typically, be given a voting instruction form which is not signed by the Intermediary, and which, when properly completed and signed by the Non-Registered Unitholder and returned to the Intermediary or its designated service company, will constitute voting instructions (often called a "**proxy authorization form**") which the Intermediary must follow. Typically, the proxy authorization form will consist of a one page pre-printed form. Sometimes, instead of the one page pre-printed form, the proxy authorization form will consist of a regularly printed proxy form accompanied by a page of instructions which contains a removable label containing a bar code and other information. In order for the form of proxy to validly constitute a proxy authorization form, the Non-Registered Unitholder must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and return it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company.

In either case, the purpose of these procedures is to permit Non-Registered Unitholders to direct the voting of the Units which they beneficially own. Should a Non-Registered Unitholder who receives one of the above forms wish to vote at the Meeting in person, the Non-Registered Unitholder should strike out the names of the designated proxyholders and insert the Non-Registered Unitholder's name in the blank space provided. In either case, Non-Registered Unitholders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or proxy authorization form is to be delivered.

A Unitholder executing the enclosed form of proxy may revoke it by depositing an instrument in writing executed by such Unitholder or by his or her attorney authorized in writing (i) at the registered office of CAPREIT, 11 Church Street, Suite 401, Toronto, Ontario M5E 1W1, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment(s) or postponement(s) thereof, at which the proxy is to be used or (ii) with the Chair of the Meeting on the day of the Meeting or any adjournment(s) or postponement(s) thereof. Only registered Unitholders have the right to revoke a proxy. Non-Registered Unitholders who wish to change their vote must, at

least seven (7) days before the Meeting, arrange for their respective Intermediaries to revoke the proxy on their behalf.

EXERCISE OF DISCRETION BY PROXIES

The Units and Special Voting Units represented by any proxy received by management will be voted or withheld from voting by the persons named in the enclosed form of proxy in accordance with the direction of the Unitholder appointing them. In the absence of any direction to the contrary, it is intended that the Units and Special Voting Units represented by proxies received by management will be voted on any ballot “for”: (i) the election of the trustees; (ii) the re-appointment of the auditor of CAPREIT; (iii) the proposed amendments to, and reconfirmation of, the Unitholders’ Rights Plan Agreement; (iv) the proposed amendments to CAPREIT’s amended and restated declaration of trust dated June 12, 2014 (the “**Declaration of Trust**”) to authorize CAPREIT to create a new class of preferred equity securities, and (v) the proposed amendments to the Declaration of Trust to reflect certain amendments to the definition of “Independent Trustee Matter”, all as described in this Circular.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to matters not specifically mentioned in the Notice of Meeting but which may properly come before the Meeting or any adjournment(s) or postponement(s) thereof and with respect to amendments to or variations of matters identified in the Notice of Meeting. As at March 31, 2016, management knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting and routine matters incidental to the conduct of the Meeting. If any further or other business is properly brought before the Meeting, it is intended that the persons appointed as proxy will vote on such other business in such manner as such persons then consider to be proper.

AUTHORIZED CAPITAL, VOTING UNITS AND PRINCIPAL HOLDERS THEREOF

The authorized capital of CAPREIT consists of an unlimited number of Units and an unlimited number of Special Voting Units. As at March 31, 2016, 129,041,776 Units and 161,311 Special Voting Units were issued and outstanding. CAPREIT Limited Partnership (“CAPLP”), a subsidiary of CAPREIT, has 161,311 Class B Units issued and outstanding, which are exchangeable into 161,311 Units on a one-for-one basis pursuant to the terms of an exchange agreement dated July 9, 2007 among CAPREIT, CAPLP and Ridge Pine Park Inc. (predecessor-in-interest to Rice Development Corp.), the initial holder of the issued Class B Units. Accordingly, throughout this Circular whenever reference is made to the outstanding Units, such reference assumes that the 161,311 Units issuable on the exchange of the CAPLP Class B Units have been so issued.

A holder of Units is entitled to one (1) vote in respect of each matter to be voted upon at the Meeting for each Unit registered in his or her name as at the close of business on April 20, 2016 (the “**Record Date**”). Only Unitholders of record on the books of CAPREIT as of the close of business on the Record Date are entitled to receive notice of and vote at the Meeting.

Subject to the restrictions set forth in CAPREIT’s Declaration of Trust, each holder of Special Voting Units is entitled to a number of votes at all meetings of Unitholders or in respect of any written resolution of Unitholders equal to the number of Units into which the Exchangeable Securities (as defined in the Declaration of Trust) to which such Special Voting Units relate are, directly or indirectly, exchangeable or convertible (other than in respect of Exchangeable Securities which have been so exchanged, converted or cancelled).

To the knowledge of the trustees and officers of CAPREIT, as at March 31, 2016, no person or company beneficially owns, or controls or directs, directly or indirectly, Units or Special Voting Units carrying more than ten percent (10%) of the voting rights attached to any class of voting securities of CAPREIT.

QUORUM

The quorum at the Meeting or any adjournment thereof shall consist of at least two (2) individuals present in person, each of whom is a holder of Units or Special Voting Units or a proxyholder representing a holder of Units or Special Voting Units, and who hold or represent by proxy not less than ten percent (10%) of the total number of outstanding Units and Special Voting Units.

NON-IFRS FINANCIAL MEASURES

In this Circular, CAPREIT discloses and discusses certain financial measures not recognized under International Financial Reporting Standards as set out in Part I of the CPA Canada Handbook (“IFRS”) and that do not have standard meanings prescribed by IFRS, including Net Operating Income (“NOI”), Funds From Operations (“FFO”) and Normalized Funds From Operations (“NFFO”) (collectively the “non-IFRS measures”). These non-IFRS measures are further defined and discussed below. Since NOI, FFO and NFFO are not measures determined under IFRS, they may not be comparable to similarly titled measures reported by other issuers. CAPREIT has presented such non-IFRS measures because management believes these non-IFRS measures are relevant measures of the ability of CAPREIT to earn and distribute cash returns to holders of Units and Exchangeable Securities of CAPREIT and to evaluate CAPREIT’s performance. These non-IFRS measures should not be construed as alternatives to net income (loss) or cash flows from operating activities determined in accordance with IFRS as indicators of CAPREIT’s performance.

MATTERS REQUIRING UNITHOLDER APPROVAL

1. Election of Trustees

CAPREIT’s Declaration of Trust provides for a flexible number of trustees, subject to a minimum of seven (7) and a maximum of eleven (11). Unitholders have authorized the board of trustees to increase or decrease, from time to time, the number of trustees within the limits prescribed by the Declaration of Trust, provided that the trustees may not appoint an additional trustee if, after such appointment, the total number of trustees would be greater than one and one-third (1 1/3) times the number of trustees in office immediately following the last annual meeting of Unitholders.

The number of trustees is currently fixed at nine (9). **It is intended that on any resolution or ballot that may be called for relating to the election of the trustees, the Units and Special Voting Units represented by proxies in favour of management nominees will be voted in favour of the election, separately, of each of Harold Burke, David Ehrlich, Paul Harris, Edwin Hawken, Thomas Schwartz, David Sloan, Michael Stein, Stanley Swartzman and Elaine Todres as a trustee of CAPREIT, unless a Unitholder has specified in his or her proxy that his or her Units or Special Voting Units are to be withheld from voting on the election of trustees.** Management does not contemplate that any of the proposed nominees will be unable to serve as a trustee, but if that should occur for any reason prior to the Meeting, it is intended that discretionary authority shall be exercised to vote the Units or Special Voting Units represented by such proxies for the election of such other person or persons as trustees nominated in accordance with the Declaration of Trust and the best judgment of the management nominees. CAPREIT has been informed by each nominee that he is willing to stand for election and to serve as a trustee.

The trustees have adopted a policy that entitles each Unitholder to vote for each nominee on an individual basis. The trustees have also adopted a majority voting policy to require a trustee's resignation as a trustee to the board of trustees when the trustee receives more "**withheld**" votes than "**for**" votes in an uncontested election of trustees at a general meeting of Unitholders, such as the Meeting. The Governance and Nominating Committee will consider such a resignation and recommend to the board whether to accept it. In its deliberations, the Governance and Nominating Committee may consider any stated reasons as to why shareholders "**withheld**" votes from the election of the relevant trustee, the length of service and the qualifications of the trustee, the trustee's contributions to CAPREIT, the effect such resignation may have on CAPREIT's ability to comply with any applicable governance rules and policies, the dynamics of the board of trustees, and any other factors that the members of the Governance and Nominating Committee consider relevant. The other trustees would be expected to take into account the decision of the Governance and Nominating Committee and either accept or reject the resignation. The board of trustees shall act on the Governance and Nominating Committee's recommendation within 90 days after the applicable Unitholders' meeting, and CAPREIT shall issue a press release either announcing the resignation or explaining why the board of trustees had not accepted the resignation. The trustee who tendered the resignation would not be part of the decision-making process. The board of trustees would be expected to accept the resignation, except in extenuating circumstances.

If a resignation is accepted, the board of trustees may leave the resulting vacancy unfilled until the next annual general meeting of Unitholders. Alternatively, it may fill the vacancy in accordance with CAPREIT's Declaration of Trust.

The current term of office of the trustees of CAPREIT will expire at the close of the Meeting. It is proposed that each of the persons whose name appears below be elected as a trustee of CAPREIT to serve until the close of the next annual meeting of Unitholders or until his successor is elected or appointed.

The following table sets forth the name and residence of each of the nominees, whether each nominee is an "**independent**" trustee (as that term is defined in National Instrument 52-110 – *Audit Committees* ("**NI 52-110**") for the purposes of the audit committee (the "**Audit Committee**"), and as that term is defined in National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**") for all other purposes), their respective principal occupations, the year each of them became a trustee, and information as to voting and other securities of CAPREIT beneficially owned, or controlled or directed, directly or indirectly, by each of them as at March 31, 2016.

Nominee as Trustee and Place of Residence	Position Presently Held with CAPREIT	Independent Trustee (Yes or No)	Principal Occupation	Trustee Since	Units, Deferred Units ⁽¹⁾ and RURs ⁽²⁾ Beneficially Owned, or Controlled or Directed, Directly or Indirectly, as of March 31, 2016 ⁽³⁾		
					#	\$	%
HAROLD BURKE ⁽⁶⁾ , Toronto, Ontario, Canada	Trustee	Yes	Senior Vice President, DREAM Asset Management Corporation (formerly Dundee Realty Corporation, an integrated real estate asset manager and developer)	2010	24,249	700,311	0.02%
DAVID EHRLICH, Toronto, Ontario, Canada	Trustee	No	Chief Executive Officer and Executive Director of Irish Residential Properties REIT plc (a real estate investment trust with investments in multi-unit residential properties)	2013	23,784	686,882	0.02%
PAUL HARRIS ⁽⁴⁾⁽⁶⁾⁽⁷⁾ , Montréal, Québec, Canada	Trustee	Yes	Partner, Davies, Ward, Phillips & Vineberg LLP (a law firm)	1998	104,063	3,005,339	0.08%
EDWIN HAWKEN ⁽⁵⁾⁽⁶⁾ , Toronto, Ontario, Canada	Trustee	Yes	Corporate Director	2004	94,271	2,722,546	0.07%
THOMAS SCHWARTZ, Toronto, Ontario, Canada	President and Chief Executive Officer and a Trustee	No	President and Chief Executive Officer of CAPREIT	1997	2,894,286	83,586,980	2.24%
DAVID SLOAN ⁽⁵⁾⁽⁶⁾ , Toronto, Ontario, Canada	Trustee	Yes	Consultant and Corporate Director, and former executive at TD Bank Group	2014	12,673	365,996	0.01%

Nominee as Trustee and Place of Residence	Position Presently Held with CAPREIT	Independent Trustee (Yes or No)	Principal Occupation	Trustee Since	Units, Deferred Units ⁽¹⁾ and RURs ⁽²⁾ Beneficially Owned, or Controlled or Directed, Directly or Indirectly, as of March 31, 2016 ⁽³⁾		
					#	\$	%
MICHAEL STEIN, Toronto, Ontario, Canada	Chair of CAPREIT and a Trustee	Yes	Chairman and Chief Executive Officer of MPI Group Inc. (a company engaged in real estate development and investment)	1997	606,896	17,527,156	0.47%
STANLEY SWARTZMAN ⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾ , Toronto, Ontario, Canada	Lead Trustee	Yes	Corporate Director	1997	156,012	4,505,627	0.12%
ELAINE TODRES ⁽⁴⁾⁽⁷⁾ , Toronto, Ontario, Canada	Trustee	Yes	Chief Executive Officer of Todres Leadership Counsel (a consultancy practice)	2013	20,449	590,567	0.02%

Notes:

- (1) Deferred Units (as defined below) are issued under the DUP (as defined below); see “Deferred Unit Plan”.
- (2) RURs (as defined below) are issued under the RUR Plan (as defined below), and vest on the third anniversary of the grant date; see “Significant Terms of Executive Employment Agreements”.
- (3) Individual trustees have furnished information as to Units, Deferred Units and, in the case of Mr. Schwartz, RURs, beneficially owned, or controlled or directed, directly or indirectly, by them. The column entitled “#” indicates the number of such interests beneficially owned, controlled or directed, directly or indirectly by each nominee; the column entitled “\$” indicates the estimated market value of such interests beneficially owned, or controlled or directed, directly or indirectly, by each nominee, as determined by multiplying the number of such interests beneficially owned, or controlled or directed, directly or indirectly, by each nominee by the closing price of the Units on the Toronto Stock Exchange (the “TSX”) on March 31, 2016; and the column entitled “%” indicates as a percentage of the issued and outstanding Units of CAPREIT, the number of the interests beneficially owned, or controlled or directed, directly or indirectly, by each nominee. The number of Units includes LTIP (as defined below); see “Long-Term Incentive Plan”) and SELTIP (as defined below; see “Senior Executive Long-Term Incentive Plan”) Units, as applicable. In addition, Mr. Schwartz holds 1,334,432 options to acquire Units which are not included in the total number of Units. Percentages represent, as a percentage of the aggregate of the issued and outstanding Units and Special Voting Units of CAPREIT, the number of Units beneficially owned, or controlled or directed, directly or indirectly, by each trustee.
- (4) Member of the Governance and Nominating Committee. On March 31, 2016, Mr. Ehrlich resigned, and was replaced by Mr. Harris, as a member of the Governance and Nominating Committee.
- (5) Member of the Investment Committee. On March 31, 2016, Mr. Ehrlich resigned, and was replaced by Mr. Sloan, as a member of the Investment Committee.
- (6) Member of the Audit Committee.
- (7) Member of the Human Resources and Compensation Committee. On March 31, 2016, Mr. Ehrlich resigned, and was replaced by Mr. Harris, as a member of the Human Resources and Compensation Committee.

Experience of Trustee Nominees

The nature and extent of the experience of the trustees of CAPREIT in the real estate industry, their principal occupations during the last five (5) years and their current public board memberships are as follows.

Harold Burke, CA, ICD.D (Age: 69) is a Senior Vice President at DREAM Asset Management Corporation, an integrated real estate asset manager and developer (formerly Dundee Realty Corporation), which he joined in July 2008. Mr. Burke has more than 30 years of professional practice in the tax area, at PricewaterhouseCoopers LLP, its predecessor, Coopers & Lybrand LLP, and another major Canadian accounting firm. Mr. Burke is recognized as a specialist in the area of real estate-related financial services as well as in domestic and international taxation issues. While a senior partner at PricewaterhouseCoopers LLP, Mr. Burke advised a diverse domestic and foreign clientele many of which were public, private and institutional, on a variety of matters including mergers and acquisitions, capital markets financing and investment structuring. He is a Chartered Professional Accountant and holds the Institute of Corporate Directors, Institute-Certified Director Designation, ICD.D.

David Ehrlich (Age: 65) has been the Chief Executive Officer and an Executive Director of Irish Residential Properties REIT plc, a real estate investment trust with investments in multi-unit residential properties in Ireland, since April 2014. Prior to this, Mr. Ehrlich was a senior partner in the Toronto office of the law firm Stikeman Elliott, LLP where he was a member of both the corporate and real estate groups until December 2013. During his career of over 30 years, his practice was focused on real estate and structured finance, including public real estate securities. Mr. Ehrlich has been actively involved with real estate investment trusts since their inception in Canada, acting for both issuers and underwriters in numerous transactions. He has also been involved with some of Canada's largest REIT merger and acquisition transactions.

Paul Harris (Age: 64) has been a partner in the law firm of Davies Ward Phillips & Vineberg LLP since 1984. Mr. Harris' current directorships include the Montréal Alouettes Football Club.

Edwin Hawken (Age: 76) is a Corporate Director. On March 21, 2016 Danier Leather Inc. ("Danier"), a company of which Mr. Hawken had been a director since 1998, made a voluntary assignment in bankruptcy pursuant to the provisions of the *Bankruptcy and Insolvency Act* (Canada) (the "BIA"). Mr. Hawken resigned as a director effective at the time of the assignment in bankruptcy. Mr. Hawken was Chief Executive Officer and a Director of Commcorp Financial Services Inc. from 1991 to 1997. From 1987 to 1991, Mr. Hawken was a Senior Vice President of CIBC and President of CIBC Leasing Inc.

Thomas Schwartz (Age: 67) graduated as a Chartered Accountant in 1975 and went on to pursue a career in real estate development. Mr. Schwartz, along with a partner, founded Intraurban Projects in 1976 to specialize in the development of new housing projects in mature communities. Intraurban has built and developed over 2,500 housing units serving all market segments from luxury to affordable. Mr. Schwartz, through York Heritage Properties and Intraurban Projects, has participated in the development, construction, and management of over 600,000 sq. ft. of office, commercial and retail space. Mr. Schwartz is active in industry and government affairs. He has served on the Board of Directors of the Greater Toronto Home Builders Association, the City of Toronto's Housing Action Committee, as Director of Kehilla Residential Consultants, on the Board of Directors of the Ontario New Home Warranty Program, as Chairman of the Board of Directors of the Federation of Rental-housing Providers of Ontario, and on the Board of Directors of the Real Property Association of Canada. Mr. Schwartz is currently on the board of Chartwell Retirement Residences' companies, the Board of Directors of Irish Residential Properties REIT plc and each of CAPREIT's subsidiaries,

including IRES Fund Management Limited, and the Board of Directors of the Mount Sinai Hospital Foundation. He is also a member of the Schulich School of Business Advisory Council - Program in Real Estate and Infrastructure.

David Sloan (Age: 59) is a consultant and corporate director. Mr. Sloan retired from TD Bank Group in October 2014 after a 34 year career which included, among other roles, service as Senior Vice President and Ombudsman, Chief Financial Officer of TD Canada Trust, Chief Auditor, Senior Vice President Risk Management, and Senior Vice President, Commercial Banking. Mr. Sloan is a past Chair of the Board and of the Audit and Compliance Committee of Centennial College in Toronto, where he also served as an Executive Advisor to the School of Business. Mr. Sloan holds a Bachelor of Arts, Honours in Economics from McGill University, and a Masters of Philosophy in Economics from the University of St. Andrews in Scotland.

Michael Stein (Age: 65) has been Chairman and Chief Executive Officer of MPI Group Inc., a company engaged in real estate investment and development, since 1994. Mr. Stein also held the position of Chairman and Chief Executive Officer of MICC Properties Inc., a company engaged in real estate investment and development from 1987 to 2000. Mr. Stein is a director of FirstService Corporation (TSX/NASDAQ), a director of McEwen Mining Inc. (TSX/NYSE) and Chairman of the board of directors of Cliffside Capital Ltd. (TSX-V). In 2012, Mr. Stein was appointed to the Board of Directors of City Financial Investment Company Limited, a United Kingdom FSA-regulated asset management company that is also registered as an Investment Adviser firm with the SEC. Between 2000 and 2006, Mr. Stein was a member of the Board of Directors of Goldcorp Inc., a public natural resource company the shares of which are listed on the TSX and New York Stock Exchange. Between 1978 and 1987, Mr. Stein held progressively senior positions, ultimately holding the position of Executive Vice President responsible for operations, with The Mortgage Insurance Co. of Canada. Mr. Stein is a graduate engineer and holds a master of business administration in finance and international business from Columbia University in New York.

Stanley Swartzman (Age: 76) is a corporate director. Mr. Swartzman is the former Vice President, Real Estate and Store Planning, of Sears Canada, a national retailer. Prior to that, Mr. Swartzman was Executive Vice President of Loblaw Properties Limited, the company responsible for all Canadian real estate and development matters for Loblaw Companies Limited, from 1997 to 1999. From 1983 to 1996, Mr. Swartzman was President of IPCF Properties Inc., the company which was previously responsible for real estate and development matters for Loblaw Companies Limited in Ontario and Eastern Canada. Mr. Swartzman formerly served as a director of GT Canada Capital Corporation and was the Chairman of its investment committee, and as a director of Centre Fund Corporation and served on its audit committee.

Elaine Todres (Age: 66) has had a distinguished career in government, the not for profit sector and the volunteer world. After having completed a doctorate in Political Science at the University of Pittsburgh, Dr. Todres joined the civil service of Ontario where she ultimately served as a Deputy Minister for ten years. Her portfolios ranged from human resources and the Civil Service Commission, culture and cultural industries, telecommunications, tourism, solicitor general, the corrections system and emergency response. In 1997, Dr. Todres became the President of the Baycrest Centre Foundation where she stayed for three years, completing a capital campaign for the new Apotex Centre - Jewish Home for the Aged. Dr. Todres is the Chief Executive Officer of Todres Leadership Counsel, a boutique consultancy practice specializing in strategy, leadership, organizational transformation, and governance. Dr. Todres has served on many community and hospital boards, including as chair of Women's College Hospital Foundation. Between August, 2005 and February, 2014 Dr. Todres served as a director of The Northern Trust Company, Canada.

The skills matrix below summarizes the expertise possessed by each nominee trustee. The areas of expertise outlined in the skills matrix below are considered in assessing candidates during the nomination process. Such areas of expertise are referred to in identifying any skills gaps. The emphasis placed on any particular area of expertise may change as part of the ongoing assessment of the composition of the board of trustees.

Area of Expertise	Burke	Ehrlich	Harris	Hawken	Schwartz	Sloan	Stein	Swartzman	Todres
Enterprise Leadership		X	X	X	X	X	X	X	X
Management Experience	X	X	X	X	X	X	X	X	X
Board Experience	X	X	X	X	X	X	X	X	X
Legal/Tax	X	X	X						
Real Estate	X	X	X	X	X		X	X	
Human Resources		X	X	X	X	X	X	X	X
Corporate Governance		X	X	X	X	X	X	X	X
Financial Acumen	X	X	X	X	X	X	X	X	X
Government Relations			X		X			X	X
Capital Markets	X	X	X	X	X	X	X	X	

Corporate Cease Trade Orders or Bankruptcies

Except as set out below, to the knowledge of CAPREIT, none of the persons proposed for election as trustees (a) are, as at the date hereof, or have been, within the 10 years before the date of this Circular, a director, trustee, chief executive officer or chief financial officer of any company that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days (an “**Order**”) that was issued while the person was acting in the capacity as director, trustee, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the person 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, (b) are, as at the date of this Circular, or have been within 10 years before the date of this Circular, a director, trustee or executive officer of any company 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, or (c) have, within the 10 years before the date of this Circular, 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 person.

Mr. Edwin Hawken was a director of Danier from May 1998 to March 21, 2016. On February 4, 2016, Danier commenced insolvency proceedings by filing a notice of intention to make a proposal to its creditors under the BIA. Subsequently, securities commissions in the Provinces of Ontario, Manitoba and Quebec issued cease trade orders that ceased all trading in securities of Danier for failure to file certain continuous disclosure materials. On March 21, 2016, Danier announced that it had voluntarily made an assignment in bankruptcy pursuant to the provisions of the BIA. Danier also obtained an order of the Ontario Superior Court of Justice appointing a receiver over all of its property, assets and undertaking.

Penalties and Sanctions

To the knowledge of CAPREIT, none of the persons proposed for election as trustee of CAPREIT nor any personal holding company owned or controlled by any of them (i) 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 (ii) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed trustee.

Personal Bankruptcies

To the knowledge of CAPREIT, in the last 10 years, none of the persons proposed for election as trustees of CAPREIT nor any personal holding company owned or controlled by any of them, has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, has become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold their assets or the assets of their holding companies.

2. Appointment of Auditor

In the course of undertaking a formal comprehensive review of the performance of CAPREIT's external auditor PricewaterhouseCoopers LLP, Chartered Professional Accountants ("**PwC**") for the four-year period of 2012 to 2015 (inclusive), the Audit Committee sought and received detailed information from PwC and from senior management of CAPREIT covering key factors of audit quality, including: (i) independence, objectivity and professional skepticism; (ii) quality of the engagement team; and (iii) quality of communications and interactions between PwC and CAPREIT.

The Audit Committee undertook a thorough review and discussion of the information received and concluded that, based on its own experience with, and observations of, PwC's work, this information could be relied upon to support the Audit Committee's recommendation that PwC continue to be retained as CAPREIT's external auditor and that it be appointed as such for 2016.

As a result of the foregoing, the board of trustees proposes to nominate PwC, the present auditor of CAPREIT, as the auditor of CAPREIT to hold office until the close of the next annual meeting of the Unitholders and to authorize the trustees to fix the remuneration of the auditor. The persons named in the enclosed form of proxy intend to vote at the Meeting in favour of this resolution, unless the Unitholder has specified in the form of proxy that such Unitholder's Units or Special Voting Units are to be withheld from voting on the resolution.

3. Special Business –Amendment and Reconfirmation of Unitholders’ Rights Plan Agreement

CAPREIT adopted a new Unitholders’ Rights Plan Agreement dated as of May 3, 2002 (which replaced CAPREIT’s former rights plan that was adopted at the time of CAPREIT’s initial public offering), which was reconfirmed and amended by Unitholders at the annual and special meeting of Unitholders on May 26, 2005, and which was reconfirmed again at the annual and special meetings of Unitholders held on May 23, 2007, May 19, 2010 and May 21, 2013 (as amended and restated, the “**Rights Plan**”). The Rights Plan has a five (5) year term, which will expire on the fifth anniversary of its effective date, being May 21, 2018, and is subject to reconfirmation by Unitholders after three (3) years. As such, Unitholders are being asked to approve an ordinary resolution amending and reconfirming the Rights Plan at the Meeting. If the ordinary resolution amending and reconfirming the Rights Plan is not passed at the Meeting, the Rights Plan will terminate on May 25, 2016. However, if the ordinary resolution amending and reconfirming the Rights Plan is passed at the Meeting, the Rights Plan will require reconfirmation by Unitholders at the 2019 annual meeting of Unitholders (or any adjournment or postponement thereof) and thereafter at such meeting to be held, *mutatis mutandis*, every three years thereafter.

Reasoning Behind Proposed Amendments

On February 25, 2016, the Canadian Securities Administrators (the “**CSA**”) announced amendments, which become effective May 9, 2016, to the minimum period a take-over bid must remain open for deposits of securities thereunder, which extend the minimum period to 105 days (from its current 35 days), with the ability of the target issuer to voluntarily reduce the period to not less than 35 days. Additionally, the minimum period may be reduced due to the existence of certain competing take-over bids or alternative change in control transactions. As a result, the only proposed substantive amendment to the Rights Plan is to extend the period of time a Permitted Bid must remain open, subject to certain exceptions, solely to reflect changes to the take-over bid regime by the CSA. To ensure the Permitted Bid definition in the Rights Plan remains aligned with the minimum period a take-over bid must remain open under applicable Canadian securities laws, the proposed amendments to the Rights Plan include:

- amending the definition of Permitted Bid to be outstanding for a minimum period of 105 days or such shorter period that a take-over bid must remain open for deposits of securities, in the applicable circumstances, pursuant to Canadian securities laws; and
- certain additional non-substantive, technical and administrative amendments, including to align the definition of a Competing Permitted Bid to the minimum number of days as required under Canadian securities laws and permit book entry form registration of Rights (as defined in Schedule “A” hereto).

Purpose and Principal Terms of the Rights Plan

The Rights Plan utilizes the mechanism of the Permitted Bid (as defined in Schedule “A” hereto) to ensure that a person seeking control of CAPREIT 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 risk being subject to the dilutive features of the Rights Plan. Generally, to qualify as a Permitted Bid, a bid must be made to all Unitholders and must be open, as proposed to be amended, for one hundred and five (105) days after the bid is made or such shorter period that a take-over bid (that is not exempt from the requirements of Division 5: Bid Mechanics of Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids* (“**MI 62-104**”)) must remain

open for deposits of securities thereunder, in the applicable circumstances at such time, pursuant to MI 62-104. If more than fifty percent (50%) of the Units held by Independent Unitholders (as defined in Schedule "A" hereto) are deposited or tendered to the bid and not withdrawn, the bidder may take up and pay for such Units. The takeover bid must then be extended for a further period of ten (10) days on the same terms to allow those Unitholders who did not initially tender their Units to tender to the takeover bid if they so choose. Thus, there is no coercion to tender during the initial, as proposed to be amended, one hundred and five (105) day period, or such shorter period as permitted by MI 62-104, because the bid must be open for acceptance for at least a further ten (10) days after the expiry of the initial tender period. The intention of the Rights Plan is to make it impractical for any person to acquire more than twenty percent (20%) of the outstanding Units without the approval of the trustees, except pursuant to the Permitted Bid procedures or pursuant to certain other exemptions, as outlined below. Management believes that the Rights Plan, taken as a whole, should not be an unreasonable obstacle to a serious bidder willing to make a bona fide and financially fair offer open to all Unitholders while permitting the board of trustees to fully consider the bidder's offer and, if appropriate, investigate and pursue alternatives.

The terms of the Rights Plan were established on a basis that takes account of concerns previously expressed by institutional investors with respect to certain of the provisions of such plans. The provisions of the Rights Plan relating to portfolio managers are designed to prevent the triggering of the Rights Plan by virtue of the customary activities of such persons (see "**Portfolio Managers**" in Schedule "A" hereto).

A summary of the Rights Plan, including the proposed amendments, is set forth in Schedule "A" to this Circular. For a copy of the Rights Plan, as proposed to be amended, please contact CAPREIT at ir@capreit.net or (416)861-9404.

Approval Required

The text of the ordinary resolution amending and reconfirming the Rights Plan is set forth in Schedule "B" to this Circular. To be effective, this resolution must be passed by a simple majority of the votes cast by Unitholders, present or represented by proxy, at the Meeting. **The persons named in the enclosed form of proxy intend to vote at the Meeting in favour of this resolution, unless the Unitholder has specified in the form of proxy that such Unitholder's Units or Special Voting Units are to be voted against the resolution.**

4. Special Business - Amendments to Declaration of Trust - Preferred Units

Background

The board of trustees resolved to amend the Declaration of Trust, subject to the approval of CAPREIT's Unitholders, in order to enable CAPREIT to issue a maximum of 25,840,600 preferred equity securities, issuable in series (the "**Preferred Units**"), with such designation, rights, privileges, restrictions and conditions attached to each series as determined by the trustees prior to the issuance thereof.

Currently, the Units and the Special Voting Units are the only authorized class of participating trust units of CAPREIT.

CAPREIT's ability to effectively compete in the real estate industry with other fully integrated real estate companies and ultimately to maintain and increase Unitholder value and distributions is dependent in part on its ability to effectively access financing options to allow it to participate in value enhancing businesses related to real property ownership. The trustees are of the view that a security bearing a priority return to the Units will be attractive to investors and will enable CAPREIT to seek out alternate sources of financing. Securities bearing a preferred return have recently emerged as a type of

investment attractive to investors in the current economic climate and under current market conditions as such securities satisfy investors' desire for a specific yield and reduced risk by virtue of their priority over the common equity of the issuer.

The proposed amendments to CAPREIT's Declaration of Trust will provide CAPREIT with further enhanced ability to more actively pursue value enhancing opportunities and acquisitions by providing it with greater flexibility in raising capital. The Preferred Units will enable CAPREIT to structure a class of its securities in a manner that will attract investors. In addition, the Preferred Units potentially provide CAPREIT with an opportunity to reduce its cost of capital.

Accordingly, CAPREIT is proposing to amend and restate the Declaration of Trust (as amended and restated, the "**2016 Amended and Restated Declaration of Trust**") to facilitate the issuance of a new class of preferred equity securities, issuable in series, being designated as the "Preferred Units". The number of Preferred Units which CAPREIT may issue is limited to 25,840,600 (representing 20% of the issued and outstanding Units as of March 31, 2016). The trustees of CAPREIT are of the view that the creation of the Preferred Units will enable CAPREIT to access capital to the extent that it is considered prudent by permitting CAPREIT to offer potential investors a security that provides an attractive yield with less risk than the Units.

Although the 2016 Amended and Restated Declaration of Trust will not limit the purposes for which the Preferred Units may be issued or used, CAPREIT represents that it will not, without prior Unitholder approval, issue or use the Preferred Units for any defensive or anti-takeover purpose, for the purpose of implementing any unitholder rights plan, or with features intended to make any attempted acquisition of CAPREIT more difficult or costly. Within these limits, the board of trustees may issue Preferred Units for capital raising transactions, acquisitions, joint ventures or other trust purpose that may have the effect of making an acquisition of CAPREIT more difficult or costly. CAPREIT will not issue any Preferred Units if to do so would result in adverse tax consequences for CAPREIT or its Unitholders.

A summary of the proposed amendments in the 2016 Amended and Restated Declaration of Trust are set forth in Schedule "C" to this Circular. For a copy of the 2016 Amended and Restated Declaration of Trust, please contact CAPREIT at ir@capreit.net or (416) 861-9404.

Approval Required

The text of the special resolution authorizing and approving the foregoing amendments to the Declaration of Trust is set forth in Schedule "D" to this Circular. To be effective, this special resolution must be passed by two-thirds of the votes cast by Unitholders, present or represented by proxy, at the Meeting. **The persons named in the enclosed form of proxy intend to vote at the Meeting in favour of this special resolution, unless the Unitholder has specified in the form of proxy that such Unitholder's Units or Special Voting Units are to be voted against the resolution.**

5. Special Business - Amendments to Declaration of Trust - Independent Trustee Matter

The board of trustees resolved to amend the definition of "Independent Trustee Matter" in the Declaration of Trust, subject to the approval of CAPREIT's Unitholders, in order to update CAPREIT's Declaration of Trust to be consistent with the constating documents of other real estate investment trusts and to provide greater flexibility at meetings of trustees. Currently, the Declaration of Trust provides that questions arising at any meeting of trustees shall be decided by a majority of the votes cast; provided, however, that the approval required with respect to any "Independent Trustee Matter" shall be that of a majority of the votes cast of the Independent Trustees (which means, for the purposes of the Audit Committee (as defined below), at any time, a trustee who, in relation to CAPREIT, is "independent" for purposes of National Instrument 52-110 - *Audit Committees* and, for all other purposes, at any time, a

trustee who, in relation to CAPREIT, is “independent” for the purposes of National Instrument 58-101 - *Disclosure of Corporate Governance Practices*, as amended from time to time).

The board of trustees believe that the decisions in subsections (e) and (f) of the definition of “Independent Trustee Matter” are matters where being a non-Independent Trustee should not affect a trustee’s ability to vote. Therefore, it is proposed that Section 1.1(24) of the Declaration of Trust be revised and amended in the 2016 Amended and Restated Declaration of Trust as follows:

- (24) “Independent Trustee Matter” means any decision:
- (a) to enter into any arrangement in which a Non-Independent Trustee or an officer of the Trust has a material interest;
 - (b) relating to the enforcement of any agreement entered into by the Trust with a Non-Independent Trustee, or an officer of the Trust or an affiliate or associate of such party;
 - (c) to grant options under any Unit option plan or any rights to participate in any other long term incentive plans adopted by the Trust; or
 - (d) to demolish all or substantially all of a property owned by the Trust;
 - ~~(e) to increase the number of Trustees by no more than one third in accordance with Section 2.1 and to appoint Trustees to fill the vacancies so created; or~~
 - ~~(f) to recommend to Unitholders or Special Unitholders that the number of Trustees be increased, where a vote of Unitholders or Special Unitholders thereon is required, and to nominate individuals as Trustees to fill the vacancies so created;~~

Approval Required

The text of the special resolution authorizing and approving the foregoing amendments to the Declaration of Trust is set forth in Schedule “E” to this Circular. To be effective, this special resolution must be passed by two-thirds of the votes cast by Unitholders, present or represented by proxy, at the Meeting. **The persons named in the enclosed form of proxy intend to vote at the Meeting in favour of this special resolution, unless the Unitholder has specified in the form of proxy that such Unitholder’s Units or Special Voting Units are to be voted against the resolution.**

COMPENSATION DISCUSSION & ANALYSIS

Compensation Discussion and Analysis

Year in Review/Executive Summary

CAPREIT continued to achieve its key financial and strategic objectives throughout 2015. 2015 was a year of significant acquisitions, during which CAPREIT completed the acquisition of 5,362 residential suites (excluding 270 residential suites acquired in Ireland which were acquired on behalf of, and subsequently sold to, I-RES) in 82 properties across Canada, 4 land lease sites in 2 manufactured home communities in Bowmanville and Grand Bend, and sold 260 residential suites in Toronto and 270 residential suites in Dublin, Ireland (as indicated above). The acquisitions completed in 2015 have strengthened the portfolio geographically. In addition, effective May 2015, CAPREIT increased monthly cash distributions to \$0.1017 per Unit monthly (\$1.22 per Unit annually), compared to \$0.098 per Unit monthly (\$1.18 per Unit annually), previously. While the trustees use NFFO (as defined below) as the key

measure for performance-based compensation, the trustees recognize the significant achievements of CAPREIT's key objectives in 2015 including:

Portfolio Performance

- Operating Revenues – Annual operating revenues increased by 5.4% to \$533.8 million, compared to December 31, 2014, due to the contributions from acquisitions, increased average monthly rents on the stabilised residential suite portfolio and continuing high stable occupancies.
- Average Monthly Rents – Average monthly rents for properties owned prior to December 31, 2014 increased by 1.7% to \$1,094 as at December 31, 2015 compared to \$1,076 from last year. As at December 31, 2015, overall occupancy remained strong at 97.5% compared to 97.9% for December 31, 2014.
- Net Operating Income (“NOI”) – Annual NOI increased by 6.8% to \$324.6 million for the year ended December 31, 2015 compared to last year. On a stabilized portfolio basis, NOI increased by 3.3% to \$308.8 million for the year ended December 31, 2015 compared to last year. NOI is a key indicator of operating performance in the real estate industry and of CAPREIT's performance. NOI is comprised of all rental revenues generated at the property level, less (i) related direct costs such as utilities, realty taxes, insurance, repairs and maintenance and on-site wages and salaries, and (ii) an appropriate allocation of overhead costs.
- NOI margin on a stabilized portfolio basis increased to 60.8% from 60.0% last year.

Operating Performance

- Normalized Funds From Operations (“NFFO”) – NFFO for the year ended December 31, 2015 increased by 9.1% to \$200.0 million compared to \$183.4 million in 2014, generating a higher NFFO payout ratio of 73.1% compared to 71.5% in 2014. NFFO is an important measure of CAPREIT's operating performance and the primary indicator with respect to the sustainability of CAPREIT's distributions. Management considers NFFO to be a better year-over-year comparator of performance than FFO as it adjusts for non-recurring or unusual items and provides a better indicator of CAPREIT's long-term cash flow generation capability. NFFO is calculated by excluding from Funds From Operations (“FFO”) the effects of certain non-recurring items, including amortization of losses on certain hedging instruments, mortgage prepayment penalties, offset by the write-off of fair value adjustment on assumed mortgages that were refinanced early, and severance and other employee costs.

Liquidity and Leverage

- Debt to Gross Book Value – Total debt to gross book value as at December 31, 2015 was conservative at 45.71% compared to 46.49% as at December 31, 2014.
- Debt Financings and Mortgage Renewals – CAPREIT achieved its debt financing and mortgage refinancing targets for 2015. Mortgage refinancings (excluding acquisition financings) totaled \$284.8 million in 2015, consisting of renewals of existing mortgages of \$143.3 million and additional top up financings of \$141.5 million. New financings (excluding acquisition financings) were completed at a weighted average stated interest rate of 2.56%, which is below the weighted average interest rate for the mortgages that matured in 2015.
- Interest and Debt Coverage – Improved interest coverage and debt service coverage ratios of 2.96 and 1.63 times, respectively, were achieved in 2015 compared to 2.82 and 1.61 times, respectively in 2014.

The Human Resources and Compensation Committee

The Declaration of Trust requires the creation of a Human Resources and Compensation Committee (the “**Human Resources and Compensation Committee**”), consisting of at least three (3) trustees, to review the compensation offered to trustees and officers of CAPREIT. All of the members of the Human Resources and Compensation Committee are unrelated and “**independent**” (as that term is defined in NI 58-101). As of March 31, 2016, the Human Resources and Compensation Committee of CAPREIT consisted of the following trustees: Stanley Swartzman, Paul Harris and Elaine Todres. Elaine Todres serves as Chair of the Human Resources and Compensation Committee. On March 31, 2016, Mr. Ehrlich resigned, and was replaced by Mr. Harris, as a member of the Human Resources and Compensation Committee.

The Human Resources and Compensation Committee assists the board of trustees in fulfilling its governance responsibilities for CAPREIT’s human resources and compensation principles and policies. As part of its mandate, the Human Resources and Compensation Committee reviews CAPREIT’s compensation principles and policies annually and reports to the board of trustees on CAPREIT’s executive officer and trustee compensation. The Human Resources and Compensation Committee has specific responsibilities relating to: structuring and reviewing compensation plans; the administration of CAPREIT’s compensation plans; and reviewing CAPREIT’s human resources strategic framework and disclosure relating to compensation. For more information on the responsibilities, powers and operations of the Human Resources and Compensation Committee, please see below “**Statement of Governance Practices - Committees of Trustees - Human Resources and Compensation Committee**” and “**Statement of Governance Practices - Position Descriptions - Human Resources and Compensation Committee**”.

In 2015, the Human Resources and Compensation Committee:

- reviewed the performance of CAPREIT executives and senior management relative to CAPREIT’s annual and long-term objectives and relative to its executive compensation comparator group;
- reviewed and made recommendations to the board of trustees on the compensation of trustees and of the President and Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and certain other senior executives;
- reviewed the succession plan for certain of CAPREIT’s senior executives. CAPREIT has a formal process for reviewing and approving succession plans for the President and Chief Executive Officer and other members of senior management. The President and Chief Executive Officer is responsible for the development of succession plans for himself and for other senior management. The Human Resources and Compensation Committee and the board of trustees reviewed and approved the plans in 2015, and continue to review and monitor the candidates identified, ensuring the management and development of their skills, experience and preparedness. These plans provide for succession in both the ordinary course, as well as in the event of an emergency which would require immediate replacement of the President and Chief Executive Officer or other officers of CAPREIT; and
- received advice from Accompass Inc. (“**Accompass**”), a compensation consultant, on executive compensation matters.

The Human Resources and Compensation Committee meets at least four (4) times per year, or more frequently as required. The Chair reports to the board of trustees on the Human Resources and Compensation Committee’s operations at each regularly scheduled board meeting. The Human Resources and Compensation Committee also reviewed and approved the Compensation Discussion and Analysis included in this Circular. For the purposes of this Circular, the named executive officers (as that

term is defined in Form 51-102F6 – *Statement of Executive Compensation* (“NI 51-102F6”)) include Messrs. Schwartz, Cryer and Kenney (each, an “NEO” and together, the “NEOs”). In addition, Ms. Amaral, who ceased to be CAPREIT’s Chief Accounting Officer effective February 27, 2015, was also an NEO as defined in NI 51-102F6 in 2015.

To better align the interests of management of CAPREIT with the interests of Unitholders, the compensation paid to the NEOs consists of a base salary supplemented by such performance-based incentives as may be determined by the board of trustees. The base salary and the parameters for the performance-based incentives paid to Messrs. Schwartz, Cryer and Kenney and Ms. Amaral are governed by the terms of their employment agreements dated January 1, 2005, as amended from time to time, in the cases of Messrs. Schwartz and Kenney and Ms. Amaral and dated August 7, 2013 in the case of Mr. Cryer (the “**Executive Contracts**”), as more fully described under “Significant Terms of Executive Employment Agreements”. Ms. Amaral’s Executive Contract terminated upon her ceasing to be CAPREIT’s Chief Executive Officer on February 27, 2015.

The Human Resources and Compensation Committee is directly involved in the negotiation and settlement of the terms of the Executive Contracts. In determining the appropriate terms of the Executive Contracts, the Human Resources and Compensation Committee considers the following objectives:

- (i) retaining executives who are critical to the success of CAPREIT and the enhancement of Unitholder value;
- (ii) providing fair and competitive compensation; and
- (iii) balancing the interests of management and Unitholders of CAPREIT.

The Human Resources and Compensation Committee is granted unrestricted access to information about CAPREIT that is necessary or desirable to fulfill its duties and all trustees, officers and employees are directed to cooperate as requested by its members. The Human Resources and Compensation Committee has the authority to retain, at CAPREIT’s expense, independent compensation consultants or other advisors to assist the Human Resources and Compensation Committee in fulfilling its duties and responsibilities, including sole authority to retain and to approve any such firm’s fees and other retention terms without prior approval of the board.

In addition to their experience as members of the Human Resources and Compensation Committee of CAPREIT, each of the committee members has direct experience that is relevant to their responsibilities in executive compensation as follows:

- (i) Dr. Todres has over 30 years of experience in governance and human resources in both the public and private sectors. As president of Todres Leadership Counsel, Dr. Todres consults regularly to boards and senior management on matters relating to governance and human resources strategy. Dr. Todres’ was Deputy Minister of Human Resources and was the Chair of the Civil Service Commission for the Government of Ontario, where she was responsible for all human resources practices, including compensation, policy, pension bargaining and talent management for a workforce of approximately 150,000 employees;
- (ii) Mr. Harris has over 40 years of experience as a corporate lawyer, including responsibility for advising clients, including public boards and special committees of boards, on various matters pertaining to governance. In addition, as a former member of the compensation committee at a major law firm, Mr. Harris was involved in advising on, and recommending, compensation for

members of his firm. Mr. Harris is also the chairman of the board, and served as interim president of, a professional sports organization and was responsible for oversight of, and establishing, compensation for the non-players of this organization; and

- (iii) Mr. Swartzman has over 40 years of business experience, including serving as president of IPCF Properties Inc., where Mr. Swartzman was responsible for oversight of, and establishing compensation for, over 250 employees. Mr. Swartzman continued to have responsibility for such human resources and compensation functions in his role as Executive Vice President of Loblaw Properties Limited. In addition, Mr. Swartzman has served on the compensation and governance committee of the board of directors of Centre Fund Corporation.

As part of their role, each member has had access to relevant information regarding compensation, governance and applicable market practices, including access to compensation consultants and other experts from time to time, to give them the tools required to make decisions relating to the suitability of CAPREIT's compensation policies and practices.

Compensation Policy/Objectives of CAPREIT's Executive Compensation Program

The Human Resources and Compensation Committee from time to time retains and receives the benefit of the advice of independent and qualified executive compensation consultants in connection with its negotiation of the Executive Contracts.

The executive compensation programs (as more fully described below), in the Human Resources and Compensation Committee's view, provide executives with an appropriate and competitively balanced mix of guaranteed cash (base salary), and performance-based (short-term cash-based and long-term equity-based) incentive compensation. CAPREIT's compensation programs are designed to attract, retain and motivate highly qualified executive officers, while at the same time promoting a greater alignment of interests between such executive officers and CAPREIT's Unitholders.

Short and long-term incentive awards are determined by the achievement of annual specified performance objectives and the ability of CAPREIT to meet targeted annual performance levels established for each financial year. These incentive awards are paid in cash or, if the NEO is eligible and elects to participate in the long-term equity incentive compensation plans of CAPREIT, a combination of both.

The following discussion of executive compensation pertains to the NEOs.

Elements of Executive Compensation

The elements of executive compensation and their associated reward structure are described in the table below:

Compensation Element	How it is Paid	What it is Designed to Reward
Base Salary	Cash	<ul style="list-style-type: none"> • Determined by assessment of the executive's performance • Rewards skills, knowledge and experience • Reflects the level of responsibility and the expected contribution of the executive

Compensation Element	How it is Paid	What it is Designed to Reward
Annual Incentive (Bonus)	Cash (following financial year end)	<ul style="list-style-type: none"> • Rewards financial and strategic achievement as set out in CAPREIT's annual business plan • Rewards individual contribution to CAPREIT's overall performance • Award is based on how CAPREIT and the executive performed against pre-determined objectives
RUR Plan	RURs exercisable for trust Units upon vesting	<ul style="list-style-type: none"> • Rewards contribution to the long-term performance of CAPREIT • Aligns participants' interests with Unitholders and provides additional incentive for participants to increase Unitholder value by increasing long-term equity participation • Award is based on how CAPREIT and the participant performed against pre-determined objectives
Unit Option Plan ⁽¹⁾	Options to acquire Units at a set price	<ul style="list-style-type: none"> • Rewards contribution to the long-term performance of CAPREIT • Aligns participants' interests with Unitholders and provides additional incentive for participants to increase Unitholder value by increasing long-term equity participation • Award is based on how CAPREIT and each respective participant performed against pre-determined objectives
Other Elements of Compensation		
Executive RRSP	Cash	<ul style="list-style-type: none"> • Executive RRSP (excluding President and Chief • Executive Officer who does not participate) • Discretionary award equal to a maximum of 5% of the respective executive's base salary, subject to RRSP limits • Award is intended to provide a portion of the respective executive's retirement savings
Perquisites	Cash	<ul style="list-style-type: none"> • Automobile allowance • Other health benefits consistent with those of all other employees and comparable to

Compensation Element	How it is Paid	What it is Designed to Reward
EUPP	Units	<p>peer organizations</p> <ul style="list-style-type: none"> A participant is entitled to acquire a number of Units up to a maximum of 10% of his or her respective annual salary through payroll deductions Participants receive an additional amount equal to 20% of the Units purchased pursuant to the EUPP, which amount is automatically paid in the form of additional Units at the time of purchase of Units

Note:

- (1) Since 2002, no options have been awarded under the Unit Option Plan (as defined below) other than pursuant to the President and Chief Executive Officer's employment agreement. The trustees' current policy is not to award any options under the Unit Option Plan, subject to the terms of the President and Chief Executive Officer's employment agreement (See "Significant Terms of Executive Employment Agreements").

Unit Ownership Requirement

As part of CAPREIT's objective to align the interests of trustees and senior executives of CAPREIT with Unitholders, in November, 2006, the board of trustees instituted a requirement that all trustees, including the President and Chief Executive Officer of CAPREIT, acquire, over a maximum period of three (3) years, such number of Units (which may include Deferred Units and RURs) having a value equal to three (3) times his or her annual compensation. The President and Chief Executive Officer and the current trustees of CAPREIT have met, exceeded or are in the process of meeting this ownership requirement.

While executive officers of CAPREIT, other than the President and Chief Executive Officer, are not subject to these requirements, to further align the interests of management of CAPREIT with those of Unitholders, CAPREIT strongly encourages its officers and employees to invest in CAPREIT on a go forward basis.

The following table summarizes the number of Units and RURs beneficially owned, or controlled or directed, directly or indirectly, as of March 31, 2016, by each NEO of CAPREIT, the dollar value of such interests and the percentage of such interests as a percentage of CAPREIT's issued and outstanding Units.

Name of Executive Officer ⁽⁵⁾	Number of Units and RURs ⁽¹⁾ Beneficially Owned, or Controlled or Directed, Directly or Indirectly ⁽²⁾	Dollar Value of Units and RURs ⁽¹⁾ Beneficially Owned, or Controlled or Directed, Directly or Indirectly ⁽³⁾ (\$)	Units and RURs ⁽¹⁾ Beneficially Owned, or Controlled or Directed, Directly or Indirectly, as a Percentage of Outstanding Units ⁽⁴⁾ (%)
THOMAS SCHWARTZ President and Chief	2,894,286	83,586,980	2.24%
SCOTT CRYER Chief Financial Officer	50,860	1,468,837	0.04%
MARK KENNEY Chief Operating Officer	319,604	9,230,164	0.25%
TOTAL	3,264,750	94,285,981	2.53%

Notes:

- (1) RURs vest on the third anniversary of the grant date.
- (2) Individual executive officers have furnished information as to Units and RURs beneficially owned, or controlled or directed, directly or indirectly, by them. The number of Units includes LTIP and SELTIP Units, as applicable. In addition, Mr. Schwartz holds 1,334,432 options.
- (3) Dollar amounts represent the estimated market value of Units and RURs beneficially owned, or controlled or directed, directly or indirectly by each executive officer, as determined by multiplying the number of Units beneficially owned, or controlled or directed, directly or indirectly, by such executive officer as of March 31, 2016 by the closing price of the Units on the TSX on such date. See “**Indebtedness of Trustees and Executive Officers**” for loan amounts outstanding on LTIP and SELTIP Units.
- (4) Percentages represent, as a percentage of the aggregate of the issued and outstanding Units and Special Voting Units of CAPREIT.
- (5) The table excludes Ms. Amaral, who on February 27, 2015, ceased to be the Chief Accounting Officer of CAPREIT.

Targeted Pay Positioning and Mix

CAPREIT’s compensation philosophy is to position executive pay at the median of the executive compensation benchmark for average performance. The incentive programs are designed to allow for executives to be compensated between the 50th and 75th percentile of the benchmark organizations for superior performance.

CAPREIT’s executive compensation mix (the proportion of base salary, short and long-term incentive awards) is designed to reflect the relative impact of the executive’s role on CAPREIT’s performance and considers how the compensation mix aligns with long-term Unitholder value creation.

In determining the target mix of compensation, the Human Resources and Compensation Committee considered market compensation data prepared by its compensation consultant to ensure that CAPREIT’s NEO compensation mix is competitive with comparator organizations and appropriate in light of CAPREIT’s business strategy.

Annual Performance Awards

The maximum annual incentive compensation (bonus) level for the President and Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Chief Accounting Officer is one hundred percent (100%) of base salary.

In light of the achievements of CAPREIT as set out in the section entitled “**Year In Review/Executive Summary**” and the strong executive performance reviews (in which executives achieved their individual functional and departmental objectives), CAPREIT paid out annual incentives to the NEOs.

Annual incentive compensation for all NEOs for the 2015 financial year was determined based upon quantitative and qualitative measures based on sixty percent (60%) quantitative and forty percent (40%) qualitative.

Performance Measurement Category	Specific Measures
Quantitative - Corporate (Financial)	<ul style="list-style-type: none"> • NFFO per Unit
Qualitative	<ul style="list-style-type: none"> • Human Resources and Compensation Committee/President and Chief Executive Officer assessment • Individual objectives • Departmental objectives

The quantitative component for all NEOs' compensation is based on the financial performance of CAPREIT, as measured by NFFO per Unit achieved against a pre-determined target.

For the year ended 2015, the Human Resources and Compensation Committee set the NFFO per Unit threshold achievement level equal to \$1.60. The executive bonus potential linked to the threshold level of performance was forty percent (40%) of the maximum corporate incentive component. The Human Resources and Compensation Committee applied a payout curve to the corporate incentive component of the annual bonus potential for all NEOs, increasing such payment incrementally, such that the maximum (one hundred percent (100%)) payment would be payable where NFFO per Unit equaled \$1.67. For the year ended 2015, CAPREIT achieved NFFO per Unit equal to \$1.692, translating into a corporate incentive component equal to one hundred percent (100%) of the maximum achievable amount.

CAPREIT calculates NFFO by excluding from FFO certain non-recurring items, including changes in fair value of hedging instruments and amortization of losses on certain hedging instruments, in order to facilitate better comparability to the prior year. NFFO is a non-IFRS measure which CAPREIT believes is a relevant evaluator of its operating performance and the primary indicator with respect to the sustainability of its distributions. In calculating NFFO, CAPREIT does not include gains resulting from the sale of investment properties of CAPREIT.

The qualitative component for all NEOs is based on performance against specific objectives established for each of the NEOs, based on the President and Chief Executive Officer's recommendations and subject to the trustees' approval. The Human Resources and Compensation Committee has determined that the President and Chief Executive Officer's qualitative performance should be strongly oriented towards increasing NFFO. The following qualitative criteria were used to determine the short-term incentive for each NEO:

NEO ⁽¹⁾	Qualitative Criteria
<p>THOMAS SCHWARTZ President and Chief Executive Officer</p>	<ul style="list-style-type: none"> • Continue to develop, implement and lead programs for Leadership Development for all CAPREIT staff, at all levels. • Continue to lead and support the implementation phase of the accounting modernization project. • Identify and hire a Chief Information Officer to enhance the IT department and enable the technology necessary for the accounting modernization project. • Support the Chief Operating Officer with respect to the hiring of an Executive Vice President and implementation of organizational changes.
<p>SCOTT CRYER Chief Financial Officer</p>	<ul style="list-style-type: none"> • Continue to lead and implement the accounting modernization project. • Successfully integrate the property accounting group and the financial reporting group into one cohesive accounting and finance department under his leadership.
<p>MARK KENNEY Chief Operating Officer</p>	<ul style="list-style-type: none"> • Focus on Operations Department succession by: <ul style="list-style-type: none"> ○ Hiring and orienting an Executive Vice President with necessary skills and experience. ○ Implementing successfully changes to the

	operating organization in connection with the accounting modernization project.
--	---

Note:

- (1) On February 27, 2015, Ms. Amaral ceased to be the Chief Accounting Officer of CAPREIT and therefore did not qualify to receive any annual incentive compensation. Therefore, no qualitative criteria have been included for her.

The Human Resources and Compensation Committee arrives at a formulaic award for each NEO (representing the maximum payout) using the additive short-term incentive formula (Corporate (Financial) + Qualitative) and then may, in consultation with the President and Chief Executive Officer, use its discretion to increase or decrease the payout for certain NEOs, as deemed appropriate.

Long-Term Incentive Awards

Long-term incentive awards for NEOs are granted annually at the discretion of the Human Resources and Compensation Committee which determines the individual award based on the NEOs' annual performance and the achievement of CAPREIT's annual specified performance levels established by the Human Resources and Compensation Committee and are governed by the terms of their Executive Contracts. Please refer to the section entitled "**Significant Terms of Executive Employment Agreements**" for the details of the NEO long-term incentive award arrangements.

With regard to long-term compensation awards made in respect of the year ended 2015, grants of RURs were awarded based on the financial performance of CAPREIT, as measured by NFFO per Unit achieved against a pre-determined target. For the year ended 2015, the Human Resources and Compensation Committee established the NFFO per Unit threshold achievement level equal to \$1.60 for an award equal to forty percent (40%) of the NEOs' maximum annual incentive compensation. The Human Resources and Compensation Committee applied a payout curve to the long-term incentive compensation awards under the RUR Plan to NEOs, increasing such awards incrementally, such that the maximum (one hundred percent (100%)) award would be granted where NFFO per Unit equalled \$1.67. As CAPREIT achieved NFFO per Unit in 2015 of \$1.692, NEOs were awarded RURs equal to one hundred percent (100%) of their maximum incentive compensation.

The table below shows all RURs granted to the NEOs in respect of the 2015 financial year:

Name	Number of RURs	Total Value (\$)	Last Day of Grant Period
THOMAS SCHWARTZ President and Chief Executive Officer	27,557 4,880 ⁽²⁾	787,590 ⁽¹⁾ 138,000 ⁽³⁾	February 16, 2019 February 27, 2018
SCOTT CRYER Chief Financial Officer	10,497 818 ⁽²⁾	300,000 ⁽¹⁾ 23,125 ⁽³⁾	February 16, 2019 February 27, 2018
MARK KENNEY Chief Operating Officer	14,721 2,263 ⁽²⁾	420,716 ⁽¹⁾ 64,000 ⁽³⁾	February 16, 2019 February 27, 2018
MARIA AMARAL ⁽⁴⁾ Former Chief Accounting Officer	1,326 ⁽²⁾	37,500 ⁽¹⁾	February 27, 2015

Notes:

- (1) Based on a per Unit price of \$28.58 determined in accordance with the RUR Plan. Amounts are rounded to the nearest whole RUR.
- (2) Represents additional RURs granted under the RUR Plan to Mr. Schwartz, Mr. Cryer, Mr. Kenney and Ms. Amaral in consideration of their agreement to extend the settlement date of RURs granted to each of them in February 2012.
- (3) Based on a per Unit price of \$28.28 determined in accordance with the RUR Plan. Amounts are rounded to the nearest whole RUR.
- (4) On February 27, 2015, Ms. Amaral ceased to be the Chief Accounting Officer of CAPREIT.

Senior Executive Compensation Claw-Back Policy

In February, 2012, the board of trustees adopted a senior executive compensation claw-back policy for awards made under CAPREIT's annual incentive compensation and RUR Plan. Under this policy, which applies to the NEOs, the board of trustees may, pursuant to an agreement with the NEO, require reimbursement of all or a portion of the annual incentive compensation and compensation received under the RUR Plan by the executive(s) in situations where:

- the amount of incentive compensation received by the executive officer was calculated based upon, or contingent on, the achievement of certain financial results that were subsequently the subject of or affected by a restatement of all or a portion of CAPREIT's financial statements;
- the executive officer engaged in gross negligence, intentional misconduct or fraud that caused or partially caused the need for the restatement; and
- the incentive compensation payment received would have been lower had the financial results been properly reported.

Each NEO is bound by the senior executive compensation claw-back policy based on the terms of their respective Executive Contract, which are further described below. See "**Significant Terms of Executive Employment Agreements**".

New Actions/Decisions or Policies

In 2015, in accordance with the RUR Plan, the Human Resources and Compensation Committee extended the settlement date of RURs granted in 2012 (the "**2012 RUR Grant**") by 3 years, with the consent of the participants, in order to facilitate the continued holding of the 2012 RUR Grant by such participants for purposes of further aligning the long-term interests of participants and Unitholders. In consideration of their long-term commitment to CAPREIT, additional RURs were granted to those participants who agreed to extend the settlement date of the 2012 RUR Grant from February 2015 to February 2018 equal to twenty percent (20%) of the original value of their respective 2012 RUR Grant.

Other than the foregoing, CAPREIT did not take any new actions, or make any decisions or policies after the recently completed fiscal year that could affect the understanding of the NEOs' compensation for the most recently completed fiscal year. CAPREIT does not intend on making any significant changes to its compensation policies and practices in the next financial year.

Risk Analysis

The Human Resources and Compensation Committee provides oversight of, and makes recommendations to the board with respect to, risk management and mitigation in connection with its review and approval of CAPREIT's compensation policies and practices. On an annual basis or more frequently as required, the Human Resources and Compensation Committee, in conjunction with the board of trustees reviews CAPREIT's compensation policies and practices to determine whether they may encourage excessive or inappropriate risk. The trustees discuss risks associated with short-term decisions that may be made by the NEOs and the possibility of such decisions having an effect on results which inform the performance-based elements of NEO compensation. The trustees established compensation practices which mitigate such risks by: (i) benchmarking performance-based compensation against NFFO, as it adjusts for non-recurring or unusual items that can affect short-term results, and is a better indicator of CAPREIT's long-term financial condition; (ii) tying both the short-term incentive (cash) bonus and long-term incentive (equity) bonus, to CAPREIT's performance (as to up to 60% of the NEO's incentive compensation) and to the NEO's individual performance (as to up to 40% of the NEO's incentive compensation); (iii) by placing minimum thresholds on CAPREIT's performance in order for an

NEO to receive an incentive bonus; (iv) by capping the maximum amount of incentive bonus a NEO may receive, subject only to the Human Resources and Compensation Committee's discretion; and (v) by adopting the claw-back policy (described above) for the NEO's who have executive contracts.

In considering the implications of the risks associated with CAPREIT's compensation policies and practices, the Human Resources and Compensation Committee has not identified risks arising from CAPREIT's compensation policies and practices that are reasonably likely to have a material adverse effect on CAPREIT.

Pursuant to CAPREIT's Insider Trading Policy, all Reporting Insiders (as defined under applicable securities laws) are not permitted to enter into any transaction that has the effect of offsetting the economic value of any direct or indirect interest of such Reporting Insider in securities of CAPREIT. This includes the purchase of financial instruments such as prepaid variable forward contracts, equity swaps, collars or units of exchange funds that are designed to hedge or offset a decrease in the market value of equity securities granted to such Reporting Insiders as compensation or otherwise held directly or indirectly by such Reporting Insiders.

In addition, in the view of the Human Resources and Compensation Committee, the structure and nature of trustees and executive compensation, including the manner in which Unit-based awards are granted, vested and paid-out, previously under the LTIP and SELTIP, and currently under the RUR Plan, is designed to reduce the need to hedge or offset any potential decrease in the price of CAPREIT's Units and is adequate to ensure that the interests of the trustees and NEOs are adequately aligned with those of CAPREIT generally.

Executive Compensation Benchmark Analysis

The overall composition of total executive compensation, setting levels for base salary and performance-based (both short-term cash and long-term equity-based) incentive compensation for 2015 were determined after reviewing other comparable real estate investment trusts and real estate management and development organizations in Canada. When developing the benchmark group, organizations were included in the benchmark group in consideration of various factors, including the following selection criteria: industry relevance, annual revenues, total assets, market capitalization and net income. Based on these selection criteria, CAPREIT deems each organization included in the benchmark group to carry on business operations comparable to CAPREIT and thus views the compensation policies of such organizations relevant for consideration.

- Allied Properties REIT
- Artis REIT
- Boardwalk REIT
- SmartREIT
- Cominar REIT
- DREAM Office REIT
- First Capital Realty Inc.
- H&R REIT
- RioCan REIT
- Morguard North American Residential REIT
- Morguard REIT

The results of the benchmarking that was applied were used in 2015 to determine the overall composition of total executive compensation, setting levels for base salary and performance-based (both short-term cash and long-term equity-based) incentive compensation, in consideration of balancing executive compensation in favour of greater alignment with Unitholder returns. CAPREIT does not determine performance-based incentive compensation based on how CAPREIT performed relative to its peer group on an annual basis.

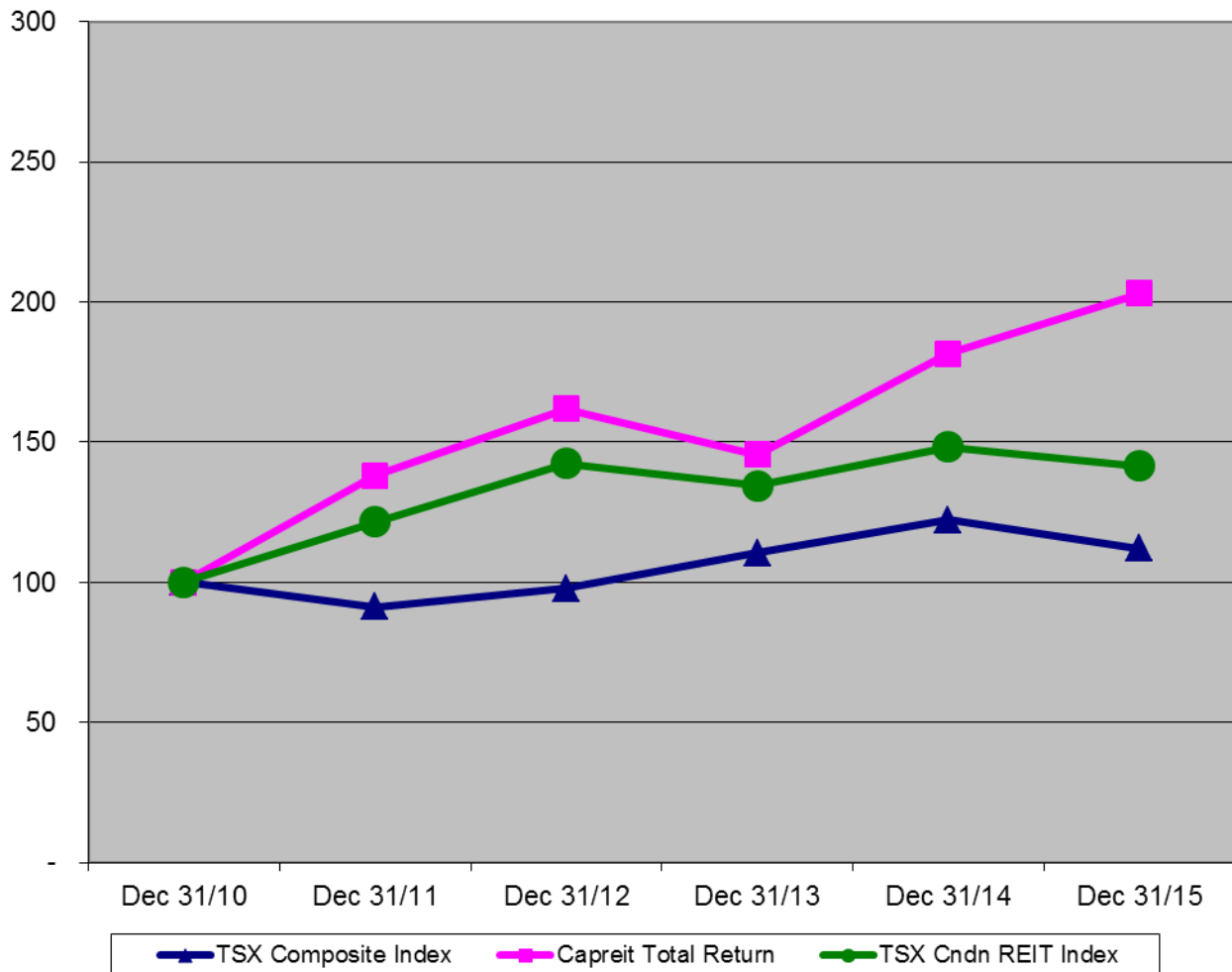
In September 2014, Accompass was engaged by the Human Resources and Compensation Committee to provide advice and counsel on executive and senior management compensation matters, including reviewing the prior (2013) executive compensation comparator group and other market factors contributing to an executive and senior management compensation analysis, and auditing the elements of executive compensation and alignment between CAPREIT’s compensation strategy and practice. Accompass delivered its formal report in February, 2015. Accompass continues to work with the board of trustees in reviewing the compensation structure of officers and other members of management.

Summary of Fees to Accompass

Nature of Fees	2015	2014
Executive Compensation-Related Fees	\$31,075	\$22,600
All Other Fees	\$10,170	Nil
Total	\$41,245	\$22,600

Performance Graph

The following graph compares the total cumulative Unitholder return for \$100 invested in Units on December 31, 2010 with the cumulative total return of the TSX Composite Index and the TSX Canadian REIT Index during the five (5) most recently completed financial years of CAPREIT.



Compensation for CAPREIT's NEOs is not linked directly to Total Unitholders Return ("TUR"), and as such does not necessarily move in line with relative TUR performance. In addition, TUR performance does not always adequately reflect CAPREIT's investment or operating strategy or the achievement by CAPREIT of its objectives, which include maintaining a strong balance sheet; maintaining sustainable and predictable distributions to Unitholders; a conservative financing strategy; and a long-term approach to real estate investment. It is the view of CAPREIT that compensation delivered to the NEOs versus performance, as measured by NFFO, is a more meaningful illustration of CAPREIT's pay for performance policy than TUR. As a result, CAPREIT's NEO compensation is heavily linked to the success of CAPREIT's generation of NFFO for Unitholders.

SUMMARY COMPENSATION TABLE

The following table sets forth a summary of the compensation earned by each NEO of CAPREIT in 2015. For comparison purposes, the compensation information from 2013 and 2014 for each NEO is set out below in the summary compensation table.

Name and Principal Position	Year	Salary (\$)	Unit-based Awards (\$)	Option-based Awards (\$)	Non-equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans (\$)	Long-Term Incentive Plans (\$)			
THOMAS SCHWARTZ ⁽¹⁾ President and Chief Executive Officer	2015	787,590	925,590 ⁽³⁾	1,100,150 ⁽⁶⁾	787,590 ⁽⁸⁾	-	-	21,320 ⁽¹¹⁾ 108,018 ⁽¹⁴⁾	3,730,258
	2014	768,380	935,880 ⁽⁴⁾	573,500 ⁽⁷⁾	1,576,280 ⁽⁹⁾	-	-	21,046 ⁽¹²⁾ 237,458 ⁽¹⁵⁾	4,112,544
	2013	746,000	746,000 ⁽⁵⁾	-	746,000 ⁽¹⁰⁾	-	-	24,761 ⁽¹³⁾	2,262,761
SCOTT CRYER Chief Financial Officer	2015	300,000	323,125 ⁽³⁾	-	300,000 ⁽⁸⁾	-	-	43,151 ⁽¹¹⁾ 37,681 ⁽¹⁴⁾	1,003,957
	2014	239,475	244,475 ⁽⁴⁾	-	239,475 ⁽⁹⁾	-	-	36,641 ⁽¹²⁾ 88,165 ⁽¹⁵⁾	848,231
	2013	232,500	174,375 ⁽⁵⁾	-	174,375 ⁽¹⁰⁾	-	-	26,140 ⁽¹³⁾	607,390
MARK KENNEY Chief Operating Officer	2015	420,716	484,716 ⁽³⁾	-	420,716 ⁽⁸⁾	-	-	55,807 ⁽¹¹⁾ 50,241 ⁽¹⁴⁾	1,432,196
	2014	410,455	487,705 ⁽⁴⁾	-	410,455 ⁽⁹⁾	-	-	51,411 ⁽¹²⁾ 117,553 ⁽¹⁵⁾	1,477,579
	2013	398,500	439,750 ⁽⁵⁾	-	398,500 ⁽¹⁰⁾	-	-	47,895 ⁽¹³⁾	1,284,645
MARIA AMARAL ⁽²⁾ Former Chief Accounting Officer	2015	54,839	37,500 ⁽³⁾	-	-	-	-	6,199 ⁽¹¹⁾	98,538
	2014	278,615	323,990 ⁽⁴⁾	-	278,615 ⁽⁹⁾	-	-	42,587 ⁽¹²⁾ 88,165 ⁽¹⁵⁾	1,011,972
	2013	270,500	294,750 ⁽⁵⁾	-	270,500 ⁽¹⁰⁾	-	-	39,540 ⁽¹³⁾	875,290

Notes:

- (1) Mr. Schwartz is President and Chief Executive Officer of CAPREIT and a trustee. Mr. Schwartz does not receive compensation for his services as trustee.
- (2) On February 27, 2015, Ms. Amaral ceased to be the Chief Accounting Officer of CAPREIT, and, thus, did not serve as NEO for part of the 2015 financial year.
- (3) Represents 27,557 RURs issued to Mr. Schwartz; 10,497 RURs issued to Mr. Cryer; 14,721 RURs issued to Mr. Kenney; in each case on February 16, 2016. In accordance with the RUR Plan, the grant date fair value of the Units is based on the weighted average price of the Units on the TSX for the five trading days prior to grant of \$28.58. The accounting fair value

- for financial statement purposes is determined based on the closing prices of the Units on the TSX on the date of grant of \$28.73. Represents also an additional 4,880 RURs issued to Mr. Schwartz for value of \$138,000, an additional 818 RURs issued to Mr. Cryer for value of \$23,125, an additional 2,263 RURs issued to Mr. Kenney for a value of \$64,000, and an additional 1,326 RURs issued to Ms. Amaral for a value of \$37,500 on February 27, 2015. These additional RURs were granted to Mr. Schwartz, Mr. Cryer, Mr. Kenney, and Ms. Amaral as they agreed to extend the settlement date of the 2012 RUR Grant. The accounting fair value for financial statement purposes is determined based on the closing prices of the Units on the TSX on the date of grant of \$28.31. See “**Compensation Discussion & Analysis – New Actions/Decisions or Policies**”.
- (4) Represents 28,291 RURs issued to Mr. Schwartz; 8,817 RURs issued to Mr. Cryer; 15,112 RURs issued to Mr. Kenney and 10,258 RURs issued to Ms. Amaral; in each case on February 17, 2015. In accordance with the RUR Plan, the grant date fair value of the Units is based on the weighted average price of the Units on the TSX for the five trading days prior to grant of \$27.16. The accounting fair value for financial statement purposes is determined based on the closing prices of the Units on the TSX on the date of grant of \$26.76. Represents also an additional 7,733 RURs issued to Mr. Schwartz for value of \$167,500, an additional 231 RURs issued to Mr. Cryer for value of \$5,000, an additional 3,566 RURs issued to Mr. Kenney for a value of \$77,250, and an additional 2,095 RURs issued to Ms. Amaral for a value of \$45,375 on February 28, 2014. These additional RURs were granted to Mr. Schwartz, Mr. Cryer, Mr. Kenney, and Ms. Amaral as they agreed to extend the settlement date of the 2011 RUR Grant. The accounting fair value for financial statement purposes is determined based on the closing prices of the Units on the TSX on the date of grant of \$21.87.
- (5) Represents 34,411 RURs issued to Mr. Schwartz; 8,051 RURs issued to Mr. Cryer; 18,398 RURs issued to Mr. Kenney and 12,488 RURs issued to Ms. Amaral; in each case on February 28, 2014. In accordance with the RUR Plan, the grant date fair value of the Units is based on the weighted average price of the Units on the TSX for the five trading days prior to grant of \$21.66. The accounting fair value for financial statement purposes is determined based on the closing prices of the Units on the TSX on the date of grant of \$21.87. Represents also an additional 947 RURs issued to Ms. Amaral for value of \$24,250, and an additional 1,611 RURs issued to Mr. Kenney for value of \$41,250 on February 25, 2013. These additional RURs were granted to Ms. Amaral and Mr. Kenney as they agreed to extend the settlement date of the 2010 RUR Grant. The accounting fair value for financial statement purposes is determined based on the closing prices of the Units on the TSX on the date of grant of \$25.44.
- (6) On May 25, 2015 in connection with an equity offering, 166,650 options were granted to Mr. Schwartz at an exercise price of \$29.00. The options expire on May 25, 2025. The amount represents the grant date fair value of the options using the Black-Scholes option pricing model. Key assumptions used in the valuation were a distribution yield of 4.24%, a risk-free rate of 1.33% and a volatility of 19.54%. On October 9, 2015 in connection with an equity offering, 261,600 options were granted to Mr. Schwartz at an exercise price of \$28.70. The options expire on October 9, 2025. The amount represents the grant date fair value of the options using the Black-Scholes option pricing model. Key assumptions used in the valuation were a distribution yield of 4.34%, a risk-free rate of 1.52% and a volatility of 19.34%.
- (7) On June 12, 2014 in connection with an equity offering in October 2013, 218,282 options were granted to Mr. Schwartz at an exercise price of \$22.72. The options expire on June 12, 2024. The amount represents the grant date fair value of the options using the Black-Scholes option pricing model. Key assumptions used in the valuation were a distribution yield of 5.05%, a risk-free rate of 2.29% and a volatility of 22.92%. All the options vested immediately on grant date. The Black Scholes model is used as the most commonly used valuation methodology by options market participants.
- (8) This bonus was earned in respect of the 2015 financial year and paid in December, 2015.
- (9) This bonus was earned in respect of the 2014 financial year and paid in February, 2015.
- (10) This bonus was earned in respect of the 2013 financial year and paid in March, 2014.
- (11) Represents the total value of perquisites, including car allowance of \$18,000 for Mr. Schwartz. Represents the total value of perquisites including car allowance of \$18,000 and Executive RRSP contribution of \$15,000 for Mr. Cryer. Represents total value of perquisites, including car allowance of \$18,000, and Executive RRSP contribution of \$21,036 for Mr. Kenney. Represents total value of perquisites, including car allowance of \$3,750 for Ms. Amaral. This also includes the taxable portion of the additional Units received by each NEO, as applicable, from CAPREIT pursuant to the 20% match under the EUPP and insurance premiums paid by CAPREIT in respect of life insurance for each NEO, which amounts for 2015 were immaterial.
- (12) Represents the total value of perquisites, including car allowance of \$18,000 for Mr. Schwartz. Represents the total value of perquisites including car allowance of \$18,000 and Executive RRSP contribution of \$11,974 for Mr. Cryer. Represents total value of perquisites, including car allowance of \$18,000, and Executive RRSP contribution of \$20,523 for Mr. Kenney. Represents total value of perquisites, including car allowance of \$18,000, and Executive RRSP contribution of \$13,931 for Ms. Amaral. This also includes the taxable portion of the additional Units received by each NEO, as applicable, from CAPREIT pursuant to the 20% match under the EUPP and insurance premiums paid by CAPREIT in respect of life insurance for each NEO, which amounts for 2014 were immaterial.
- (13) Represents the total value of perquisites, including car allowance of \$18,000 for Mr. Schwartz. Represents the total value of perquisites including car allowance of \$7,227 and Executive RRSP contribution of \$ 11,625 for Mr. Cryer. Represents total value of perquisites, including car allowance of \$18,000, and Executive RRSP contribution of \$ \$19,925 for Mr. Kenney. Represents total value of perquisites, including car allowance of \$18,000, and Executive RRSP contribution of \$ 13,525 for Ms. Amaral. This also includes the taxable portion of the additional Units received by each NEO, as applicable, from CAPREIT pursuant to the 10% match under the EUPP and insurance premiums paid by CAPREIT in respect of life insurance for each NEO, which amounts for 2013 were immaterial.
- (14) On March 26, 2015 in connection with the secondary equity offering of Irish Residential Properties REIT plc (“I-RES”) in March 2015, options of I-RES at an exercise price of €1.005 were granted as follows: 1,075,000 options to Mr. Schwartz;

375,000 options to Mr. Cryer and 500,000 options to Mr. Kenney. One third of the options vest each year for 3 years, and the options expire on March 25, 2022. The amounts represent the grant date fair value of the options using the Black-Scholes option pricing model. Key assumptions used in the valuation were a distribution yield of 5%, a risk-free rate of 0.44% and a volatility of 20.2%. The NEOs were granted these options in relation to their role, with IRES Fund Management Limited, CAPREIT's Irish subsidiary, which acts as investment manager to I-RES. The amounts granted are in euros (as the functional currency of I-RES is the euro), which have been converted into Canadian dollars for the purpose of this table, using the exchange rate on the grant date of March 26, 2015, of €1.00 = C\$1.3616.

- (15) On April 16, 2014 in connection with an equity offering of I-RES in April 2014, options of I-RES at an exercise price of €1.04 were granted as follows: 2,020,000 options to Mr. Schwartz; 750,000 options to Mr. Cryer; 1,000,000 options to Mr. Kenney and 750,000 options to Ms. Amaral. One third of the options vest each year for 3 years, and the options expire on April 15, 2021. The amounts represent the grant date fair value of the options using the Black-Scholes option pricing model. Key assumptions used in the valuation were a distribution yield of 5.0%, a risk-free rate of 1.209% and a volatility of 20.33%. The NEOs were granted these options in relation to their role, with IRES Fund Management Limited, CAPREIT's Irish subsidiary, which acts as investment advisor and property manager to I-RES. The amounts granted are in euros (as the functional currency of I-RES is the euro), which have been converted into Canadian dollars for the purpose of this table, using the exchange rate on the grant date of April 16, 2014, of €1.00 = C\$1.5241.

Narrative Discussion

Significant Terms of Executive Employment Agreements

The Executive Contracts for Messrs. Schwartz, Cryer and Kenney provide for annual review of base salaries. All capitalized terms used in this section and not otherwise defined shall have the meanings ascribed thereto in the Executive Contracts.

Long-term incentive awards for NEOs are governed by the terms of their Executive Contracts. Pursuant to Mr. Schwartz's Executive Contract, Mr. Schwartz will be awarded options to acquire three percent (3%) of the number of Units issued by CAPREIT pursuant to any equity offering or acquisition transaction (not including pursuant to any compensation arrangements) at the Market Price (as defined in the Unit Option Plan) of the Units at the time of completion of each such treasury issuance, in accordance with the terms of the Unit Option Plan, as amended from time to time. In connection with the completion of certain equity offerings by CAPREIT in October 2015, March 2015, October 2013, December 2012, and May 2012, Mr. Schwartz was issued options to acquire 261,600 Units on October 9, 2015, 166,650 Units on March 25, 2015, 218,282 Units on June 12, 2014, 30,150 Units on December 13, 2012, 201,000 Units on December 4, 2012 and 232,500 Units on May 17, 2012, (representing approximately 0.20%, 0.14%, 0.20%, 0.03%, 0.20% and 0.23% of the number of outstanding Units as of each such grant date, respectively). Effective as of March 1, 2015, Mr. Schwartz's Executive Contract was amended to tie the vesting of options granted to him thereunder to performance criteria to be determined by the board of trustees with the recommendation of the Human Resources and Compensation Committee from time to time.

The Human Resources and Compensation Committee bases its determinations with respect to bonus entitlements and eligibility under CAPREIT's long-term incentive plans on the achievement of targeted annual performance levels. See "**Annual Performance Awards**" and "**Elements of Executive Compensation**".

Each of the Executive Contracts are for a one (1) year term.

In addition, CAPREIT may terminate an Executive Contract without cause by giving written notice to such effect to the executive. During the period from the date of notice to the earlier of: (i) six (6) months and (ii) the expiry of the term of the Executive Contract, the executive shall receive an amount equal to the base salary paid to the executive in respect of the previous twelve (12) months, plus the average annual bonus awarded to the executive in respect of the two (2) calendar years preceding the date of notice (pro-rated to take into account partial periods). In addition, at the earlier of: (i) six (6) months and (ii) the expiry of the term of the Executive Contract, the executive shall receive a lump sum payment equal to the base salary and bonus which would have been paid if the notice period had been thirty (30) months, less the amounts actually paid during the notice period.

In lieu of such notice, CAPREIT can elect to immediately terminate the Executive Contract upon payment to the executive of a lump sum equal to the total of the payments required to be paid upon termination with notice, as described above. At the option of the executive, any lump sum payment payable may be paid in instalments until the full amount is paid. The executive will also continue to receive benefits for a period of thirty (30) months from the date of termination, less the length of the notice period (or payment of an amount equal to the costs of replacing such benefits).

As well, in the event of a “change of control” of CAPREIT, each executive has the election of terminating his respective Executive Contract on thirty (30) days’ notice for good reason (as defined in the Executive Contract) or, during the thirty (30) days after the date of the executive becoming aware of the change of control, for any reason; and, in either such event, is entitled to receive an amount equal to three (3) times the sum of: (i) base salary paid to the executive during the previous twelve (12) months, plus (ii) the average bonus awarded to the executive in respect of the previous two (2) years, and maintenance of benefits for a period of thirty-six (36) months from the date of termination. A “change of control” is broadly defined to contemplate the circumstances where a person or group of persons acting jointly or in concert acquire beneficial ownership or control of more than fifty percent (50%) of the outstanding Units or votes attaching thereto and includes the acquisition by a person or group of persons acting jointly or in concert of all of the assets of CAPREIT or its subsidiaries.

Each of the Executive Contracts provides that if the term thereof would otherwise have expired prior to thirty (30) days after the date of the executive becoming aware of the change of control, such Executive Contract is automatically extended to such date.

Mr. Schwartz’s Executive Contract provides that, in the event of a change of control transaction, if securities of CAPREIT or another entity, the securities of which are listed for trading on the TSX, can be utilized in a plan (a “**Replacement Plan**”), the intention of such Replacement Plan being to provide Mr. Schwartz with substantially equivalent benefits to those in effect or intended to be in effect under the SELTIP prior to the change of control transaction, then CAPREIT or other entity may implement such a Replacement Plan (subject to agreement among the relevant parties). If the implementation of a Replacement Plan is not possible, prior to the closing of a change of control transaction, CAPREIT will purchase a fully paid up annuity from a recognized and credit-worthy Canadian Life insurer in order to provide Mr. Schwartz with substantially equivalent benefits to those in effect or intended to be in effect under the SELTIP. The annuity would be sufficient to provide an annual pre-tax benefit to Mr. Schwartz equal to the amount (the “**Change of Control Annual Benefit**”), if any, calculated by subtracting: (i) the “Available Yield” Mr. Schwartz would receive from the sale or redemption proceeds of his Units underlying his entitlements under the SELTIP (all of which shall automatically vest upon a change of control transaction in accordance with the terms of the SELTIP), after repaying any amounts owing under such plans in respect of instalment receipts, where the “Available Yield” amount is based on, among other things, the average yield for real estate investment trusts investing primarily in multi-unit residential properties and certain income tax assumptions, from (ii) \$300,000. As an alternative to the foregoing annuity, CAPREIT may elect not to purchase the annuity but to provide the Change of Control Annual Benefit in another manner that is more favourable to CAPREIT from an income tax or other perspective, so long as the net after tax benefits to Mr. Schwartz, and the security for such benefits, are no less favourable to Mr. Schwartz than the Change of Control Annual Benefit he would receive pursuant to a purchased annuity (as described above). Regardless of manner, following a change of control transaction, payments of the Change of Control Annual Benefit would commence on July 5, 2017 and continue until the death of Mr. Schwartz.

Each of the aforementioned Executive Contracts contains certain customary non-competition, non-solicitation and confidentiality provisions in favour of CAPREIT.

Executive Registered Retirement Savings Plan

CAPREIT has established an Executive Registered Retirement Savings Plan (the “ERRSP”) for key senior management, excluding the President and Chief Executive Officer. The ERRSP contributions for the year are equal to five percent (5%) of the executive’s base salary, subject to applicable Income Tax Act (Canada) limitations. However, there are no guarantees that contributions will be made in any particular year or that any contributions which are made will equal any specific amount. Without limiting the generality of the foregoing, the making of contributions or the level thereof in any given year may depend on CAPREIT’s and/or individual performance in that year.

The ERRSP is intended to assist participants in generating long-term capital appreciation for the executives’ retirement income and, as such, is not designed to provide short-term compensation. Accordingly, in the event that while still employed by CAPREIT, an executive withdraws any assets from his or her ERRSP account, CAPREIT will make no further contributions to the ERRSP on the executive’s behalf. A resumption of ERRSP contributions on the executive’s behalf in such circumstances will only be possible if there is a specific subsequent decision to such effect by the President and Chief Executive Officer of CAPREIT.

INCENTIVE PLAN AWARDS

Outstanding Unit-based Awards and Option-based Awards

Name	Option Based Awards				Unit Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-The-Money Options ⁽¹⁾ (\$)	Number of Units That Have Not Vested ⁽²⁾ (#)	Market or Payout Value of Unit-Based Awards That Have Not Vested ^{(1),(2)} (\$)	Market or Payout Value of Vested Unit-Based Awards Not Paid Out or Distributed ^{(1),(3)} (\$)
THOMAS SCHWARTZ President and Chief Executive Officer	224,250 232,500 201,000 30,150 218,282 166,650 261,600 <u>1,334,432</u>	20.30 22.75 24.00 24.85 22.72 29.00 28.70	October 30, 2021 May 16, 2022 December 3, 2022 December 12, 2022 June 11, 2024 March 25, 2025 October 9, 2025	1,466,595 950,925 570,840 59,999 899,322 - - <u>3,947,681</u>	116,177	3,118,191	33,365,717
SCOTT CRYER Chief Financial Officer	-	-	-	-	26,448	709,864	203,689
MARK KENNEY Chief Operating Officer	-	-	-	-	59,695	1,602,214	1,459,693
MARIA AMARAL ⁽⁴⁾ Former Chief Accounting Officer	-	-	-	-	-	-	4,552,225

Notes:

- (1) Value based on the closing price of Units on the TSX on December 31, 2015.
- (2) Represents RURs which vest on the third anniversary of the grant date.
- (3) Represents SELTIP and LTIP awards and RURs for Mr. Schwartz and LTIP and RUR awards for Mr. Kenney and Ms. Amaral. The outstanding loan balances at December 31, 2015, are \$13,360,056 for Mr. Schwartz's SELTIP and LTIP awards, and \$nil and \$1,220,122 Mr. Kenney's and Ms. Amaral's LTIP awards, respectively.
- (4) On February 27, 2015, Ms. Amaral ceased to be the Chief Accounting Officer of CAPREIT.

Incentive Plan Awards – Value Vested or Earned During the Year

Name	Option-Based Awards - Value Vested During the Year (\$)	Unit-Based Awards - Value Vested During the Year ⁽¹⁾ (\$)	Non-Equity Incentive Plan Compensation - Value Earned During the Year (\$)
THOMAS SCHWARTZ President and Chief Executive Officer	1,100,150	1,011,460	787,590
SCOTT CRYER Chief Financial Officer	-	169,492	300,000
MARK KENNEY Chief Operating Officer	-	469,068	420,716
MARIA AMARAL ⁽²⁾ Former Chief Accounting Officer	-	1,899,969	-

Notes:

- (1) Represents the 2012 RUR Grant units which vested on February 27, 2015. The settlement date of the 2012 RUR Grant has been extended. Additional RURs were granted to those participants who agreed to extend the settlement date of the 2012 RUR Grant in recognition of their long-term commitment. See “Compensation Discussion & Analysis – New Actions/Decisions or Policies”.
- (2) On February 27, 2015, Ms. Amaral ceased to be the Chief Accounting Officer of CAPREIT.

Narrative Discussion

Equity Based Incentive Plans

The following table provides a brief description of CAPREIT’s RUR Plan, which is its key long-term equity incentive plan. A more fulsome description of each of CAPREIT’s equity incentive plans follows.

Compensation Component	Incentive Type	Applies To	Period	Other Provisions
RUR Plan	RURs exercisable for Units upon vesting.	Officers and employees of CAPREIT as well as any affiliate (as such term is defined in the <i>Securities Act</i> (Ontario)) of CAPREIT that may be designated.	Subject to certain exceptions, RURs (and Distribution RURs (as defined below)) vest in the entirety on the third anniversary of each grant date. Participants may be entitled to defer settlement of vested RURs (and Distribution RURs). Unvested RURs and Distribution RURs accrued thereon are forfeited in the event of termination for cause.	On each distribution date, CAPREIT accumulates and accrues for the benefit of participants such number of Distribution RURs economically equivalent to the aggregate value of the distribution that the participant would have received had the participant held the Units represented by all such RURs and Distribution RURs at the distribution date. If a participant ceases to be employed by reason of retirement or termination without cause on a date prior to vesting such unvested RURs, and any Distribution RURs credited in respect thereof, shall vest on a <i>pro rata</i> basis after the first anniversary of the grant date based on the number of years since the original grant. In the event of death or disability of a participant or if there is a change of control, vesting may be accelerated. The Human Resources and Compensation Committee retains the discretionary authority to accelerate vesting.

Description of Equity Based Incentive Plans

Active Plans

RUR Plan

CAPREIT has established the restricted unit rights plan (the “**RUR Plan**”) as the primary plan through which long-term incentive compensation will be awarded. The Human Resources and Compensation Committee of the board of trustees may award restricted unit rights (“**RURs**”) under the RUR Plan, subject to the attainment of specified performance objectives to certain officers and key employees (collectively the “**Participants**”). The purpose of the RUR Plan is to provide its Participants with additional incentive and to further align the interest of its Participants with Unitholders through the use of RURs which, upon vesting, are exercisable for Units (each RUR is exercisable for one (1) Unit).

Participants are awarded a cash amount under the RUR Plan, which is then converted to RURs based on the volume weighted average price of all Units traded on the TSX for the five (5) immediately preceding trading days.

Under no circumstances shall RURs be considered Units or entitle a participant to any Unitholder rights, including, without limitation, voting rights, distribution entitlements or rights on liquidation.

The maximum number of Units issuable to Insiders (as such term is defined in the RUR Plan) under the RUR Plan, or when combined with any other Unit incentive compensation plans, at any time, may not exceed ten percent (10%) of the Units issued and outstanding. The maximum number of Units which may be issued to Insiders under the RUR Plan, or when combined with any other Unit incentive compensation plans, within any one (1) year period, may not exceed ten percent (10%) of the Units issued and outstanding.

The RURs earn notional distributions in respect of each distribution paid on RURs commencing from the grant date. Such notional distributions are used to calculate additional RURs (“**Distribution RURs**”), which are accrued for the benefit of the Participants. The Distribution RURs are credited to the Participants only when the underlying RURs upon which the Distribution RURs are earned become vested. Subject to certain exceptions, RURs granted under the RUR Plan (and Distribution RURs accrued thereon) vest in their entirety on the third anniversary of each grant date. Unvested RURs (and Distribution RURs accrued thereon) are fully forfeitable unless and until such RURs become vested. If a Participant is terminated for cause or resigns, unvested RURs (and Distribution RURs) accrued thereon will be forfeited.

In the event of a change of control, subject to the terms of any employment agreement, if a participant who is an officer of CAPREIT is terminated without cause during the two (2) year period following the change of control, vesting of all unvested RURs (and Distribution RURs accrued thereon) is accelerated. In the event of a change of control, if the acquirer does not provide a substituted plan or adopt the RUR Plan, vesting of unvested RURs is accelerated. There is no automatic acceleration of vesting of unvested RURs under the RUR Plan simply arising because of the change of control. A “**change of control**” is broadly defined to contemplate the circumstances where a person or group of persons acting jointly or in concert acquire beneficial ownership or control of more than fifty percent (50%) of the outstanding Units or votes attaching thereto or of all or substantially all of the assets of CAPREIT or its subsidiaries, and includes a takeover.

Other than as provided in the RUR Plan, the rights or interests of a Participant under the RUR Plan may not be assigned or transferred in any way, except to the extent that certain rights may pass to a beneficiary or legal representative upon the death of such participant, by will or by the laws of succession and distribution or otherwise required by law.

The trustees may, from time to time, subject to applicable securities laws and requisite regulatory or other approvals, amend, suspend or terminate the RUR Plan, in whole or in part, without Unitholder or participant approval, except in certain circumstances, which are substantially similar to those listed in the LTIP, as described below; except that the RUR Plan further provides that Unitholder approval is required to modify the amendment provision of the RUR Plan itself. The trustees may amend the RUR Plan without Unitholder approval, including but not limited to: (i) amendments of a housekeeping nature; (ii) the addition or change to the vesting provisions of a RUR or the RUR Plan; (iii) a change to the termination provisions of a RUR or the RUR Plan; (iv) amendments to reflect changes to applicable securities law; and (v) amendments to ensure RURs granted under the RUR Plan will comply with any provisions respecting income tax and other laws in force in any country or jurisdiction to which a participant may from time to time be subject. However, if any such amendment materially adversely affects the rights of a participant with respect to a grant of RURs, that participant's written consent is required.

As at March 31, 2016, 716,187 RURs have been issued and are outstanding under the RUR Plan to Participants; the Units issuable under such grants constitute 0.55% of CAPREIT's currently outstanding Units.

Units issued or issuable under the RUR Plan are included in the 9,500,000 limit on the number of Units issuable under the RUR Plan, Unit Option Plan, EUPP and DUP.

Unit Option Plan

CAPREIT adopted a unit option plan (the "**Unit Option Plan**") on May 21, 1997. Participation in the Unit Option Plan is restricted to (i) trustees, officers and employees of CAPREIT, (ii) persons or companies engaged to provide ongoing management or consulting services for CAPREIT, and (iii) personal holding companies or family trusts of any persons referred to in (i) and (ii), all as approved by the Human Resources and Compensation Committee. The Human Resources and Compensation Committee has the power and authority to determine when options shall be granted, the number of Units subject to each option and the vesting of options. Options have a maximum term of ten (10) years and are exercisable at a price equal to the closing price of the Units on the TSX on the last trading day on which the Units traded prior to the date of the grant. No participant shall hold options entitling him or her to acquire more than five percent (5%) of the aggregate number of Units, on a non-diluted basis, outstanding from time to time. In the event of termination of employment, retirement, disability or death, any option granted may be exercised only before the earlier of the termination of the option and one (1) calendar year from the date of the termination of employment, retirement, disability or death and only in respect of Units which were available for purchase at the date of such termination of employment, retirement, disability or death; the right to purchase Units which have not yet become available for purchase shall cease immediately. Non-executive trustees shall not hold options entitling the non-executive trustee to acquire, together with all Units issuable to non-executive trustees under the incentive plans (including any Units underlying options granted pursuant to the Unit Option Plan), more than one-half percent (0.5%) of the aggregate number of Units, on a non-diluted basis, outstanding from time to time. The Unit Option Plan can be amended by the board of trustees, subject to applicable law, without Unitholder approval, except in certain limited circumstances, which are substantially similar to those listed in the LTIP, as described above; except that Unitholder approval is not required to amend the provision of the Unit Option Plan relating to exercise price. Also, in the case of options previously granted, Unitholder approval is required: (i) to reduce the exercise price of an option, except in limited circumstances; (ii) to cancel or reissue options, except in limited circumstances; (iii) to extend the term of an option beyond the original expiry date, except in limited circumstances; and (iv) to extend the expiry date of an option beyond ten (10) years from its grant date, except in limited circumstances. Examples of the types of amendments that the trustees could make without Unitholder approval, include, but are not limited to: (i) amendments of a housekeeping nature; (ii) amendments to reflect changes to applicable

securities law; and (iii) amendments to ensure options granted under the Unit Option Plan will comply with any provisions respecting income tax and other laws in force in any country or jurisdiction to which a participant may from time to time be subject.

Options may be exercised by the participant or his or her Personal Holding Company or Family Trust (as such terms are defined in the Unit Option Plan) and, upon the participant's death, the legal representative of his or her estate or any other person who acquires his or her rights in respect of an option by bequest or inheritance. A person exercising an option may subscribe for Units only in his or her own name, in the name of his or her Personal Holding Company or Family Trust or in his or her capacity as a legal representative.

In the event of a change of control, as described in the Unit Option Plan, a participant shall be entitled to exercise his or her options with respect to all Units subject to the options and not yet purchased thereunder, regardless of whether such Units have otherwise become available for purchase, and shall be entitled to tender such Units into an offer made to purchase 50% or more of the outstanding Units.

228,000 options were exercised by the NEOs during the 2015 financial year.

As at March 31, 2016, 2,321,000 options have been exercised and 1,334,432 remain outstanding and unexercised as at such date (representing, in the aggregate, approximately 1.03% of the number of outstanding Units as of such date) and no options have been cancelled. All participants under the Unit Option Plan must predisclose securities transactions.

Units issuable under the Unit Option Plan are included in the 9,500,000 limit on the number of Units issuable under the RUR Plan, Unit Option Plan, EUPP and DUP.

The trustees' current policy is not to award any further options under the Unit Option Plan, except as provided for pursuant to the President and Chief Executive Officer's employment agreement (See "**Significant Terms of Executive Employment Agreements**").

Employee Unit Purchase Plan

CAPREIT has adopted an employee unit purchase plan (the "**EUPP**") that is available to certain full-time employees and senior officers of CAPREIT. The purpose of the EUPP is to advance the interests of CAPREIT and Unitholders by facilitating and encouraging employees and senior officers of CAPREIT and its subsidiaries to purchase Units. Under the terms of the EUPP, each participant is entitled to acquire a number of Units up to a maximum of ten percent (10%) of his or her respective annual salary from payroll deductions. A participant may not assign, transfer or dispose of his or her interest in the EUPP. Units issuable under the EUPP will be issued at the weighted average trading price of the Units on the TSX for the five (5) trading days immediately preceding the date of issue.

In addition, all participants receive an additional number of Units equal to twenty percent (20%) of the Units purchased pursuant to the EUPP, which amount is automatically paid in the form of additional Units at the time of purchase of Units.

No Units of CAPREIT shall be issued under the EUPP if such issuance would result in the majority of the Units to be allocated under the EUPP being or becoming issuable to Insiders (as such term is defined in the EUPP) or if the EUPP, together with all other previously established or proposed Unit incentive compensation plans, could result, at any time in: (i) the issuance to Insiders, within a one (1) year period, of a number of Units exceeding ten percent (10%) of the outstanding issue; (ii) the issuance to Insiders, at any time, of a number of Units exceeding ten percent (10%) of the outstanding issue; or (iii) the number of Units which may be issued or reserved for issuance, within a one (1) year period, under

the EUPP and any other Unit incentive compensation plans to any single employee exceeding five percent (5%) of the outstanding issue.

Disentitlement under the EUPP occurs where a participant voluntarily retires or resigns or is terminated before **“Normal Retirement”** (means retirement coincident with or the next day following such participant attaining the age of sixty-five (65), or such earlier time as agreed to). Further, if at the end of any calendar year, a participant has not contributed his or her portion of his or her salary during the calendar year, the participant may be required to terminate his or her participation in the EUPP and all funds and Units held on behalf of such participant under the EUPP will be withdrawn. Upon the death or permanent disability of a participant, or in the event of a participant’s Normal Retirement, such participant immediately ceases to be eligible to participate in the EUPP.

In the event of a change of control, as described in the EUPP, the board of trustees may determine the manner in which all Units subject to the terms of the EUPP shall be treated.

The EUPP can be amended by the board of trustees, subject to applicable law, without Unitholder approval, except in certain limited circumstances, which are substantially similar to those listed in the LTIP, as described above; except that Unitholder approval is not required to amend the provision of the EUPP relating to purchase price. Examples of the types of amendments that the trustees could make without Unitholder approval, include, but are not limited to: (i) amendments of a housekeeping nature; (ii) amendments to reflect changes to applicable securities law; and (iii) amendments to ensure that Units granted under the EUPP will comply with any provisions respecting income tax and other laws in force in any country or jurisdiction to which a participant may from time to time be subject.

As at March 31, 2016, 240,202 Units have been issued and are outstanding under the EUPP, constituting 0.19% of CAPREIT’s currently outstanding Units.

Units issuable under the EUPP are included in the 9,500,000 limit on the number of Units issuable under the RUR Plan, Unit Option Plan, EUPP and DUP.

Deferred Unit Plan

Please refer to **“Trustee Compensation - Deferred Unit Plan”** for a description of CAPREIT’s DUP.

Terminated Plans

Long-Term Incentive Plan

CAPREIT established a long-term incentive plan (the **“LTIP”**), which was available to certain trustees, officers and employees of CAPREIT. The objective of the LTIP was to encourage increased long-term equity participation in CAPREIT by such individuals. On April 4, 2014, the LTIP was terminated by the trustees of CAPREIT, although awards previously granted under the LTIP remain outstanding. The terms of the LTIP continue in effect as long as any awards pursuant to the LTIP remain outstanding.

As per the terms of the LTIP, the purchase price of the Units is established on the basis of the weighted average trading price of the Units on the TSX for the five (5) trading days preceding the date of the issue. If LTIP Units are subject to vesting provisions, they will vest, together with any distributions accrued thereon, in accordance with and at such times as set forth in the vesting provisions applicable to such Units.

Participants are required to pay interest at a ten (10) year fixed rate based on CAPREIT’s fixed borrowing rate for long-term mortgage financing (4.48% for awards granted in 2009 and 4.65% for

awards granted for 2008), and are required to apply cash distributions received by them on these Units towards the payment of interest and remaining instalments. Participants may pre-pay any remaining instalments at their discretion.

The instalment receipts are non-recourse to the participants and are secured by the Units as well as the distributions on the Units. If a participant fails to pay interest and/or principal, CAPREIT may elect to re-acquire or sell the pledged Units in satisfaction of the outstanding amounts.

The LTIP provides that upon a change of control, as defined in the LTIP, a participant may elect that the invested portion of any LTIP Units held by the Custodian, as defined in the LTIP, for the benefit of such participant shall vest immediately. Subject to the foregoing, in connection with a proposed change of control, the board of trustees may (without the consent of participants) take such steps with respect to outstanding LTIP Units and instalment receipts (including, without limitation, accelerating any remaining instalment payments in respect of such LTIP Units) and make such amendments to the LTIP (subject to the limitations contained in amendment provisions) as the board of trustees deems necessary or advisable in connection with the change of control.

In specified circumstances, including death, Disability (as defined in the LTIP) or termination for cause, the payment of all remaining instalments owing shall be accelerated so as to become due and payable, as more fully described in the LTIP. If the employment of a participant is terminated other than (a) for cause, (b) as a result of death or Disability or (c) by the voluntary resignation or retirement of the participant, the payment of all remaining instalments owing shall be accelerated so as to become due and payable on the earlier of (i) 180 calendar days following such termination and (ii) the date on which such payments would otherwise be payable.

The LTIP provides restrictions on a participant's ability to transfer instalment receipts or Units registered in the name of the Custodian. The LTIP can be amended by the board of trustees, in accordance with applicable legislation and subject to any required regulatory approval, without Unitholder approval, except in certain limited circumstances: (i) amendments to increase the number of Units reserved for issuance or a change from a fixed maximum number of Units to a fixed maximum percentage; (ii) amendments to extend eligibility to participate in the LTIP; (iii) amendments to permit the transfer or assignment of rights and interests acquired under the LTIP other than in accordance with the provisions of the LTIP; (iv) amendments that modify the provision of the LTIP relating to the price of Units; and (v) amendments required to be approved by Unitholders under applicable law. Examples of the types of amendments that the trustees could make without Unitholder approval, include, but are not limited to: (i) amendments of a housekeeping nature; (ii) amendments to reflect changes to applicable securities law; and (iii) amendments to ensure LTIP Units granted under the LTIP will comply with any provisions respecting income tax and other laws in force in any country or jurisdiction to which a participant may from time to time be subject.

On August 21, 2007, a total of 672,084 Units originally issued to CAPREIT's President and Chief Executive Officer and then Chief Financial Officer and Secretary under the LTIP, were transferred to the SELTIP.

As of March 31, 2016, a total of 690,683 Units have been issued and are outstanding under the LTIP (representing approximately 0.53% of the issued and outstanding Units at such date).

Upon adoption of the RUR Plan by Unitholders in 2010, the trustees' suspended the granting of awards under the LTIP. No LTIP awards have been made since 2009.

Senior Executive Long-Term Incentive Plan

CAPREIT established a senior executive long-term incentive plan (the “SELTIP”) that was available to the President and Chief Executive Officer and Chief Financial Officer of CAPREIT and such other persons as the Compensation and Governance Committee (the predecessor to the Human Resources and Compensation Committee) of CAPREIT then constituted may from time to time direct. The SELTIP was intended to facilitate long-term ownership of Units by such individuals, to provide them with additional incentives by increasing their interest, as owners, in CAPREIT, and encourage such individuals to remain with CAPREIT. On April 4, 2014, the SELTIP was terminated by the trustees of CAPREIT, although awards previously granted under the SELTIP remain outstanding. The terms of the SELTIP continue in effect as long as any awards pursuant to the SELTIP remain outstanding.

As per the terms of the SELTIP, the purchase price of the Units is established on the basis of the weighted average trading price of the Units on the TSX for the five (5) trading days preceding the date of the issue.

Participants are required to pay interest at a thirty (30) year fixed rate based on CAPREIT’s fixed borrowing rate for long-term mortgage financing (4.96% for awards granted to date) and are required to apply cash distributions received by them on these Units toward the payment of interest and principal instalments until the tenth anniversary of issuance. Following the tenth anniversary, cash distributions shall be applied to pay interest only and any excess shall be distributed to the SELTIP participants. SELTIP participants may pre-pay any remaining instalments at their discretion. The instalment receipts are non-recourse to the participants and are secured by the Units as well as the distributions on the Units. If a participant fails to pay interest and/or principal, CAPREIT may elect to reacquire or sell the Units in satisfaction of the outstanding amounts.

The SELTIP provides that upon a change of control, as defined in the SELTIP, a participant may elect that the unvested portion of any SELTIP Units held by the Custodian, as defined in the SELTIP, for the benefit of such participant shall vest immediately. Subject to the foregoing, in connection with a proposed change of control, the board of trustees may (without the consent of participants) take such steps with respect to outstanding SELTIP Units and instalment receipts (including, without limitation, accelerating any remaining instalment payments in respect of such SELTIP Units) and make such amendments to the SELTIP (subject to the limitations contained in amendment provisions) as the board of trustees deems necessary or advisable in connection with the change of control.

In specified circumstances, including death, disability or termination for cause, the payment of all remaining instalments owing shall be accelerated so as to become due and payable, as more fully described in the SELTIP. If the employment of a participant is terminated other than (a) for cause, (b) as a result of death or Disability or (c) by the voluntary resignation or retirement of the participant, the payment of all remaining instalments owing shall be accelerated so as to become due and payable on the earlier of (i) 180 calendar days following such termination and (ii) the date on which such payments would otherwise be payable.

The SELTIP provides restrictions on a participant’s ability to transfer instalment receipts or Units registered in the name of the Custodian. The SELTIP can be amended by the board of trustees, in accordance with applicable legislation and subject to any required regulatory approval, without Unitholder approval, except in certain limited circumstances, which are substantially similar to those listed in the LTIP, as described above. Examples of the types of amendments that the trustees could make without Unitholder approval, include, but are not limited to: (i) amendments of a housekeeping nature; (ii) amendments to reflect changes to applicable securities law; and (iii) amendments to ensure SELTIP Units granted under the SELTIP will comply with any provisions respecting income tax and other laws in force in any country or jurisdiction to which a participant may from time to time be subject.

As of March 31, 2016, a total of 554,715 Units have been issued and are outstanding under the SELTIP (representing approximately 0.43% of the issued and outstanding Units at such date).

Upon adoption of the RUR Plan in 2010, the trustees suspended the granting of awards under the SELTIP. No SELTIP awards have been made since 2009.

PENSION PLAN BENEFITS

CAPREIT has not established a defined benefit plan or a defined contribution plan.

TERMINATION AND CHANGE OF CONTROL BENEFITS

The following table provides a brief description of CAPREIT's termination provisions by compensation program as they relate to the NEOs.

Plan	Death, Retirement or Resignation	Termination With Cause	Termination Without Cause	Termination Without Cause Following a Change-In-Control
Base Salary	No longer eligible effective date of death, retirement or resignation.	No longer eligible effective date of termination.	Eligible for severance or lump sum severance payment (30 months).	Eligible for severance or lump sum severance payment (36 months).
Annual Incentive (Bonus)	Receive pro-rated payment based on proportion of financial year completed as of the date of death or retirement.	No longer eligible effective date of termination.	Eligible for severance or lump sum severance payment (30 months pro-rated on prior two (2) year average annual incentive award).	Eligible for severance or lump sum severance payment (36 months pro-rated on prior two (2) year average annual incentive award).
RUR Plan	In the event of death, vesting of RURs may be accelerated; in the event of retirement, <i>pro rata</i> vesting of RURs occurs subsequent to the first anniversary of the grant date; in the event of resignation, no vesting of unvested RURs occurs. The board of trustees or the Human Resources and Compensation Committee, as applicable, retains discretion to accelerate vesting.	No vesting of unvested RURs occurs. The board of trustees or the Human Resources and Compensation Committee, as applicable, retains discretion to accelerate vesting.	<i>Pro rata</i> vesting of RURs occurs subsequent to the first anniversary of the grant date. The board of trustees or the Human Resources and Compensation Committee, as applicable, retains discretion to accelerate vesting.	Subject to the terms of any employment agreement, if termination occurs within two (2) years, vesting of RURs is accelerated. There is no automatic acceleration of vesting of unvested RURs under the RUR Plan simply arising because of the change of control. In the event of a change of control, if the acquirer does not provide a substituted plan or adopt the RUR Plan, vesting of unvested RURs is accelerated.
Unit Option Plan	Option(s) granted to such participant may be exercised only before the earlier of the termination of the option and one calendar year from the date of such event. No defined incremental benefit.			

Plan	Death, Retirement or Resignation	Termination With Cause	Termination Without Cause	Termination Without Cause Following a Change-In-Control
LTIP ⁽¹⁾	Subject to the discretion of the board of trustees, in the event of death, payment of remaining instalments shall be accelerated; subject to the discretion of the board of trustees, in the event of voluntary resignation or retirement, payment of instalments shall be accelerated.	Subject to the discretion of the board of trustees, payment of remaining instalments shall be accelerated.	Subject to the discretion of the board of trustees, payment of remaining instalments shall be accelerated.	Subject to the Instalment Receipt Agreement or any employment agreement, a participant may elect that the unvested portion of any Units beneficially owned under the LTIP shall vest immediately, subject to the completion of the change of control.
SELTIP ⁽¹⁾	Subject to the discretion of the board of trustees, in the event of death, payment of remaining instalments shall be accelerated; subject to the discretion of the board of trustees, in the event of voluntary resignation or retirement, payment of instalments shall remain due and payable on date on which they would otherwise be payable.	Subject to the discretion of the board of trustees, payment of remaining instalments shall be accelerated.	Subject to the discretion of the board of trustees, payment of remaining instalments shall be accelerated.	Subject to the Instalment Receipt Agreement or any employment agreement, a participant may elect that the unvested portion of any Units beneficially owned under the SELTIP shall vest immediately, subject to the completion of the change of control.
Benefits	No longer eligible effective date of death, retirement, or resignation.	No longer eligible effective date of termination.	Benefits continue through severance period or a lump sum payment in lieu thereof (30 months) and CAPREIT will continue to pay premiums.	Benefits continue through severance period or a lump sum payment in lieu thereof (36 months) and CAPREIT will continue to pay premiums.
Perquisites	No longer eligible effective date of death, retirement or resignation.	No longer eligible effective date of termination.	Perquisites continue through severance period (30 months) and CAPREIT will continue to pay car allowance.	Perquisites continue through severance period (36 months) and CAPREIT will continue to pay car allowance.

Note:

(1) On April 4, 2014, the trustees terminated the LTIP and SELTIP. However, awards previously granted under these plans remain outstanding as at March 31, 2016.

The following table provides details pertaining to the estimated incremental payments from CAPREIT to each of the NEOs under each of the termination scenarios, assuming termination on December 31, 2015.

Name	Death or Retirement (\$)	Termination With Cause (\$)	Termination Without Cause ⁽¹⁾ (\$)	Termination Without Cause Following a Change-In-Control ⁽¹⁾ (\$)
THOMAS SCHWARTZ President and Chief Executive Officer	787,590	Nil	3,984,118	4,780,941
SCOTT CRYER Chief Financial Officer	300,000	Nil	1,504,395	1,805,274
MARK KENNEY Chief Operating Officer	420,716	Nil	2,173,646	2,608,375

Note:

(1) Includes benefits premiums and car allowance.

On February 27, 2015, Ms. Amaral ceased to be the Chief Accounting Officer of CAPREIT. CAPREIT is in the process of finalizing the retirement arrangement with Ms. Amaral. Ms. Amaral has accrued a lump retirement amount of \$1,482,541 as at December 31, 2015.

Each of the Executive Contracts provides defined termination provisions. Please refer to the section entitled “**Significant Terms of Executive Employment Agreements**” for the details of the NEO termination provisions.

Each of the Executive Contracts contains certain customary non-competition, non-solicitation and confidentiality provisions in favour of CAPREIT.

TRUSTEE COMPENSATION

Trustee Compensation Table for 2015

Name	Fees Earned (\$)	Unit-Based Awards ⁽¹⁾ (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
HAROLD BURKE	92,500	-	-	-	-	-	92,500
DAVID EHRlich		150,000	-	-	-	-	150,000
PAUL HARRIS		150,000	-	-	-	-	150,000
EDWIN HAWKEN		150,000	-	-	-	-	150,000
THOMAS SCHWARTZ ⁽²⁾			-	-	-	-	
DAVID SLOAN		150,000	-	-	-	-	150,000
MICHAEL STEIN	30,000	150,000	-	-	-	-	180,000
STANLEY SWARTZMAN	35,000	150,000	-	-	-	-	185,000
ELAINE TODRES	10,000	150,000	-	-	-	-	160,000
TOTAL	167,500	1,050,000	-	-	-	-	1,217,500

Notes:

- (1) Represents 5,355 Deferred Units issued each to Messrs. Harris, Hawken, Stein, Swartzman, Ehrlich, Sloan and Ms. Todres. The number of Deferred Units issued is determined by dividing the dollar amount by the market price (as defined in the DUP) of the Units on the grant date.
- (2) Mr. Schwartz is President and Chief Executive Officer of CAPREIT and a trustee. Mr. Schwartz does not receive compensation for his services as trustee and does not participate in the DUP.

Narrative Discussion

The Human Resources and Compensation Committee reviews trustee compensation annually and recommends any modifications to trustee compensation to the board of trustees for approval. The trustee compensation policy is to compensate trustees at the median of its peers.

During fiscal 2015, trustees received a flat annual retainer from CAPREIT per the schedule below. Certain trustees were also reimbursed for travel and miscellaneous expenses totalling, in the aggregate, \$7,081. Pursuant to the DUP, each non-executive trustee in 2015 was entitled to elect to receive up to one hundred percent (100%) of his board compensation (equating to up to \$75,000), in the form of Deferred Units (as defined below), in lieu of cash, which such amount shall be matched by CAPREIT. As a result, if a non-executive trustee elected to receive one hundred percent (100%) of his board compensation, such trustee's annual compensation for 2015 (including the impact of Deferred Units issued and matched by CAPREIT), would amount to \$150,000.

The following table provides a description of the 2015 trustee fee schedule.

Compensation Element	Compensation Value (\$)
Member Annual Retainer	\$75,000
Chair Annual Retainer (premium)	\$30,000
Lead Trustee (premium)	\$15,000
Audit Committee Chair (premium)	\$17,500
Investment Committee, Human Resources and Compensation Committee, and Governance and Nominating Committee Chair (premium)	\$10,000

Currently, CAPREIT does not have a retirement policy for trustees.

Unit Ownership Requirements

On November 8, 2006, upon the recommendation of the Compensation and Governance Committee then constituted, the board of trustees instituted a requirement that the trustees own or acquire, over a maximum period of three (3) years, such number of Units, including, following adoption of the DUP, Deferred Units, having a value equal to three (3) times their annual compensation.

The following table summarizes the number of Units and Deferred Units owned by each trustee as at March 31, 2016 and whether each trustee has met or exceeded the ownership guidelines established by the board of trustees.

Name of Trustee	Number of Units Beneficially Owned, or Controlled or Directed, Directly or Indirectly ⁽¹⁾ (#)	Number of Units allocated from DUP	Total Number of Units, including Deferred Units	Dollar Value of Units Beneficially Owned, or Controlled or Directed, Directly or Indirectly and Deferred Units ⁽²⁾ (\$)	Met or Exceeded Ownership Guidelines?
HAROLD BURKE	-	24,249	24,249	700,311	Yes
DAVID EHRLICH	4,760	19,024	23,784	686,882	Yes
PAUL HARRIS	55,000	49,063	104,063	3,005,339	Yes
EDWIN HAWKEN	55,950	38,321	94,271	2,722,546	Yes
THOMAS SCHWARTZ ⁽³⁾	2,894,286	-	2,894,286	83,586,980	Yes
DAVID SLOAN	4,800	7,873	12,673	365,996	Yes
MICHAEL STEIN	554,905	51,991	606,896	17,527,156	Yes
STANLEY SWARTZMAN	104,021	51,991	156,012	4,505,627	Yes
ELAINE TODRES	3,000	17,449	20,449	590,567	Yes

Notes:

- (1) Individual trustees have furnished information as to Units beneficially owned, or controlled or directed, directly or indirectly by them. Units include LTIP Units and, in the case of Mr. Schwartz, SELTIP Units.
- (2) Dollar amounts represent the estimated market value of Units beneficially owned by each trustee, as determined by multiplying the number of Units beneficially owned by such trustee as of March 31, 2016 by the closing price of the Units on the TSX on such date.
- (3) Mr. Schwartz is President and Chief Executive Officer of CAPREIT and a trustee. Mr. Schwartz does not receive compensation for his services as trustee and does not participate in the DUP. In this chart, Units include RURs however exclude unexercised options. For more information on Mr. Schwartz, see **"Incentive Plan Awards"**.

Deferred Unit Plan

In 2008, CAPREIT established the deferred unit plan (the **"DUP"**). The purpose of the DUP is to promote a greater alignment of interests between the non-executive trustees of CAPREIT and the Unitholders of CAPREIT.

Each Eligible Person (a person who is, on the applicable Election Date (as defined in the plan), a non-executive trustee) may, subject to the conditions of the DUP, elect (in accordance with Section 5.02 of the DUP) to be a participant in the DUP. A participant may elect to be paid twenty-five percent (25%),

fifty percent (50%), seventy-five percent (75%) or one hundred percent (100%) (the “**Elected Percentage**”) of his board compensation (such product being herein referred to as the “**Elected Amount**”), subject to an annual maximum Elected Percentage established by the Human Resources and Compensation Committee and approved by the board of trustees, in the form of deferred Units (“**Deferred Units**”), in lieu of cash, provided that CAPREIT shall match the Elected Amount for each participant annually in the form of Deferred Units having a value on each Award Date (as defined in the plan) equal to the Market Value (as defined in the plan) on such dates. The maximum Elected Percentage for 2015 was one hundred percent (100%) of the participant’s board compensation in respect of 2015. Under the DUP, one (1) Deferred Unit shall be equivalent in value to one (1) Unit of CAPREIT. Fractional Deferred Units are permitted, but shall be rounded down to the nearest whole number of Units at the time of settlement.

Participants may not change their Elected Amount or terminate their DUP participation during the calendar year. Under no circumstances shall Deferred Units be considered Units or entitle a participant to any Unitholder rights, including, without limitation, voting rights, distribution entitlements or rights on liquidation. Each Participant may elect to withdraw up to twenty percent (20%) of the Deferred Units credited to his Deferred Unit account and redeem them for Units once in any five-year period. Upon issuance of such Units, the redeemed Deferred Units will be cancelled.

For the year ended December 31, 2015, the number of Deferred Units (including fractional Deferred Units) to be credited to a participant as of any particular Award Date (as defined in the plan) pursuant to the DUP are to be calculated by dividing: (i) the amount calculated by doubling the dollar amount of the participant’s Elected

Amount and dividing that product by four; by (ii) the Market Value (as defined in the plan) of a Unit on the Award Date (as defined in the plan).

Whenever cash distributions are paid on the Units, additional Deferred Units are credited to the participant’s Deferred Unit account. The number of such additional Deferred Units are calculated by dividing: (i) the amount determined by multiplying: (a) the number of Deferred Units in such participant’s Deferred Unit account on the record date for the payment of such distribution by (b) the distribution paid per Unit; by (ii) the Market Value (as defined in the plan) of a Unit on the distribution payment date for such distribution, in each case, with fractions computed to two (2) decimal places.

In no event may the rights or interests of a participant under the DUP be assigned, encumbered, pledged, transferred or alienated in any way, except to the extent that certain rights may pass to a beneficiary or legal representative upon death of a participant, by will or by the laws of succession and distribution.

The DUP may be amended by the board of trustees, subject to applicable law, without Unitholder approval, except in certain limited circumstances, which are substantially similar to those listed in the LTIP, as described above; except that Unitholder approval is not required to amend the provisions of the DUP relating to the value of Deferred Units. Such amendments to the DUP that the trustees may make without Unitholder approval, include, but are not limited to: (i) minor changes of a house-keeping nature; (ii) amendment which, in the opinion of the trustees, are necessary or desirable to remove conflicts of inconsistencies in the DUP; (iii) amendments as the trustees in their discretion deem necessary or desirable as a result of changes in the taxation laws from time to time; and (iv) a change to or the addition of any vesting provisions of Deferred Units issued pursuant to the DUP

As of March 31, 2016, a total of 70,665 Units have been settled under the DUP (representing approximately 0.05% of the issued and outstanding Units at such date) and a further 259,961 Units are issuable under the DUP (representing approximately 0.20% of the issued and outstanding Units at such date).

The following table summarizes the number of Deferred Units allocated to each trustee under the DUP as at March 31, 2016 and the associated dollar value. Such Deferred Units are included in the 9,500,000 limit on Units which may be issued under the RUR Plan, Unit Option Plan, EUPP and DUP; provided, however, that: (i) at no time shall the number of Units reserved for issuance to insiders of CAPREIT pursuant to outstanding Deferred

Units, together with the number of Units reserved for issuance to such persons pursuant to the other equity incentive plans, exceed ten percent (10%) of the then outstanding Units, as calculated immediately prior to the issuance in question; (ii) the number of Units issued to insiders of CAPREIT pursuant to outstanding Deferred Units together with the number of Units issued to such persons pursuant to the other equity incentive plans, within any one (1) year period, shall not exceed ten percent (10%) of the then outstanding Units; and (iii) no Eligible Person shall at any time be issued Deferred Units under the DUP which would result in the non-executive trustees collectively holding an aggregate number of Units issued or issuable pursuant to the equity incentive plans or pursuant to the exercise of options granted pursuant to CAPREIT's Unit Option Plan in excess of one-half percent (0.5%) of the aggregate number of Units, on a non-diluted basis, outstanding from time to time.

Deferred Unit Plan Summary

Name of Trustee	Number of Deferred Units Allocated from Deferred Compensation ⁽¹⁾ (#)	Number of Deferred Units Allocated from Distributions ⁽¹⁾ (#)	Dollar Value of Deferred Units ⁽²⁾ (\$)
HAROLD BURKE ⁽³⁾	19,839	4,410	700,311
DAVID EHRLICH	17,771	1,253	549,413
PAUL HARRIS	40,552	8,511	1,416,939
EDWIN HAWKEN	32,064	6,257	1,106,710
THOMAS SCHWARTZ ⁽⁴⁾	-	-	-
DAVID SLOAN	7,668	205	227,372
MICHAEL STEIN	42,597	9,394	1,501,500
STANLEY SWARTZMAN	42,597	9,394	1,501,500
ELAINE TODRES	16,401	1,048	503,927
TOTAL	219,489	40,472	7,507,672

Notes:

- (1) Amounts are rounded to nearest whole Deferred Unit.
- (2) Dollar amounts represent the estimated market value of Deferred Units beneficially owned by each trustee, as determined by multiplying the number of Deferred Units beneficially owned by such trustee as of March 31, 2016 by the closing price of the Units on the TSX on such date.
- (3) In accordance with the DUP, Mr. Burke redeemed 5,802 Deferred Units which is netted against the number of deferred units allocated from deferred compensation in 2015.
- (4) Mr. Schwartz is President and Chief Executive Officer of CAPREIT and a trustee. Mr. Schwartz does not receive compensation for his services as trustee and does not participate in the DUP.

Outstanding Unit-based Awards and Option-based Awards

The following table sets forth unexercised options, LTIP Units and Deferred Units issued in previous years to trustees as of December 31, 2015.

Name	Option-Based Awards				Unit-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option-Expiration Date	Value of Unexercised In-The-Money Options ⁽¹⁾ (\$)	Number of Units That Have Not Vested (#)	Market or Payout Value of Unit-Based Awards That Have Not Vested (\$)	Market or Payout Value of Vested Unit-Based Awards Not Paid Out or Distributed ^{(1),(2)} (\$)
HAROLD BURKE	-	-	-	-	-	-	643,811
DAVID EHRLICH	-	-	-	-	-	-	470,290
PAUL HARRIS	-	-	-	-	-	-	1,536,214
EDWIN HAWKEN	-	-	-	-	-	-	1,251,012
THOMAS SCHWARTZ ⁽³⁾	-	-	-	-	-	-	-
DAVID SLOAN	-	-	-	-	-	-	174,272
MICHAEL STEIN	-	-	-	-	-	-	1,613,943
STANLEY SWARTZMAN	-	-	-	-	-	-	1,613,943
ELAINE TODRES	-	-	-	-	-	-	428,474

Notes:

- (1) Value based on closing price of the Units on the TSX on December 31, 2015.
- (2) Represents Deferred Units and LTIP Units. The outstanding loan balance on the LTIP Unit awards at December 31, 2015 is \$138,888 for each of Messrs. Harris, Hawken, Stein and Swartzman.
- (3) Mr. Schwartz is President and Chief Executive Officer of CAPREIT and a trustee. Mr. Schwartz does not receive compensation for his services as trustee. For information on Mr. Schwartz, see "Incentive Plan Awards".

Incentive Plan Awards – Value Vested or Earned During the Year

No LTIP Units held by trustees vested during the 2015 financial year. For information on LTIP Units held by Mr. Schwartz, please see "Incentive Plan Awards" above.

Narrative Discussion

The above-mentioned units were issued pursuant to CAPREIT's DUP (see "Deferred Unit Plan") and LTIP (see "Incentive Plan Awards - Long-Term Incentive Plan").

EQUITY COMPENSATION PLAN INFORMATION

The following table sets out as at December 31, 2015 the number of Units to be issued upon exercise of outstanding options and rights, the weighted average exercise price of outstanding options and rights and the number of Units remaining available for future issuance under CAPREIT's Unit Option Plan.

Plan Category	Number of Units to be issued upon exercise of outstanding options and rights (#)	Weighted-average exercise price of outstanding options and rights (\$)	Number of Units remaining available for future issuance under Unit Option Plan (excluding securities reflected in first column) ⁽¹⁾ (#)
Unit Option Plan	1,334,432	24.52	N/A
Equity Compensation Plans not approved by Unitholders	Nil	Nil	Nil
TOTAL	1,334,432	24.52	1,599,559

Note:

- (1) The maximum number of Units remaining available for future issuance under the Unit Option Plan, RUR Plan and EUPP (all as more fully described under “Equity Based Incentive Plans”) and the DUP (as more fully described under “Deferred Unit Plan”), as at March 31, 2016, was 1,599,559 Units (which represents approximately 1.24% of the issued and outstanding Units at such date).

INDEBTEDNESS OF TRUSTEES AND EXECUTIVE OFFICERS

Since the creation of CAPREIT, there has been no indebtedness incurred to CAPREIT by any of its trustees or executive officers, other than pursuant to the LTIP and SELTIP.

Aggregate Indebtedness

The following table sets forth information related to the aggregate indebtedness outstanding as at March 31, 2016 entered into in connection with purchases of Units and all other indebtedness of all executive officers, trustees, employees and former executive officers, trustees and employees of CAPREIT and its subsidiaries.

AGGREGATE INDEBTEDNESS		
Purpose	To CAPREIT or its subsidiaries	To Another Entity
LTIP and SELTIP Purchases	\$14,705,115	—
Other	—	—

Indebtedness of Trustees and Executive Officers under the LTIP and SELTIP in the Most Recently Completed Financial Year

Indebtedness under the LTIP

The following table sets forth information related to indebtedness of all executive officers and trustees under the LTIP with respect to the 2015 financial year. No LTIP Units were issued in 2015.

Name and Principal Position	Involvement of CAPREIT or its subsidiaries	Largest Amount Outstanding During 2015 (\$)	Amount Outstanding at March 31, 2016 (\$)	Financially Assisted Securities Purchased During 2015 (#)	Security for Indebtedness	Amount Forgiven During 2015 (\$)
Securities Purchase Programs						
THOMAS SCHWARTZ ⁽⁶⁾ President and Chief Executive Officer	Lender	6,265,542 ⁽¹⁾	5,754,454 ⁽¹⁾	NIL	Non-recourse security are the Units and the distributions	NIL
MARK KENNEY Chief Operating Officer	Lender	2,052,478 ⁽²⁾	-	NIL	Non-recourse security are the Units and the distributions	NIL
MARIA AMARAL ⁽⁷⁾ Former Chief Accounting Officer	Lender	1,282,799 ⁽³⁾	-	NIL	Non-recourse security are the Units and the distributions	NIL
SUB-TOTAL:		9,600,819	5,754,454	NIL		NIL
PAUL HARRIS ⁽⁶⁾ Partner, Davies, Ward, Phillip & Vineberg LLP (a law firm)	Lender	372,081 ⁽⁴⁾	137,522 ⁽⁵⁾	NIL	Non-recourse security are the Units and the distributions	NIL
EDWIN HAWKEN ⁽⁶⁾ Corporate Director	Lender	372,081 ⁽⁴⁾	137,522 ⁽⁵⁾	NIL	Non-recourse security are the Units and the distributions	NIL
MICHAEL STEIN ⁽⁶⁾ Chair of CAPREIT and President and Chief Executive Officer of MPI Group Inc.	Lender	372,081 ⁽⁴⁾	137,522 ⁽⁵⁾	NIL	Non-recourse security are the Units and the distributions	NIL
STANLEY SWARTZMAN ⁽⁶⁾ Corporate Director	Lender	372,081 ⁽⁴⁾	137,522 ⁽⁵⁾	NIL	Non-recourse security are the Units and the distributions	NIL
Securities Purchase Programs						
SUB-TOTAL		1,488,324	550,088	NIL		NIL
TOTAL		11,089,143	6,304,542	NIL		NIL

Notes:

- (1) Instalment receipts issued for 10-year terms on August 21, 2007 at 4.88%, February 29, 2008 at 4.65%, March 10, 2009 at 4.48% and November 19, 2009 at 4.48%.
- (2) Instalment receipts issued for 10-year terms on March 20, 2006 at 4.67%, March 2, 2007 at 4.56%, February 29, 2008 at 4.65% and March 10, 2009 at 4.48%.

- (3) Instalment receipts issued for 10-year terms on March 14, 2005 at 4.979%, March 20, 2006 at 4.67%, March 2, 2007 at 4.56%, February 29, 2008 at 4.65% and March 10, 2009 at 4.48%.
- (4) Instalment receipts issued for 10-year terms on March 14, 2005 at 4.979% and August 21, 2007 at 4.88%.
- (5) Instalment receipts issued for 10-year terms on August 21, 2007 at 4.88%.
- (6) Proposed nominee for election as a trustee.
- (7) On February 27, 2015, Ms. Amaral ceased to be the Chief Accounting Officer of CAPREIT.

Indebtedness under the SELTIP

The following table sets forth information related to indebtedness of all executive officers and trustees under the SELTIP with respect to the 2015 financial year. No SELTIP Units were issued in 2015.

Name and Principal Position	Involvement of CAPREIT	Largest Amount Outstanding During 2015 (\$)	Amount Outstanding as at March 31, 2016 (\$)	Financially Assisted Securities Purchased During 2015 (#)	Security for Indebtedness	Amount Forgiven During 2015 (\$)
Securities Purchase Programs						
THOMAS SCHWARTZ ⁽²⁾ President and Chief Executive Officer	Lender	7,786,637 ⁽¹⁾	7,422,220 ⁽¹⁾	NIL	Non-recourse security are the Units and the distributions	NIL
TOTAL		7,786,637	7,422,220	NIL		NIL

Notes:

- (1) Instalment receipts issued on November 18, 2004, March 14, 2005, March 20, 2006 and March 2, 2007 (converted from LTIP) and August 21, 2007 at 4.96% for 30-year terms.
- (2) Proposed nominee for election as a trustee.

STATEMENT OF GOVERNANCE PRACTICES

General

The trustees strongly believe that sound corporate governance is essential to produce maximum benefits to those individuals and institutions that have invested in Units. Effective June 30, 2005, the CSA adopted National Policy 58-201 – *Corporate Governance Guidelines* (the “**Policy**”) and NI 58-101 (together with the Policy, the “**CSA Governance Rules**”). The CSA Governance Rules have replaced the fourteen (14) corporate governance guidelines of the TSX and require that CAPREIT set out the mandated disclosure required under NI 58-101, with reference to the “**best practices**” set out in the Policy. In accordance with the CSA Governance Rules, the following is a summary of the governance practices of CAPREIT.

To comply with these various standards and achieve best practices, CAPREIT has adopted comprehensive corporate governance policies and procedures. CAPREIT’s key policies and documents include the following:

- Code of Business Ethics and Conduct
- Whistle-blower Policy
- Audit Committee Charter
- Governance and Nominating Committee Charter
- Human Resources and Compensation Committee Charter
- Investment Committee Charter
- Disclosure Policy
- Insider Trading Policy
- Position descriptions for the Chair, Lead Trustee and Chair of each board committee
- Diversity Policy
- Majority Voting Policy

The trustees of CAPREIT believe that CAPREIT’s governance practices are substantially in compliance with the CSA Governance Rules.

Board of Trustees

Composition

The number of trustees is currently fixed at nine (9). As of March 31, 2016, the trustees were: Harold Burke, David Ehrlich, Paul Harris, Edwin Hawken, Thomas Schwartz, David Sloan, Michael Stein, Stanley Swartzman and Elaine Todres.

Independent and Non-Independent Trustees

Pursuant to NI 52-110, an independent trustee is one who has no direct or indirect material relationship with CAPREIT which could, in the view of the board of trustees, reasonably interfere with a trustee’s independent judgment. The trustees have determined that seven (7) of the trustees, constituting a majority of the board of trustees, will be independent under the CSA Governance Rules. Thomas Schwartz and David Ehrlich are considered not to be independent.

The trustees, at the recommendation of the Governance and Nominating Committee, appointed Stanley Swartzman as lead trustee (the “**Lead Trustee**”). The Lead Trustee is responsible for acting as the effective leader of the board in circumstances where it is inappropriate for the Chair to act in that role and for ensuring that the board’s agenda will enable it to successfully carry out its duties.

Other Board Memberships

The following table sets out the names of each other reporting issuer, and the exchange upon which the securities of that reporting issuer are listed, for which each of the current trustees (and nominees for trustee) of CAPREIT serves as a trustee or director as at March 31, 2016:

Name of Trustees	Name of Reporting Issuer of which Trustee is a director or trustee and position	Exchange
DAVID EHRlich	<ul style="list-style-type: none"> Irish Residential Properties REIT plc, Director 	<ul style="list-style-type: none"> ISE
THOMAS SCHWARTZ	<ul style="list-style-type: none"> Chartwell Retirement Residences’ Companies, Board Irish Residential Properties REIT plc, Director 	<ul style="list-style-type: none"> TSX ISE
MICHAEL STEIN	<ul style="list-style-type: none"> McEwen Mining Inc., Director Cliffside Capital Ltd., Director FirstService Corporation, Director 	<ul style="list-style-type: none"> TSX and New York Stock Exchange TSX Venture Exchange TSX and NASDAQ

Meetings of Trustees

The following table shows meeting attendance records for all current trustees in 2015.

Name of Trustee	Board	Audit Committee	Governance and Nominating Committee	Human Resources and Compensation Committee	Investment Committee
HAROLD BURKE	19/19	4/4	N/A	N/A	N/A
DAVID EHRlich ⁽¹⁾	18/19	N/A	4/4	4/5	4/4
PAUL HARRIS ⁽²⁾	17/19	4/4	N/A	N/A	N/A
EDWIN HAWKEN	18/19	3/4	N/A	N/A	3/4
THOMAS SCHWARTZ	19/19	N/A	N/A	N/A	N/A
DAVID SLOAN ⁽³⁾	19/19	4/4	N/A	N/A	N/A
MICHAEL STEIN	19/19	N/A	N/A	N/A	N/A
STANLEY SWARTZMAN	19/19	N/A	4/4	5/5	4/4
ELAINE TODRES	19/19	N/A	4/4	5/5	N/A

Notes:

- (1) On March 31, 2016, Mr. Ehrlich resigned as a member of the Governance and Nominating Committee, the Human Resources and Compensation Committee and the Investment Committee.
- (2) On March 31, 2016, Mr. Harris was appointed as a member of the Governance and Nominating Committee and the Human Resources and Compensation Committee.
- (3) On March 31, 2016, Mr. Sloan was appointed as a member of the Investment Committee.

Meetings of Independent Trustees

The independent trustees hold regularly-scheduled meetings without the attendance of non-independent trustees and management at the end of each meeting of the board of trustees and at each meeting of the Audit Committee, Human Resources and Compensation Committee and Governance and Nominating Committee. The Chair of the Audit Committee, Human Resources and Compensation Committee and Governance and Nominating Committee conducts such committees' respective in camera sessions. For the board of trustees, the Chair conducts the in camera sessions without the presence of management, and the Lead Trustee conducts the in camera sessions without the presence of management or non-independent trustees.

During 2015, the Audit Committee, Human Resources and Compensation Committee and Governance and Nominating Committee met as follows:

Meeting	Meetings Held	Meetings Held Without Management
Audit Committee	4	4
Human Resources and Compensation Committee	5	4
Governance and Nominating Committee	4	4

Declaration of Trust

Pursuant to the Declaration of Trust, the board of trustees has assumed responsibility for the stewardship of CAPREIT and has been granted the necessary powers to carry out its responsibilities. The trustees' responsibilities include:

- (i) the development and adoption of CAPREIT's strategic planning process;
- (ii) the identification of the principal risks associated with the business of CAPREIT and the implementation of appropriate systems to manage these risks;
- (iii) the appointment and evaluation of senior management;
- (iv) overseeing the communications policy of CAPREIT;
- (v) ensuring the integrity of CAPREIT's internal controls and management information systems;
- (vi) the creation of position descriptions for the board and for the President and Chief Executive Officer;
- (vii) the implementation of structures and procedures which ensure the board can function independently of management;
- (viii) implementing a process for assessing the effectiveness of the board as a whole, the committees of the board and the contribution of individual trustees;
- (ix) reviewing the adequacy and form of compensation of trustees and ensuring it realistically reflects the responsibilities and risks involved in being a trustee; and
- (x) assessing its responsibilities and performance under its mandate.

Committees of Trustees

To assist the trustees in fulfilling their governance responsibilities, the trustees have formed four (4) committees, each of which is composed of at least a majority of independent, unrelated trustees: the Audit Committee, Human Resources and Compensation Committee, the Governance and Nominating Committee and the investment committee (the "**Investment Committee**").

Audit Committee

The Declaration of Trust requires the creation of an Audit Committee, consisting of at least three (3) trustees, to review the consolidated financial statements of CAPREIT. The terms of reference for the Audit Committee require that all members be unrelated and financially literate (as defined in NI 52-110). All members of the Audit Committee are independent and financially literate, as those terms are defined in NI 52-110. As of March 31, 2016, the Audit Committee of CAPREIT consists of the following four (4) trustees: Harold Burke, Paul Harris, Edwin Hawken and David Sloan. Harold Burke serves as Chair of the Audit Committee.

For further information regarding the Audit Committee, please see Sections 12.2, 12.6 and Appendix "**A**" of CAPREIT's Annual Information Form dated March 30, 2016, which can be accessed on SEDAR under CAPREIT's profile at www.sedar.com.

The Audit Committee is responsible for monitoring CAPREIT's external auditor and ensuring that the external auditor is and remains independent of management.

During the year ended December 31, 2015, the Audit Committee met four (4) times.

Human Resources and Compensation Committee

The Declaration of Trust requires the creation of a Human Resources and Compensation Committee, consisting of at least three (3) trustees, to review the matters relating to human resources, including the compensation of trustees and officers of the CAPREIT. All of the members of the Human Resources and Compensation Committee must at all times be independent (as that term is defined in NI 58-101), and free from any relationship that, in the opinion of the board of trustees of CAPREIT, would interfere with the exercise of his independent judgment as a member of the Human Resources and Compensation Committee and each of whom should be familiar with corporate governance practices.

The Human Resources and Compensation Committee has the primary functions of assisting the board in fulfilling its human resources and compensation oversight responsibilities. The committee has specific responsibilities relating to: structuring and reviewing compensation plans; the administration of CAPREIT's compensation plans; and reviewing CAPREIT's human resources strategic framework and disclosure relating to compensation. For a more detailed discussion of the Human Resources and Compensation Committee's role in executive compensation, see the "**Compensation Discussion & Analysis - Human Resources and Compensation Committee**" discussion above.

As of March 31, 2016, the Human Resources and Compensation Committee of CAPREIT consists of the following three (3) trustees: Stanley Swartzman, Paul Harris and Elaine Todres. Elaine Todres serves as Chair of the Human Resources and Compensation Committee. The Human Resources and Compensation Committee is composed entirely of independent trustees. On March 31, 2016, Mr. Ehrlich resigned, and was replaced by Mr. Harris, as a member of the Human Resources and Compensation Committee.

During the year ended December 31, 2015, the Human Resources and Compensation Committee met five (5) times.

Governance and Nominating Committee

The Declaration of Trust requires the creation of a Governance and Nominating Committee, consisting of at least three (3) trustees, to review the governance of CAPREIT. All of the members of the Governance and Nominating Committee must at all times be independent (as that term is defined in NI 58-101), and free from any relationship that, in the opinion of the board of trustees of CAPREIT, would interfere with the exercise of his independent judgment as a member of the Governance and Nominating Committee and each of whom should be familiar with corporate governance practices.

The Governance and Nominating Committee has the primary functions of assisting the board in fulfilling its corporate governance oversight responsibilities. The committee has specific responsibilities relating to: reviewing CAPREIT's governance framework assessing the composition and performance of the board, its committees and individual trustees; and proposing new nominees for appointment to the board, orienting new trustees and providing continuing education for existing trustees. For a more detailed discussion of the Governance and Nominating Committee's role in executive compensation, see the "**Compensation Discussion & Analysis - Governance and Nominating Committee**" discussion above.

As of March 31, 2016, the Governance and Nominating Committee of CAPREIT consists of the following three (3) trustees: Stanley Swartzman, Paul Harris and Elaine Todres. Stanley Swartzman serves as Chair of the Governance and Nominating Committee. The Governance and Nominating Committee is composed entirely of independent trustees. On March 31, 2016, Mr. Ehrlich resigned, and was replaced by Mr. Harris, as a member of the Governance and Nominating Committee.

During the year ended December 31, 2015, the Governance and Nominating Committee, met four (4) times.

Investment Committee

The Declaration of Trust provides that the trustees shall appoint from among their number an Investment Committee consisting of at least three (3) trustees. A majority of the members of the Investment Committee must have had at least five (5) years of substantial experience in the real estate industry. In addition, a majority of the members of the Investment Committee must be independent trustees.

The duties of the Investment Committee are to review investment and disposition proposals of CAPREIT, subject to such authority as the trustees may delegate to the officers of CAPREIT, and to perform such other duties as the trustees may delegate to the Investment Committee pursuant to Article 8 of the Declaration of Trust.

As of March 31, 2016, the Investment Committee of CAPREIT consists of the following three (3) trustees: Edwin Hawken, Stanley Swartzman and David Sloan. Stanley Swartzman serves as Chair of the Investment Committee. On March 31, 2016, Mr. Ehrlich resigned, and was replaced by Mr. Sloan, as a member of the Investment Committee.

The Investment Committee met four (4) times during the year ended December 31, 2015.

Position Descriptions

As part of its responsibility for identifying and recommending candidates to the board for election and re-election as trustees, the Governance and Nominating Committee has developed certain criteria to facilitate its review of the qualifications of candidates and existing direction. These outline the desired complement of trustees' skills and characteristics based on CAPREIT's current and anticipated

needs under the broad categories of enterprise leadership, management experience, board experience, legal/tax, real estate, human resources, corporate governance, financial acumen, government relations and capital markets. The board reviews and, if required, updates these criteria annually to reflect its assessment of the current needs of the board and the strategic priorities of CAPREIT. Part of this review entails a self-assessment by each existing trustee of his skills and qualifications. The board then identifies any gaps, which assist the Governance and Nominating Committee in its search for new candidates. In considering the nomination of a trustee for re-election to the board, the Governance and Nominating Committee looks at a number of factors including board attendance, contribution and feedback from other trustees and, reviews and recommendations arising out of trustee effectiveness assessments and peer-review evaluations.

The President and Chief Executive Officer

The board has developed a written position description for the President and Chief Executive Officer of CAPREIT. The President and Chief Executive Officer, who is accountable to the board of trustees for the effective overall management of CAPREIT, and for conformity with policies agreed upon by the board, has full responsibility for the day-to-day operations of CAPREIT's business in accordance with its strategic plan and its operating and capital budgets as approved by the board of trustees.

The mandate of the President and Chief Executive Officer sets out the President and Chief Executive Officer's key responsibilities. The primary accountabilities of the President and Chief Executive Officer are:

- fostering a corporate culture that promotes ethical practices and encourages individual integrity;
- maintaining a positive and ethical work climate that is conducive to attracting, retaining and motivating top-quality employees at all levels;
- developing a long-term strategy and vision for CAPREIT that enhances Unitholder value;
- developing an annual operating plan and financial budget that support CAPREIT's long-term strategy;
- strategy and implementation for major mergers, acquisitions and divestitures;
- ensuring that the day-to-day business affairs of CAPREIT are appropriately managed by developing and implementing processes that will ensure the achievement of CAPREIT's financial and operating goals and objectives;
- formulating and overseeing the implementation of major corporate policies;
- establishing a strong working relationship with the board of trustees;
- keeping the board of trustees aware of CAPREIT's performance and events affecting its business, including opportunities in the marketplace and adverse or positive developments;
- serving as the chief spokesperson for CAPREIT and establishing CAPREIT's communications framework and strategy;
- ensuring, in cooperation with the board, that there is an effective succession plan in place for the President and Chief Executive Officer position;

- ensuring that CAPREIT has an effective management team below the level of the President and Chief Executive Officer, and has an active plan for its development and succession; and
- ensuring that there is clarity of objectives and focus for all employees and ensuring that there are clear and appropriate standards and measures of performance.

The mandate is reviewed by the Human Resources and Compensation Committee and considered by the board for approval each year.

Chair of Board

The board has also developed a written position description for the Chair of the board. The Chair, who is appointed by the board on annual basis at the first meeting of the board following the annual meeting of Unitholders each year, is responsible for the effective functioning of the board, his primary responsibility being to facilitate the operations and deliberations of the board and the satisfaction of the board's responsibilities under his mandate. The Chair serves for a term expiring following the next annual meeting of Unitholders or until a successor is appointed or he resigns.

The mandate of the Chair of the board sets out the Chair's key responsibilities. The Chair of the board is required to establish procedures to govern the board's work and ensuring the board's full discharge of its duties, including:

- collaborating with the President and Chief Executive Officer and other members of management, where appropriate, to develop the agenda for board meetings;
- providing appropriate information from management to enable the board and committees to exercise their accountabilities; ensuring that items requiring board/committee approval are appropriately tabled;
- ensuring proper flow of information to the board and reviewing adequacy and timing of documentary materials in support of management's proposals;
- ensuring that external advisors retained or to be retained by the board are appropriately qualified and independent; and
- ensuring that the board has access to members of senior management as may be required by the board.

The Chair of the board is also mandated to chair every board meeting and encourage free and open discussion at meetings; chair every meeting of Unitholders and respond such questions as are put to the Chair of the board of trustees at any such meeting; receive notices and materials for all committee meetings and attend all such meetings whenever possible; together with the Governance and Nominating Committee, identify guidelines for the selection of, and evaluation of performance of, the trustees; act as liaison between the board and management; and carry out other duties as requested by the board as a whole, depending on need and circumstances.

The mandate of the Chair is reviewed and considered by the board for approval each year.

Board Committee Chairs and Lead Trustee

Position descriptions for the Chairs of the Audit Committee, the Human Resources and Compensation Committee, the Governance and Nominating Committee and the Investment Committee, as well as for the Lead Trustee, have also been approved by the respective committees and the board,

which set out their key responsibilities. Each Chair will work with its respective committee, and in the case of the Lead Trustee, with the board of trustees, and management to ensure to the greatest extent possible effective functioning of the committee or board.

Audit Committee

The Chair of the Audit Committee is appointed by the board on annual basis at the first meeting of the board following the annual meeting of Unitholders each year. The Chair serves for a term expiring following the next annual meeting of Unitholders or until a successor is appointed or the Chair resigns, provided if there is a vacancy in such office, the Audit Committee shall appoint one of its members to fill the vacancy until such time as it is filled by the board of trustees.

The Charter of the Audit Committee and the position description for the Chair sets out the Chair's key responsibilities. The Chair, being responsible for the effective functioning of the Audit Committee, is required to establish procedures to govern the Audit Committee's work and works with the Audit Committee and management to ensure, to the greatest extent possible, the Audit Committee's full discharge of its duties, including:

- collaborating with the President and Chief Executive Officer and other members of management, where appropriate, to develop the agenda for Audit Committee meetings;
- obtaining appropriate information from management to enable the Audit Committee to exercise their duties;
- working with the Audit Committee and management to ensure, to the greatest extent possible, that all items requiring Audit Committee approval or Audit Committee recommendations to the board are appropriately tabled;
- working with the Audit Committee and management to ensure, to the greatest extent possible, proper flow of information to the Audit Committee and reviewing adequacy and timing of required documentary materials;
- working with the Audit Committee and management to ensure, to the greatest extent possible, that external advisors retained or to be retained by the Audit Committee are appropriately qualified and independent;
- working with the Audit Committee and management to ensure, to the greatest extent possible, that the Audit Committee has access to such members of senior management as may be required;
- working with the Audit Committee and management to ensure, to the greatest extent possible, an open and frank relationship between the Committee and the internal and external auditors; and
- supporting the independence of the external auditor from management.

The Chair of the Audit Committee is also mandated to discuss as necessary with the Chair of the Governance and Nominating Committee the skills, experience and talents required for the Audit Committee on an ongoing basis; chair every meeting of the Audit Committee and encourage a free and open discussion at the meetings; report to the board on behalf of the Audit Committee; attend every meeting of Unitholders and respond to such questions from Unitholders as may be put to the Chair of the Audit Committee; and carry out other duties as requested by the board, depending on need and circumstances.

The mandate of the Chair is reviewed and considered by the board for approval each year.

For further information regarding the Audit Committee, please see Sections 12.2, 12.6 and Appendix "A" of CAPREIT's Annual Information Form dated March 30, 2016, which can be accessed on SEDAR under CAPREIT's profile at www.sedar.com.

Human Resources and Compensation Committee

The Chair of the Human Resources and Compensation Committee is elected by the board on an annual basis at the first meeting of the board following the annual meeting of Unitholders. Unless a Chair is elected by the full board, the members of the Human Resources and Compensation Committee may designate a Chair by majority vote of the full committee membership.

The Chair serves for a term expiring following the next annual meeting of Unitholders or until a successor is appointed or the Chair resigns.

The Charter of the Human Resources and Compensation Committee and the position description for the Chair sets out the Chair's key responsibilities. The Chair, being responsible for the effective functioning of the Human Resources and Compensation Committee, is required to establish procedures to govern the Human Resources and Compensation Committee's work and ensure the Human Resources and Compensation Committee's full discharge of its duties, including:

- collaborating with the President and Chief Executive Officer and other members of management, where appropriate, to develop the agenda for Human Resources and Compensation Committee meetings;
- providing appropriate information from management to enable the Human Resources and Compensation Committee to exercise their accountabilities;
- ensuring that all items requiring Human Resources and Compensation Committee approval or Human Resources and Compensation Committee recommendations to the board are appropriately tabled;
- ensuring proper flow of information to the Human Resources and Compensation Committee and reviewing adequacy and timing of documentary materials in support of management's proposals;
- ensuring that external advisors retained or to be retained by the Human Resources and Compensation Committee are appropriately qualified and independent; and
- ensuring that the Human Resources and Compensation Committee has access to such members of senior management as may be required by the board.

The mandate of the Chair is reviewed and considered by the board for approval each year.

Governance and Nominating Committee

The Chair of the Governance and Nominating Committee is elected by the board on an annual basis at the first meeting of the board following the annual meeting of Unitholders. Unless a Chair is elected by the full board, the members of the Governance and Nominating Committee may designate a Chair by majority vote of the full committee membership.

The Chair serves for a term expiring following the next annual meeting of Unitholders or until a successor is appointed or the Chair resigns.

The Charter of the Governance and Nominating Committee and the position description for the Chair sets out the Chair's key responsibilities. The Chair, being responsible for the effective functioning of the Governance and Nominating Committee, is required to establish procedures to govern the

Governance and Nominating Committee's work and ensure the Governance and Nominating Committee's full discharge of its duties, including:

- collaborating with the President and Chief Executive Officer and other members of management, where appropriate, to develop the agenda for Governance and Nominating Committee meetings;
- providing appropriate information from management to enable the Governance and Nominating Committee to exercise their accountabilities;
- ensuring that all items requiring Governance and Nominating Committee approval or Governance and Nominating Committee recommendations to the board are appropriately tabled;
- ensuring proper flow of information to the Governance and Nominating Committee and reviewing adequacy and timing of documentary materials in support of management's proposals;
- ensuring that external advisors retained or to be retained by the Governance and Nominating Committee are appropriately qualified and independent; and
- ensuring that the Governance and Nominating Committee has access to such members of senior management as may be required by the board.
- The mandate of the Chair is reviewed and considered by the board for approval each year.

Investment Committee

The Chair of the Investment Committee is appointed by the board on an annual basis following the annual meeting of Unitholders each year or, in the event that the board does not elect a Chair, the members of the Investment Committee may designate a Chair by majority vote of the full committee membership. The Chair serves for a term expiring following the next annual meeting of Unitholders or until a successor is appointed or the Chair resigns.

The Charter of the Investment Committee and the position description for the Chair set out the Chair's key responsibilities. The Chair, being responsible for the effective functioning of the Investment Committee, is required to establish procedures to govern the Investment Committee's work and ensure the Investment Committee's full discharge of duties, including:

- collaborating with the President and Chief Executive Officer and other members of management, where appropriate, to develop the agenda for committee meetings;
- providing appropriate information from management to enable the committee to exercise its accountabilities;
- ensuring that all items requiring committee approval or committee recommendations to the board are appropriately tabled;
- ensuring proper flow of information to the committee and reviewing adequacy and timing of documentary materials; and
- ensuring that the committee has access to such members of senior management as may be required by the committee.

The Chair of the Investment Committee is also mandated to encourage free and open discussion at meetings of the committee; report to the board on behalf of the Investment Committee; attend every meeting of Unitholders and respond to such questions from Unitholders as may be put to the Chair of the Investment Committee; and carry out other duties as requested by the board, depending on need and circumstances.

The mandate of the Chair is reviewed and considered by the board for approval each year.

Lead Trustee

The Lead Trustee of the board of trustees of CAPREIT is an independent trustee who is designated by the board. He or she shall hold office at the pleasure of the board, until a successor shall have been designated or until the Lead Trustee resigns or is otherwise removed from the office by the board.

The Lead Trustee is responsible for acting as the effective leader of the board in circumstances where it is inappropriate for the Chair to act in that role and ensuring that the board's agenda will enable it to successfully carry out its duties. The Lead Trustee's key role is to work with the Chair and ensure that the board: (i) discharges its responsibilities, (ii) has structures and procedures in place to enable it to function independently of management, and (iii) clearly understands and respects the boundaries between the board and management's responsibilities.

The Lead Trustee may vote at meetings of the board and at all meetings of the committees of which he or she is a member, and may attend and participate in all meetings of the board and at all meetings of the committees of which he or she is a member.

The Lead Trustee's responsibilities include assisting the Chair in managing the board by:

- recommending and chairing periodic special meetings of the independent trustees of the board and assuming any responsibilities that the independent trustees may designate from time to time;
- chairing board meetings and assuming the duties of the Chair when the Chair is not in attendance or when it is inappropriate for the Chair to act in such capacity;
- chairing the in camera session of the board in the absence of the Chair;
- providing input to the Chair on the preparation of agendas for board meetings;
- assisting the Chair in adopting procedures allowing the board to conduct its work effectively and efficiently;
- facilitating the process of conducting trustee and board evaluations;
- serving as board ombudsman, so as to ensure that questions or comments of individual trustees are heard and addressed;
- regularly reviewing with the Governance and Nominating Committee the size and composition of the board and its committees to favour effective decision-making;
- recommending committee Chairs to the board, in consultation with the Governance and Nominating Committee; and
- facilitating the Chair in the exercise of his duties.

The Lead Trustee is also responsible for ensuring board quality and continuity by meeting, from time to time, with the Governance and Nominating Committee to review board, board committees, committee Chairs' and board members' performance and to discuss nominees as trustees to be submitted to the board for its approval. The Lead Trustee also acts as liaison between the board and management.

The position description of the Lead Trustee is considered and reviewed by the board for approval each year.

Orientation and Continuing Education

New Trustees

CAPREIT ensures that new trustees have a general understanding of both the business of CAPREIT and the roles and responsibilities of the board of trustees and its committees.

New trustees are invited to meet with the Chair of the board and the Chairs of the committees of the board of trustees, as well as with each member of senior management. To further provide a comprehensive understanding of both the underlying principles governing CAPREIT's operations as well as the role of the board of trustees and its committees, new trustees are provided with documents material to CAPREIT, including CAPREIT's Annual Information Form, Declaration of Trust, Management Information Circular, committee charters, business policies including the disclosure policy, as well as historical financial statements.

In addition, new trustees are invited to tour part of CAPREIT's portfolio with the President and Chief Executive Officer, in order to familiarize themselves with CAPREIT's operations, property management, and a segment of the property portfolio. This meeting also provides new trustees with an opportunity to ask any questions they may have on the nature and operations of the business, and on the implementation of CAPREIT's business strategy.

Ongoing Education

In addition, CAPREIT provides trustees with ongoing education and information sessions to ensure that they remain current with respect to CAPREIT's financial condition, operations, current trends and other matters related to the advancement of the success of CAPREIT and the implementation of CAPREIT's long-term strategies.

- At each quarterly meeting of the board of trustees, the President and Chief Executive Officer and Chief Financial Officer make a detailed presentation to the board with respect to CAPREIT's operating performance and financial results. The President and Chief Executive Officer also provides a comprehensive review of CAPREIT's current and foreseeable opportunities and challenges, market conditions and market trends.
- To educate the trustees on the operations of CAPREIT, members of CAPREIT's management make presentations to the board on operational strategy and initiatives, including a review of the competitive environment for acquisitions, dispositions and development activity, local market trends, and CAPREIT's performance relative to its peers.
- To educate the trustees on the growth and development of CAPREIT employees, members of the human resources department meet with the Human Resources and Compensation Committee and the board regularly to present on strategy and initiatives in leadership, education and training.
- Every year, the board of trustees meets for a strategy session which may include members of management and/or industry experts.
- Internal education on topics affecting CAPREIT, including changes to compensation disclosure requirements, governance practices, environmental regulations and accounting standards, are provided on an ongoing basis.
- Trustees participate in property tours with senior management on a periodic basis.
- In 2015, the trustees also met with the Vancouver regional office staff and toured properties in Vancouver, meeting with regional management and site staff.

Nomination of Trustees

CAPREIT has a Governance and Nominating Committee with nominating responsibilities. However, the full board of trustees retains the discretion to select nominees and fill vacancies. The Governance and Nominating Committee is required, as necessary or appropriate, to establish qualifications for trustees and officers, and procedures for identifying possible nominees who meet these criteria. In doing so, it should consider the Diversity Policy, as well as desired competences and skills and the appropriate size of the board, analyze the current skills and competences of the board, the needs of the board of trustees when vacancies arise on the board and identify and recommend nominees who meet such needs. The Governance and Nominating Committee believes that nominees for the board of trustees should possess established skill sets, in particular with respect to management, leadership, governance, financial acumen, and real estate.

The Governance and Nominating Committee also has the responsibility of recommending the resignation or removal of trustees or officers where their current or past conduct is or has been improper or reasonably likely to adversely affect the assets of CAPREIT or its reputation.

The Governance and Nominating Committee is composed entirely of independent trustees.

Ethical Business Conduct

Effective November 11, 2005, the Compensation and Governance Committee (the predecessor to the Governance and Nominating Committee) then constituted adopted a code of business ethics and conduct (the “**Code of Business Ethics and Conduct**”), as amended November 13, 2009, that applies to all employees, trustees and officers of CAPREIT.

The principles outlined in the code are intended to:

- (i) establish a minimum standard of conduct by which all employees, trustees and officers are expected to abide;
- (ii) protect the business interests of CAPREIT and its employees, trustees and officers;
- (iii) maintain CAPREIT’s reputation for integrity; and
- (iv) facilitate compliance by CAPREIT employees, trustees and officers with applicable legal and regulatory obligations.

The Code of Business Ethics and Conduct addresses honesty and integrity, following the law, conflicts of interest, workplace behaviour, confidentiality, privacy and protecting CAPREIT’s assets, whistle-blower procedures, information security, disclosure controls and internal controls.

The Governance and Nominating Committee reviews the code annually as well as the process for administering the Code of Business Ethics and Conduct and compliance with the Code of Business Ethics and Conduct. The Governance and Nominating Committee monitors compliance with the Code of Business Ethics and Conduct primarily through the use of surveys sent to all employees of CAPREIT on an annual basis and reports from management. Any changes to the Code of Business Ethics and Conduct are considered by the board for approval. The Code of Business Ethics and Conduct is available on SEDAR under CAPREIT’s profile at www.sedar.com.

In addition, CAPREIT's Declaration of Trust requires that if a trustee or officer of CAPREIT is a party to a proposed or existing material contract or transaction with CAPREIT, or is a director or officer of, or has a material interest in, a person who is a party to a proposed or existing material contract or transaction with CAPREIT, that such trustee or officer promptly disclose such conflict of interest in writing to the trustees. Except in limited circumstances, a trustee who has a conflict of interest may not vote on any resolution to approve such a contract or transaction.

Compensation

The Human Resources and Compensation Committee reviews and recommends for board approval, CAPREIT's trustee compensation policy and practices. The Human Resources and Compensation Committee considers many factors, including whether compensation fairly reflects the responsibilities and risks involved. The Human Resources and Compensation Committee may retain an independent external consultant to provide data and advice to the Human Resources and Compensation Committee on the appropriateness of its trustee compensation policy and levels, particularly in light of the number of meetings and amount of time required to be spent by the trustees to fulfill their board and committee obligations. See "**Compensation Discussion & Analysis**" above for further information.

President and Chief Executive Officer Compensation

The compensation paid to the President and Chief Executive Officer consists of a base salary supplemented by performance incentives, as per the terms of Mr. Schwartz's Executive Contract. The Compensation and Governance Committee (the predecessor to the Human Resources and Compensation Committee) was directly involved in the negotiation and settlement of the terms of the Executive Contract for the President and Chief Executive Officer. The Compensation and Governance Committee retained and received the benefit and advice of independent and qualified executive compensation consultants in connection with its negotiation of the Executive Contracts in 2005. In continuing to determine the appropriate terms of the Executive Contracts, the Human Resources and Compensation Committee considers the following objectives: (i) retaining executives such as the President and Chief Executive Officer who is critical to the success of CAPREIT and the enhancement of Unitholder value; (ii) providing fair and competitive compensation; and (iii) balancing the interests of management and Unitholders of CAPREIT.

Bonus compensation for the President and Chief Executive Officer for the 2015 year was determined based upon sixty percent (60%) quantitative and forty percent (40%) qualitative measures as follows: (a) the sixty percent (60%) quantitative is based on NFFO per Unit achieved by CAPREIT; and (b) the forty percent (40%) qualitative is based upon an assessment of the Human Resources and Compensation Committee and individual performance in relationship to goals established for the financial year.

Assessments

The board of trustees evaluates and reviews its own performance and that of its committees and its trustees regularly. The board delegated this function to the Governance and Nominating Committee which, under its Charter, is required to conduct an annual assessment of the effectiveness of the trustees and the board as a whole, and the executive officers. The Governance and Nominating Committee may retain an external consultant to assist in conducting this assessment.

The assessment process for the 2015 financial year was completed in February, 2016. In connection with this assessment, the trustees participated in a review process overseen by the Governance and Nominating Committee to assess the performance of the board and its committees, which included a trustee self-assessment and peer review evaluation. In consultation with the senior

management of CAPREIT, the Chair of the Governance and Nominating Committee developed questionnaires for the trustees to assist in reviewing their own and each other's performance against their mandate and other criteria. The questionnaires covered a range of dimensions such as board skills, board strategy, board structure and board committees. The data obtained from the questionnaires, and any individual interviews which the Chair of the Governance and Nominating Committee may conduct, were compiled, analyzed and scored by the Chair of the Governance and Nominating Committee, culminating in a formal report to the Governance and Nominating Committee and the full board of trustees. The Chair of the Governance and Nominating Committee discussed the report with the trustees (at the February, 2016 meeting) and highlighted any improvement opportunities to facilitate the greater functioning of the board and its committees.

Trustee Term Limits and Other Mechanisms of Board Renewal

The board of trustees has determined that while it is committed to fostering diversity among board members, it would be unduly restrictive to adopt specific trustee term limits or other mechanisms of board renewal at this time. The board acknowledges the benefit of fresh viewpoints, however considers that industry and institutional knowledge along with commitment and expertise are vital to the successful functioning of the board of trustees. The board has found that having long-standing trustees who are knowledgeable about CAPREIT and its history contributes to a well-functioning board that oversees an organization that has seen tremendous growth over the years. The board has implemented a comprehensive assessment process that evaluates the performance, skills and contribution of each trustee on an annual basis which the board believes is preferable to term limits and other mechanisms of board renewal. See "**Assessments**".

Policies Regarding the Representation of Women on the Board

CAPREIT has adopted a Diversity Policy in order to ensure that the board of trustees is comprised of highly talented and experienced individuals, having regard to the need to foster and promote diversity among board members. CAPREIT's Diversity Policy stipulates that a truly diverse board of trustees will include and make good use of differences in skills, gender, qualities, regional and industry experience, geographic knowledge and location.

Pursuant to the terms of the Diversity Policy, the Governance and Nominating Committee shall, in considering candidates for nomination to the board of trustees:

- consider individuals who are highly qualified, based on their talents, experience, functional expertise and personal skills, character and qualities having regard to CAPREIT's current and future plans and objectives, as well as anticipated regulatory and market developments;
- have due regard for the need to identify and promote individuals who are reflective of the diversity recognized in the Diversity Policy for nomination for election to the board of trustees, including with regard to representation of women on the board of trustees, ethnic diversity and geographic diversity, and in general with regard to succession planning for the board of trustees; and
- if deemed appropriate in the circumstances, engage qualified independent external advisors to assist the board of trustees in conducting its search for candidates that meet the board's criteria regarding diversity recognized in the Diversity Policy.

CAPREIT ensures that the Diversity Policy is effectively implemented by:

- when required, engaging qualified external advisors to assist the Governance and Nominating Committee in conducting a search for candidates that meet the board's skills and diversity criteria;

- annually reviewing the structure, size and composition of the board, with a view to diversity issues and implementing measures designed to ensure that the nominee recruitment and identification processes are appropriate in terms of depth and scope to foster identification and progression of diverse candidates, and to ensure that qualified female candidates are considered to fill any vacancy on the board;
- the development and maintenance of a trustee skills matrix that identifies the skills and expertise required for the board of trustees along with potential areas for growth and improvement;
- annually providing a summary of the implementation of the written policy to the board; and
- reporting annually in CAPREIT's management information circular the measurable initiatives set by the policy and the progress towards achieving them.

The Diversity Policy was adopted in March 2015. CAPREIT will track the annual and cumulative progress of CAPREIT in achieving the objectives of the Diversity Policy in 2016 and beyond. The Governance and Nominating Committee will measure the effectiveness of the Diversity Policy on an annual basis by assessing whether the board is composed of appropriately qualified people with a broad range of expertise relevant to CAPREIT's business.

A copy of CAPREIT's Diversity Policy is available on CAPREIT's website at www.capreit.net. CAPREIT reserves the right, at its absolute discretion, to change the Diversity Policy from time to time as it considers necessary.

Consideration of the Representation of Women in the Trustee Identification and Selection Process

In identifying and nominating candidates for election or re-election to the board of trustees, the Governance and Nominating Committee will consider, among other things, the level of representation of women on the board. In considering candidates for nomination, the Governance and Nominating Committee takes into account the following factors:

- the competencies and skills the board, as a whole, should possess;
- the competencies, skills and personal and other diverse qualities including gender, the existing trustees possess;
- the competencies, skills and personal and other diverse qualities including gender, required for new trustees in order to add value to CAPREIT in light of opportunities and risks facing CAPREIT; and
- the size of the board, with a view to facilitating effective decision-making.

Selection of female candidates for appointment or nomination to the board will be, in part, dependent upon having female candidates with the necessary skills, knowledge, independence and experience. The ultimate decision will be based on merit and contribution the chosen candidate will bring to the board.

Consideration of the Representation of Women in Executive Officer Appointments

In appointing executive officers to the management team, CAPREIT considers the level of representation of women in executive officer positions. In filling any executive officer appointments, CAPREIT takes into account the following factors:

- the competencies and skills the executive team, as a whole, should possess;
- the competencies, skills and personal and other diverse qualities the existing executive officers possess; and

- the competencies, skills and personal and other diverse qualities required for new executive officers in order to add value to CAPREIT in light of opportunities and risks facing CAPREIT.

CAPREIT's Targets Regarding the Representation of Women on the Board and in Executive Officer Positions

CAPREIT has not adopted a target regarding women on CAPREIT's board of trustees because CAPREIT does not believe that any trustee nominee should be chosen nor excluded solely or largely because of gender. In selecting a trustee nominee, the Governance and Nominating Committee focuses on skills, expertise and background that would complement the existing board. Trustees will be recruited based on their ability and contributions.

CAPREIT has not adopted a target regarding women in executive officer positions because CAPREIT does not believe that any candidate for an executive officer position should be chosen nor excluded solely or largely because of gender. In selecting a candidate, CAPREIT considers the skills, expertise and background that would complement the existing management team. Executive officers will be recruited based on their ability and contributions.

Number of Women on the Board and in Executive Officer Positions

As of March 31, 2016, there is one woman on CAPREIT's board of trustees, representing 11% of the trustees. As of March 31, 2016, 5 of 10, or 50%, of the senior executive management (vice-president and above) of CAPREIT and CAPREIT's major subsidiaries (as that term is defined in National Instrument 55-104 Insider Reporting Requirements and Reporting Exemptions) are women.

INDEMNIFICATION OF TRUSTEES AND OFFICERS

CAPREIT indemnifies the trustees and officers against certain losses arising from claims against them for certain of their acts, errors or omissions as such. CAPREIT maintains liability insurance for its trustees and officers. The policy provides insurance for trustees and officers of CAPREIT in respect of certain losses arising from claims against them for certain of their acts, errors or omissions in their capacities as trustees or officers. CAPREIT is also insured against any loss arising out of any payment that it may be required or permitted by law to make to trustees or officers in respect of such claims. The policy limit for such insurance coverage applicable to CAPREIT was \$40 million per occurrence with a \$75,000 deductible (\$125,000 for securities related claims) and \$40 million for trustees and officers per occurrence with no deductible. The premium (excluding applicable taxes) paid by CAPREIT for the period ending December 31, 2015 was \$146,250.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Other than the election of trustees, none of the trustees or executive officers of CAPREIT who have been a trustee or executive officer since the commencement of CAPREIT's last financial year, nominees for election as trustees of CAPREIT, and no associate or affiliate of any of the foregoing, has any material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the meeting.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

For the year ended December 31, 2015, CAPREIT incurred a total rent expense for head office space, including operating costs, in the amount of \$941,924 payable to a company in which Mr. Schwartz has an eighteen percent (18.0%) beneficial interest.

INFORMATION ON CAPREIT'S AUDITOR

PricewaterhouseCoopers LLP has been CAPREIT's auditor since the date of the initial public offering on May 21, 1997. For the year ended December 31, 2015, PricewaterhouseCoopers LLP has advised that they are independent with respect to CAPREIT within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Ontario.

For further information on auditor's fees, please see Section 18 of CAPREIT's Annual Information Form dated March 30, 2016, which can be accessed on SEDAR under CAPREIT's profile at www.sedar.com.

GENERAL

The consolidated financial statements of CAPREIT for the financial year ended December 31, 2015, together with the report of the auditors thereon, will be presented to Unitholders at the Meeting for their consideration.

ADDITIONAL INFORMATION

Additional information relating to CAPREIT is available on SEDAR under CAPREIT's profile at www.sedar.com. Unitholders may contact the Chief Financial Officer of CAPREIT at (416) 861-9404 to request copies of CAPREIT's consolidated financial statements and management's discussion and analysis.

Financial information is provided in CAPREIT's comparative consolidated financial statements and management's discussion and analysis for its most recently completed financial year which are available on SEDAR under CAPREIT's profile at www.sedar.com.

APPROVAL OF TRUSTEES

The contents and the sending of this Circular have been approved by the trustees of CAPREIT.

DATED at Toronto this 31st day of March, 2016.

On behalf of the trustees of
CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST

(Signed) THOMAS SCHWARTZ
President and Chief Executive Officer

SCHEDULE "A"
SUMMARY OF UNITHOLDERS' RIGHTS PLAN AGREEMENT

The following is a summary of the principal terms of the Rights Plan. This summary is qualified in its entirety by reference to the text of the Rights Plan. For a copy of the Rights Plan, as proposed to be amended, please contact CAPREIT at ir@capreit.net or (416)861-9404.

The only proposed substantive amendment to the Rights Plan is to potentially extend the period of time a Permitted Bid must remain open solely to reflect changes to the take-over bid regime by the CSA. To ensure the Permitted Bid definition in the Rights Plan remains aligned with the minimum period a take-over bid must remain open under applicable Canadian securities laws, it is proposed this definition be amended to provide that it be outstanding for a minimum period of one hundred and five (105) days or such shorter period that a take-over bid must remain open for deposits of securities, in the applicable circumstances, pursuant to Canadian securities laws. See "Permitted Bid Requirements". It is also proposed that certain non-substantive, technical and administrative amendments be made to the Rights Plan.

Term

The Rights Plan must be reconfirmed by a simple majority of votes cast by Unitholders at every third annual meeting of Unitholders of CAPREIT. The Rights Plan, including the amendments described herein, is therefore presented at the Meeting for reconfirmation and approval. If not approved, the Rights Plan will expire and cease to have effect effective May 25, 2016. If it is approved at the Meeting, the Rights Plan will require reconfirmation by CAPREIT's Unitholders at the 2019 annual meeting of Unitholders (or any adjournment or postponement thereof) and thereafter at such meeting to be held, *mutatis mutandis*, every three years thereafter.

Issue of Rights

One right (a "**Right**") will be issued and attached to each subsequently issued Unit and will be issued and will attach to any subsequently issued Units. The initial exercise price of each Right is: (i) until the Separation Time, an amount equal to three times the Market Price (as defined in the Rights Plan), from time to time per Unit and (ii) from and after the Separation Time, an amount equal to three times the Market Price, as at the Separation Time, per Unit (the "**Exercise Price**"), subject to appropriate anti-dilution adjustments.

Rights Exercise Privilege

The Rights will separate from the Units to which they are attached and will become exercisable at the time (the "**Separation Time**") that is ten (10) trading days after the earlier of: (i) a person having acquired, or (ii) the commencement or announcement date in respect of a takeover bid to acquire, twenty percent (20%) or more of the Units of CAPREIT, other than by an acquisition pursuant to a Permitted Bid. The acquisition by a person (an "**Acquiring Person**"), including persons acting in concert, of twenty percent (20%) or more of the Units of CAPREIT, other than by way of a Permitted Bid in certain circumstances, is referred to as a "**Flip-in Event**". Any Rights held by an Acquiring Person on or after the earlier of the Separation Time or the first date of public announcement by CAPREIT or an Acquiring Person that an Acquiring Person has become such, will become void upon the occurrence of a Flip-in Event. The issue of the Rights is not initially dilutive. Upon a Flip-in Event occurring and the Rights separating from the attached Units, reported earnings per 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.

Certificates and Transferability

Prior to the Separation Time, the Rights will be evidenced by a legend imprinted on certificates for Units and will not be transferable separately from the attached Units. From and after the Separation Time, the Rights will be evidenced by Rights certificates or, as proposed to be amended, by book-entry form registration, which will be transferable and traded separately from the Units.

Permitted Bid Requirements

The requirements of a Permitted Bid include the following:

- The takeover bid must be made by way of a takeover bid circular.
- The takeover bid must be made to all holders of Units, other than the bidder.
- As proposed to be amended, the takeover bid must contain, and the provisions for the take-up and payment for securities tendered or deposited thereunder must be subject to, an irrevocable and unqualified condition that no securities shall be taken up or paid for pursuant to the takeover bid prior to the close of business on a date which is not less than one hundred and five (105) days following the date of the takeover bid or such shorter period that a take-over bid must remain open for deposits of securities, in the applicable circumstances, pursuant to Canadian securities laws.
- The takeover bid must contain irrevocable and unqualified provisions that, unless the takeover bid is withdrawn, securities may be deposited pursuant to the takeover bid at any time prior to the close of business on the date of first take-up or payment for securities and that all securities deposited pursuant to the takeover bid may be withdrawn, unless restricted by law, at any time prior to the close of business on such date.
- The takeover bid must contain, and the provisions for take-up and payment for securities tendered or deposited thereunder shall be subject to, an irrevocable and unqualified condition that no securities shall be taken up or paid for pursuant to the Take-over Bid unless, at such date, more than fifty percent (50%) of the outstanding Units held by Independent Unitholders (defined below), determined as at the close of business on the date of first take-up or payment for securities under the takeover bid, have been deposited or tendered to the takeover bid and not withdrawn.
- The takeover bid must contain an irrevocable and unqualified provision that in the event that more than fifty percent (50%) of the Units held by Unitholders other than the bidder, its affiliates and persons acting jointly or in concert with the bidder (the “**Independent Unitholders**”) shall have been deposited to the takeover bid and not withdrawn as at the close of business on the date of first take-up or payment for securities under the takeover bid, the offeror will make a public announcement of that fact and the takeover bid will remain open for deposits and tenders of securities for not less than ten (10) business days from the date of such public announcement.

The Rights Plan allows a competing Permitted Bid (a “**Competing Permitted Bid**”) to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all the requirements of a Permitted Bid except that, as proposed to be amended, provided it is outstanding for a minimum period of one hundred and five (105) days, (or such other minimum period of days as may be prescribed by applicable law in Ontario) it may expire on the same date as the Permitted Bid.

Waiver and Redemption

The trustees acting in good faith may, with the consent of the Unitholders (or instalment receipts related to Units, if any), prior to a Flip-in Event, waive the dilutive effects of the Rights Plan in respect of a particular Flip-in Event. At any time prior to the occurrence of a Flip-in Event, the trustees may, at their option, redeem all, but not less than all, of the outstanding Rights at a price of \$0.001 each.

Waiver of Inadvertent Flip-in Event

The trustees acting in good faith may, in respect of any Flip-in Event, waive the application of the Rights Plan to that Flip-in Event, provided that (i) the trustees have determined that the Acquiring Person became an Acquiring Person by inadvertence and without any intent or knowledge that it would become an Acquiring Person, and (ii) such Acquiring Person has reduced its beneficial ownership of Units (or instalment receipts related to Units, if any) such that at the time of waiver it is no longer an Acquiring Person.

Portfolio Managers

The provisions of the Rights Plan relating to portfolio managers are designed to prevent the occurrence of a Flip-in Event solely by virtue of the customary activities of such managers, including trust companies and other persons, where a substantial portion of the ordinary business of such person is the management of funds for unaffiliated investors, so long as any such person does not propose to make a takeover bid either alone or jointly with others.

Supplement and Amendments

CAPREIT is authorized to make amendments to the Rights Plan to correct any clerical or typographical error or, subject to certain exceptions, which are required to maintain the validity of the Rights Plan as a result of any changes in law or regulation.

General

Until a Right is exercised, the holders thereof, as such, will have no rights as a Unitholder.

SCHEDULE "B"
RESOLUTION OF THE UNITHOLDERS OF CANADIAN
APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST- AMENDMENT AND
RECONFIRMATION OF UNITHOLDERS' RIGHTS PLAN AGREEMENT

RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. The Unitholders' Rights Plan Agreement to be effective May 25, 2016 between the trustees of Canadian Apartment Properties Real Estate Investment Trust and Computershare Investor Services Inc., including the amendments thereto, substantially as described in Schedule "A" to the Circular, be and is hereby amended and reconfirmed.
2. The Unitholders' Rights Plan Agreement is hereby amended to the extent necessary to reflect and give effect to the foregoing.
3. Any trustee or officer of CAPREIT be and is hereby authorized to take all such further actions and to execute and deliver all such further instruments and documents, in the name and on behalf of CAPREIT as may be necessary, proper or advisable in order to carry out and give full effect to the foregoing.

* * * * *

SCHEDULE "C"
SUMMARY OF PROPOSED AMENDMENTS TO DECLARATION OF TRUST

The following is a summary of the principal amendments in the 2016 Amended and Restated Declaration of Trust. This summary is qualified in its entirety by reference to the text of the 2016 Amended and Restated Declaration of Trust. For a copy of the 2016 Amended and Restated Declaration of Trust, please contact CAPREIT at ir@capreit.net or (416)861-9404.

Proposed Amendments

The material aspects of the proposed amendments can be summarized as follows (amended portions identified in underline or strikethrough where applicable):

It is proposed that Section 1.1 of the Declaration of Trust be revised and amended in the 2016 Amended and Restated Declaration of Trust by adding the following definitions to read as follows:

"Preferred Unit" means a preferred equity interest of any series in the Trust as more particularly described in Section 5.3 with such designation, rights, privileges, restrictions and conditions attached thereto as determined by the Trustees and which are issued from time to time in accordance with the provisions hereof.

"Preferred Unitholder" or "holder of Preferred Units" means a person whose name appears on the Register as a holder of Preferred Units, if any, and includes, for the purposes of Section 13.1, Section 13.2 and Section 13.4 only, any person who is a beneficial holder of a Preferred Unit, if any.

It is proposed that the definition of "Unit" in Section 1.1 of the Declaration of Trust be revised and amended in the 2016 Amended and Restated Declaration of Trust as follows:

"Unit" means a participating, voting unit of the Trust, more particularly described herein issued from time to time in accordance with the provisions hereof that is not a Preferred Unit and includes a fraction of a participating unit of the Trust."

It is proposed that Section 1.5 of the Declaration of Trust be revised and amended in the 2016 Amended and Restated Declaration of Trust as follows:

"...The Trust is an unincorporated open-end mutual fund trust established pursuant to the laws of Ontario. The Trust, the Units, the Special Voting Units, the Preferred Units and the property of the Trust shall be governed by the general law of trusts, except as such general law of trusts has been or is from time to time modified, altered or abridged for the Trust by:

- (1) applicable laws and regulations or other requirements imposed by applicable securities or other regulatory authorities; and
- (2) the terms, conditions and trusts set forth in this Declaration of Trust.

The beneficial interest and rights generally of a Unitholder and Preferred Unitholder in the Trust shall be limited to the right to participate ~~pro-rata~~ in Distributions in such amounts when and as declared by the Trustees as contemplated by Article 9 and distributions upon the termination of the Trust as contemplated in Article 12. The Trust is not and is not intended to be, shall not be deemed to be and shall not be treated as a general partnership, limited partnership, syndicate, association, joint venture, company, corporation or joint stock company nor shall the Trustees or the Unitholders, Preferred Unitholders or Special Unitholders or any of them for any purpose be, or be deemed to be treated in any way whatsoever to be, liable or responsible hereunder as partners or joint venturers. The Trustees shall not be, or be deemed to be, agents of the Unitholders, Preferred Unitholders or Special Unitholders. The relationship of the Unitholders, Preferred Unitholders or Special Unitholders to the Trustees, to the Trust and to the property of the Trust shall be solely that of beneficiaries in accordance with rights conferred and the liabilities and obligations imposed upon them by this Declaration of Trust, and, in respect of the Preferred Units, in a certificate of amendment approved by the Trustees pursuant to Section 5.3."

It is proposed that Section 3.2 of the Declaration of Trust be revised and amended in the 2016 Amended and Restated Declaration of Trust as follows:

"Subject only to the express limitations contained in this Declaration of Trust including, without limitation Section 4.1 and Section 4.2, and in addition to any powers and authorities conferred by this Declaration of Trust or which the Trustees may have by virtue of any present or future statute or rule of law, the Trustees without any action or consent by the Unitholders, Preferred Unitholders or Special Unitholders shall have and may exercise at any time and from time to time the following powers and authorities which may or may not be exercised by them in their sole judgment and discretion and in such manner and upon such terms and conditions as they may from time to time deem proper:

- (1) To retain, invest and re-invest the capital or other funds of the Trust in real or personal property of any kind, all without regard to whether any such properties are authorized by law for the investment of trust funds, and to possess and exercise all the rights, powers and privileges appertaining to the ownership of the property of the Trust and to increase the capital of the Trust at any time by the issuance of additional Units or Preferred Units for such consideration as they deem appropriate;
- (1.1) To determine the rights, designation, privileges, restrictions and conditions attaching to each series of Preferred Units authorized for issuance by the Trust in accordance with Section 5.3;
- (2) For such consideration as they deem proper, to invest in, purchase or otherwise acquire for cash or other property or through the issuance of Units or Preferred Units or through the issuance of notes, debentures, bonds or other obligations or securities of the Trust and hold for investment the entire or any participating interest in any mortgages. In connection with any such investment, purchase or acquisition, the Trustees shall have the power to acquire a share of rents, lease payments or other gross income from or a share of the profits from or a share in the equity or ownership of real property..."

It is proposed that Section 5.1 of the Declaration of Trust be revised and amended in the 2016 Amended and Restated Declaration of Trust as follows:

“(1) The beneficial interests in the Trust shall be divided into ~~two~~ three classes, described and designated as “Units”, “Preferred Units” and “Special Voting Units”, which shall be entitled to the rights and subject to the limitations, restrictions and conditions set out herein, and the interest of each Unitholder, Preferred Unitholder and Special Unitholder shall be determined by the number of Units, Preferred Units and/or Special Voting Units registered in the name of the Unitholder, Preferred Unitholder or Special Unitholder. Following the date of this Declaration of Trust, the Trustees may create additional classes of units of the Trust having such attributes as may be ascribed from time to time provided that, other than Preferred Units, in no event, shall any such additional class of units contain any rights, terms or conditions which are more favourable than the rights terms and conditions attaching to the Units and Special Voting Units outstanding as of the date hereof. The number of Units and Special Voting Units which the Trust may issue is unlimited. The number of Preferred Units which the Trust may issue is limited to 25,840,600. The issued and outstanding Units, Special Voting Units and Preferred Units may be subdivided or consolidated from time to time by the Trustees.

(2) Each Unit represents an equal undivided interest in the Trust. All Units outstanding from time to time shall, subject to the rights of holders of Preferred Units, be entitled to participate pro rata in any distributions by the Trust and, in the event of termination or winding-up of the Trust, in the net assets of the Trust after satisfaction of the rights of holders the Preferred Units. All Units shall rank among themselves equally and rateably without discrimination, preference or priority.”

It is proposed that the Declaration of Trust be revised and amended in the 2016 Amended and Restated Declaration of Trust by adding a new Section 5.3 to read as follows:

“Section 5.3 Preferred Units

The Preferred Units shall have attached thereto the following attributes:

- (1) the Preferred Units may from time to time be issued in one or more series, and the Trustees may fix from time to time before such issue the number of Preferred Units which is to comprise each series and the designation, rights, privileges, restrictions and conditions attaching to each series of Preferred Units and the currency thereof, including, without limiting the generality of the foregoing, any voting rights, the rate or amount of distributions (which may be cumulative or non-cumulative and variable or fixed) or the method of calculating distributions, the dates of payment thereof, the terms and conditions of redemption, purchase and conversion, if any, any rights on the liquidation, dissolution or winding-up of the Trust, and any sinking fund or other provisions;

- (2) the Preferred Units of each series shall, with respect to the payment of distributions (other than distributions paid solely through the distribution of additional Units) and the distribution of assets of the Trust or return of capital in the event of liquidation, dissolution or winding-up of the Trust, whether voluntary or involuntary, or any other return of capital or distribution of assets of the Trust among its Unitholders and Special Unitholders for the purpose of winding-up its affairs, be entitled to preference over the Units and Special Voting Units, and over any other security of the Trust ranking by their terms junior to the Preferred Units. The Preferred Units of any series may also be given such other preferences, not inconsistent with this Declaration of Trust, over the Units, Special Voting Units and any other securities of the Trust ranking by their terms junior to the Preferred Units, as may be fixed in accordance with subsection (1); and
- (3) if any cumulative distributions or amounts payable on the return of capital in respect of a series of Preferred Units are not paid in full, all series of Preferred Units of equal ranking shall participate rateably in respect of accumulated distributions and return of capital based on the accumulated distributions and return of capital of a series of Preferred Units as a proportion of the accumulated distributions and return of capital of all series of Preferred Units of equal ranking.

The terms of a particular series of Preferred Units as fixed by the Trustees in accordance with subsection (1) above shall be set out in a "Certificate of Preferred Unit Terms" which certificate shall be approved by the Trustees prior to the issue of such Preferred Units and, upon such approval, the certificate shall become a part of this Declaration of Trust.

Notwithstanding anything else herein contained, except as otherwise provided in the terms of a particular series of Preferred Units as fixed by the Trustees in accordance with subsection 5.3(1) above, the Units, Special Voting Units or any series of Preferred Units shall have not or be deemed to have any term, condition, right or other attribute which would provide any holder of Units, Special Voting Units or Preferred Units of any series with an interest in the income of the Trust as a percentage in any distribution received by that Unitholder, Preferred Unitholder or Special Unitholder that is greater or lesser than an interest in the income of the Trust as a percentage of any distribution received by the holder of any other Units, Special Voting Units or Preferred Units of any series."

It is proposed that Section 5.10 of the Declaration of Trust be revised and amended in the 2016 Amended and Restated Declaration of Trust as follows:

"Subject to limitations on ownership set out in this Declaration of Trust and limitations set out in applicable securities laws, the Units and Preferred Units are freely transferable and the Trustees shall not impose any restriction on the transfer of Units. The Trustees shall use all reasonable efforts to obtain and maintain a listing for the Units on one or more stock exchanges in Canada. Special Voting Units and Exchangeable Securities shall be non-transferable without the consent of the Trust and shall not be listed on any exchange."

It is proposed that Section 5.24 of the Declaration of Trust be revised and amended in the 2016 Amended and Restated Declaration of Trust as follows:

"Provided the holder thereof agrees or the terms of the Units or Preferred Units so provide, the Trust shall be entitled to purchase for cancellation at any time the whole or from time to time any

part of the outstanding Units or Preferred Units, at a price per Unit or Preferred Unit and on a basis determined by the Trustees in compliance with all applicable securities regulatory laws, regulations or policies or the policies of any applicable stock exchange.”

It is proposed that the Declaration of Trust be revised and amended in the 2016 Amended and Restated Declaration of Trust by adding a new Section 5.25(19) as follows:

“(19) Sections 5.25(1) to (18) inclusive shall apply *mutatis mutandis* to any series of Preferred Units that is the subject of a take-over bid (whether or not the Preferred Units are voting securities or equity securities for purposes of the *Securities Act* (Ontario)).”

It is proposed that Section 6.5 of the Declaration of Trust be revised and amended in the 2016 Amended and Restated Declaration of Trust as follows:

“Holders of Units, Preferred Units and Special Voting Units entitled to vote at a meeting may attend and vote at all meetings of the Unitholders, Preferred Unitholders and Special Unitholders either in person or by proxy. Each Unit, Preferred Unit and each Special Voting Unit entitled to vote at a meeting shall be entitled to one vote at all meetings of the Unitholders, Preferred Unitholders and Special Unitholders. Unitholders and Special Unitholders shall be entitled to vote at all meetings of Unitholders, Preferred Unitholders and Special Unitholders, except at a meeting of the Preferred Unitholders as contemplated in Section 6.6(3). Any action to be taken by the Unitholders, Preferred Unitholders and Special Unitholders shall, except as otherwise required by this Declaration of Trust or by law, be authorized when approved by a majority of the votes cast at a meeting of the Unitholders, Preferred Unitholders and Special Unitholders by holders of Units, Preferred Units and Special Voting Units (in aggregate) entitled to vote thereon. The Chairman of any such meeting shall not have a second or casting vote.”

It is proposed that Section 6.6 of the Declaration of Trust be revised and amended in the 2016 Amended and Restated Declaration of Trust as follows:

“None of the following shall occur unless the same has been duly approved by the Unitholders, Preferred Unitholders and Special Unitholders (as provided in Section 11.2, Section 11.3 and Section 12.2, as applicable) entitled to vote at a meeting duly called and held:

- (1) except as provided in Section 2.2, Section 2.4, Section 2.5 or Section 2.6, the appointment, election or removal of Trustees;
- (2) except as provided in Section 15.4, the appointment or removal of auditors of the Trust;
- (3) any amendment to the Declaration of Trust (except as provided in Section 4.4 or Section 11.1) and except for any amendment resulting from or in connection with the issuance of any new series of Preferred Units or the conversion or reclassification of one series of Preferred Units into another series); provided that holders of Preferred Units shall not be entitled to vote on any amendment which directly or indirectly adds, removes or changes any of the rights, privileges, restrictions and conditions in respect of the Units; and further provided that any amendment which directly or indirectly adds, removes or changes in an adverse manner any of the rights, privileges, restrictions and conditions in respect of any series of Preferred Units cannot occur without the affirmative vote of at least two-thirds of the votes cast at a duly called and held meeting of the

holders of Preferred Units of that series or those series so affected, except for in connection with the issuance of any new series of Preferred Units or the conversion or reclassification of one series of Preferred Unit into another series; or

- (4) any termination of this Declaration of Trust.

Nothing in this section, however, shall prevent the Trustees from submitting to a vote of Unitholders, Preferred Unitholders and Special Unitholders any matter which they deem appropriate. Except with respect to the matters specified in this section, Section 11.2, Section 11.3 and Section 12.2 or matters submitted to a vote of the Unitholders, Preferred Unitholders and Special Unitholders by the Trustees, no vote of the Unitholders, Preferred Unitholders or Special Unitholders shall in any way bind the Trustees.”

It is proposed that Section 9.1 of the Declaration of Trust be revised and amended in the 2016 Amended and Restated Declaration of Trust as follows:

“Income of the Trust to be distributed to Unitholders or Preferred Unitholders on each Distribution Date (each a “Distribution” and collectively, the “Distributions”) shall be determined by the Trustees and computed on or before each Distribution Date in respect of the calendar month ending immediately prior to each Distribution Date.

The Trust shall distribute to Unitholders monthly Distributions calculated and determined in accordance with this Section 9.1. Distributions may be adjusted for amounts paid in prior periods. Unitholders of record at the close of business on the Distribution Record Date in respect of a month shall be entitled to receive proportionately any Distribution declared payable by the Trustees for such month, subject to the preferential entitlements of Preferred Unitholders. The Distribution for any month shall be paid on the applicable Distribution Date. Distributions shall be made in cash or Units pursuant to any distribution reinvestment plan or Unit purchase plan adopted by the Trustees pursuant to Section 9.6. The Trustees, if they so determine when income has been earned but not collected may, on a temporary basis, transfer sufficient monies from the capital to the income account of the Trust to permit Distributions under this Section 9.1.

The Trust shall pay or declare payable to holders of Preferred Units of each series as may from time to time be issued and outstanding, and the holders of such Preferred Units will have a right to receive, such portion of the income of the Trust as the Trustees have determined to distribute to such holders of Preferred Units as prescribed by the rights, privileges, restrictions and conditions established by the Trustees on the creation of such series of Preferred Units. For so long as any Preferred Units remain issued and outstanding, the Trust shall not pay or declare payable any amount to holders of Units (other than amounts that are paid solely through the issuance of additional Units) unless and until the distribution entitlements of the Preferred Units have been paid in full.”

It is proposed that Section 9.2 of the Declaration of Trust be revised and amended in the 2016 Amended and Restated Declaration of Trust as follows:

“Except as otherwise provided in the terms of a particular series of Preferred Units as fixed by the Trustees in accordance with Section 5.3(1), income and net taxable capital gains for purposes of the *Income Tax Act* (Canada) will be allocated to Unitholders and Preferred Unitholders in the same proportions as Distributions received by Unitholders and Preferred Unitholders, subject to

the discretion of the Trustees to adopt an allocation method which the Trustees consider to be more reasonable in the circumstances.”

It is proposed that Section 11.2 of the Declaration of Trust be revised and amended in the 2016 Amended and Restated Declaration of Trust as follows:

Subject to Section 6.6(3), Section 11.1 and Section 11.3, this Declaration of Trust may be amended by the vote of a majority of the votes in the aggregate cast at a meeting of Unitholders, Preferred Unitholders and Special Unitholders called for that purpose by holders of Units, Preferred Units and Special Voting Units entitled to vote thereon.

It is proposed that Section 11.3 of the Declaration of Trust be revised and amended in the 2016 Amended and Restated Declaration of Trust as follows:

“Subject to Section 6.6(3), none of the following shall occur unless the same has been duly approved by the affirmative vote of at least two-thirds of the votes cast at a meeting of Unitholders, Preferred Unitholders and Special Unitholders duly called and held by holders of Units, Preferred Units and Special Voting Units (in aggregate) entitled to vote thereon:

- (1) any amendment to this Section 11.3;
- (2) any amendment to change a right with respect to any outstanding Units or Preferred Units of the Trust to reduce the amount payable thereon upon termination of the Trust or to diminish or eliminate any voting rights pertaining thereto....”

It is proposed that Section 12.3 of the Declaration of Trust be revised and amended in the 2016 Amended and Restated Declaration of Trust as follows:

“Upon the termination of the Trust, the liabilities of the Trust shall be discharged with due speed and the net assets of the Trust shall be liquidated and the proceeds distributed to holders of issued and outstanding Preferred Units in accordance with the rights, privileges, restrictions and conditions attached to the Preferred Units, with the remaining balance of the proceeds distributed proportionately to the Unitholders. Such distribution may be made in cash or in kind or partly in each, all as the Trustees in their sole discretion may determine.”

Further Amendments

The board of trustees propose to make such additional amendments to the Declaration of Trust as are required or desirable to ensure that the substance of the amendments proposed above conform with the other terms and provisions of the 2016 Amended and Restated Declaration of Trust.

SCHEDULE "D"
RESOLUTION OF THE UNITHOLDERS OF CANADIAN
APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST- AMENDMENTS TO
DECLARATION OF TRUST - PREFERRED UNITS

RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The amendments to the Declaration of Trust of CAPREIT substantially as described in Schedule "C" to the Circular, and any additional and/or alternative amendments to the Declaration of Trust that the trustees determine to be necessary or desirable from time to time in order to permit the authorization and issuance of Preferred Units and effecting the substance of the changes described in the Circular, be and are hereby authorized and approved.
2. The trustees are hereby authorized and directed to execute or cause to be executed on behalf of CAPREIT an amended and restated Declaration of Trust reflecting the foregoing changes and amendments.
3. Notwithstanding that the foregoing resolutions have been duly passed, the board of trustees of CAPREIT may, without further notice to or approval of the Unitholders, determine the timing and arrange for the implementation of the amendment and/or restatement of the Declaration of Trust, decide not to proceed with the amendment and/or restatement of the Declaration of Trust, or modify the amendment and/or restatement of the Declaration of Trust, provided that any modification will not be materially prejudicial to unitholders, or revoke this resolution at any time prior to the amendments to and/or restatement of the Declaration of Trust.
4. Any trustee or officer of CAPREIT be and is hereby authorized to take all such further actions and to execute and deliver all such further instruments and documents, in the name and on behalf of CAPREIT as may be necessary, proper or advisable in order to carry out and give full effect to the foregoing.

SCHEDULE "E"
RESOLUTION OF THE UNITHOLDERS OF CANADIAN
APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST- AMENDMENTS TO
DECLARATION OF TRUST -INDEPENDENT TRUSTEE MATTER

RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The following amendment to CAPREIT's Declaration of Trust be and is hereby authorized and approved:
 - (24) "Independent Trustee Matter" means any decision:
 - (a) to enter into any arrangement in which a Non-Independent Trustee or an officer of the Trust has a material interest;
 - (b) relating to the enforcement of any agreement entered into by the Trust with a Non-Independent Trustee, or an officer of the Trust or an affiliate or associate of such party;
 - (c) to grant options under any Unit option plan or any rights to participate in any other long term incentive plans adopted by the Trust; or
 - (d) to demolish all or substantially all of a property owned by the Trust;
 - ~~(e) to increase the number of Trustees by no more than one third in accordance with Section 2.1 and to appoint Trustees to fill the vacancies so created; or~~
 - ~~(f) to recommend to Unitholders or Special Unitholders that the number of Trustees be increased, where a vote of Unitholders or Special Unitholders thereon is required, and to nominate individuals as Trustees to fill the vacancies so created;~~
2. The Declaration of Trust is hereby further amended to the extent necessary to reflect and give effect to the foregoing.
3. Any trustee or officer of CAPREIT be and is hereby authorized to take all such further actions and to execute and deliver all such further instruments and documents, in the name and on behalf of CAPREIT as may be necessary, proper or advisable in order to carry out and give full effect to the foregoing.

* * * * *