

**CANADIAN APARTMENT PROPERTIES  
REAL ESTATE INVESTMENT TRUST  
NOTICE OF ANNUAL AND SPECIAL MEETING OF UNITHOLDERS  
TO BE HELD ON MAY 27, 2014**

NOTICE IS HEREBY GIVEN THAT the Annual and Special 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 27, 2014 at 4:30 p.m. (Toronto time) for the following purposes:

1. to receive the audited consolidated financial statements of CAPREIT for the financial year ended December 31, 2013, 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;
4. to consider and, if thought fit, to approve an ordinary resolution authorizing amendments to CAPREIT’s employee unit purchase plan (the “**EUPP**”), deferred unit plan (the “**DUP**”), restricted unit rights plan and unit option plan to increase the maximum number of Units issuable thereunder from an aggregate amount of 7,000,000 Units to an aggregate of 11,103,933 Units (representing approximately 10% of the issued and outstanding Units as at April 4, 2014), as set forth in Schedule “**A**” of the annexed Management Information Circular;
5. to consider and, if thought fit, to approve an ordinary resolution authorizing certain amendments to CAPREIT’s EUPP to provide insiders with equal participation rights as employees, as set forth in Schedule “**B**” of the annexed Management Information Circular;
6. to consider and, if thought fit, to approve an ordinary resolution authorizing certain amendments to CAPREIT’s DUP to allow trustees to elect to place or transfer Units awarded under the DUP in the name of a spouse, personal holding company or family trust, as set forth in Schedule “**C**” of the annexed Management Information Circular; and
7. 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](http://www.capreit.net). If you wish a hard copy of this report, please contact us at [ir@capreit.net](mailto:ir@capreit.net) or (416) 861-9404.

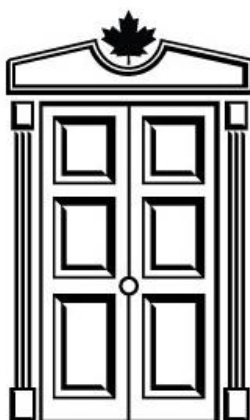
Whether or not you are able to attend the Meeting in person, please vote via the internet, telephone or fax or kindly sign and return the enclosed form of proxy and deposit it with Computershare Investor Services Inc., Proxy Department, 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, or to the head office of CAPREIT, 11 Church Street, Suite 401, Toronto, Ontario M5E 1W1, not later than 4:30 p.m. (Toronto time) on May 23, 2014 or, if the Meeting is adjourned or postponed, prior to 4:30 p.m. (Toronto time) on the second business day before any adjournment or postponement of the Meeting.

**DATED** at Toronto, Ontario this 4<sup>th</sup> day of April, 2014.

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

**April 4, 2014**



**CAPREIT**

11 CHURCH STREET, SUITE 401 TORONTO ON, CANADA M5E 1W1  
TEL: 416 861 9404 FAX: 416 861 9330

DEAR FELLOW UNITHOLDERS:

On behalf of the board of trustees, management and employees of Canadian Apartment Properties Real Estate Investment Trust ("CAPREIT"), you are invited to attend the annual and special meeting of unitholders on Tuesday, May 27, 2014. The meeting will be held at One King West Hotel & Residence, 1 King Street West, Toronto, Ontario, M5H 1A1 at 4:30 p.m. (Toronto time).

At this meeting, unitholders will be asked to vote on a number of important matters. Whether or not you plan to attend the meeting, we hope you will take the time to consider the information on these matters set out in the notice of annual and special meeting and management information circular. It is important that you exercise your vote, so please take a few moments to vote using one of the available methods noted below or on your voting instruction form or proxy.

You are being asked to vote on the following matters:

1. Election of the trustees of CAPREIT;
2. Re-appoint the auditor of CAPREIT and authorize the trustees to fix the remuneration to be paid to the auditor;
3. Approval of amendments to CAPREIT's equity incentive plans, described in detail in the accompanying management information circular;
4. Approval of amendments to CAPREIT's employee unit purchase plan, described in detail in the accompanying management information circular; and
5. Approval of amendments to CAPREIT's deferred unit plan, described in detail in the accompanying management information circular.

CAPREIT is seeking your approval of the proposed amendments to the equity incentive plans because the board of trustees believes that a portion of employee and executive compensation should be in the form of equity as a means to link compensation to CAPREIT's long-term performance. The equity incentive plans have been properly structured, in compliance with TSX guidelines, to provide alignment between management compensation and the creation of unitholder value.

All unitholders as of record at the close of business on April 22, 2014 are entitled to notice of and to vote at the meeting. Your board of trustees is asking for your approval of these motions, and recommends that you vote FOR each of these proposals.

Sincerely,

**Thomas Schwartz**  
President and Chief Executive Officer

**YOUR VOTE IS IMPORTANT REGARDLESS OF THE NUMBER OF UNITS YOU OWN. WHETHER OR NOT YOU ARE ABLE TO ATTEND, WE URGE YOU TO VOTE YOUR ENCLOSED PROXY OR VOTING INSTRUCTION FORM. PLEASE CAREFULLY FOLLOW THE INSTRUCTIONS PROVIDED TO VOTE YOUR UNITS IN TIME FOR IT TO BE RECEIVED NO LATER THAN 4:30 P.M. ON FRIDAY, MAY 23, 2014. IF YOU HAVE ANY QUESTIONS OR NEED ASSISTANCE VOTING, PLEASE CONTACT SHORECREST GROUP TOLL FREE AT 1-888-637-5789; COLLECT: 647- 931-7454 OR EMAIL: [info@shorecrestgroup.com](mailto:info@shorecrestgroup.com)**

**REGISTERED SHAREHOLDERS  
(YOU HOLD A PHYSICAL SHARE CERTIFICATE REGISTERED IN YOUR NAME)  
THERE ARE 4 WAYS TO VOTE USING THE ENCLOSED PROXY**

<p><b>1. VOTE BY INTERNET:</b></p> <p><a href="http://www.investorvote.com">www.investorvote.com</a> and vote using your Control # located on the front of your proxy. Follow the voting instructions on screen.</p>	<p><b>2. VOTING BY TELEPHONE:</b></p> <p>Call toll-free English 1-866-732-8683 and vote using your Control # located on your proxy.</p>	<p><b>3. VOTING BY FAX</b></p> <p>Mark, sign and date your proxy form and return it by facsimile to toll free in North America</p> <p>1-866-249-7775 or 1-416-263-9524</p>	<p><b>4. VOTE BY MAIL:</b></p> <p>Mark, sign and date your proxy form and return it in the enclosed postage-paid envelope</p>
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**CANADIAN BENEFICIAL SHAREHOLDERS  
(YOU HOLD SHARES THROUGH A CANADIAN BANK, BROKER OR INTERMEDIARY)  
THERE ARE 4 WAYS TO VOTE USING YOUR VOTING INFORMATION FORM**

<p><b>1. VOTE BY INTERNET:</b></p> <p><a href="http://WWW.PROXYVOTE.COM">WWW.PROXYVOTE.COM</a> and vote using the 12 digit control number located on your VIF.</p>	<p><b>2. VOTE BY TELEPHONE:</b></p> <p>Call toll-free English 1-800-474-7493 or French 1-800-474-7501 and vote using the 12 digit control number located on your VIF</p>	<p><b>3. VOTE BY FAX:</b></p> <p>Mark, sign and date your VIF and return it by facsimile to 1-905-507-7793 or 1-514-281-8911</p>	<p><b>4. VOTE BY MAIL:</b></p> <p>Mark, sign and date your VIF and return it in the enclosed postage-paid envelope.</p>
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**UNITED STATES BENEFICIAL SHAREHOLDERS  
(YOU HOLD SHARES THROUGH A U.S. BANK, BROKER OR INTERMEDIARY)  
THERE ARE 3 WAYS TO VOTE USING YOUR VOTING INFORMATION FORM**

<p><b>1. VOTE BY INTERNET:</b></p> <p><a href="http://WWW.PROXYVOTE.COM">WWW.PROXYVOTE.COM</a> and vote using the 12 digit control number located on your VIF.</p>	<p><b>2. VOTE BY TELEPHONE:</b></p> <p>Call the toll-free number listing on your VIF and vote using the 12 digit control number located on your VIF</p>	<p><b>3. VOTE BY MAIL:</b></p> <p>Mark, sign and date your VIF and return it in the enclosed postage-paid envelope.</p>	
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SCHEDULE "B"	RESOLUTION OF THE UNITHOLDERS OF CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST - AMENDMENTS TO EMPLOYEE UNIT PURCHASE PLAN
SCHEDULE "C"	RESOLUTION OF THE UNITHOLDERS OF CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST - AMENDMENTS TO DEFERRED UNIT PLAN

**CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST MANAGEMENT  
INFORMATION CIRCULAR RELATING TO THE ANNUAL AND SPECIAL MEETING OF  
UNITHOLDERS TO BE HELD ON MAY 27, 2014**

**TIME, DATE AND PLACE**

The annual and special meeting (the “**Meeting**”) will be held at One King West Hotel & Residence, 1 King Street West, Toronto, Ontario, M5H 1A1 on May 27, 2014 at 4:30 p.m. (Toronto time).

**RECORD DATE**

The record date for determining the holders (the “**Unitholders**”) of the units (the “**Units**”) and the special voting units (the “**Special Voting Units**”) of Canadian Apartment Properties Real Estate Investment Trust (“**CAPREIT**”) entitled to receive notice of and to vote at the Meeting is April 22, 2014 (the “**Record Date**”). Only Unitholders of record as of the close of business (Toronto time) on the Record Date are entitled to receive notice of and to vote at the Meeting.

**SOLICITATION OF PROXIES**

This management information circular (the “**Circular**”) is furnished in connection with the solicitation by and on behalf of the management of CAPREIT of proxies to be used at the Meeting of the Unitholders of CAPREIT to be held on the 27<sup>th</sup> day of May, 2014, 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 April 4, 2014 unless otherwise indicated. CAPREIT has retained the services of Shorecrest Group to solicit proxies for a fee of approximately \$40,000.

**VOTING BY PROXIES - REGISTERED VOTERS**

The form of proxy accompanying this Circular confers discretionary authority upon the proxy nominee with respect to any amendments or variations to matters identified in the Notice of Meeting accompanying this Circular and any other matters that may properly come before the Meeting. As at the date of this Circular, CAPREIT’s management is not aware of any such amendments or variations, or of other matters to be presented for action at the Meeting.

A Unitholder should use the enclosed form of proxy. Unitholders who are unable to attend the Meeting or any adjournment thereof in person are encouraged to vote by completing the enclosed form of proxy or, alternatively, by telephone, or over the internet, in each case in accordance with the enclosed instructions. A proxy will not be valid for use at the Meeting unless the completed form of proxy is deposited at the offices of Computershare Investor Services Inc. by 4:30 p.m. (Toronto time) on May 23, 2014 (or if the Meeting is adjourned, 4:30 p.m. (Toronto time) on the second last business day prior to any reconvened Meeting in the event of an adjournment of the Meeting). Late proxies may be accepted or rejected by the Chair of the Meeting in his or her discretion, and the Chair is under no obligation to accept or reject any particular late proxy.

*Non-Registered Unitholders (Beneficial Unitholders)*

You are a beneficial Unitholder if you hold your Units through a financial intermediary, such as a bank or broker. Unitholders, wishing to vote their Units, must instruct their financial intermediary to vote their Units on their behalf. If you do not instruct your financial intermediary to vote your Units, your vote will not be counted. Your intermediary must receive your voting instructions in sufficient time for your intermediary to act on them. Only registered Unitholders, or the persons they appoint as their proxies, are entitled to attend and vote at the Meeting. Beneficial Unitholders that wish to vote in person at the Meeting, must carefully follow the steps provided by their financial intermediary to appoint themselves or another representative to vote at the Meeting.

**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.**

**If you are a non-registered Unitholder of CAPREIT, your intermediary will send you a voting instruction form or proxy form with this Circular. This form will instruct the intermediary how to vote your Units at the Meeting on your behalf. You must follow the instructions from your intermediary to vote. The majority of intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge Investor Communications Solutions, Canada ("Broadridge"). Broadridge typically mails a voting instruction form ("VIF") to the beneficial Unitholders and asks beneficial Unitholders to return the VIF to Broadridge (in some cases the completion of the VIF may be by telephone or the internet). Additionally, CAPREIT may utilize the Broadridge QuickVote™ service to assist eligible beneficial Unitholders with voting their Units. There are two kinds of beneficial Unitholders: those who object to their name being made known to the issuers of securities which they own (called "OBOs" for Objecting Beneficial Owners) and those who do not object (called "NOBOs" for Non-Objecting Beneficial Owners). NOBOs may be contacted by Shorecrest Group to conveniently obtain a vote directly over the telephone using the Broadridge QuickVote™ service. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Units to be represented at the Meeting.**

A beneficial Unitholder may also receive on occasion, a form of proxy which has already been signed by the intermediary (typically by a facsimile, stamped signature), 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 below.

In either case, the purpose of these procedures is to permit beneficial Unitholders to direct the voting of the Units which they beneficially own. Should a beneficial Unitholder who receives one of the above forms wish to vote at the Meeting in person, the beneficial Unitholder should strike out the names of the designated proxyholders and insert the beneficial Unitholder's name in the blank space provided. In either case, beneficial 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.



## REVOCABILITY OF PROXIES

A registered 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.

## 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 or alternatively via the internet. 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, 8<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, or the head office of CAPREIT, 11 Church Street, Suite 401, Toronto, Ontario M5E 1W1, not later than 4:30 p.m. (Toronto time) on May 23, 2014 or, if the Meeting is adjourned or postponed, prior to 4:30 p.m. (Toronto time) on the second business day before any adjournment(s) or postponement(s) of the Meeting.

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

## EXERCISE OF DISCRETION BY PROXIES

The Units and Special Voting Units represented by any proxy received by management will be voted or withheld from voting by the persons named in the enclosed form of proxy in accordance with the direction of the Unitholder appointing them. In the absence of any direction to the contrary, it is intended that the Units and Special Voting Units represented by proxies received by management will be voted on any ballot "for": (i) the election of the trustees; (ii) the re-appointment of the auditor of CAPREIT; (iii) the proposed amendments to CAPREIT's employee unit purchase plan (the "EUPP"), deferred unit plan (the "DUP"), restricted unit rights plan and unit option plan to increase the maximum number of Units issuable thereunder from an aggregate of 7,000,000 Units to an aggregate of 11,103,933 Units (representing approximately 10% of the issued and outstanding Units as at April 4, 2014); (iv) the proposed amendments to CAPREIT's EUPP to provide insiders with equal participation rights as employees; and (v) the proposed amendments to CAPREIT's DUP to allow trustees to elect to place or transfer Units awarded under the DUP in the name of a spouse, personal holding company or family trust, 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 April 4, 2014, 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 April 4, 2014, 111,039,325 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 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 May 21, 2013 (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 April 4, 2014, 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 eight (8). **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, 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 policy stipulating that if the votes in favour of the election of a nominee at a Unitholders' meeting represent less than a majority of the Units or Special Voting Units voted and withheld, the nominee will be expected to submit to the board of trustees his or her resignation, to take effect upon acceptance by the board of trustees. The board of trustees will then have 90 days to accept the resignation, during which time an alternate trustee may be appointed. The board of trustees, however, may reject the resignation if in the trustees' discretion it is appropriate to do so.

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")), 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 April 4, 2014.

Nominee as Trustee and Place of Residence	Position Presently Held with CAPREIT	Independent Trustee (Yes or No)	Principal Occupation	Trustee Since	Units, Deferred Units <sup>(1)</sup> and RURs <sup>(2)</sup> Beneficially Owned, or Controlled or Directed, Directly or Indirectly, as of		
					April 4, 2014 <sup>(3)</sup>		
					#	\$	%
HAROLD BURKE <sup>(6)</sup> , Toronto, Ontario, Canada	Trustee	Yes	Principal, Dundee Real Estate Asset Management (a real estate management firm)	2010	23,121	485,772	0.02%
DAVID EHRlich <sup>(4)(5)</sup> , Toronto, Ontario, Canada	Trustee	Yes	Corporate Director <sup>(7)</sup>	2013	11,277	236,930	0.01%
PAUL HARRIS <sup>(6)</sup> , Montréal, Québec, Canada	Trustee	Yes	Partner, Davies, Ward, Phillips & Vineberg LLP (a law firm)	1998	88,904	1,867,873	0.08%
EDWIN F. HAWKEN <sup>(5)(6)</sup> , Toronto, Ontario, Canada	Trustee	Yes	Corporate Director	2004	83,893	1,762,592	0.08%
THOMAS SCHWARTZ, Toronto, Ontario, Canada	President and Chief Executive Officer and a Trustee	No	President and Chief Executive Officer of CAPREIT	1997	2,697,986	56,684,686	2.43%
MICHAEL STEIN, Toronto, Ontario, Canada	Chairman 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	631,479	13,267,374	0.57%
STANLEY SWARTZMAN <sup>(4)(5)(6)</sup> , Toronto, Ontario, Canada	Lead Trustee	Yes	Corporate Director	1997	140,595	2,953,901	0.13%
ELAINE TODRES <sup>(4)</sup> , Toronto, Ontario, Canada	Trustee	Yes	Chief Executive Officer of Todres Leadership Counsel (a consultancy practice)	2013	6,081	127,762	0.01%

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**Notes:**

- (1) Deferred Units are issued under the DUP (see "Deferred Unit Plan Summary").
- (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 on April 4, 2014; 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 Summary”) and SELTIP (as defined below; see “Senior Executive Long-Term Incentive Plan Summary”) Units, as applicable. In addition, Mr. Schwartz holds 915,900 options to acquire Units which are not included in the total number of Units. Percentages represent, as a percentage of the outstanding Units (including 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 Compensation and Governance Committee.
- (5) Member of the Investment Committee.
- (6) Member of the Audit Committee.
- (7) On April 16, 2014, Mr. Ehrlich was appointed Chief Executive Officer and Executive Director of Irish Residential Properties REIT plc (a real estate investment trust with investments in multi-unit residential properties). Prior to this appointment, Mr. Ehrlich’s principal occupation was a corporate director.

Following the Meeting, it is expected that the Declaration of Trust will be amended by resolution of the trustees of CAPREIT to, among other things, create a Governance and Nominating Committee and a Human Resources and Compensation Committee to replace the Compensation and Governance Committee, each of which will be comprised of three (3) independent trustees.

#### *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: 67) is a Principal at Dundee Real Estate Asset Management, a division of DREAM Asset Management Corporation (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: 63) 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 16, 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 31, 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: 62) has been a senior 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: 74) is Chairman of Danier Leather Inc., a publicly traded specialty apparel leather retailer. He was Chief Executive Officer and a Director of Commcorp Financial Services

Inc. from 1991 to 1997. From 1987 to 1991, Mr. Hawken was a Senior Vice President of Canadian Imperial Bank of Commerce (“CIBC”) and President of CIBC Leasing Inc.

**Thomas Schwartz** (Age: 65) 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, and as Chairman of the Board of Directors of the Federation of Rental-housing Providers of Ontario. Mr. Schwartz is currently on the board of trustees of Chartwell Seniors Housing REIT, the Board of Directors of the Real Property Association of Canada, and is a member of the Schulich School of Business Advisory Council – Program in Real Estate and Infrastructure.

**Michael Stein** (Age: 63) 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: 74) 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: 64) 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	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.**

## 3. Special Business - Amendments to Equity Incentive Plans

As at April 4, 2014, a total of 1,422,683 Units have been issued and are outstanding under CAPREIT's long-term incentive plan ("LTIP"), 817,914 Units have been issued and are outstanding under CAPREIT's senior executive long-term incentive plan ("SELTIP"), 423,725 Units have been issued and are outstanding under CAPREIT's unit purchase plan ("Unit Purchase Plan") and 157,942 Units have been issued and are outstanding under the EUPP (representing approximately 1.28%, 0.74%, 0.38% and 0.14%, respectively, of the issued and outstanding Units at such date). As at April 4, 2014, a total of 487,461 restricted unit rights ("RURs") have been granted and are outstanding under CAPREIT's restricted unit rights plan ("RUR Plan") (the Units issuable under such grants constitute approximately 0.44% of CAPREIT's issued and outstanding Units at such date). As at April 4, 2014, a total of 64,862 Units have been settled under CAPREIT's DUP (representing approximately 0.06% of the issued and

outstanding Units at such date) and a further 165,781 Units are issuable under CAPREIT's DUP (representing approximately 0.15% of the issued and outstanding Units at such date). Under CAPREIT's unit option plan ("**Unit Option Plan**"), as at April 4, 2014, 2,093,000 options have been exercised and 915,900 remain outstanding and unexercised (representing, in the aggregate, approximately 2.71% of the number of outstanding Units at such date). The LTIP, SELTIP, Unit Purchase Plan, EUPP, RUR Plan, DUP and Unit Option Plan are collectively referred to herein as the "**Plans**". As at April 4, 2014, an aggregate of 6,805,003 Units have been issued, granted, awarded or settled under all Plans (representing approximately 6.13% of the issued and outstanding Units at such date).

On April 4, 2014, the LTIP, SELTIP and Unit Purchase Plan (collectively, the "**Historic Plans**") were terminated by the trustees of CAPREIT, although awards previously granted under the LTIP and SELTIP remain outstanding. Accordingly, the increase in the maximum number of Units that is subject to Unitholder approval at the Meeting will not be allocated to the Historic Plans, and will only be allocated to CAPREIT's active plans, namely the EUPP, RUR Plan, DUP and Unit Option Plan (collectively, the "**Active Plans**").

Currently, the maximum number of Units issuable under the Active Plans is 7,000,000 Units (representing approximately 6.30% of the number of outstanding Units as of April 4, 2014). The number of Units remaining available for future issuance under the Active Plans is 194,997 Units as at April 4, 2014. At a meeting of Unitholders in May 2011, Unitholders approved the amendments to the Plans to increase the maximum number of Units issuable thereunder from an aggregate of 6,000,000 Units to an aggregate of 7,000,000 Units. When the maximum number of 7,000,000 Units was set at the meeting of Unitholders in May 2011, it represented approximately 9.06% of the number of outstanding Units of CAPREIT at such time. Since May 2011, pursuant to offerings of Units to the public and other issuances (including under the DRIP), CAPREIT has issued additional Units such that the number of issued and outstanding Units of CAPREIT has increased to 111,039,325 as at April 4, 2014.

The board of trustees has determined that it is desirable and in the best interest of CAPREIT to amend the Active Plans to increase the maximum number of Units issuable under the Active Plans by 4,109,933 Units to 11,103,933 Units (representing approximately 10% of the issued and outstanding Units as at April 4, 2014) in aggregate, by amending the relevant provisions of such plans.

The board of trustees believes that amending the Active Plans to increase the maximum number of Units issuable thereunder is essential to permit a continuation of CAPREIT's market competitiveness in its compensation practices to enable CAPREIT to continue to attract, retain and motivate personnel whose contributions are important to the future success of CAPREIT. The board of trustees believes that a portion of employee and executive compensation should be in the form of equity as a means to link compensation to CAPREIT's long-term performance. The Plans have been properly structured to provide alignment between management compensation and the creation of Unitholder value, while limiting the participation of insiders in accordance with TSX guidelines. As there are only 194,997 Units currently available for grant under the Active Plans, if the proposed amendment is not approved by Unitholders, CAPREIT will be required to restructure the Active Plans and its compensation arrangements to replace equity incentives with cash incentives in order to attract and retain qualified management, trustees and employees.

For more information regarding the provisions of the Plans, please see "Incentive Plan Awards - Narrative Discussion - Description of Equity Based Incentive Plans".



**Unitholder approval of such amendments will be required. If such amendments are approved by Unitholders, the total maximum number of Units issuable under the Active Plans will be 11,103,933 (representing approximately 10% of the issued and outstanding Units as at April 4, 2014).**

### *Approval Required*

The text of the ordinary resolution approving amendments to the Active Plans to increase the number of Units issuable under those plans is set forth in Schedule "A" to this Circular. To be effective, the resolution must be passed by the majority of votes cast by Unitholders present or represented by proxy at the Meeting, other than votes attaching to Units beneficially owned, directly or indirectly, by "reporting insiders" (as defined in National Instrument 55-104 - *Insider Reporting Requirements and Exemptions*) eligible to participate under the Active Plans. The number of Units beneficially owned by reporting insiders eligible to participate under the Active Plans (and therefore the number of votes attaching to such Units) is 4,460,144 Units. **The persons named in the enclosed form of proxy intend to vote at the Meeting in favour of this resolution, unless the Unitholder has specified in the form of proxy that such Unitholder's Units or Special Voting Units are to be voted against the resolution.**

#### **4. Special Business - Amendments to Employee Unit Purchase Plan**

CAPREIT has adopted an 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. Units are issuable under the EUPP at the weighted average trading price of the Units on the TSX for the five (5) trading days immediately preceding the date of issue.

As at April 4, 2014, the maximum number of Units remaining available for future issuance under the Active Plans of CAPREIT was 194,997 Units, constituting 0.18% of CAPREIT's currently issued and outstanding Units.

As at April 4, 2014, 157,942 Units had been issued and are outstanding under the EUPP, constituting 0.14% of CAPREIT's currently outstanding Units.

The EUPP provides that participants, other than "insiders", shall 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. "Insiders" shall receive an additional number of Units equal to ten percent (10%) 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. "Insider" means an insider as defined by the rules, regulations and policies of the TSX. Consistent with the objective of facilitating the further alignment of Employees interests with those of Unitholders, the Compensation and Governance Committee has recommended, and the board of trustees has approved, subject to Unitholder approval, an amendment to the EUPP to allow all participants (including "insiders") to receive an additional number of Units equal to twenty percent (20%), in total, of the Units purchased pursuant to the EUPP, which amount would be automatically paid in the form of additional Units at the time of purchase of Units. This percentage would match what non-insider employees are entitled to under the EUPP. The EUPP provides that Unitholder approval is required for this amendment.

For more information regarding the provisions of the EUPP, please see “Incentive Plan Awards – Narrative Discussion – Description of Equity Based Incentive Plans – Employee Unit Purchase Plan”.

### ***Approval Required***

The text of the ordinary resolution authorizing these amendments to the EUPP is set forth in Schedule “B” to this Circular. To be effective, the resolution must be passed by the majority of votes cast by Unitholders present or represented by proxy at the Meeting, other than votes attaching to Units beneficially owned, directly or indirectly, by “reporting insiders” (as defined in National Instrument 55-104 – *Insider Reporting Requirements and Exemptions*) benefiting, directly or indirectly, from the proposed amendments. The number of Units beneficially owned by reporting insiders benefiting, directly or indirectly, from the proposed amendments (and therefore the number of votes attaching to such Units) is 4,460,144 Units. **The persons named in the enclosed form of proxy intend to vote at the Meeting in favour of this resolution, unless the Unitholder has specified in the form of proxy that such Unitholder’s Units or Special Voting Units are to be voted against the resolution.**

### **5. Special Business – Amendments to Deferred Unit Plan**

In 2008, CAPREIT established 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 Compensation and Governance 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 2013 was one hundred percent (100%) of the participant’s board compensation in respect of 2013. Under the DUP, one (1) Deferred Unit shall be equivalent in value to one (1) Unit of CAPREIT.

For the year ended December 31, 2013, the number of Deferred Units to be credited to a participant as of any particular Award Date (as defined in the plan) pursuant to the DUP is 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).

As of April 4, 2014, a total of 64,862 Units have been settled under the DUP (representing approximately 0.06% of the issued and outstanding Units at such date) and a further 165,781 Units are issuable under the DUP (representing approximately 0.15% of the issued and outstanding Units at such date).

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.

In attempt to add greater flexibility to the DUP to facilitate and encourage increased participation in the DUP by trustees, the Compensation and Governance Committee has recommended, and the board of trustees has approved, subject to Unitholder approval, an amendment to the DUP to allow trustees to elect to place or transfer Deferred Units (previously granted as well as future grants) in the name of a spouse, personal holding company or family trust. The DUP provides that Unitholder approval is required for this amendment.

For more information regarding the provisions of the DUP, please see “Trustee Compensation – Narrative Discussion – Deferred Unit Plan”.

### *Approval Required*

The text of the ordinary resolution authorizing these amendments to the DUP is set forth in Schedule “C” to this Circular. To be effective, the resolution must be passed by the majority of votes cast by Unitholders present or represented by proxy at the Meeting. **The persons named in the enclosed form of proxy intend to vote at the Meeting in favour of this resolution, unless the Unitholder has specified in the form of proxy that such Unitholder’s Units or Special Voting Units are to be voted against the resolution.**

## COMPENSATION DISCUSSION & ANALYSIS

### Compensation Discussion and Analysis

#### *Year in Review/Executive Summary*

CAPREIT has continued to achieve its key financial and strategic objectives throughout 2013. 2013 was a significant year of growth for CAPREIT with a 11.6% increase in its portfolio, having acquired 2,121 residential suites in 16 properties across Canada and in Dublin, Ireland and 2,810 land lease sites in 16 manufactured home communities. In the same period, pursuant to its strategy to dispose of non-core assets from time to time, CAPREIT sold 604 non-core residential suites. The acquisitions completed in 2013 have strengthened the portfolio geographically. The acquisition of new manufactured home communities has increased CAPREIT’s base in a profitable sector of residential real estate, which management of CAPREIT believes will provide CAPREIT with accretive growth in the long term. In addition, effective June 2013, CAPREIT increased monthly cash distributions to \$0.096 per Unit, compared to \$0.093 per Unit, 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 2013 including:

#### *Portfolio Performance*

- Operating Revenues – Annual operating revenues increased by 15.7%, compared to December 31, 2012, due to the contributions from acquisitions, higher rent guideline increases, 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, 2012 increased by 3% as at December 31, 2013 compared to last year. As at December 31, 2013, occupancy has increased to 98.3% from 97.9% for December 31, 2012.
- Net Operating Income (“NOI”) – Annual NOI increased by 15.1% (3.0% 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 remained stable at 57.8% compared to 57.9% last year.

#### *Operating Performance*

- Normalized Funds From Operations (“NFFO”) – NFFO for the year ended December 31, 2013 increased by 20.2% to \$159.4 million compared to \$132.6 million in 2012, generating an improved NFFO payout ratio of 74.8% compared to 76.4% in 2012. 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 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, 2013 was conservative at 47.32%.
- Debt Financings and Mortgage Renewals – CAPREIT achieved its debt financing and mortgage refinancing targets for 2013. Mortgage refinancings totaled \$676.0 million in 2013, consisting of renewals of existing mortgages of \$340.8 million and additional top up financings of \$335.2 million. New financings were completed at a weighted average stated interest rate of 3.25%, which is below the weighted average interest rate for the mortgages that matured in 2013.
- Interest and Debt Coverage – Improved interest coverage and debt service coverage ratios of 2.62 and 1.54 times, respectively, were achieved in 2013.

#### *The Compensation and Governance Committee*

The Declaration of Trust requires the creation of a Compensation and Governance Committee (the “**Compensation and Governance Committee**”), consisting of at least three (3) trustees, to review the governance of the Trust and the compensation offered to officers of the Trust. All of the members of the Compensation and Governance Committee are unrelated and “independent” (as that term is defined in NI 52-110). As of April 4, 2014, the Compensation and Governance Committee of the Trust consisted of the following trustees: Stanley Swartzman, David Ehrlich and Elaine Todres. Stanley Swartzman serves as Chairman of the Compensation and Governance Committee.

The Compensation and Governance Committee assists the board of trustees in fulfilling its governance responsibilities for the Trust’s human resource principles and policies. As part of its

mandate, the Compensation and Governance Committee reviews the Trust's compensation principles and policies annually and reports to the board of trustees on the Trust's executive officer and trustee compensation. The Compensation and Governance Committee has specific responsibilities relating to: structuring and reviewing compensation plans; the administration of the Trust's compensation plans; reviewing the Trust's governance framework, activity and disclosure; the performance of the board and its committees; reviewing compliance with the Code of Business Ethics and Conduct and Disclosure Policy; and proposing new nominees for appointment to the board, orienting new trustees and providing continuing education for existing trustees. For more information on the responsibilities, powers and operations of the Compensation and Governance Committee, please see below "Statement of Governance Practices - Committees of Trustees - Compensation and Governance Committee" and "Statement of Governance Practices - Positions Descriptions - Compensation and Governance Committee".

In 2013, the Compensation and Governance Committee:

- reviewed the performance of CAPREIT 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; and
- 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 Compensation and Governance Committee and the board of trustees reviewed and approved the plans in 2013, 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.

The Compensation and Governance Committee meets at least four (4) times per year, or more frequently as required. The Chairman reports to the board of trustees on the Compensation and Governance Committee's operations at each regularly scheduled board meeting. The Compensation and Governance 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 and Ms. Amaral (each, an "NEO" and together, the "NEOs").

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 Compensation and Governance 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 Compensation and Governance 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 Compensation and Governance 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 Compensation and Governance Committee has the authority to retain, at CAPREIT's expense, independent compensation consultants or other advisors to assist the Compensation and Governance 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 Compensation and Governance Committee of CAPREIT, each of the committee members has direct experience that is relevant to their responsibilities in executive compensation as follows:

- (i) 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;
- (ii) 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's 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; 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 Compensation and Governance 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 Compensation and Governance 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"> <li>• Determined by assessment of the executive's performance</li> <li>• Rewards skills, knowledge and experience</li> <li>• Reflects the level of responsibility and the expected contribution of the executive</li> </ul>
Annual Incentive (Bonus)	Cash (following financial year end)	<ul style="list-style-type: none"> <li>• Rewards financial and strategic achievement as set out in CAPREIT's annual business plan</li> <li>• Rewards individual contribution to CAPREIT's overall performance</li> <li>• Award is based on how CAPREIT and the executive performed against pre-determined objectives</li> </ul>
RUR Plan	RURs exercisable for Trust Units upon vesting	<ul style="list-style-type: none"> <li>• Rewards contribution to the long-term performance of CAPREIT</li> <li>• Aligns participants' interests with Unitholders and provides additional incentive for participants to increase Unitholder value by increasing long-term equity participation</li> <li>• Award is based on how CAPREIT and the respective participant performed against pre-determined objectives</li> </ul>
Unit Option Plan <sup>(4)</sup>	Options to Acquire Units at a set price	<ul style="list-style-type: none"> <li>• Rewards contribution to the long-term performance of CAPREIT</li> <li>• Aligns participants' interests with Unitholders and provides additional incentive for participants to increase Unitholder</li> </ul>

Compensation Element	How it is Paid	What it is Designed to Reward
		value by increasing long-term equity participation <ul style="list-style-type: none"> <li>Award is based on how CAPREIT and each respective participant performed against pre-determined objectives</li> </ul>
<b>Other Elements of Compensation</b>		
Executive RRSP	Cash	<ul style="list-style-type: none"> <li>Executive RRSP (excluding President and Chief Executive Officer who does not participate)</li> <li>Discretionary award equal to a maximum of 5% of the respective executive's base salary, subject to RRSP limits</li> <li>Award is intended to provide a portion of the respective executive's retirement savings</li> </ul>
Perquisites	Cash	<ul style="list-style-type: none"> <li>Automobile allowance</li> <li>Other health benefits consistent with those of all other employees and comparable to peer organizations</li> </ul>
EUPP	Units	<ul style="list-style-type: none"> <li>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</li> <li>Non-insider 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. Insider participants receive an additional amount equal to 10% 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</li> </ul>

**Note:**

- (1) Since 2002, no options have been awarded under the Unit Option Plan 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 April 4, 2014, 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 <sup>(1)</sup> Beneficially Owned, or Controlled or Directed, Directly or Indirectly <sup>(2)</sup>	Dollar Value of Units and RURs <sup>(1)</sup> Beneficially Owned, or Controlled or Directed, Directly or Indirectly <sup>(3)</sup> (\$)	Units and RURs <sup>(1)</sup> Beneficially Owned, or Controlled or Directed, Directly or Indirectly, as a Percentage of Outstanding Units <sup>(4)</sup> (%)
THOMAS SCHWARTZ	2,697,986	56,684,686	2.43%
SCOTT CRYER	25,412	533,906	0.02%
MARK KENNEY	388,114	8,154,275	0.35%
MARIA AMARAL	300,769	6,319,157	0.27%
<b>TOTAL</b>	3,412,281	71,692,025	3.07%

**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 915,900 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 April 4, 2014 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 issued and outstanding Units (including Special Voting Units) of CAPREIT, the number of Units and RURs beneficially owned, or controlled or directed, directly or indirectly, by each executive officer.

*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 50<sup>th</sup> and 75<sup>th</sup> 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 Compensation and Governance 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, and Chief Accounting Officer is one hundred percent (100%) of base salary. The maximum annual incentive compensation level for the Chief Financial Officer is seventy-five percent (75%) 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 2013 financial year was determined based upon seventy percent (70%) quantitative and thirty percent (30%) qualitative measures as follows.

Performance Measurement Category	Specific Measures
Quantitative - Corporate (Financial) (70%)	<ul style="list-style-type: none"> <li>NFFO per Unit</li> </ul>
Qualitative (30%)	<ul style="list-style-type: none"> <li>Compensation and Governance Committee/President and Chief Executive Officer assessment</li> <li>Departmental objectives</li> </ul>

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 2013, the Compensation and Governance Committee set the NFFO per Unit threshold achievement level equal to \$1.48. The executive bonus potential linked to the threshold level of performance was forty percent (40%) of the maximum corporate incentive component. The Compensation and Governance 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 \$1.51. For the year ended 2013, CAPREIT achieved NFFO per Unit equal to \$1.56, translating into a corporate incentive component equal to one hundred percent (100%) of the maximum achievable amount.

CAPREIT calculates NFFO by excluding from Funds From Operations 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 Compensation and Governance 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 2013 financial year: developing and implementing programs for leadership development for the senior management team; encouraging and rewarding a culture of profitability working with the senior operations team to provide even better service to and communications with CAPREIT's tenants; and developing and beginning the implementation of a policy of corporate social responsibility for CAPREIT. The qualitative criteria used to determine the short-term incentives for the other NEOs were satisfied

The Compensation and Governance 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 2013 financial year, such discretion was not applied.

### *Long-Term Incentive Awards*

Long-term incentive awards for NEOs are granted annually at the discretion of the Compensation and Governance 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 Compensation and Governance 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 2013, 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 2013, the Compensation and Governance Committee established the NFFO Unit threshold achievement level equal to \$1.49 (\$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 Compensation and Governance 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 \$1.52. As CAPREIT achieved NFFO per Unit in 2013 of \$1.56, 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 2013 financial year.

Name	Number of RURs	Total Value (\$)	Last Day of Grant Period
THOMAS SCHWARTZ President and Chief Executive Officer	34,411	746,000 <sup>(1)</sup>	February 28, 2017
SCOTT CRYER Chief Financial Officer	8,051	174,375 <sup>(1)</sup>	February 28, 2017
MARK KENNEY Chief Operating Officer	18,398 1,611 <sup>(2)</sup>	398,500 <sup>(1)</sup> 41,250 <sup>(3)</sup>	February 28, 2017 February 25, 2016
MARIA AMARAL Chief Accounting Officer	12,488 947 <sup>(2)</sup>	270,500 <sup>(1)</sup> 24,250 <sup>(3)</sup>	February 28, 2017 February 25, 2016

#### Notes:

- (1) Based on a per Unit price of \$21.66 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. Kenney and Ms. Amaral in consideration of their agreement to extend the settlement date of RURs granted to each of them in February 2010.
- (3) Based on a per Unit price of \$25.61 determined in accordance with the RUR Plan. Amounts are rounded to the nearest whole RUR.

### *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 for all NEOs".

#### *New Actions/Decisions or Policies*

In 2013, in accordance with the RUR Plan, the Compensation and Governance Committee extended the settlement date of RURs granted in 2010 (the "**2010 RUR Grant**") by 3 years, with the consent of the participants, in order to facilitate the continued holding of the 2010 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 2010 RUR Grant from February 2013 to February 2016 equal to twenty-five percent (25%) of the original value of their respective 2010 RUR Grant.

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

#### *Risk Analysis*

The Compensation and Governance 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 Compensation and Governance 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 70% of an NEO's incentive compensation) and to the NEO's individual performance (as to up to 30%

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 Compensation and Governance 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 Compensation and Governance 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 Compensation and Governance 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 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 Compensation and Governance Committee 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.
- Dundee REIT
- Morguard REIT
- Canadian REIT
- First Capital Realty Inc.
- Primaris REIT

The results of the Mercer engagement and the benchmarking that was applied will be 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. As discussed above, CAPREIT does not determine performance-based incentive compensation based on how CAPREIT performed relative to its peer group on an annual basis.

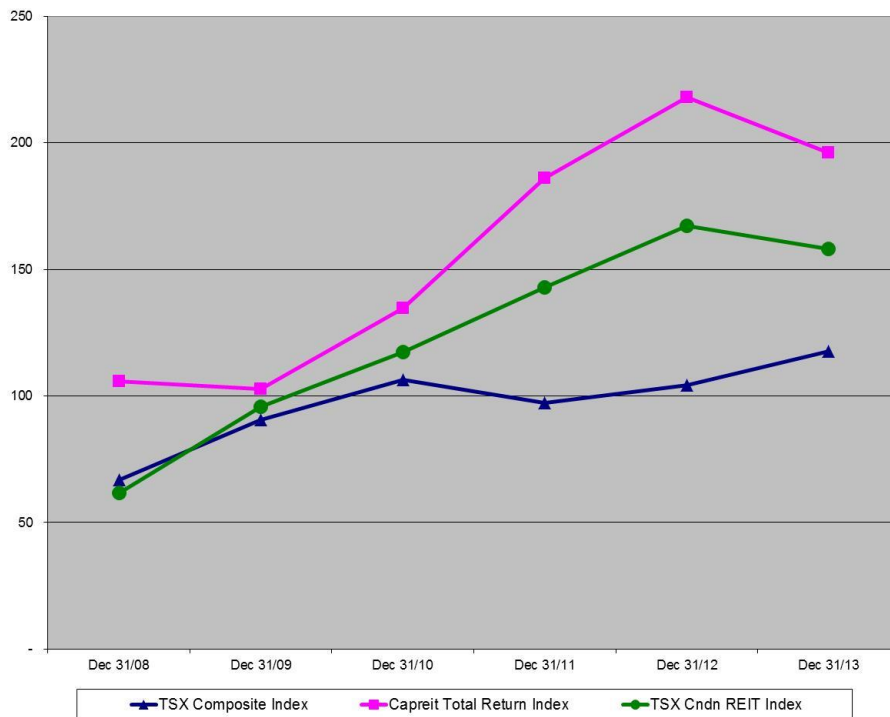
Mercer did not provide any other services to CAPREIT or to any of its trustees or members of management other than as described.

#### *Summary of Fees to Mercer*

Nature of Fees	2013	2012
Executive Compensation-Related Fees	\$12,327.62	\$38,943.53
All Other Fees	Nil	Nil
<b>Total</b>	<b>\$12,327.62</b>	<b>\$38,943.53</b>

#### *Performance Graph*

The following graph compares the total cumulative Unitholder return for \$100 invested in Units on December 31, 2008 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 Shareholders Return ("TSR"), and as such does not necessarily move in line with relative TSR performance. In addition, TSR 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 TSR. 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 2013. For comparison purposes, the compensation information from 2011 and 2012 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 <sup>(1)</sup> President and Chief Executive Officer	2013	746,000	746,000 <sup>(4)</sup>	-	746,000 <sup>(9)</sup>	-	-	24,761 <sup>(12)</sup>	2,262,761
	2012	710,500	710,500 <sup>(5)</sup>	1,236,794 <sup>(7)</sup>	1,071,000 <sup>(10)</sup>	-	-	24,408 <sup>(13)</sup>	3,753,202
	2011	690,000	690,000 <sup>(6)</sup>	481,227 <sup>(8)</sup>	690,000 <sup>(11)</sup>	-	-	23,994 <sup>(14)</sup>	2,575,221
SCOTT CRYER <sup>(2)</sup> Chief Financial Officer	2013	232,500	174,375 <sup>(4)</sup>	-	174,375 <sup>(9)</sup>	-	-	26,140 <sup>(12)</sup>	607,390
	2012	221,500	166,000 <sup>(5)</sup>	-	276,000 <sup>(10)</sup>	-	-	17,475 <sup>(13)</sup>	680,975
	2011	200,769	115,625 <sup>(6)</sup>	-	105,625 <sup>(11)</sup>	-	-	16,165 <sup>(14)</sup>	438,184
MARK KENNEY Chief Operating Officer	2013	398,500	439,750 <sup>(4)</sup>	-	398,500 <sup>(9)</sup>	-	-	47,895 <sup>(12)</sup>	1,284,645
	2012	354,500	355,000 <sup>(5)</sup>	-	535,000 <sup>(10)</sup>	-	-	43,736 <sup>(13)</sup>	1,288,236
	2011	320,000	320,000 <sup>(6)</sup>	-	320,000 <sup>(11)</sup>	-	-	41,358 <sup>(14)</sup>	1,001,358
MARIA AMARAL <sup>(3)</sup> Chief Accounting Officer	2013	270,500	294,750 <sup>(4)</sup>	-	270,500 <sup>(9)</sup>	-	-	39,540 <sup>(12)</sup>	875,290
	2012	257,500	194,000 <sup>(5)</sup>	-	324,000 <sup>(10)</sup>	-	-	38,115 <sup>(13)</sup>	813,615
	2011	250,000	187,500 <sup>(6)</sup>	-	187,500 <sup>(11)</sup>	-	-	37,438 <sup>(14)</sup>	662,438

**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) Mr. Cryer was appointed Chief Financial Officer of CAPREIT in June, 2011. Prior to that, he held the position of Vice President, Financial Reporting.
- (3) Ms. Amaral was appointed Chief Accounting Officer of CAPREIT in June, 2011. Prior to that, she held the position of Senior Vice President, Finance.

- (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) Represents 30,845 RURs issued to Mr. Schwartz; 5,169 RURs issued to Mr. Cryer; 14,305 RURs issued to Mr. Kenney; and 8,382 RURs issued to Ms. Amaral; in each case on February 28, 2012. 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 \$22.37. The accounting fair value for financial statement purposes is determined based on the closing price of the Units on the TSX on the date of grant of \$22.95.
- (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) On October 31, 2011 in connection with an equity offering, 224,250 options were granted at an exercise price of \$20.30. The options mature on October 31, 2021. 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 5.34%, a risk-free rate of 2.28%, and a volatility of 22.77%. The options vested immediately on grant date. The Black-Sholes model is used as the most commonly used valuation methodology by options market participants.
- (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) This bonus was earned in respect of the 2011 financial year and paid in March, 2012.
- (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) 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 \$10,750 for Mr. Cryer. Represents total value of perquisites, including car allowance of \$18,000, and Executive RRSP contribution of \$16,000 for Mr. Kenney. Represents total value of perquisites, including car allowance of \$18,000, and Executive RRSP contribution of \$12,500 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 2011 were immaterial.



## Narrative Discussion

### *Significant Terms of Executive Employment Agreements for all NEOs*

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 December, 2012 and May, 2012, Mr. Schwartz was issued options to acquire a total of 30,150 Units, 201,000 Units and 232,500 Units on December 13, 2012, December 4, 2012 and May 17, 2012 respectively, (representing approximately 0.03%, 0.20% and 0.23% of the number of outstanding Units as of each such date, respectively). In connection with the completion of an equity offering in October, 2013, Mr. Schwartz waived the right to be awarded options.

The Compensation and Governance 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 <sup>(1)</sup> (\$)	Number of Units That Have Not Vested <sup>(2)</sup> (#)	Market or Payout Value of Unit-Based Awards That Have Not Vested <sup>(1),(2)</sup> (\$)	Market or Payout Value of Vested Unit-Based Awards Not Paid Out or Distributed <sup>(1),(3)</sup> (\$)
THOMAS SCHWARTZ President and Chief Executive Officer	232,500 201,000 30,150 217,500 10,500  224,250  915,900	22.75 24.00 24.85 17.30 17.30  20.30	May 16, 2022 December 3, 2022 December 12, 2022 December 9, 2020 December 22, 2020  October 30, 2021	   859,125 <u>41,475</u> 900,600 <u>213,038</u>  <u>1,113,638</u>	104,653	2,223,876	24,552,663
SCOTT CRYER Chief Financial Officer	-	-	-	-	13,657	290,211	-
MARK KENNEY Chief Operating Officer	-	-	-	-	51,145	1,086,831	3,694,015
MARIA AMARAL Chief Accounting Officer	-	-	-	-	29,428	625,345	2,616,598

**Notes:**

- (1) Value based on the closing price of Units on the TSX on December 31, 2013.
- (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, 2013, are \$14,670,319 for Mr. Schwartz' SELTIP and LTIP awards, and \$2,142,298 and \$1,486,180 Mr. Kenney's and Ms. Amaral's LTIP awards, respectively.

## 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 <sup>(1)</sup> (\$)	Non-Equity Incentive Plan Compensation - Value Earned During the Year (\$)
THOMAS SCHWARTZ President and Chief Executive Officer	-	763,709	746,000
SCOTT CRYER Chief Financial Officer	-	NIL	174,375
MARK KENNEY Chief Operating Officer	-	351,988	398,500
MARIA AMARAL Chief Accounting Officer	-	206,929	270,500

**Note:**

- (1) Represents the 2010 RUR Grant units which vested on February 24, 2013. The settlement date of the 2010 RUR Grant has been extended. Additional RURs were granted to those participants who agreed to extend the settlement date of the 2010 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 Compensation and Governance Committee retains the discretionary authority to accelerate vesting.

## *Description of Equity Based Incentive Plans*

### *RUR Plan*

CAPREIT has established the RUR Plan as the primary plan through which long-term incentive compensation will be awarded. The Compensation and Governance Committee of the board of trustees may award RURs, 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.

As at April 4, 2014, 487,461 RURs have been issued and are outstanding under the RUR Plan to Participants; the Units issuable under such grants constitute 0.44% of CAPREIT's currently outstanding Units.

Units issued or issuable under the RUR Plan are included in the 7,000,000 limit on the number of Units issuable under the Active Plans of CAPREIT. Subject to Unitholder approval at the Meeting, CAPREIT proposes to increase the maximum number of Units issuable under the Active Plans from an aggregate of 7,000,000 Units to an aggregate of 11,103,933 Units (representing approximately 10% of the issued and outstanding Units as at April 4, 2014).

#### *Long-Term Incentive Plan*

CAPREIT established a 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 April 4, 2013, a total of 1,422,683 Units have been issued and are outstanding under the LTIP (representing approximately 1.28% of the issued and outstanding Units at such date). As of April 4, 2014, all issued LTIP Units have vested.

Units issued under the LTIP are included in the 7,000,000 limit on the number of Units issuable under all Plans of CAPREIT.

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 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 of CAPREIT 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 April 4, 2014, a total of 817,914 Units have been issued and are outstanding under the SELTIP (representing approximately 0.74% of the issued and outstanding Units at such date).

Units issued under the SELTIP are included in the 7,000,000 limit on the number of Units issuable under all Plans of CAPREIT.

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.

#### *Unit Option Plan*

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

that the trustees could make without Unitholder approval, include, but are not limited to: (i) amendments of a housekeeping nature; (ii) amendments to reflect changes to applicable securities law; and (iii) amendments to ensure options granted under the Unit Option Plan will comply with any provisions respecting income tax and other laws in force in any country or jurisdiction to which a participant may from time to time be subject.

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

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

No options were exercised by the NEOs during the 2013 financial year and financial year.

As at April 4, 2014, 2,093,000 options have been exercised and 915,900 remain outstanding and unexercised as at such date (representing, in the aggregate, approximately 2.71% of the number of outstanding Units as of such date) and a further 45,000 options have been cancelled. All participants under the Unit Option Plan must predispose securities transactions.

Units issuable under the Unit Option Plan are included in the 7,000,000 limit on the number of Units issuable under the Active Plans of CAPREIT. Subject to Unitholder approval at the Meeting, CAPREIT proposes to increase the maximum number of Units issuable under the Active Plans from an aggregate of 7,000,000 Units to an aggregate of 11,103,933 Units (representing approximately 10% of the issued and outstanding Units as at April 4, 2014).

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"). In connection with the completion of an equity offering in October, 2013, Mr. Schwartz waived the right to be awarded options.

*Employee Unit Purchase Plan*

CAPREIT has adopted an 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, as of January 1, 2014, participants, other than “insiders”, 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. “Insiders” receive an additional number of Units equal to ten percent (10%) 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. “Insider” means an insider as defined by the rules, regulations and policies of the TSX.

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 2013, the

trustees made certain amendments to the EUPP of a house keeping nature (i) to clarify certain provisions of the EUPP, (ii) to increase the number of Units each participant is entitled to acquire from up to a maximum of five percent (5%) to up to a maximum of ten percent (10%) of his or her respective annual salary from payroll deductions, and (iii) to increase the number of additional Units participants, other than “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.

Subject to Unitholder approval at the Meeting, CAPREIT proposes to amend the EUPP to allow all participants (including “insiders”) to receive an additional number of Units equal to twenty percent (20%) of the Units purchased pursuant to the EUPP.

As at April 4, 2014, 157,942 Units have been issued and are outstanding under the EUPP, constituting 0.14% of CAPREIT’s currently outstanding Units.

Units issuable under the EUPP are included in the 7,000,000 limit on the number of Units issuable under the Active Plans of CAPREIT. Subject to Unitholder approval at the Meeting, CAPREIT proposes to increase the maximum number of Units issuable under the Active Plans from an aggregate of 7,000,000 Units to an aggregate of 11,103,933 Units (representing approximately 10% of the issued and outstanding Units as at April 4, 2014).

#### *Unit Purchase Plan*

CAPREIT adopted a Unit Purchase Plan with the intent of advancing the interests of CAPREIT and Unitholders by providing short-term loans to certain senior officers to encourage and assist the acquisition of Units by them. Annual specified performance objectives were based upon the ability of CAPREIT to meet annual targeted performance levels established for each financial year by the Compensation and Governance Committee. On April 4, 2014, the Unit Purchase Plan was terminated by the trustees of CAPREIT. There are no awards outstanding under the Unit Purchase Plan.

No new Units were issued and no new loans were granted to executives pursuant to the Unit Purchase Plan in 2012 or 2013. None of the trustees and executive officers of CAPREIT was indebted to CAPREIT in connection with the purchase of Units under the Unit Purchase Plan during the 2013 financial year and no amounts were outstanding on the date of termination of the Unit Purchase Plan.

#### *Deferred Unit Plan*

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

### **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 prorated on prior two (2) year average annual incentive award).	Eligible for severance or lump sum severance payment (36 months prorated 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 Compensation and Governance Committee, as applicable, retains discretion to accelerate vesting.	No vesting of unvested RURs occurs. The board of trustees or the Compensation and Governance 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 Compensation and Governance 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 <sup>(1)</sup>	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 <sup>(1)</sup>	Subject to the discretion of the board of trustees, in the event of death, payment of remaining instalments shall be accelerated; subject to the discretion of the board of trustees, in the event of voluntary resignation or retirement, payment of instalments shall remain due and payable on date on which they would otherwise be payable.	Subject to the discretion of the board of trustees, payment of remaining instalments shall be accelerated.	Subject to the discretion of the board of trustees, payment of remaining instalments shall be accelerated.	Subject to the Instalment Receipt Agreement or any employment agreement, a participant may elect that the unvested portion of any Units beneficially owned under the SELTIP shall vest immediately, subject to the completion of the change of control.

Plan	Death, Retirement or Resignation	Termination With Cause	Termination Without Cause	Termination Without Cause Following a Change-In-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 April 4, 2014.

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, 2013.

Name	Death or Retirement (\$)	Termination With Cause (\$)	Termination Without Cause <sup>(1)</sup> (\$)	Termination Without Cause Following a Change-In-Control <sup>(1)</sup> (\$)
THOMAS SCHWARTZ President and Chief Executive Officer	746,000	Nil	3,757,213	4,508,655
SCOTT CRYER Chief Financial Officer	174,375	Nil	1,085,854	1,303,025
MARK KENNEY Chief Operating Officer	398,500	Nil	2,022,048	2,426,457
MARIA AMARAL Chief Accounting Officer	270,500	Nil	1,337,501	1,605,000

**Note:**

- (1) Includes benefits premiums and car allowance.

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 2013

Name	Fees Earned (\$)	Unit-Based Awards <sup>(1)</sup> (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
HAROLD BURKE	13,473	110,000	-	-	-	-	123,473
DAVID EHRLICH	-	99,753	-	-	-	-	99,753
PAUL HARRIS	-	110,000	-	-	-	-	110,000
EDWIN F. HAWKEN	-	110,000	-	-	-	-	110,000
THOMAS SCHWARTZ <sup>(2)</sup>	-	-	-	-	-	-	-
MICHAEL STEIN	20,000	110,000	-	-	-	-	130,000
STANLEY SWARTZMAN	21,296	110,000	-	-	-	-	131,296
ELAINE TODRES	-	67,507	-	-	-	-	67,507
DAVID WILLIAMS <sup>(3)</sup>	2,704	27,500	-	-	-	-	30,204
<b>TOTAL</b>	<b>57,473</b>	<b>744,760</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>802,233</b>

**Notes:**

- (1) Represents 5,001 Deferred Units issued each to Messrs. Burke, Harris, Hawken, Stein, Swartzman, and 4,592 Deferred Units issued to Mr. Ehrlich, and 3,221 Deferred Units issued to Ms. Todres and 1,097 Deferred Units issued to Mr. Williams 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. Williams ceased to be a trustee effective May 21, 2013.

### Narrative Discussion

The Compensation and Governance 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 Compensation and Governance 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 2013, 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, \$20,666. Pursuant to the DUP, each non-executive trustee in 2013 was entitled to elect to receive up to one hundred percent (100%) of his board compensation (equating to up to \$55,000), 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 2013 (including the impact of Deferred Units issued and matched by CAPREIT), would amount to \$110,000.

The following table provides a description of the 2013 trustee fee schedule.

Compensation Element	Compensation Value (\$)
Member Annual Retainer	\$55,000
Chairman Annual Retainer (premium)	\$20,000
Lead Trustee (premium) <sup>(1)</sup>	\$10,000
Audit Committee Chair (premium)	\$17,500
Investment Committee and Compensation and Governance Committee Chair (premium)	\$7,000

**Note:**

(1) The fee for the Audit Committee Chair increased to \$17,500 effective on May 22, 2013.

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, 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 April 4, 2014 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 <sup>(1)</sup> (#)	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 <sup>(2)</sup> (\$)	Met or Exceeded Ownership Guidelines?
HAROLD BURKE	100	23,021	23,121	485,772	Yes
DAVID EHRLICH	4,760	6,517	11,277	236,930	Yes
PAUL HARRIS	55,000	33,904	88,904	1,867,873	Yes
EDWIN F. HAWKEN	59,783	24,110	83,893	1,762,592	Yes
THOMAS SCHWARTZ <sup>(3)</sup>	2,697,986	-	2,697,986	56,684,686	Yes
MICHAEL STEIN	594,905	36,574	631,479	13,267,374	Yes



Name of Trustee	Number of Units Beneficially Owned, or Controlled or Directed, Directly or Indirectly <sup>(1)</sup> (#)	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 <sup>(2)</sup> (\$)	Met or Exceeded Ownership Guidelines?
STANLEY SWARTZMAN	104,021	36,574	140,595	2,953,901	Yes
ELAINE TODRES	1,000	5,081	6,081	127,762	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 April 4, 2014 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 do not include RURs or unexercised options. For more information on Mr. Schwartz, see "Incentive Plan Awards".

*Deferred Unit Plan*

In 2008, CAPREIT established 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 Compensation and Governance 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 2013 was one hundred percent (100%) of the participant's board compensation in respect of 2013. 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, 2013, 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 of a house keeping nature (i) to clarify certain provisions of the DUP, (ii) to indemnify any trustee made, or threatened to be made, a party to any action or proceeding by reason of the fact that such person is or was a member of the board of trustees and as such, was required or entitled to take action pursuant to the terms of the DUP, and (iii) to limit personal liability of trustees of CAPREIT, any registered or beneficial holder of Units, any annuitant under a plan of which a Unitholder acts as trustee or carrier, or officers, employee or agents of CAPREIT in respect of any obligation of CAPREIT pursuant to the DUP.

Subject to Unitholder approval at the Meeting, CAPREIT proposes to amend the DUP to allow non-executive trustees to have Deferred Units placed in the name of a spouse, personal holding company or family trust.

As of April 4, 2014, a total of 64,862 Units have been settled under the DUP (representing approximately 0.06% of the issued and outstanding Units at such date) and a further 165,781 Units are issuable under the DUP (representing approximately 0.15% 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 April 4, 2014 and the associated dollar value. Such Deferred Units are included in the 7,000,000 limit on Units which may be issued under the Active Plans; 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



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 <sup>(1)</sup> (\$)	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 <sup>(1),(2)</sup> (\$)
EDWIN F. HAWKEN	-	-	-	-	-	-	1,211,888
THOMAS SCHWARTZ <sup>(3)</sup>	-	-	-	-	-	-	-
MICHAEL STEIN	-	-	-	-	-	-	1,473,199
STANLEY SWARTZMAN	-	-	-	-	-	-	1,473,199
ELAINE TODRES	-	-	-	-	-	-	69,190

**Notes:**

- (1) Value based on closing price of the Units on the TSX on December 31, 2013.
- (2) Represents Deferred Units and LTIP Units. The outstanding loan balance on the LTIP Unit awards at December 31, 2013 is \$393,878 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 2013 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, 2013 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) <sup>(1)</sup> (#)
Unit Option Plan (approved by Unitholders)			
Executives	915,900	21.14	N/A
Non-Executives Trustees	-	-	N/A
Other Senior Management	-	-	N/A
Equity Compensation Plans not approved by Unitholders	Nil	Nil	Nil
<b>TOTAL</b>	915,900	21.14	194,997

**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 April 4, 2014, was 194,997 Units (which represents approximately 0.18% 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, SELTIP and Unit Purchase Plan.

### Aggregate Indebtedness

The following table sets forth information related to the aggregate indebtedness outstanding as at April 4, 2014 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	\$28,504,509	–
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 2013 financial year. No LTIP Units were issued in 2013.

Name and Principal Position	Involvement of CAPREIT or its subsidiaries	Largest Amount Outstanding During 2013 (\$)	Amount Outstanding at April 4, 2014 (\$)	Financially Assisted Securities Purchased During 2013 (#)	Security for Indebtedness	Amount Forgiven During 2013 (\$)
<b>Securities Purchase Programs</b>						
THOMAS SCHWARTZ <sup>(5)</sup> President and Chief Executive Officer	Lender	6,962,620	6,541,985	NIL	Non-recourse security are the Units and the distributions	NIL
MARK KENNEY Chief Operating Officer	Lender	2,637,089	2,120,491 <sup>(2)</sup>	NIL	Non-recourse security are the Units and the distributions	NIL
MARIA AMARAL Chief Accounting Officer	Lender	1,546,315	1,470,035 <sup>(3)</sup>	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 2013 (\$)	Amount Outstanding at April 4, 2014 (\$)	Financially Assisted Securities Purchased During 2013 (#)	Security for Indebtedness	Amount Forgiven During 2013 (\$)
<b>Securities Purchase Programs</b>						
<b>SUB-TOTAL:</b>		11,146,024	10,132,511	NIL		NIL
PAUL HARRIS <sup>(5)</sup> Partner, Davies, Ward, Phillip & Vineberg LLP (a law firm)	Lender	413,599	388,594 <sup>(4)</sup>	NIL	Non-recourse security are the Units and the distributions	NIL
EDWIN F. HAWKEN <sup>(5)</sup> Corporate Director	Lender	413,599	388,594 <sup>(4)</sup>	NIL	Non-recourse security are the Units and the distributions	NIL
MICHAEL STEIN <sup>(5)</sup> Chairman of CAPREIT and President and Chief Executive Officer of MPI Group Inc.	Lender	413,599	388,594 <sup>(4)</sup>	NIL	Non-recourse security are the Units and the distributions	NIL
STANLEY SWARTZMAN <sup>(5)</sup> Corporate Director	Lender	413,599	388,594 <sup>(4)</sup>	NIL	Non-recourse security are the Units and the distributions	NIL
<b>SUB-TOTAL</b>		1,654,396	1,554,376	NIL		NIL
<b>TOTAL</b>		12,800,420	11,686,887	NIL		NIL

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**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 November 18, 2004 at 4.97%, 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%.
- (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) Proposed nominee for election as a trustee.

### 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 2013 financial year. No SELTIP Units were issued in 2013.

Name and Principal Position	Involvement of CAPREIT	Largest Amount Outstanding During 2013 (\$)	Amount Outstanding as at April 4, 2014 (\$)	Financially Assisted Securities Purchased During 2013 (#)	Security for Indebtedness	Amount Forgiven During 2013 (\$)
<b>Securities Purchase Programs</b>						
THOMAS SCHWARTZ <sup>(2)</sup> President and Chief Executive Officer	Lender	8,264,389	7,978,342 <sup>(1)</sup>	NIL	Non-recourse security are the Units and the distributions	NIL
<b>TOTAL</b>		8,264,389	7,978,342	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.

### Indebtedness under the Unit Purchase Plan

As of April 4, 2014, a total of 423,725 Units have been issued under the Unit Purchase Plan (representing approximately 0.38% of the number of the issued and outstanding Units at such date). Loans made pursuant to the Unit Purchase Plan in connection with the issuance of such Units bore interest at the rate equal to CAPREIT's borrowing costs on its working capital credit facility from time to time, were secured by pledge of the Units purchased with the loan proceeds, and were full recourse to the NEOs personally. The loans were repaid in full on February 20, 2006.

No new Units were issued and no new loans were granted to executives pursuant to the Unit Purchase Plan in 2013. None of the trustees and executive officers of CAPREIT were indebted to CAPREIT in connection with the purchase of Units under the Unit Purchase Plan during the 2013 financial year and no amounts remain outstanding as at April 4, 2014.

The trustees terminated the Unit Purchase Plan effective April 4, 2014.

## 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 National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (the "**Instrument**") and 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 the Instrument, 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
- Compensation and Governance Committee Charter
- Investment Committee Charter
- Disclosure Policy
- Insider Trading Policy
- Position descriptions for the Chairman, Lead Trustee and Chair of each board committee

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 eight (8). As of April 4, 2014, the trustees were: Harold Burke, David Ehrlich, Paul Harris, Edwin F. Hawken, Thomas Schwartz, Michael Stein, Stanley Swartzman and Elaine Todres.

### *Independent and Non-Independent Trustees*

Pursuant to NI 52-110, an independent trustee is one who has no direct or indirect material relationship with CAPREIT which could, in the view of the board of trustees, reasonably interfere with a trustee’s independent judgment. The trustees have determined that seven (7) of the trustees, constituting a majority of the board of trustees, will be independent under the CSA Governance Rules. Thomas Schwartz, 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 Compensation and Governance 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 Chairman 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 April 4, 2014:

Name of Trustees	Name of Reporting Issuer of which Trustee is a director or trustee and position	Exchange
EDWIN F. HAWKEN	• Danier Leather Inc., Chairman	• TSX
THOMAS SCHWARTZ	• Chartwell Seniors Housing REIT, Trustee	• TSX
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 2013.

Name of Trustee	Board	Audit Committee	Compensation and Governance Committee	Investment Committee
HAROLD BURKE	17/17	4/4	N/A	N/A
DAVID EHRLICH	17/17	N/A	4/4	3/3 <sup>(1)</sup>
PAUL HARRIS	17/17	2/2 <sup>(2)</sup>	2/2 <sup>(2)</sup>	N/A
EDWIN F. HAWKEN	17/17	4/4	2/2 <sup>(3)</sup>	5/5
THOMAS SCHWARTZ	17/17	N/A	N/A	N/A
MICHAEL STEIN	17/17	N/A	N/A	N/A
STANLEY SWARTZMAN	17/17	4/4	4/4	5/5
ELAINE TODRES	8/12 <sup>(4)</sup>	N/A	2/2 <sup>(4)</sup>	N/A

#### Notes:

- (1) Mr. Ehrlich was appointed to the Investment Committee effective May 21, 2013.
- (2) Mr. Harris was appointed to the Audit Committee effective May 21, 2013. Mr. Harris ceased being a member of the Compensation and Governance Committee effective May 21, 2013.
- (3) Mr. Hawken ceased being a member of the Compensation and Governance Committee effective May 21, 2013.
- (4) Dr. Todres was appointed a trustee effective May 21, 2013. Dr. Todres attended all regularly scheduled board meetings, and was only unavailable to attend meetings which were by necessity held on short notice.

### 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 (the “**Audit Committee**”) and Compensation and Governance Committee. The Chair of the Audit Committee and the Compensation and Governance Committee conducts such committees’ respective in camera sessions. For the board of trustees, the Chairman 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 2013, the Audit Committee and Compensation and Governance Committee met as follows:

Meeting	Meetings Held	Meetings Held Without Management
Audit Committee	4	4
Compensation and Governance Committee	4	4

### Declaration of Trust

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

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

### Committees of Trustees

To assist the trustees in fulfilling their governance responsibilities, the trustees have formed three (3) committees, each of which is composed of at least a majority of independent, unrelated trustees: the Audit Committee, the Compensation and Governance Committee and the investment committee (the "**Investment Committee**").

### *Audit Committee*

The Declaration of Trust requires the creation of an Audit Committee, consisting of at least three (3) trustees, to review the consolidated financial statements of CAPREIT. The terms of reference for the Audit Committee require that all members be unrelated and financially literate (as defined in NI 52-110). All members of the Audit Committee are independent and financially literate, as those terms are defined in NI 52-110. As of April 4, 2014, the Audit Committee of CAPREIT consists of the following four (4) trustees: Harold Burke, Paul Harris, Edwin E. Hawken and Stanley Swartzman. Harold Burke serves as Chairman 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 31, 2014, which can be accessed on SEDAR under CAPREIT's profile at [www.sedar.com](http://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, 2013, the Audit Committee met four (4) times.

### *Compensation and Governance Committee*

The Declaration of Trust requires the creation of a Compensation and Governance Committee, consisting of at least three (3) trustees, to review the governance of CAPREIT and compensation offered to officers of the CAPREIT. All of the members of the Compensation and Governance Committee must at all times be independent (as that term is defined in NI 52-110), 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 Compensation and Governance Committee and each of whom should be familiar with corporate governance practices.

The Compensation and Governance Committee has the primary functions of assisting the board in fulfilling its compensation and corporate governance oversight responsibilities. The committee has specific responsibilities relating to: structuring and reviewing compensation plans; the administration of CAPREIT's compensation plans; reviewing CAPREIT's governance framework, activity and disclosure; the composition and performance of the board and its committees; reviewing compliance with the Code of Business Ethics and Conduct and Disclosure Policy; 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 Compensation and Governance Committee's role in executive compensation, see the "Compensation Discussion & Analysis – Compensation and Governance Committee" discussion above.

As of April 4, 2014, the Compensation and Governance Committee of CAPREIT consists of the following three (3) trustees: Stanley Swartzman, David Ehrlich and Elaine Todres. Stanley Swartzman serves as Chairman of the Compensation and Governance Committee. The Compensation and Governance Committee is composed entirely of independent trustees.

During the year ended December 31, 2013, 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 April 4, 2014, the Investment Committee of CAPREIT consists of the following three (3) trustees: Edwin F. Hawken, Stanley Swartzman and David Ehrlich. Stanley Swartzman serves as Chairman of the Investment Committee.

The Investment Committee met five (5) times during the year ended December 31, 2013.

### **Position Descriptions**

As part of its responsibility for identifying and recommending candidates to the board for election and re-election as trustees, the Compensation and Governance 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 Compensation and Governance Committee in its search for new candidates. In considering the nomination of a trustee for re-election to the board, the Compensation and Governance 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 Compensation and Governance Committee and considered by the board for approval each year.

#### *Chairman of Board*

The board has also developed a written position description for the Chairman of the board. The Chairman, 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 Chairman 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 Chairman of the board sets out the Chairman's key responsibilities. The Chairman 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 Chairman 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 Chairman 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 Compensation and Governance 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 Chairman 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 Compensation and Governance 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 Compensation and Governance 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 31, 2014, which can be accessed on SEDAR under CAPREIT's profile at [www.sedar.com](http://www.sedar.com).

### *Compensation and Governance Committee*

The Chair of the Compensation and Governance 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 Compensation and Governance 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 Compensation and Governance 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 Compensation and Governance Committee, is required to establish procedures to

govern the Compensation and Governance Committee's work and ensure the Compensation and Governance 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 Compensation and Governance Committee meetings;
- providing appropriate information from management to enable the Compensation and Governance Committee to exercise their accountabilities;
- ensuring that all items requiring Compensation and Governance Committee approval or Compensation and Governance Committee recommendations to the board are appropriately tabled;
- ensuring proper flow of information to the Compensation and Governance 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 Compensation and Governance Committee are appropriately qualified and independent; and
- ensuring that the Compensation and Governance 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 Chairman 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 Chairman 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 Chairman 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 Chairman when the Chairman is not in attendance or when it is inappropriate for the Chairman to act in such capacity;
- chairing the in camera session of the board in the absence of the Chairman;
- providing input to the Chairman on the preparation of agendas for board meetings;
- assisting the Chairman 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 Compensation and Governance 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 Compensation and Governance Committee; and
- facilitating the Chairman 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 Compensation and Governance 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 Chairman of the board and the Chairs of the committees of the board of trustees, as well as with 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.
- Every year, the board and certain members of management meet for a strategy session. At these meetings, management debriefs the board on the properties and local market conditions across CAPREIT's portfolio, and in 2013, on the investment analysis process completed by management for each acquisition.
- Internal education on topics affecting CAPREIT, including changes to compensation disclosure requirements, environmental regulations and accounting standards, are provided on an ongoing basis.
- Trustees participate in property tours with senior management on a periodic basis.

In 2013, the trustees also met with a senior analyst who covers CAPREIT for an education session on market analytics.

### **Nomination of Trustees**

CAPREIT has a Compensation and Governance Committee with nominating responsibilities. However, the full board of trustees retains the discretion to select nominees and fill vacancies. The Compensation and Governance 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 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 Compensation and Governance 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 Compensation and Governance 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 Compensation and Governance Committee is composed entirely of independent trustees.

### **Ethical Business Conduct**

Effective November 11, 2005, the Compensation and Governance Committee 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 Compensation and Governance 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 Compensation and Governance 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](http://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 Compensation and Governance Committee reviews and recommends for board approval, CAPREIT's trustee compensation policy and practices. The Compensation and Governance Committee considers many factors, including whether compensation fairly reflects the responsibilities and risks involved. The Compensation and Governance Committee may retain an independent external consultant to provide data and advice to the Compensation and Governance 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 was directly involved in the negotiation and settlement of the terms of the Executive Contract for the President and Chief Executive Officer. In determining the appropriate terms of the Executive Contracts, the Compensation and Governance Committee considered 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. 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.

Bonus compensation for the President and Chief Executive Officer for the 2013 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 Compensation and Governance 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 Compensation and Governance 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 Compensation and Governance Committee may retain an external consultant to assist in conducting this assessment.

The assessment process for the 2013 financial year was completed in February 2014. In connection with this assessment, the trustees participated in a review process overseen by the Compensation and Governance 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 Compensation and Governance 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 Compensation and Governance Committee may conduct, were compiled, analyzed and scored by the Chairman of the Compensation and Governance Committee, culminating in a formal report to the Compensation and Governance Committee and the full board of trustees. The Chairman of the Compensation and Governance Committee discussed the report with the trustees (at the February 2014 meeting) and highlighted any improvement opportunities to facilitate the greater functioning of the board and its committees.

## **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, 2013 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, 2013, CAPREIT incurred a total rent expense for head office space, including operating costs, in the amount of \$868,000 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, 2013, 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 Accountants of Ontario.

For further information on auditor's fees, please see Section 18 of CAPREIT's Annual Information Form dated March 31, 2014, which can be accessed on SEDAR under CAPREIT's profile at [www.sedar.com](http://www.sedar.com).

## **GENERAL**

The consolidated financial statements of CAPREIT for the financial year ended December 31, 2013, 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](http://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](http://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 25<sup>th</sup> day of April, 2014.

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

(Signed) THOMAS SCHWARTZ  
President and Chief Executive Officer

**Schedule "A"**

**RESOLUTION OF THE UNITHOLDERS OF  
CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST**

**AMENDMENTS TO CAPREIT'S EQUITY INCENTIVE PLANS**

**RESOLVED AS AN ORDINARY RESOLUTION THAT:**

1. The maximum number of units ("**Units**") of Canadian Apartment Properties Real Estate Investment Trust ("**CAPREIT**") issuable under CAPREIT's employee unit purchase plan, deferred unit plan, restricted unit rights plan and unit option plan (the "**Equity Incentive Plans**"), substantially as described in the Management Information Circular dated April 4, 2014 of which accompanied the Notice of Meeting dated April 4, 2014, be and is hereby amended from an aggregate amount of 7,000,000 Units to an aggregate of 11,103,933 Units (representing approximately 10% of the issued and outstanding Units as at April 4, 2014), and all such amendments to the Equity Incentive Plans required to give effect to the foregoing be and are hereby authorized and approved.
2. The trustees of CAPREIT be and are hereby authorized to allocate the aggregate of 11,103,933 Units (representing approximately 10% of the issued and outstanding Units as at April 4, 2014) issuable amongst CAPREIT's Equity Incentive Plans as the trustees may determine in their discretion from time to time.
3. Any trustee or officer of CAPREIT be and is hereby authorized to take all such further actions and to execute and deliver all such further instruments and documents, in the name and on behalf of CAPREIT as may be necessary, proper or advisable in order to carry out and give effect to the foregoing.

\* \* \* \* \*



## Schedule "B"

### RESOLUTION OF THE UNITHOLDERS OF CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST ("CAPREIT")

#### AMENDMENTS TO CAPREIT'S AMENDED AND RESTATED EMPLOYEE UNIT PURCHASE PLAN

##### RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. The following amendments to CAPREIT's Amended and Restated Employee Unit Purchase Plan dated August 7, 2013 (the "EUPP") be and are hereby authorized and approved:

- (a) the definition of "Plan insider" is deleted in its entirety from Section 2.1 of the EUPP.
- (b) Section 9 of the EUPP is amended as follows (amended portions identified in bold and underlined):

##### **Section 9 Purchase Price.**

The price per Unit (the "Purchase Price") at which Units shall be issued by CAPREIT and purchased by the Participants in accordance with the terms hereof shall be the Market Value thereof as at the Purchase Date as calculated by CAPREIT. Participants, ~~other than Plan insiders,~~ shall also receive an additional number of Units (the "Additional Units") equal to 20% of the Market Value of the Units purchased by such Participants in accordance with the terms hereof at the time of such purchase. ~~Plan insiders shall receive Additional Units equal to 10% of the Market Value of the Units purchased by such Participants in accordance with the terms hereof at the time of such purchase.~~ The cost of all fees (including, without limitation, brokerage fees on any acquisition of Units) and other expenses payable in connection with the issuance of the Units to the Participants (other than, for greater certainty, any taxes payable in respect of such Units) shall be paid by CAPREIT. ~~"Plan insider" means an "insider" as defined by the rules, regulations and policies of the Exchange.~~

- (c) Section 6 of Exhibit "I" to Schedule "A" of the EUPP is amended as follows (amended portions identified in bold and underlined):

6. ~~in the case of Participants, other than Plan insiders (as defined in Section 9 of the Plan),~~ calculate each Participant's 20% ~~Additional Unit entitlement of the Market Value of Units Purchased for each Purchase Date in accordance with the Plan and in the case of Participants who are Plan insiders (as defined in Section 9 of the Plan) calculate each Participant's~~ 10% Additional Unit entitlement of the Market Value of Units Purchased for each Purchase Date in accordance with the Plan and advise CAPREIT of the aggregate value of the Units to be issued, and allocate the appropriate

number of Units to Participants' accounts as determined by dividing each Participant's entitlement by the purchase price of the Additional Units purchased from CAPREIT;

- (d) Section 7 of Exhibit "I" to Schedule "A" of the EUPP is amended as follows (amended portions identified in bold and underlined):

7. provide a report in electronic format to CAPREIT detailing the 20% Additional Unit entitlement taxable benefit ~~or 10% Additional Unit entitlement taxable benefit, as applicable~~, attributed to each Participant on a quarterly basis;

2. The EUPP is hereby further amended to the extent necessary to reflect and give effect to the foregoing.
3. Any trustee or officer of CAPREIT be and is hereby authorized to take all such further actions and to execute and deliver all such further instruments and documents, in the name and on behalf of CAPREIT as may be necessary, proper or advisable in order to carry out and give effect to the foregoing.

\* \* \* \* \*

## Schedule "C"

### RESOLUTION OF THE UNITHOLDERS OF CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST ("CAPREIT")

#### AMENDMENTS TO CAPREIT'S DEFERRED UNIT PLAN

#### RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. The following amendments to CAPREIT's Amended and Restated Deferred Unit Plan dated May 18, 2011 (the "DUP") be and are hereby authorized and approved:

(a) The following provision is added following Section 5.05 and preceding Section 6.01:

"5.06 Participants may, in their sole discretion, elect to have some or all of any Deferred Units credited or transferred to their spouse, a corporation controlled by that Participant (a "**Personal Holding Company**"), or to a family trust, of which the sole trustee is the Participant and the beneficiary or beneficiaries are any one or a combination of such Participant and/or the spouse, children and/or grandchildren of such Participant (a "**Family Trust**"). Such election must be evidenced in the Election Notice of a Participant in respect of the Deferred Units to which such notice is applicable. For the purposes of this Plan, Deferred Units held by a spouse, Personal Holding Company or Family Trust of a Participant shall be considered to be held by that Participant. Any Deferred Units held by the Personal Holding Company of a Participant shall terminate immediately upon that Participant ceasing to control that corporation.

For the purposes of this Plan, "**control**" means a company shall be deemed to be controlled by a Participant if all of the issued and outstanding voting shares of such company are, and will continue to be, beneficially owned, directly or indirectly, by such Participant and/or the spouse, children and/or grandchildren of such Participant, and "**controlled**" shall have a corresponding meaning."

(b) Section 13.01 of the DUP is amended as follows (amended portions identified in bold and underlined):

13.01 **Other than as contemplated by Section 5.06**, in no event may the rights or interests of a Participant under the Plan 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.

(c) The following provision is added as the third paragraph in Schedule A-1 of the DUP:

"I hereby elect to have the following percentage of my Deferred Units credited to **[name of spouse, Personal Holding Company or Family Trust]**:

25%

50%

75%

100%

with the remainder, if any, credited to my account.”

2. The DUP is hereby further amended to the extent necessary to reflect and give effect to the foregoing.
3. Any trustee or officer of CAPREIT be and is hereby authorized to take all such further actions and to execute and deliver all such further instruments and documents, in the name and on behalf of CAPREIT as may be necessary, proper or advisable in order to carry out and give effect to the foregoing.

\* \* \* \* \*

QUESTIONS MAY BE DIRECTED TO OUR PROXY SOLICITOR

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<b>REGISTERED SHAREHOLDERS (YOU HOLD A PHYSICAL SHARE CERTIFICATE REGISTERED IN YOUR NAME) THERE ARE 4 WAYS TO VOTE USING THE ENCLOSED PROXY</b>			
<b>1. VOTE BY INTERNET:</b>  <a href="http://www.investorvote.com">www.investorvote.com</a> and vote using your Control # located on the front of your proxy. Follow the voting instructions on screen.	<b>2. VOTE BY TELEPHONE:</b>  Call toll-free English 1-866-732-8683 and vote using your Control # located on your proxy.	<b>3. VOTE BY FAX:</b>  Mark, sign and date your proxy form and return it by facsimile to toll free in North America  1-866-249-7775 or 1-416-263-9524	<b>4. VOTE BY MAIL:</b>  Mark, sign and date your proxy form and return it in the enclosed postage-paid envelope
<b>CANADIAN BENEFICIAL SHAREHOLDERS (YOU HOLD SHARES THROUGH A CANADIAN BANK, BROKER OR INTERMEDIARY) THERE ARE 4 WAYS TO VOTE USING YOUR VOTING INFORMATION FORM</b>			
<b>1. VOTE BY INTERNET:</b>  <a href="http://WWW.PROXYVOTE.COM">WWW.PROXYVOTE.COM</a> and vote using the 12 digit control number located on your VIF.	<b>2. VOTE BY TELEPHONE:</b>  Call toll-free English 1-800-474-7493 or French 1-800-474-7501 and vote using the 12 digit control number located on your VIF.	<b>3. VOTE BY FAX:</b>  Mark, sign and date your VIF and return it by facsimile to 1-905-507-7793 or 1-514-281-8911	<b>4. VOTE BY MAIL:</b>  Mark, sign and date your VIF and return it in the enclosed postage-paid envelope.
<b>UNITED STATES BENEFICIAL SHAREHOLDERS (YOU HOLD SHARES THROUGH A U.S. BANK, BROKER OR INTERMEDIARY) THERE ARE 3 WAYS TO VOTE USING YOUR VOTING INFORMATION FORM</b>			
<b>1. VOTE BY INTERNET:</b>  <a href="http://WWW.PROXYVOTE.COM">WWW.PROXYVOTE.COM</a> and vote using the 12 digit control number located on your VIF.	<b>2. VOTE BY TELEPHONE:</b>  Call the toll-free number listing on your VIF and vote using the 12 digit control number located on your VIF	<b>3. VOTE BY MAIL:</b>  Mark, sign and date your VIF and return it in the enclosed postage-paid envelope.	