

**CANADIAN APARTMENT PROPERTIES
REAL ESTATE INVESTMENT TRUST
NOTICE OF ANNUAL MEETING OF UNITHOLDERS
TO BE HELD ON MAY 8, 2015**

NOTICE IS HEREBY GIVEN THAT the Annual Meeting (the “**Meeting**”) of the holders (the “**Unitholders**”) of units (the “**Units**”) and special voting units (the “**Special Voting Units**”) of Canadian Apartment Properties Real Estate Investment Trust (“**CAPREIT**”) will be held at One King West Hotel & Residence, 1 King Street West, Toronto, Ontario, M5H 1A1 on May 8, 2015 at 9:30 a.m. (Toronto time) for the following purposes:

1. to receive the audited consolidated financial statements of CAPREIT for the financial year ended December 31, 2014, together with the auditors’ report thereon;
2. to elect the trustees of CAPREIT;
3. to re-appoint the auditor of CAPREIT and authorize the trustees to fix the remuneration to be paid to the auditor; and
4. to transact such further or other business as may properly come before the Meeting or any adjournments or postponements thereof.

Accompanying this Notice of the Meeting are a copy of the Management Information Circular and form of proxy. If you are a new Unitholder or a non-registered Unitholder who did not elect to receive CAPREIT’s annual report, you can view the annual report on our website at www.capreit.net. If you wish a hard copy of this report, please contact us at ir@capreit.net or (416) 861-9404.

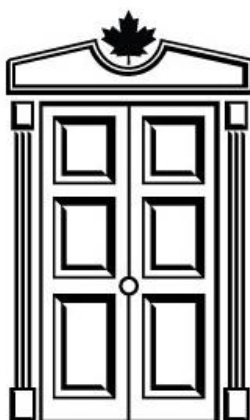
If you are unable to attend the Meeting in person, kindly sign and return the enclosed form of proxy and deposit it with Computershare Investor Services Inc., Proxy Department, 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1, or to the head office of CAPREIT, 11 Church Street, Suite 401, Toronto, Ontario M5E 1W1, not later than 9:30 a.m. (Toronto time) on May 6, 2015 or, if the Meeting is adjourned or postponed, prior to 9:30 a.m. (Toronto time) on the second business day before any adjournment or postponement of the Meeting.

DATED at Toronto, Ontario this 24th day of March, 2015.

**BY ORDER OF THE BOARD OF TRUSTEES OF
CANADIAN APARTMENT PROPERTIES
REAL ESTATE INVESTMENT TRUST**

(Signed) THOMAS SCHWARTZ
President and Chief Executive Officer

**CANADIAN APARTMENT PROPERTIES
REAL ESTATE INVESTMENT TRUST**



CAPREIT

**ANNUAL MEETING
OF UNITHOLDERS
MANAGEMENT INFORMATION CIRCULAR**

March 24, 2015

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**CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST
MANAGEMENT INFORMATION CIRCULAR RELATING TO THE ANNUAL
MEETING OF UNITHOLDERS TO BE HELD ON MAY 8, 2015**

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 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 8th day of May, 2015, 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 24, 2015 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 9:30 a.m. (Toronto time) on May 6, 2015 or, if the Meeting is adjourned or postponed, prior to 9:30 a.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; and (ii) the re-appointment of the auditor of CAPREIT, 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 24, 2015, 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 24, 2015, 112,659,745 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 7, 2015 (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 amended and restated declaration of trust dated June 12, 2014 (the “**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 24, 2015, 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.

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 ($1\frac{1}{3}$) 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 F. 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 24, 2015.

| 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 24, 2015 ⁽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 | 23,209 | 673,061 | 0.02% |
| DAVID EHRlich ⁽⁴⁾⁽⁵⁾⁽⁷⁾ , Toronto, Ontario, Canada | Trustee | Yes | 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 | 16,446 | 476,934 | 0.01% |
| PAUL HARRIS ⁽⁶⁾ , Montréal, Québec, Canada | Trustee | Yes | Partner, Davies, Ward, Phillips & Vineberg LLP (a law firm) | 1998 | 95,437 | 2,767,673 | 0.08% |
| EDWIN F. HAWKEN ⁽⁵⁾⁽⁶⁾ , Toronto, Ontario, Canada | Trustee | Yes | Corporate Director | 2004 | 89,938 | 2,608,202 | 0.08% |
| THOMAS SCHWARTZ, Toronto, Ontario, Canada | President and Chief Executive Officer and a Trustee | No | President and Chief Executive Officer of CAPREIT | 1997 | 2,808,979 | 81,460,391 | 2.49% |
| DAVID SLOAN, Toronto, Ontario, Canada | Trustee | Yes | Consultant and Corporate Director, and former executive at TD Bank Group | 2014 | 4,813 | 139,577 | 0.00% |

| 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 24, 2015 ⁽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 | 598,144 | 17,346,176 | 0.53% |
| STANLEY SWARTZMAN ⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾ , Toronto, Ontario, Canada | Lead Trustee | Yes | Corporate Director | 1997 | 147,260 | 4,270,540 | 0.13% |
| ELAINE TODRES ⁽⁴⁾⁽⁷⁾ , Toronto, Ontario, Canada | Trustee | Yes | Chief Executive Officer of Todres Leadership Counsel (a consultancy practice) | 2013 | 11,179 | 324,191 | 0.01% |

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 24, 2015; 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 1,134,182 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.
- (5) Member of the Investment Committee.
- (6) Member of the Audit Committee.
- (7) 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: 68) 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: 64) 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: 63) 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 F. Hawken (Age: 75) is Chairman of Danier Leather Inc., a publicly traded specialty apparel leather retailer. He was Chief Executive Officer and a Director of Comcorp Financial Services Inc. from 1991 to 1997. From 1987 to 1991, Mr. Hawken was a Senior Vice President of Canadian Imperial Bank of Commerce ("CIBC") and President of CIBC Leasing Inc.

Thomas Schwartz (Age: 66) 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 trustees of Chartwell Seniors Housing REIT, the Board of Directors of Irish Residential Properties REIT plc and each of CAPREIT's subsidiaries, the Board of Directors of the Mount Sinai Hospital Foundation, and is a member of the Schulich School of Business Advisory Council - Program in Real Estate and Infrastructure.

David Sloan (Age: 58) 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: 64) has been Chairman and Chief Executive Officer of MPI Group Inc., a company engaged in real estate development and investment, since 1994. Mr. Stein has also held the position of Chairman and Chief Executive Officer of MICC Properties Inc., a company engaged in real estate investment and development, since 1987. 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 director 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. He is a director of FirstService Corporation (TSX/NASDAQ), a director of McEwen Mining Inc. (TSX/NYSE), and chairman of Cliffside Capital Ltd.(TSX-V). Between 2000 and 2006, Mr. Stein was also 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. 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: 75) 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: 65) 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 | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Management Experience | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Board Experience | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Legal/Tax | ✓ | ✓ | ✓ | | | | | | |
| Real Estate | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | |
| Human Resources | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Corporate Governance | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Financial Acumen | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Government Relations | | | ✓ | | ✓ | | | ✓ | ✓ |
| Capital Markets | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |

2. Appointment of Auditor

The board of trustees proposes to nominate PricewaterhouseCoopers LLP, Chartered Accountants, 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.**

COMPENSATION DISCUSSION & ANALYSIS

Compensation Discussion and Analysis

Year in Review/Executive Summary

CAPREIT has continued to achieve its key financial and strategic objectives throughout 2014. Although 2014 was not a year of significant acquisitions, CAPREIT completed the acquisition of 370 residential suites in 11 properties across Canada, 104 land lease sites in 3 manufactured home communities in Ontario and Alberta, and sold 338

residential suites in Dublin, Ireland. The acquisitions completed in 2014 have strengthened the portfolio geographically. In addition, effective June 2014, CAPREIT increased monthly cash distributions to \$0.098333 per Unit (\$1.18 annually), compared to \$0.096 per Unit (\$1.15 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 2014 including:

Portfolio Performance

- Operating Revenues – Annual operating revenues increased by 6.2%, compared to December 31, 2013, due to the contributions from acquisitions, increased average monthly rents on the residential suite portfolio and continuing high stable occupancies.
- Average Monthly Rents – Average monthly rents for properties owned prior to December 31, 2013 increased by 2.0% as at December 31, 2014 compared to last year. As at December 31, 2014, occupancy remained strong at 97.9% compared to 98.0% for December 31, 2013.
- Net Operating Income (“NOI”) – Annual NOI increased by 11.0% (7.5% on a stabilized portfolio basis). 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 60.0% from 57.4% last year.

Operating Performance

- Normalized Funds From Operations (“NFFO”) – NFFO for the year ended December 31, 2014 increased by 15.0% to \$183.4 million compared to \$159.4 million in 2013, generating an improved NFFO payout ratio of 71.5% compared to 74.8% in 2013. 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 changes in fair value of hedging instruments and amortization of losses on certain hedging instruments.

Liquidity and Leverage

- Debt to Gross Book Value – Total debt to gross book value as at December 31, 2014 was conservative at 46.49% compared to 47.32% as at December 31, 2013.
- Debt Financings and Mortgage Renewals – CAPREIT achieved its debt financing and mortgage refinancing targets for 2014. Mortgage refinancings totaled \$576.5 million in 2014, consisting of renewals of existing mortgages of \$324.9 million and

additional top up financings of \$251.6 million. New financings were completed at a weighted average stated interest rate of 3.20%, which is below the weighted average interest rate for the mortgages that matured in 2014.

- Interest and Debt Coverage – Improved interest coverage and debt service coverage ratios of 2.82 and 1.61 times, respectively, were achieved in 2014 compared to 2.62 and 1.54 times, respectively in 2013.

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. The Human Resources and Compensation Committee replaced the former Compensation and Governance Committee (the “**Compensation and Governance Committee**”) in performing this function pursuant to an amendment to CAPREIT’s Declaration of Trust as of June 12, 2014. All references to the Human Resources and Compensation Committee herein include the Compensation and Governance Committee with respect to the period prior to June 12, 2014. 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 24, 2015, the Human Resources and Compensation Committee of CAPREIT consisted of the following trustees: Stanley Swartzman, David Ehrlich and Elaine Todres. Elaine Todres serves as Chair 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 2014, 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 Chief Accounting Officer;
- 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 2014, 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
- engaged Accompass ("**Accompass**"), a compensation consultant, to provide advice and counsel on executive compensation matters, please see below "Executive Compensation Benchmark Analysis".

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, is also an NEO as defined in NI 51-102F6.

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, as amended, dated January 1, 2005 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".

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 human resources practices, policy, pension bargaining and talent management for a workforce of approximately 150,000 employees;
- (ii) Mr. Ehrlich has over 30 years of experience as a corporate lawyer, including responsibility for advising clients, including public boards and special committees of board, on various matters pertaining to governance. In addition, as a partner at a major law firm, Mr. Ehrlich was involved in advising on, and recommending, compensation for members of his firm; 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 |
| 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 |

| Compensation Element | How it is Paid | What it is Designed to Reward |
|---------------------------------|---|---|
| | | equity participation <ul style="list-style-type: none"> • Award is based on how CAPREIT and the respective 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 | | |
| 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 peer organizations |
| EUPP | Units | <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 24, 2015, 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 | 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 Executive Officer | 2,808,979 | 81,460,391 | 2.49% |
| SCOTT CRYER Chief Financial Officer | 36,854 | 1,068,766 | 0.03% |
| MARK KENNEY Chief Operating Officer | 369,565 | 10,717,385 | 0.33% |
| MARIA AMARAL ⁽⁵⁾ Former Chief Accounting Officer | 314,983 | 9,134,507 | 0.28% |
| TOTAL | 3,530,381 | 102,381,049 | 3.13% |

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 1,134,182 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 24, 2015 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) On February 27, 2015, Ms. Amaral 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 Operating Officer, Chief Accounting Officer, and Chief Financial 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 2014 financial year was determined based upon quantitative and qualitative measures as follows and in the following percentages: (i) Thomas Schwartz - seventy percent (70%) quantitative and thirty percent (30%) qualitative; (ii) Scott Cryer - seventy-five percent (75%) quantitative and twenty-five percent (25%) qualitative; (iii) Mark Kenney - sixty percent (60%) quantitative and forty percent (40%) qualitative; and (iv) Maria Amaral - twenty-five percent (25%) quantitative and seventy-five percent (75%) 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 2014, the Human Resources and Compensation Committee set the NFFO per Unit threshold achievement level equal to \$1.52. 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 linear payout curve to the corporate incentive component of the annual bonus potential for all NEOs, increasing such payment by twenty percent (20%) for each additional \$0.01 increase in NFFO per Unit such that the maximum (one hundred percent (100%)) payment being payable where NFFO per Unit equaled \$1.55. For the year ended 2014, CAPREIT achieved NFFO per Unit equal to \$1.675, 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 the President and Chief Executive Officer for the 2014 financial year: continue to develop and implement programs for leadership development for all CAPREIT management; lead the accounting transformation project; implement with operations the CAPREIT call centre for tenant communications; and continue to expand CAPREIT's corporate breakfast program charity. The qualitative criteria used to determine the short-term incentives for the other NEOs were satisfied.

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. For the 2014 financial year, such discretion was applied with respect to the President and Chief Executive Officer. See "New Actions/Decisions or Policies".

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 2014, 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 2014, Human Resources and Compensation Committee established the NFFO Unit threshold achievement level equal to \$1.53 (\$0.01 higher than the threshold NFFO per Unit to achieve the minimum threshold for an annual bonus compensation incentive award) for an award equal to forty percent (40%) of the NEOs' maximum annual incentive compensation. The Human Resources and Compensation Committee applied a linear payout curve to the long-term incentive compensation awards under the RUR Plan to

NEOs, increasing such awards by twenty percent (20%) for each additional \$0.01 increase in NFFO such that the maximum (one hundred percent (100%)) award would be granted where NFFO per Unit equalled \$1.56. As CAPREIT achieved NFFO per Unit in 2014 of \$1.675, 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 2014 financial year.

| Name | Number of RURs | Total Value (\$) | Last Day of Grant Period |
|--|--------------------------------|--|--|
| THOMAS SCHWARTZ President and Chief Executive Officer | 28,291 7,733 ⁽²⁾ | 768,380 ⁽¹⁾ 167,500 ⁽³⁾ | February 17, 2018 February 28, 2017 |
| SCOTT CRYER Chief Financial Officer | 8,817 231 ⁽²⁾ | 239,475 ⁽¹⁾ 5,000 ⁽³⁾ | February 17, 2018 February 28, 2017 |
| MARK KENNEY Chief Operating Officer | 15,112 3,566 ⁽²⁾ | 410,455 ⁽¹⁾ 77,250 ⁽³⁾ | February 17, 2018 February 28, 2017 |
| MARIA AMARAL ⁽⁴⁾ Former Chief Accounting Officer | 10,258 2,095 ⁽²⁾ | 278,615 ⁽¹⁾ 45,375 ⁽³⁾ | February 17, 2018 February 28, 2017 |

Notes:

- (1) Based on a per Unit price of \$27.16 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 2011.
- (3) Based on a per Unit price of \$21.66 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 2014, in accordance with the RUR Plan, the Human Resources and Compensation Committee extended the settlement date of RURs granted in 2011 (the “**2011 RUR Grant**”) by 3 years, with the consent of the participants, in order to facilitate the continued holding of the 2011 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 2011 RUR Grant from February 2014 to February 2017 equal to twenty-five percent (25%) of the original value of their respective 2011 RUR Grant.

In consideration of Mr. Schwartz’s agreement to defer the grant of options to which he was entitled under his Executive Contract in connection with the equity offering CAPREIT completed in October, 2013, the Human Resources and Compensation Committee recommended, and the board of trustees approved, the payment of a special cash bonus to Mr. Schwartz. The terms of this special bonus were tied to CAPREIT’s performance in 2014 and the qualitative and quantitative components of Mr. Schwartz’s incentive compensation. In reviewing the growth in NFFO per Unit in 2014 and Mr. Schwartz’s success in meeting his individual goals, the Human Resources and Compensation Committee recommended and the board of trustees approved the payment of a bonus of \$807,900 to Mr. Schwartz. The Human Resources and Compensation Committee also engaged Accompass to provide advice and counsel on executive compensation matters, please see below “Executive Compensation Benchmark Analysis”.

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, other than to set the percentages for each NEO’s short-term incentive (cash) bonus and long-term incentive (equity) bonus up to 60% of an NEO’s incentive compensation based on quantitative measures and up to 40% of an NEO’s incentive compensation based on qualitative measures.

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 75% of an NEO's incentive compensation) and to the NEO's individual performance (as to up to 75% 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 an 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.

The NEOs and trustees of CAPREIT are not formally prohibited from purchasing financial instruments designed to hedge or offset a decrease in the market value of Units, including Units granted as or underlying Unit-based compensation or otherwise held directly or indirectly by an NEO or a trustee. 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 our LTIP and SELTIP, and currently under our RUR Plan, is designed to reduce the need to hedge or offset any potential decrease in the price of our 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

In October, 2012, Mercer was engaged by the Compensation and Governance Committee (the predecessor to the Human Resources and Compensation Committee) to provide advice and counsel on executive compensation matters, including reviewing and updating the prior (2009) executive compensation comparator group, to conduct compensation benchmark analysis and to provide a brief review of the retirement plan practices within CAPREIT's peer group. Mercer delivered its report in February, 2013. Mercer proposed, and the committee then constituted approved, the following set of organizations from which to benchmark CAPREIT's executive compensation levels for 2013 and beyond. Such set of organizations is composed of seventeen (17) Canadian publicly-traded real estate investment trusts and real estate management and development organizations. Organizations were included in the benchmark group in consideration of various factors, including the following selection criteria: industry relevance, annual revenues (between \$180 million to \$730 million), total assets (between \$1,900 million to \$7,600 million), market capitalization (between \$1,100 million to \$4,600 million) and net income (between \$160 million to \$630 million). 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
- Calloway REIT
- Granite Real Estate Inc.
- Northern Property REIT
- Artis REIT
- Chartwell Seniors Housing REIT
- H&R REIT
- RioCan REIT
- Boardwalk REIT
- Cominar REIT
- Morguard Corp.
- BPO Properties Ltd.
- DREAM Office REIT (formerly Dundee REIT)
- Morguard REIT
- Canadian REIT
- First Capital Realty Inc.
- Primaris REIT

The results of the Mercer engagement and the benchmarking that was applied were used in 2014 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 report in February, 2015.

The results of the Accompass engagement and the benchmarking that was applied will be 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. Following review of the Accompass report, the Human Resources and Compensation Committee re-set the percentages for each NEO's short-term incentive (cash) bonus and long-term incentive (equity) bonus up to 60% of an NEO's incentive compensation based on quantitative measures and up to 40% of an NEO's incentive compensation based on qualitative measures, continuing to balance executive compensation with stronger alignment with Unitholder returns. As noted above, CAPREIT does not determine performance-based incentive compensation based on how CAPREIT performed relative to its peer group on an annual basis.

Neither Mercer nor Accompass provided any other services to CAPREIT or to any of its trustees or members of management other than as described above.

Summary of Fees to Mercer

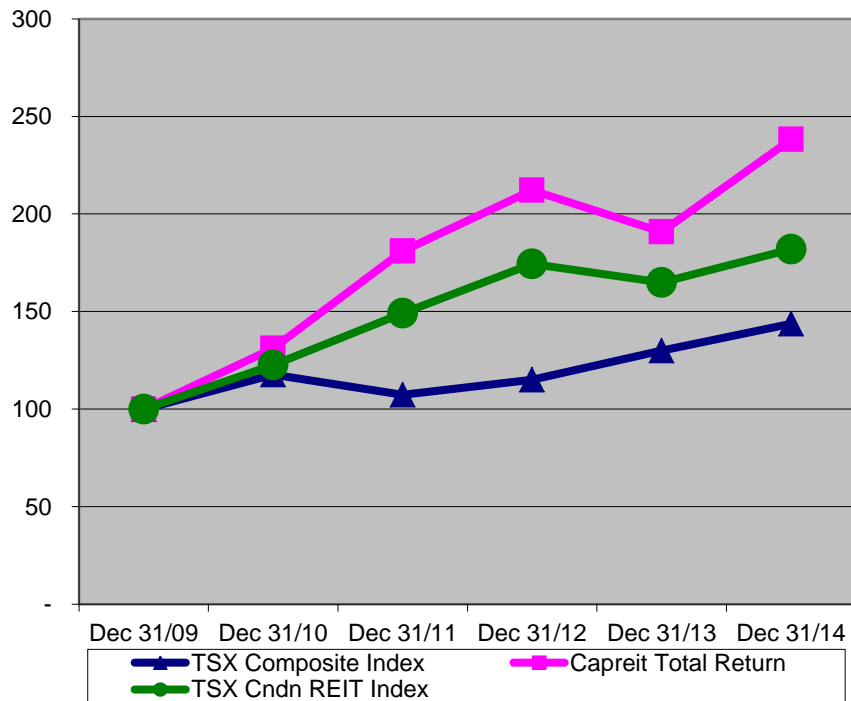
| Nature of Fees | 2014 | 2013 |
|-------------------------------------|-------------|-------------|
| Executive Compensation-Related Fees | Nil | \$12,327 |
| All Other Fees | Nil | Nil |
| Total | Nil | \$12,327 |

Summary of Fees to Accompass

| Nature of Fees | 2014 | 2013 |
|-------------------------------------|-------------|-------------|
| Executive Compensation-Related Fees | \$22,600 | Nil |
| All Other Fees | Nil | Nil |
| Total | \$22,600 | Nil |

Performance Graph

The following graph compares the total cumulative Unitholder return for \$100 invested in Units on December 31, 2009 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 2014. For comparison purposes, the compensation information from 2012 and 2013 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 | 2014 | 768,380 | 935,880 ⁽³⁾ | 573,500 ⁽⁶⁾ | 1,576,280 ⁽⁸⁾ | - | - | 21,046 ⁽¹¹⁾ 237,458 ⁽¹⁴⁾ | 3,875,086 237,458 |
| | 2013 | 746,000 | 746,000 ⁽⁴⁾ | - | 746,000 ⁽⁹⁾ | - | - | 24,761 ⁽¹²⁾ | 2,262,761 |
| | 2012 | 710,500 | 710,500 ⁽⁵⁾ | 1,236,794 ⁽⁷⁾ | 1,071,000 ⁽¹⁰⁾ | - | - | 24,408 ⁽¹³⁾ | 3,753,202 |
| SCOTT CRYER Chief Financial Officer | 2014 | 239,475 | 244,475 ⁽³⁾ | - | 239,475 ⁽⁸⁾ | - | - | 36,641 ⁽¹¹⁾ 88,165 ⁽¹⁴⁾ | 760,066 88,165 |
| | 2013 | 232,500 | 174,375 ⁽⁴⁾ | - | 174,375 ⁽⁹⁾ | - | - | 26,140 ⁽¹²⁾ | 607,390 |
| | 2012 | 221,500 | 166,000 ⁽⁵⁾ | - | 276,000 ⁽¹⁰⁾ | - | - | 17,475 ⁽¹³⁾ | 680,975 |
| MARK KENNEY Chief Operating Officer | 2014 | 410,455 | 487,705 ⁽³⁾ | - | 410,455 ⁽⁸⁾ | - | - | 51,411 ⁽¹¹⁾ 117,553 ⁽¹⁴⁾ | 1,360,026 117,553 |
| | 2013 | 398,500 | 439,750 ⁽⁴⁾ | - | 398,500 ⁽⁹⁾ | - | - | 47,895 ⁽¹²⁾ | 1,284,645 |
| | 2012 | 354,500 | 355,000 ⁽⁵⁾ | - | 535,000 ⁽¹⁰⁾ | - | - | 43,736 ⁽¹³⁾ | 1,288,236 |
| MARIA AMARAL ⁽²⁾ Former Chief Accounting Officer | 2014 | 278,615 | 323,990 ⁽³⁾ | - | 278,615 ⁽⁸⁾ | - | - | 42,587 ⁽¹¹⁾ 88,165 ⁽¹⁴⁾ | 923,807 88,165 |
| | 2013 | 270,500 | 294,750 ⁽⁴⁾ | - | 270,500 ⁽⁹⁾ | - | - | 39,540 ⁽¹²⁾ | 875,290 |
| | 2012 | 257,500 | 194,000 ⁽⁵⁾ | - | 324,000 ⁽¹⁰⁾ | - | - | 38,115 ⁽¹³⁾ | 813,615 |

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.
- (3) 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. See "Compensation Discussion & Analysis - New Actions/Decisions or Policies".
- (4) 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. See "Compensation Discussion & Analysis – New Actions/Decisions or Policies".
- (5) Represents 27,711 RURs issued to Mr. Schwartz; 6,474 RURs issued to Mr. Cryer; 13,846 RURs issued to Mr. Kenney and 7,566 RURs issued to Ms. Amaral; in each case on February 26, 2013. 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 \$25.64. 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 \$25.26.
 - (6) 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%.
 - (7) On May 17, 2012 in connection with an equity offering, 232,500 options were granted to Mr. Schwartz at an exercise price of \$22.75. The options expire on May 17, 2022. 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 4.75%, a risk-free rate of 1.87% and a volatility of 22.82%. On December 4, 2012 in connection with an equity offering, 201,000 options were granted to Mr. Schwartz at an exercise price of \$24.00 and a further 30,150 options were granted at an exercise price of \$24.85 on December 13, 2012 in connection with the exercise of an over-allotment option granted to the underwriters. The options expire on December 4, 2022 and December 13, 2022, respectively. 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 4.81%, a risk-free rate of 1.69% and a volatility of 22.81%. 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 2014 financial year and paid in February, 2015.
 - (9) This bonus was earned in respect of the 2013 financial year and paid in March, 2014.
 - (10) This amount represents the annual bonus and a special bonus both earned in respect of the 2012 financial year and paid in March, 2013.
 - (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 \$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.
 - (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 \$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.
 - (13) Represents the total value of perquisites, including car allowance of \$18,000 for Mr. Schwartz. Represents the total value of perquisites and Executive RRSP contribution of \$11,075 for Mr. Cryer. Represents total value of perquisites, including car allowance of \$18,000, and Executive RRSP contribution of \$17,652 for Mr. Kenney. Represents total value of perquisites, including car allowance of \$18,000, and Executive RRSP contribution of \$12,875 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 2012 were immaterial.
 - (14) On April 16, 2014 in connection with an equity offering of Irish Residential Properties REIT plc ("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, Kenney, Cryer and Ms. Amaral 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 2013, December, 2012 and May, 2012, Mr. Schwartz was issued options to acquire 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%, 0.03%, 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 | 232,500 201,000 30,150 218,282 217,500 10,500 | 22.75 24.00 24.85 22.72 17.30 17.30 | May 16, 2022 December 3, 2022 December 12, 2022 June 11, 2024 December 9, 2020 December 22, 2020 | 553,350 227,130 8,442 526,060 1,703,025 82,215 | 113,749 | 2,858,512 | 30,222,117 |
| | <u>224,250</u> <u>1,134,182</u> | 20.30 | October 30, 2021 | <u>1,083,128</u> <u>4,183,349</u> | | | |
| SCOTT CRYER Chief Financial Officer | - | - | - | - | 21,695 | 545,195 | 33,222 |
| MARK KENNEY Chief Operating Officer | - | - | - | - | 56,343 | 1,415,900 | 4,915,679 |
| MARIA AMARAL ⁽⁴⁾ Former Chief Accounting Officer | - | - | - | - | 34,205 | 859,572 | 3,415,795 |

Notes:

- (1) Value based on the closing price of Units on the TSX on December 31, 2014.
- (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, 2014, are \$14,052,179 for Mr. Schwartz's SELTIP and LTIP awards, and \$2,052,478 and \$1,419,665 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 | 573,500 | 922,613 | 1,576,280 |
| SCOTT CRYER Chief Financial Officer | - | 27,536 | 239,475 |
| MARK KENNEY Chief Operating Officer | - | 425,517 | 410,455 |

| 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 (\$) |
|---|---|--|--|
| MARIA AMARAL Former Chief Accounting Officer | - | 249,929 | 278,615 |

Note:

- (1) Represents the 2011 RUR Grant units which vested on February 22, 2014. The settlement date of the 2011 RUR Grant has been extended. Additional RURs were granted to those participants who agreed to extend the settlement date of the 2011 RUR Grant in recognition of their long-term commitment. See "Compensation Discussion & Analysis - New Actions/Decisions or Policies".

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. In 2014, the trustees made certain amendments to the RUR Plan of a house keeping nature to clarify certain provisions of the RUR Plan, including, among other things, certain provisions relating to accelerated vesting and treatment upon cessation of employment. In 2014, the trustees made certain amendments to the RUR Plan, which were approved by Unitholders at the annual and special meeting of Unitholders on May 27, 2014, to increase the number Units issuable under the RUR Plan, Unit Option Plan, EUPP and DUP from 7,000,000 Units to 9,500,000 Units.

As at March 24, 2015, 630,642 RURs have been issued and are outstanding under the RUR Plan to Participants; the Units issuable under such grants constitute 0.56% 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. In 2014, the trustees made certain amendments to Unit Option Plan, which were approved by Unitholders at the annual and special meeting of Unitholders on May 27, 2014, to increase the number Units issuable under the RUR Plan, Unit Option Plan, EUPP and DUP from 7,000,000 Units to 9,500,000 Units.

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.

No options were exercised by the NEOs during the 2014 financial year.

As at March 24, 2015, 2,093,000 options have been exercised and 1,134,182 remain outstanding and unexercised as at such date (representing, in the aggregate, approximately 1.01% of the number of outstanding Units as of such date) and no options have been cancelled. All participants under the Unit Option Plan must pre-disclose 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. In 2014, the trustees made certain amendments to the EUPP, which were approved by Unitholders at the annual and special meeting of Unitholders on May 27, 2014, (i) to increase the number Units issuable under the RUR Plan, Unit Option Plan, EUPP and DUP from 7,000,000 Units to 9,500,000 Units; and to (ii) to increase the number of additional Units "insiders" are entitled to receive from an additional number of Units equal to ten percent (10%) of the Units purchased pursuant to the EUPP to an additional number of Units equal to twenty percent (20%) of the Units purchased pursuant to the EUPP.

As at March 24, 2015, 189,037 Units have been issued and are outstanding under the EUPP, constituting 0.17% 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 unvested 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 24, 2015, a total of 1,052,683 Units have been issued and are outstanding under the LTIP (representing approximately 0.93% 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 24, 2015, a total of 817,914 Units have been issued and are outstanding under the SELTIP (representing approximately 0.73% 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. | | | |
| 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, | Subject to the discretion of the board of trustees, payment of | Subject to the discretion of the board of trustees, payment of | Subject to the Instalment Receipt Agreement or any |

| Plan | Death, Retirement or Resignation | Termination With Cause | Termination Without Cause | Termination Without Cause Following a Change-In-Control |
|-------------|---|---|---|--|
| | 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. | remaining instalments shall be accelerated. | remaining instalments shall be accelerated. | 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 24, 2015.

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, 2014.

| 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 | 768,380 | Nil | 3,885,512 | 4,662,614 |
| SCOTT CRYER Chief Financial Officer | 239,475 | Nil | 1,195,592 | 1,434,711 |
| MARK KENNEY Chief Operating Officer | 410,455 | Nil | 2,121,562 | 2,545,875 |
| MARIA AMARAL ⁽²⁾ Former Chief Accounting Officer | 278,615 | Nil | 1,463,763 | 1,756,516 |

Notes:

- (1) Includes benefits premiums and car allowance.
(2) On February 27, 2015, Ms. Amaral ceased to be the Chief Accounting Officer of CAPREIT.

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 2014

| Name | Fees Earned (\$) | Unit-Based Awards ⁽¹⁾ (\$) | Option-Based Awards (\$) | Non-Equity Incentive Plan Compensation (\$) | Pension Value (\$) | All Other Compensation (\$) | Total (\$) |
|--------------------------------|------------------|---------------------------------------|--------------------------|---|--------------------|-----------------------------|------------------|
| HAROLD BURKE | 17,500 | 150,000 | - | - | - | - | 167,500 |
| DAVID EHRLICH | | 150,000 | - | - | - | - | 150,000 |
| PAUL HARRIS | | 150,000 | - | - | - | - | 150,000 |
| EDWIN F. HAWKEN | | 150,000 | - | - | - | - | 150,000 |
| THOMAS SCHWARTZ ⁽²⁾ | - | - | - | - | - | - | - |
| DAVID SLOAN ⁽³⁾ | | 25,068 | - | - | - | - | 25,068 |
| MICHAEL STEIN | 30,000 | 150,000 | - | - | - | - | 180,000 |
| STANLEY SWARTZMAN | 35,000 | 150,000 | - | - | - | - | 185,000 |
| ELAINE TODRES | 6,000 | 150,000 | - | - | - | - | 156,000 |
| TOTAL | 88,500 | 1,075,068 | - | - | - | - | 1,163,568 |

Notes:

- (1) Represents 6,513 Deferred Units issued each to Messrs. Burke, Harris, Hawken, Stein, Swartzman, Mr. Ehrlich, and Ms. Todres and 1,002 Deferred Units issued to Mr. Sloan under the DUP. 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.
- (3) Mr. Sloan was appointed a trustee effective November 1, 2014.

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. In determining the level of trustee compensation, the Human Resources and Compensation Committee reviewed a report prepared by Mercer in 2013 (see the “Compensation Discussion and Analysis – Executive Compensation Benchmark Analysis” discussion) and assessed trustee compensation as against CAPREIT’s peers. The trustee compensation policy is to compensate trustees at the median of its peers.

During fiscal 2014, 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, \$17,596. Pursuant to the DUP, each non-executive trustee in 2014 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 2014 (including the impact of Deferred Units issued and matched by CAPREIT), would amount to \$150,000.

The following table provides a description of the 2014 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 24, 2015 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 | - | 23,209 | 23,209 | 673,061 | Yes |
| DAVID EHRLICH | 4,760 | 11,686 | 16,446 | 476,934 | Yes |
| PAUL HARRIS | 55,000 | 40,437 | 95,437 | 2,767,673 | Yes |
| EDWIN F. HAWKEN | 59,783 | 30,155 | 89,938 | 2,608,202 | Yes |
| THOMAS SCHWARTZ ⁽³⁾ | 2,808,979 | - | 2,808,979 | 81,460,391 | Yes |
| DAVID SLOAN | 3,800 | 1,013 | 4,813 | 139,577 | n/a ⁽⁴⁾ |
| MICHAEL STEIN | 554,905 | 43,239 | 598,144 | 17,346,176 | Yes |

| 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? |
|-------------------|--|------------------------------------|---|--|---------------------------------------|
| STANLEY SWARTZMAN | 104,021 | 43,239 | 147,260 | 4,270,540 | Yes |
| ELAINE TODRES | 1,000 | 10,179 | 11,179 | 324,191 | 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 24, 2015 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".
- (4) Mr. Sloan was appointed a trustee effective November 1, 2014 and is in the process of meeting the ownership requirements.

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 2014 was one hundred percent (100%) of the participant's board compensation in respect of 2014. 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, 2014, 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. In 2014, the trustees made certain amendments to the DUP, which were approved by Unitholders at the annual and special meeting of Unitholders on May 27, 2014, to increase the number Units issuable under the RUR Plan, Unit Option Plan, EUPP and DUP from 7,000,000 Units to 9,500,000 Units.

As of March 24, 2015, a total of 70,665 Units have been settled under the DUP (representing approximately 0.06% of the issued and outstanding Units at such date) and a further 203,157 Units are issuable under the DUP (representing approximately 0.18% 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 24, 2015 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 | 3,370 | 673,061 |
| DAVID EHRLICH | 11,105 | 581 | 338,894 |
| PAUL HARRIS | 33,886 | 6,551 | 1,172,673 |
| EDWIN F. HAWKEN | 25,398 | 4,757 | 874,495 |
| THOMAS SCHWARTZ ⁽⁴⁾ | - | - | - |
| DAVID SLOAN | 1,002 | 11 | 29,377 |
| MICHAEL STEIN | 35,931 | 7,308 | 1,253,931 |
| STANLEY SWARTZMAN | 35,931 | 7,308 | 1,253,931 |
| ELAINE TODRES | 9,735 | 444 | 295,191 |
| TOTAL | 172,827 | 30,330 | 5,891,553 |

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 24, 2015 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.
- (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, 2014.

| 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 | - | - | - | - | - | - | 721,256 |
| DAVID EHRLICH | - | - | - | - | - | - | 290,528 |
| PAUL HARRIS | - | - | - | - | - | - | 1,884,876 |
| EDWIN F. HAWKEN | - | - | - | - | - | - | 1,629,253 |
| THOMAS SCHWARTZ ⁽³⁾ | - | - | - | - | - | - | - |
| DAVID SLOAN | - | - | - | - | - | - | 25,180 |
| MICHAEL STEIN | - | - | - | - | - | - | 1,954,536 |
| STANLEY SWARTZMAN | - | - | - | - | - | - | 1,954,536 |
| ELAINE TODRES | - | - | - | - | - | - | 253,059 |

Notes:

- (1) Value based on closing price of the Units on the TSX on December 31, 2014.
- (2) Represents Deferred Units and LTIP Units. The outstanding loan balance on the LTIP Unit awards at December 31, 2014 is \$372,081 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 2014 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, 2014 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 (approved by Unitholders) | | | |
| Executives | 1,134,182 | 21.44 | N/A |
| Non-Executives Trustees | - | - | N/A |
| Other Senior Management | - | - | N/A |
| Equity Compensation Plans not approved by Unitholders | Nil | Nil | Nil |
| TOTAL | 1,134,182 | 21.44 | 2,380,445 |

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 24, 2015, was 2,119,175 Units (which represents approximately 1.88% 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 24, 2015 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 | \$23,233,026 | - |
| 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 2014 financial year. No LTIP Units were issued in 2014.

| Name and Principal Position | Involvement of CAPREIT or its subsidiaries | Largest Amount Outstanding During 2014 (\$) | Amount Outstanding at March 24, 2015 (\$) | Financially Assisted Securities Purchased During 2014 (#) | Security for Indebtedness | Amount Forgiven During 2014 (\$) |
|--|--|---|---|---|---|----------------------------------|
| Securities Purchase Programs | | | | | | |
| THOMAS SCHWARTZ ⁽⁷⁾ President and Chief Executive Officer | Lender | 6,602,003 ⁽¹⁾ | 6,168,504 ⁽¹⁾ | NIL | Non-recourse security are the Units and the distributions | NIL |
| MARK KENNEY Chief Operating Officer | Lender | 2,135,324 ⁽²⁾ | - | NIL | Non-recourse security are the Units and the distributions | NIL |
| MARIA AMARAL ⁽⁸⁾ Former Chief Accounting Officer | Lender | 1,481,005 ⁽³⁾ | 1,267,781 ⁽⁵⁾ | NIL | Non-recourse security are the Units and the distributions | NIL |
| SUB-TOTAL: | | 10,218,332 | 7,436,285 | NIL | | NIL |
| PAUL HARRIS ⁽⁷⁾ Partner, Davies, Ward, Phillip & Vineberg LLP (a law firm) | Lender | 392,177 ⁽⁴⁾ | 142,784 ⁽⁶⁾ | NIL | Non-recourse security are the Units and the distributions | NIL |
| EDWIN F. HAWKEN ⁽⁷⁾ Corporate Director | Lender | 392,177 ⁽⁴⁾ | 142,784 ⁽⁶⁾ | NIL | Non-recourse security are the Units and the distributions | NIL |
| MICHAEL STEIN ⁽⁷⁾ Chair of CAPREIT and President and Chief Executive Officer of MPI Group Inc. | Lender | 392,177 ⁽⁴⁾ | 142,784 ⁽⁶⁾ | NIL | Non-recourse security are the Units and the distributions | NIL |
| STANLEY SWARTZMAN ⁽⁷⁾ Corporate Director | Lender | 392,177 ⁽⁴⁾ | 142,784 ⁽⁶⁾ | NIL | Non-recourse security are the Units and the distributions | NIL |

| Name and Principal Position | Involvement of CAPREIT or its subsidiaries | Largest Amount Outstanding During 2014 (\$) | Amount Outstanding at March 24, 2015 (\$) | Financially Assisted Securities Purchased During 2014 (#) | Security for Indebtedness | Amount Forgiven During 2014 (\$) |
|------------------------------|--|---|---|---|---------------------------|----------------------------------|
| Securities Purchase Programs | | | | | | |
| SUB-TOTAL | | 1,568,708 | 571,136 | NIL | | NIL |
| TOTAL | | 11,787,040 | 8,007,421 | 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 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%.
- (6) Instalment receipts issued for 10-year terms on August 21, 2007 at 4.88%.
- (7) Proposed nominee for election as a trustee.
- (8) 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 2014 financial year. No SELTIP Units were issued in 2014.

| Name and Principal Position | Involvement of CAPREIT | Largest Amount Outstanding During 2014 (\$) | Amount Outstanding as at March 24, 2015 (\$) | Financially Assisted Securities Purchased During 2014 (#) | Security for Indebtedness | Amount Forgiven During 2014 (\$) |
|---|------------------------|---|--|---|---|----------------------------------|
| Securities Purchase Programs | | | | | | |
| THOMAS SCHWARTZ ⁽²⁾ President and Chief Executive Officer | Lender | 8,020,432 ⁽¹⁾ | 7,717,976 ⁽¹⁾ | NIL | Non-recourse security are the Units and the distributions | NIL |
| TOTAL | | 8,020,432 | 7,717,976 | 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 Canadian Securities Administrators (“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

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 24, 2015, the trustees were: Harold Burke, David Ehrlich, Paul Harris, Edwin F. 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 eight (8) of the trustees, constituting a majority of the board of trustees, will be independent under the CSA Governance Rules. Thomas Schwartz, President and Chief Executive Officer of CAPREIT is considered not to be independent because he is the President and Chief Executive Officer of CAPREIT.

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 24, 2015:

| Name of Trustees | Name of Reporting Issuer of which Trustee is a director or trustee and position | Exchange |
|------------------|--|---|
| DAVID EHRLICH | • Irish Residential Properties REIT plc, Director | • ISE |
| EDWIN F. HAWKEN | • Danier Leather Inc., Chairman | • TSX |
| THOMAS SCHWARTZ | • Chartwell Seniors Housing REIT, Trustee • Irish Residential Properties REIT plc, Director | • TSX • ISE |
| MICHAEL STEIN | • McEwen Mining Inc., Director • Cliffside Capital Ltd., Director • FirstService Corporation, Director | • 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 2014.

| Name of Trustee | Board | Audit Committee | Governance and Nominating Committee ⁽¹⁾ | Human Resources and Compensation Committee ⁽¹⁾ | Investment Committee |
|-------------------|--------------------|--------------------|--|---|----------------------|
| HAROLD BURKE | 17/17 | 4/4 | N/A | N/A | N/A |
| DAVID EHRLICH | 16/17 | N/A | 4/5 | 5/5 | 5/6 |
| PAUL HARRIS | 16/17 | 4/4 | N/A | N/A | N/A |
| EDWIN F. HAWKEN | 16/17 | 4/4 | N/A | N/A | 6/6 |
| THOMAS SCHWARTZ | 17/17 | N/A | N/A | N/A | N/A |
| DAVID SLOAN | 4/4 ⁽²⁾ | N/A ⁽³⁾ | N/A | N/A | N/A |
| MICHAEL STEIN | 17/17 | N/A | N/A | N/A | N/A |
| STANLEY SWARTZMAN | 17/17 | 4/4 ⁽³⁾ | 4/4 | 5/5 | 6/6 |
| ELAINE TODRES | 14/17 | N/A | 4/4 | 5/5 | N/A |

Notes:

- (1) Includes meetings of the Compensation and Governance Committee as the predecessor to each of the Human Resources and Compensation Committee and the Governance and Nominating Committee until June 12, 2014..
- (2) Mr. Sloan was appointed as trustee on November 1, 2014.
- (3) Mr. Swartzman resigned from the Audit Committee, and Mr. Sloan was appointed to the Audit Committee, effective from and after November 11, 2014.

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 2014, 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 ⁽¹⁾ | 5 | 4 |
| Governance and Nominating Committee ⁽¹⁾ | 4 | 4 |

Note:

- (1) Includes meetings of the Compensation and Governance Committee as the predecessor to each of the Human Resources and Compensation Committee and the Governance and Nominating Committee until June 12, 2014.

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**").

On June 12, 2014 the Declaration of Trust was amended by resolution of the board of trustees to, among other things, create the Governance and Nominating Committee and the Human Resources and Compensation Committee to replace the Compensation and Governance Committee. Unless otherwise specified, all references to either the Governance and Nominating Committee or the Human Resources Committee are deemed to include the Compensation and Governance Committee as their predecessor with respect to the period prior to June 12, 2014.

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 24, 2015, the Audit Committee of CAPREIT consists of the following four (4) trustees: Harold Burke, Paul Harris, Edwin E. Hawken and David Sloan. Mr. Swartzman resigned from the Audit Committee, and Mr. Sloan was appointed to the Audit Committee, effective from and after November 11, 2014. 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 23, 2015, 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, 2014, 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 24, 2015, the Human Resources and Compensation Committee of CAPREIT consists of the following three (3) trustees: Stanley Swartzman, David Ehrlich 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.

During the year ended December 31, 2014, the Human Resources and Compensation Committee (including its predecessor the Compensation and Governance 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 24, 2015, the Governance and Nominating Committee of CAPREIT consists of the following three (3) trustees: Stanley Swartzman, David Ehrlich 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.

During the year ended December 31, 2014, the Governance and Nominating Committee (including its predecessor the Compensation and Governance 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 24, 2015, the Investment Committee of CAPREIT consists of the following three (3) trustees: Edwin F. Hawken, Stanley Swartzman and David Ehrlich. Stanley Swartzman serves as Chair of the Investment Committee.

The Investment Committee met six (6) times during the year ended December 31, 2014.

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 23, 2015, 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.

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 2014 year was determined based upon seventy percent (70%) quantitative and thirty percent (30%)

qualitative measures as follows: (a) the seventy percent (70%) quantitative is based on NFFO per Unit achieved by CAPREIT; and (b) the thirty percent (30%) 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 2014 financial year was completed in February 2015. 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 2015 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 2015 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 24, 2015, there is one woman on CAPREIT's board of trustees, representing 11% of the trustees. As of March 24, 2015, 6 of 11, or 55%, of the executive officers (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 \$30 million per occurrence with a \$75,000 deductible 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, 2014 was \$170,900.

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, 2014, CAPREIT incurred a total rent expense for head office space, including operating costs, in the amount of \$876,000 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, 2014, 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 23, 2015, 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, 2014, 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 24th day of March, 2015.

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

(Signed) THOMAS SCHWARTZ
President and Chief Executive Officer