

**CANADIAN APARTMENT PROPERTIES  
REAL ESTATE INVESTMENT TRUST  
NOTICE OF ANNUAL AND SPECIAL MEETING OF UNITHOLDERS  
TO BE HELD ON MAY 21, 2013**

**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 (the “**Trust**”) will be held at One King West Hotel & Residence, 1 King Street West, Toronto, Ontario, M5H 1A1 on May 21, 2013 at 4:30 p.m. (Toronto time) for the following purposes:

1. to receive the audited consolidated financial statements of the Trust for the financial year ended December 31, 2012, together with the auditors’ report thereon;
2. to elect the trustees of the Trust;
3. to re-appoint the auditor of the Trust 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 as set forth in Schedule “B” of the annexed Management Information Circular reconfirming the Unitholders’ Rights Plan Agreement;
5. to consider and, if thought fit, to approve a special resolution as set forth in Schedule “C” of the annexed Management Information Circular, authorizing certain amendments to the Trust’s amended and restated declaration of trust dated November 13, 2009 (the “**Declaration of Trust**”) to permit the trustees to adopt an advance notice policy;
6. to consider and, if thought fit, to approve a special resolution as set forth in Schedule “E” of the annexed Management Information Circular, authorizing certain amendments to the Trust’s Declaration of Trust to permit the Trust to use the notice-and-access provisions under applicable securities laws; 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 the Trust’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.

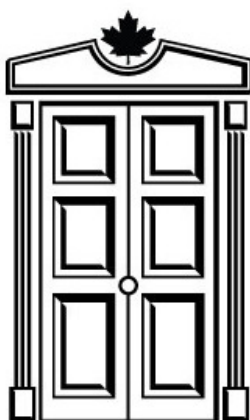
If you are unable to attend the Meeting in person, kindly sign and return the enclosed form of proxy and deposit it with Computershare Investor Services Inc., Proxy Department, 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, or to the head office of the Trust, 11 Church Street, Suite 401, Toronto, Ontario M5E 1W1, not later than 4:30 p.m. (Toronto time) on May 16, 2013 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 1<sup>st</sup> day of April, 2013.

**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 1, 2013**

## TABLE OF CONTENTS

SOLICITATION OF PROXIES .....	1
APPOINTMENT OF PROXIES.....	1
EXERCISE OF DISCRETION BY PROXIES .....	3
AUTHORIZED CAPITAL, VOTING UNITS AND PRINCIPAL HOLDERS THEREOF .....	3
QUORUM.....	4
MATTERS REQUIRING UNITHOLDER APPROVAL.....	4
1. Election of Trustees .....	4
2. Appointment of Auditor .....	8
3. Special Business – Reconfirmation of Unitholders’ Rights Plan Agreement .....	8
4. Special Business – Amendments to the Declaration of Trust – Advance Notice Policy.....	10
5. Special Business – Amendments to the Declaration of Trust – Notice-and-Access .....	11
COMPENSATION DISCUSSION & ANALYSIS .....	12
SUMMARY COMPENSATION TABLE.....	25
INCENTIVE PLAN AWARDS .....	29
PENSION PLAN BENEFITS.....	39
TERMINATION AND CHANGE OF CONTROL BENEFITS .....	39
TRUSTEE COMPENSATION .....	41
EQUITY COMPENSATION PLAN INFORMATION.....	46
INDEBTEDNESS OF TRUSTEES AND EXECUTIVE OFFICERS.....	47
STATEMENT OF GOVERNANCE PRACTICES .....	49
INDEMNIFICATION OF TRUSTEES AND OFFICERS .....	63
INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON.....	64
INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS .....	64
INFORMATION ON THE TRUST’S AUDITOR.....	64
GENERAL .....	64
ADDITIONAL INFORMATION.....	64
APPROVAL OF TRUSTEES.....	65

## ADDENDUM

SCHEDULE “A”	SUMMARY OF UNITHOLDERS’ RIGHTS PLAN AGREEMENT
SCHEDULE “B”	RESOLUTION OF THE UNITHOLDERS OF CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST – RECONFIRMATION OF UNITHOLDERS’ RIGHTS PLAN AGREEMENT
SCHEDULE “C”	RESOLUTION OF THE UNITHOLDERS OF CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST – AMENDMENTS TO THE DECLARATION OF TRUST – ADVANCE NOTICE POLICY
SCHEDULE “D”	ADVANCE NOTICE POLICY
SCHEDULE “E”	RESOLUTION OF THE UNITHOLDERS OF CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST – AMENDMENTS TO THE DECLARATION OF TRUST – NOTICE-AND-ACCESS

**CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST MANAGEMENT  
INFORMATION CIRCULAR RELATING TO THE ANNUAL AND SPECIAL MEETING OF  
UNITHOLDERS TO BE HELD ON MAY 21, 2013**

**SOLICITATION OF PROXIES**

This management information circular (the “**Circular**”) is furnished in connection with the solicitation by and on behalf of the management of Canadian Apartment Properties Real Estate Investment Trust (the “**Trust**”) of proxies to be used at the annual and special meeting (the “**Meeting**”) of the holders (the “**Unitholders**”) of the units (the “**Units**”) and the special voting units (the “**Special Voting Units**”) of the Trust to be held on the 21<sup>st</sup> day of May, 2013, 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 the Trust. All information in this Circular is given as of April 1, 2013 unless otherwise indicated.

**APPOINTMENT OF PROXIES**

A form of proxy is enclosed and, if it is not your intention to be present in person at the Meeting, you are asked to complete and return the form of proxy in the envelope provided. The proxy must be executed by the Unitholder or the attorney of such Unitholder, duly authorized in writing. Proxies to be used at the Meeting must be deposited with Computershare Investor Services Inc., Proxy Department, 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, or the head office of the Trust, 11 Church Street, Suite 401, Toronto, Ontario M5E 1W1, not later than 4:30 p.m. (Toronto time) on May 16, 2013 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 the Trust. **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 the Trust prior to the holding of the Meeting.

*Non-Registered Unitholders*

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

- (i) in the name of an intermediary (an “**Intermediary**”) that the Non-Registered Unitholder deals with in respect of the Units (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or

- (ii) in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant.

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

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

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

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

A Unitholder executing the enclosed form of proxy may revoke it by depositing an instrument in writing executed by such Unitholder or by his or her attorney authorized in writing (i) at the registered office of the Trust, 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 chairman of the Meeting on the day of the Meeting or any adjournment(s) or postponement(s) thereof. Only registered Unitholders have the right to revoke a proxy. Non-Registered Unitholders who wish to change their vote must, at least seven (7) days before the Meeting, arrange for their respective Intermediaries to revoke the proxy on their behalf.

### EXERCISE OF DISCRETION BY PROXIES

The Units and Special Voting Units represented by any proxy received by management will be voted or withheld from voting by the persons named in the enclosed form of proxy in accordance with the direction of the Unitholder appointing them. In the absence of any direction to the contrary, it is intended that the Units and Special Voting Units represented by proxies received by management will be voted on any ballot "for": (i) the election of the trustees; (ii) the re-appointment of the auditor of the Trust; (iii) the reconfirmation of the Unitholders' Rights Plan Agreement; (iv) the proposed amendments to the Trust's amended and restated declaration of trust dated November 13, 2009 (the "**Declaration of Trust**") to permit the trustees to adopt an advance notice policy; and (v) the proposed amendments to the Trust's Declaration of Trust to permit the Trust to use the notice-and-access provisions ("**notice-and-access**") under applicable securities laws, 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 1, 2013, 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 the Trust consists of an unlimited number of Units and an unlimited number of Special Voting Units. As at April 1, 2013, 102,261,239 Units and 161,311 Special Voting Units were issued and outstanding. CAPREIT Limited Partnership ("**CAPLP**"), a subsidiary of the Trust, 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 the Trust, CAPLP and Ridge Pine Park Inc. (predecessor-in-interest to Rice Development Corp.), the initial holder of the issued Class B Units. Accordingly, throughout this Circular whenever reference is made to the outstanding Units, such reference assumes that the 161,311 Units issuable on the exchange of the CAPLP Class B Units have been so issued.

A holder of Units is entitled to one (1) vote in respect of each matter to be voted upon at the Meeting for each Unit registered in his or her name as at the close of business on April 16, 2013 (the "**Record Date**"). Only Unitholders of record on the books of the Trust 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 the Trust's Declaration of Trust, each holder of Special Voting Units is entitled to a number of votes at all meetings of Unitholders or in respect of any written resolution of Unitholders equal to the number of Units into which the Exchangeable Securities (as defined in the Declaration of Trust) to which such Special Voting Units relate are, directly or indirectly, exchangeable or convertible (other than in respect of Exchangeable Securities which have been so exchanged, converted or cancelled).

To the knowledge of the trustees and officers of the Trust, as at April 1, 2013, 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 the Trust.

## 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

The Trust'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.

Effective February 4, 2013, the board of trustees increased the number of trustees to eight (8) and appointed David Ehrlich as trustee. 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 the Trust, 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. The Trust 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 the Trust 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 the Trust 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 the Trust beneficially owned, or controlled or directed, directly or indirectly, by each of them as at April 1, 2013.

Nominee as Trustee and Place of Residence	Position Presently Held with the Trust	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 1, 2013 <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	16,451	408,807	0.02%
DAVID EHRLICH <sup>(7)</sup> , Toronto, Ontario, Canada	Trustee	Yes	Partner, Stikeman Elliott LLP (a law firm)	2013	688	17,097	0.00%
PAUL HARRIS <sup>(4)</sup> , Montréal, Québec, Canada	Trustee	Yes	Partner, Davies, Ward, Phillips & Vineberg LLP (a law firm)	1998	81,679	2,029,723	0.08%
EDWIN F. HAWKEN <sup>(5)(6)</sup> , Toronto, Ontario, Canada	Trustee	Yes	Corporate Director	2004	76,240	1,894,564	0.07%
THOMAS SCHWARTZ, Toronto, Ontario, Canada	President and Chief Executive Officer and a Trustee	No	President and Chief Executive Officer of the Trust	1997	2,595,968	64,509,805	2.54%
MICHAEL STEIN, Toronto, Ontario, Canada	Chairman of the Trust and a Trustee	Yes	Chairman and Chief Executive Officer of MPI Group Inc.	1997	649,119	16,130,607	0.63%
STANLEY SWARTZMAN <sup>(4)(5)(6)</sup> , Toronto, Ontario, Canada	Lead Trustee	Yes	Corporate Director	1997	133,234	3,310,865	0.13%



Nominee as Trustee and Place of Residence	Position Presently Held with the Trust	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 1, 2013 <sup>(3)</sup>		
					#	\$	%
ELAINE TODRES, Toronto, Ontario, Canada <sup>(8)</sup>	N/A	Yes	Chief Executive Officer of Todres Leadership Counsel	N/A	Nil	Nil	N/A

**Notes:**

- (1) Deferred Units are issued under the DUP (as defined below; 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 1, 2013; and the column entitled "%" indicates as a percentage of the issued and outstanding Units of the Trust, 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 the Trust, 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) Mr. Ehrlich was appointed trustee on February 4, 2013.
- (8) Ms. Todres is currently not a trustee of the Trust.

*Experience of Trustee Nominees*

The nature and extent of the experience of the trustees of the Trust 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: 66) is a Principal at Dundee Real Estate Asset Management, a division of 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 Accountant and holds the Institute of Corporate Directors, Institute-Certified Director Designation, ICD.D.

**David Ehrlich** (Age: 62) is a senior partner in the Toronto office of the law firm Stikeman Elliott, LLP where he is a member of both the corporate and real estate groups. During his 25 year career, his practice has been 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: 61) 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: 73) is Chairman of Danier Leather Inc., a publicly traded specialty apparel leather retailer. He was Chief Executive Officer and a Director of Comcorp Financial Services Inc. from 1991 to 1997. From 1987 to 1991, Mr. Hawken was a Senior Vice President of Canadian Imperial Bank of Commerce ("CIBC") and President of CIBC Leasing Inc.

**Thomas Schwartz** (Age: 64) 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: 62) has been Chairman and Chief Executive Officer of MPI Group Inc., a company engaged in real estate investment and development, 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. Mr. Stein was a director of Minera Andes Inc., a company listed on the Toronto Stock Exchange ("TSX"), from February 23, 2009 until January 24, 2012, when it was acquired by, and Mr. Stein became a director of, McEwan Mining Inc., a TSX-listed and NYSE-listed company. In 2012, Mr. Stein was appointed to the Board of Directors of City Financial Investment Company Limited, a United Kingdom FSA-regulated asset management company that is also registered as an Investment Adviser firm with the SEC. Between 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. 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: 73) is the former Vice President, Real Estate and Store Planning, of Sears Canada, a national retailer. Previously, 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. Since July 2008, Mr. Swartzman has served as a director of GT Canada Capital Corporation and is the Chairman of its investment

committee. Mr. Swartzman was formerly a director of Centre Fund Corporation and served on its audit committee.

**Elaine Todres** (Age: 63) 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, Ms. 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, Ms. 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. Ms. Todres is the Chief Executive Officer of Todres Leadership Counsel, a boutique consultancy practice specializing in strategy, leadership, organizational transformation, and governance. Ms. Todres has served on many community and hospital boards; served as chair of Women's College Hospital Foundation. She is 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 the Trust, as the auditor of the Trust 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 - Reconfirmation of Unitholders' Rights Plan Agreement

The Trust adopted a new Unitholders' Rights Plan Agreement dated as of May 3, 2002 (which replaced the Trust's former rights plan that was adopted at the time of the Trust's initial public offering),

which was reconfirmed and amended by Unitholders at the annual and special meeting of Unitholders on May 26, 2005, and which was reconfirmed again at the annual and special meetings of Unitholders, held on May 23, 2007 and May 19, 2010 (as amended and restated, the “**Rights Plan**”). The Rights Plan has a five (5) year term, which will expire on the fifth anniversary of its effective date, being May 19, 2015, and is subject to reconfirmation by Unitholders after three (3) years. As such, Unitholders are being asked to approve an ordinary resolution reconfirming the Rights Plan at the Meeting.

The Rights Plan utilizes the mechanism of the Permitted Bid (as defined in Schedule “A” hereto) to ensure that a person seeking control of the Trust gives Unitholders and the trustees sufficient time to evaluate the bid, negotiate with the initial bidder and encourage competing bids to emerge.

The purpose of the Rights Plan is to protect Unitholders by requiring all potential bidders to comply with the conditions specified in the Permitted Bid provisions or risk being subject to the dilutive features of the Rights Plan. Generally, to qualify as a Permitted Bid, a bid must be made to all Unitholders and must be open for sixty (60) days after the bid is made. If more than fifty percent (50%) of the Units held by Independent Unitholders (as defined in Schedule “A” hereto) are deposited or tendered to the bid and not withdrawn, the bidder may take up and pay for such Units. The takeover bid must then be extended for a further period of ten (10) days on the same terms to allow those Unitholders who did not initially tender their Units to tender to the takeover bid if they so choose. Thus, there is no coercion to tender during the initial sixty (60) day period because the bid must be open for acceptance for at least, a further ten (10) days after the expiry of the initial tender period. The intention of the Rights Plan is to make it impractical for any person to acquire more than twenty percent (20%) of the outstanding Units without the approval of the trustees, except pursuant to the Permitted Bid procedures or pursuant to certain other exemptions, as outlined below. Management believes that the Rights Plan, taken as a whole, should not be an unreasonable obstacle to a serious bidder willing to make a *bona fide* and financially fair offer open to all Unitholders while permitting the board of trustees to fully consider the bidder’s offer and, if appropriate, investigate and pursue alternatives.

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

A summary of the Rights Plan is set forth in Schedule “A” to this Circular.

#### *Approval Required*

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

#### 4. **Special Business – Amendments to the Declaration of Trust – Advance Notice Policy**

The board of trustees believe that all Unitholders should be provided with sufficient disclosure and time to make appropriate decisions regarding the election of trustees to the board of trustees at meetings of Unitholders. Accordingly, the trustees are seeking Unitholder approval to adopt a policy to provide for advance notice of nominations of trustees (the “**Advance Notice Policy**”) for the purpose of providing Unitholders, trustees and management of the Trust with a transparent, structured and fair process for nominating trustees of the Trust in connection with any annual or special meeting of Unitholders.

Currently, the provisions of the Trust’s Declaration of Trust do not explicitly provide the board of trustees with the power to make, adopt, amend or repeal policies containing provisions relating to the advance notice of nominations of trustees in connection with any annual or special meeting of Unitholders. The board of trustees is seeking Unitholder approval to make certain amendments to the Declaration of Trust to permit the trustees to adopt an Advance Notice Policy.

The purpose of the Advance Notice Policy is to (i) ensure that all Unitholders receive adequate notice of trustee nominations and sufficient time and information with respect to all nominees to make appropriate deliberations and register an informed vote; and (ii) facilitate an orderly and efficient process for annual or, where the need arises, special meetings of Unitholders of the Trust. The Advance Notice Policy fixes a deadline by which holders of record of Units of the Trust must submit trustee nominations to the Trust prior to any annual or special meeting of Unitholders and sets forth the information that a Unitholder must include in a written notice to the Trust for any trustee nominee to be eligible for election at such annual or special meeting of Unitholders. As a result of these requirements, the Advance Notice Policy provides all Unitholders with the opportunity to participate effectively in the election of trustees by allowing them to consider all trustee nominees and to be made aware of potential proxy contests in advance of an annual or special meeting of Unitholders.

If the amendment to the Declaration of Trust is approved by the Unitholders at the Meeting, the board of trustees intend on subsequently adopting the Advance Notice Policy in the form attached as Schedule “D”. The following is a brief summary of certain provisions of the Advance Notice Policy and is qualified in its entirety by the full text of the Advance Notice Policy which is attached to this Circular as Schedule “D”. The proposed amendments to the Declaration of Trust would permit the board of trustees to adopt the Advance Notice Policy as well as rescind it or amend it from time to time in their discretion.

1. Other than pursuant to a requisition of the Unitholders made in accordance with the Trust’s Declaration of Trust, Unitholders of the Trust must give advance written notice to the Trust of any nominees for election to the board of trustees.
2. The Advance Notice Policy fixes a deadline by which holders of record of Units must submit, in writing, nominations for trustees to the General Counsel and Corporate Secretary of the Trust prior to any annual or special meeting of Unitholders and sets forth the specific information that such holders must include with their nominations in order to be effective, such as, the name, age, principal occupation or employment for the past five years of the proposed nominee, as well as the proposed nominee’s direct or indirect beneficial ownership in, or control or direction over, securities of the Trust.

3. For an annual meeting of Unitholders, notice to the Trust of the proposed nominations must be not less than 30 and not more than 65 days prior to the date of the annual meeting; save and except where the annual meeting is to be held on a date less than 50 days after the date on which the first public announcement of the date of such annual meeting was made, in which event notice may be given not later than the close of business on the 10<sup>th</sup> day following such public announcement.
4. For a special meeting of Unitholders (that is not also an annual meeting), notice to the Trust of the proposed nominations must be given not later than the close of business on the 15<sup>th</sup> day following the day on which the first public announcement of the date of such special meeting was made.

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

#### 5. Special Business - Amendments to the Declaration of Trust - Notice-and-Access

Effective February 11, 2013, National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("**NI 54-101**"), National Instrument 51-102 - *Continuous Disclosure Obligations* and Form 51-102F5 Information Circular ("**NI 51-102**") and National Policy 11-201 - *Delivery of Documents by Electronic Means* were amended to give reporting issuers the option to use the "notice-and-access" method to post Annual Materials (as defined below) on a website instead of having to mail materials to registered shareholders (under NI 51-102) and to beneficial shareholders (under NI 54-101).

Notice-and-access may be used to provide access to the notice of meeting, proxy circular, financial statements and management discussion and analysis (collectively the "**Annual Materials**") by posting these on SEDAR and a non-SEDAR website, and concurrently posting and sending to Unitholders a "NOA Notice" together with a form of proxy (for registered holders), or applicable voting instruction form (for beneficial owners) (the "**NOA Notice Package**"). The notice-and-access method is available for all meetings, including special meetings.

Under notice-and-access, the record date for notice of the meeting must be set at least 40 days prior to the meeting date and the notification of meeting and record date(s) must to be provided 25 days prior to such record date (subject to abridgement).

The NOA Notice Package must be sent 30 days prior to the meeting date (if sending directly to non-objecting beneficial owners) or 30 + 3 or 30+ 4 days prior to the meeting date (if sending indirectly to objecting beneficial owners), and concurrently posted on SEDAR and a non-SEDAR website. The relevant Annual Materials, as applicable, must be concurrently posted. A toll-free number must be arranged to allow registered holders and beneficial owners to call and request proxy-related materials.

The Trust anticipates that notice-and-access will substantially reduce both postage and material costs and also promotes environmental responsibility by decreasing the large volume of paper documents generated by printing Annual Materials.

While NI 54-101 and 52-102 now permit notice-and-access, notice-and-access must also be compatible with the Trust's Declaration of Trust. Currently, the provisions of the Trust's Declaration of Trust are incompatible with notice-and-access for the following reasons:

- (a) the Declaration of Trust does not explicitly permit the electronic delivery of Annual Materials;
- (b) Section 6.3 - *Notice of Meeting of Unitholders and Special Unitholders* and Section 15.2 - *Manner of Giving Notice* of the Declaration of Trust requires that all notices, including notice of all meetings of the Unitholders and Special Unitholders, must be mailed or delivered by the Trustees to each Unitholder or Special Unitholder at his address appearing in the register; and
- (c) Section 15.6 - *Reports to Unitholders* of the Declaration of Trust requires the Trustees to "send" to Unitholders certain financial statements, but the Declaration of Trust does not specify how such requirement may be satisfied.

The board of trustees is seeking Unitholder approval to make certain amendments to the Declaration of Trust to resolve such incompatibilities and permit the Trust to use notice-and-access in the future.

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

## COMPENSATION DISCUSSION & ANALYSIS

### Compensation Discussion and Analysis

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

The Trust has continued to achieve its key financial and strategic objectives throughout 2012. 2012 was a significant year of growth for the Trust with a 20% increase in its portfolio, having acquired 4,947 residential suites in 14 properties across Canada and 2,037 land lease sites in 14 manufactured home communities. In the same period, pursuant to its strategy to dispose of non-core assets from time to time, the Trust sold 773 non-core residential suites. The acquisitions completed in 2012 have strengthened the portfolio geographically. The acquisition of new manufactured home communities has increased the Trust's base in a profitable sector of residential real estate, which management of the Trust believes will provide the Trust with accretive growth in the long term. In addition, effective September 2012, the Trust increased monthly cash distributions to \$0.093 per Unit, compared to \$0.090 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 the Trust's key objectives in 2012 including:

### *Portfolio Performance*

- Operating Revenues – Annual operating revenues increased by 13.9%, compared to December 31, 2011, 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 rose 2.1% as at December 31, 2012, with a marginal decrease in overall occupancy to 97.8% from 98.5%.
- Net Operating Income (“NOI”) – Annual NOI increased by 15.4% (4.0% on a stabilized portfolio basis). NOI is a key indicator of operating performance in the real estate industry and of the Trust’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 increased 0.7% from 57.0% to 57.7%.
- The Trust has generated twenty-eight consecutive quarters of stable or improved year-over-year NOI growth for stabilized properties.

### *Operating Performance*

- Normalized Funds From Operations (“NFFO”) – NFFO for the year ended December 31, 2012 increased by 27.6% to \$132.6 million compared to \$103.9 million in 2011, generating an improved NFFO payout ratio of 76.4% compared to 82.8% in 2011. NFFO is an important measure of the Trust’s operating performance and the primary indicator with respect to the sustainability of the Trust’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 the Trust’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, amortization of losses on certain hedging instruments, and losses incurred on the amendment of natural gas contracts.

### *Liquidity and Leverage*

- Debt to Gross Book Value – Total debt to gross book value as at December 31, 2012 was conservative at 47.25%.
- Debt Financings and Mortgage Renewals – The Trust achieved its debt financing and mortgage refinancing targets for 2012. Mortgage refinancings totaled \$360.3 million in 2012, consisting of renewals of existing mortgages of \$243.9 million and additional top up financings of \$116.35 million. New financings were completed at a weighted average stated interest rate of 2.95%, which is well below the weighted average interest rate for the mortgages that matured in 2012.
- Interest and Debt Coverage – Improved interest coverage and debt service coverage ratios of 2.51 and 1.52 times, respectively, were achieved in 2012.

### *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 1, 2013, the Compensation and Governance Committee of the Trust consisted of the following trustees: Paul Harris, Stanley Swartzman and David Williams. David Williams 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 2012, the Compensation and Governance Committee:

- reviewed the performance of the Trust and senior management relative to the Trust’s annual and long-term objectives and relative to its executive compensation comparator group;
- reviewed and made recommendations to the board of trustees on the compensation of trustees and of the President and Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Chief Accounting Officer;
- reviewed the succession plan for certain of the Trust’s senior executives. The Trust 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 2012, 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 the Trust; and
- engaged Mercer (Canada) Limited (“**Mercer**”), a compensation consultant, to provide advice and counsel on executive compensation matters, please see below “Executive Compensation Benchmark Analysis”.

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 the Trust 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 May 27, 2011 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 the Trust and the enhancement of Unitholder value;
- (ii) providing fair and competitive compensation; and
- (iii) balancing the interests of management and Unitholders of the Trust.

The Compensation and Governance Committee is granted unrestricted access to information about the Trust 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 the Trust’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 the Trust, each of the committee members has direct experience that is relevant to their responsibilities in executive compensation as follows:

- (i) Mr. Williams has over 40 years business experience as chief financial officer and president of major public and private companies where his roles included direct or indirect responsibility for the human resources function, including management of compensation and incentive reward programs; as well as recruitment, talent management and succession planning;
- (ii) Mr. Harris has over 35 years of experience as a corporate lawyer, including responsibility for negotiating executive compensation contracts for his clients. In addition, Mr. Harris is a member of the executive committee of the Board of Governors of the Canadian Football League (“CFL”), which is responsible for the establishment of compensation policies, including salary and annual bonus, for the executives and senior management of the CFL, and previously was a member of the compensation committee of the board of directors of

Primetech Electronics Inc. (formerly, a TSX-listed company), as well as interim president of a private company where he was responsible for senior management compensation; 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.

Mr. Williams and Mr. Harris have served as members of the Compensation and Governance Committee for over ten (10) years and Mr. Swartzman, in his capacity as lead trustee, has participated in the meetings of the Compensation and Governance Committee. 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 the Trust's compensation policies and practices.

#### *Compensation Policy/Objectives of the Trust'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. The Trust'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 the Trust's Unitholders.

Short and long-term incentive awards are determined by the achievement of annual specified performance objectives and the ability of the Trust 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 the Trust, 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> </ul>

Compensation Element	How it is Paid	What it is Designed to Reward
		<ul style="list-style-type: none"> <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 the Trust's annual business plan</li> <li>Rewards individual contribution to the Trust's overall performance</li> <li>Award is based on how the Trust 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 the Trust</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 the Trust and the respective participant performed against pre-determined objectives</li> </ul>
LTIP <sup>(1)</sup>	Trust Units (instalment receipts)	<ul style="list-style-type: none"> <li>Rewards contribution to the long-term performance of the Trust</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 the Trust and each respective participant performed against pre-determined objectives</li> </ul>
SELTIP <sup>(1)</sup>	Trust Units (instalment receipts)	<ul style="list-style-type: none"> <li>Rewards selected senior executive's (currently only the President and Chief Executive Officer participates) contribution to the long-term performance of the Trust</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>Encourages the retention of the selected participants</li> <li>Award is based on how the Trust and each respective participant performed against pre-determined objectives</li> </ul>
Unit Option Plan <sup>(1)</sup>	Options to Acquire Units at a set price	<ul style="list-style-type: none"> <li>Rewards contribution to the long-term performance of the Trust</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 the Trust 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 5% of his or her respective annual salary through payroll deductions</li> <li>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</li> </ul>

Compensation Element	How it is Paid	What it is Designed to Reward
		of purchase of Units

**Note:**

- (1) In connection with the adoption of the RUR Plan in 2010 and amendments to the EUPP permitting participation by the President and Chief Executive Officer and the Chief Financial Officer, the trustees suspended the granting of additional awards under the LTIP and the SELTIP. No LTIP or SELTIP awards were granted in respect of the 2012 financial year. 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 the Trust's objective to align the interests of trustees and senior executives of the Trust with Unitholders, in November, 2006, the board of trustees instituted a requirement that all trustees, including the President and Chief Executive Officer of the Trust, 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 the Trust have met, exceeded or are in the process of meeting this ownership requirement.

While executive officers of the Trust, other than the President and Chief Executive Officer, are not subject to these requirements, to further align the interests of management of the Trust with those of Unitholders, the Trust strongly encourages its officers and employees to invest in the Trust 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 1, 2013, by each NEO of the Trust, the dollar value of such interests and the percentage of such interests as a percentage of the Trust'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 President and Chief Executive Officer	2,595,968	64,509,805	2.54%
SCOTT CRYER Chief Financial Officer	15,106	375,384	0.01%
MARK KENNEY Chief Operating Officer	346,301	8,605,580	0.34%
MARIA AMARAL Chief Accounting Officer	282,038	7,008,644	0.28%
<b>TOTAL</b>	<b>3,239,413</b>	<b>80,499,413</b>	<b>3.17%</b>

**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 1, 2013 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 the Trust, the number of Units and RURs beneficially owned, or controlled or directed, directly or indirectly, by each executive officer.

### *Targeted Pay Positioning and Mix*

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

The Trust’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 the Trust’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 the Trust’s NEO compensation mix is competitive with comparator organizations and appropriate in light of the Trust’s business strategy.

### *Annual Performance Awards*

The maximum annual incentive compensation (bonus) level for the President and Chief Executive Officer and Chief Operating Officer is one hundred percent (100%) of base salary. The maximum annual incentive compensation level for the Chief Financial Officer and Chief Accounting Officer is seventy-five percent (75%) of base salary.

In light of the achievements of the Trust 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) the Trust paid out annual incentives to the NEOs.

Annual incentive compensation for all NEOs for the 2012 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 the Trust, as measured by NFFO per Unit achieved against a pre-determined target.

For the year ended 2012, the Compensation and Governance Committee set the NFFO per Unit threshold achievement level equal to \$1.35. 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 \$1.38. For the year ended 2012, the Trust achieved NFFO per Unit equal to \$1.49, translating into a corporate incentive component equal to one hundred percent (100%) of the maximum achievable amount.

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

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 2012 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 the Trust's tenants; and developing and beginning the implementation of a policy of corporate social responsibility for the Trust. 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 2012 financial year, such discretion was applied. See "New Actions/Decisions or Policies".

#### *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 the Trust'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 2012, grants of RURs were awarded based on the financial performance of the Trust, as measured by NFFO per Unit achieved against a pre-determined target. For the year ended 2012, the Compensation and Governance Committee established the NFFO Unit threshold achievement level equal to \$1.36 (\$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 \$1.39. As the Trust achieved NFFO per Unit in 2012 of \$1.49, 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 2012 financial year.

Name	Number of RURs	Total Value <sup>(1)</sup> (\$)	Last Day of Grant Period
THOMAS SCHWARTZ President and Chief Executive Officer	27,711	710,500	February 26, 2016
SCOTT CRYER Chief Financial Officer	6,474	166,000	February 26, 2016
MARK KENNEY Chief Operating Officer	13,846	355,000	February 26, 2016
MARIA AMARAL Chief Accounting Officer	7,566	194,000	February 26, 2016

**Note:**

(1) Based on a per Unit price of \$25.64 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 the Trust's annual incentive compensation and RUR Plan. Under this policy, which applies to the NEOs (with the exception of Mr. Cryer), 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 the Trust'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, other than Mr. Cryer, 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 reviewing the performance of the NEOs in 2012, in particular the efforts surrounding increasing the Trust's portfolio by more than twenty percent (20%), the results generated by such efforts,



and the strongest growth of NFFO per Unit in the Trust's history, the Compensation and Governance Committee recommended, and the board of trustees approved, the grant of a special cash bonus to each of the NEO's in an amount equal to fifty percent (50%) of their base salary. The Compensation and Governance Committee also engaged Mercer to provide advice and counsel on executive compensation matters, please see below "Executive Compensation Benchmark Analysis". Other than the foregoing, the Trust 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. The Trust 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 the Trust'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 the Trust'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 the Trust's long-term financial condition; (ii) tying both the short-term incentive (cash) bonus and long-term incentive (equity) bonus, to the Trust'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 the Trust'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 the Trust's compensation policies and practices, the Compensation and Governance Committee has not identified risks arising from the Trust's compensation policies and practices that are reasonably likely to have a material adverse effect on the Trust.

The NEOs and trustees of the Trust 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 under our LTIP and SELTIP plans, 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 the Trust generally.

### *Executive Compensation Benchmark Analysis*

In 2009, Mercer was engaged by the Compensation and Governance Committee to provide advice and counsel on executive compensation matters, including validation of the prior (2008) executive

compensation comparator group, to conduct compensation benchmark analysis and to provide a brief review of the Trust's total Unitholder return relative to the 2009 executive and trustee compensation comparator group. At that time, Mercer proposed, and the Compensation and Governance Committee approved, the following set of organizations from which to benchmark the Trust's executive compensation levels. Such set of organizations is composed of thirteen (13) 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, total assets, and market capitalization. Based on these selection criteria, the Trust deems each organization included in the benchmark group to carry on business operations comparable to the Trust and thus views the compensation policies of such organizations relevant for consideration.

- Boardwalk REIT
- Canadian REIT
- Calloway REIT
- Chartwell Seniors Housing REIT
- Cominar REIT
- Dundee REIT
- First Capital Realty Inc.
- H&R REIT
- InnVest REIT
- Morguard Corp.
- Morguard REIT
- Melcor Development Ltd.
- RioCan REIT

One of the principal changes stemming from the Mercer analysis was the introduction of the RUR Plan as the primary plan through which long-term incentive compensation will be awarded to senior and executive management, and the decision to phase out reliance on the LTIP and SELTIP. The results of the Mercer engagement and the benchmarking that was applied were used in 2012 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. The Trust does not determine performance-based incentive compensation based on how the Trust performed relative to its peer group on an annual basis.

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 (discussed above), to conduct compensation benchmark analysis and to provide a brief review of the retirement plan practices within the Trust'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 the Trust's executive compensation levels for 2013. 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, the Trust deems each organization included in the benchmark group to carry on business operations comparable to the Trust and thus views the compensation policies of such organizations relevant for consideration.

- Allied Properties REIT
- Artis REIT
- Boardwalk REIT
- BPO Properties Ltd.
- Canadian REIT
- Calloway REIT
- Chartwell Seniors Housing REIT
- Cominar REIT
- Dundee REIT
- First Capital Realty Inc.
- Granite Real Estate Inc.
- H&R REIT
- Morguard Corp.
- Morguard REIT
- Primaris REIT

- Northern Property REIT
- RioCan REIT

The results of the Mercer engagement and the benchmarking that was applied will be used in 2013 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, the Trust does not determine performance-based incentive compensation based on how the Trust performed relative to its peer group on an annual basis.

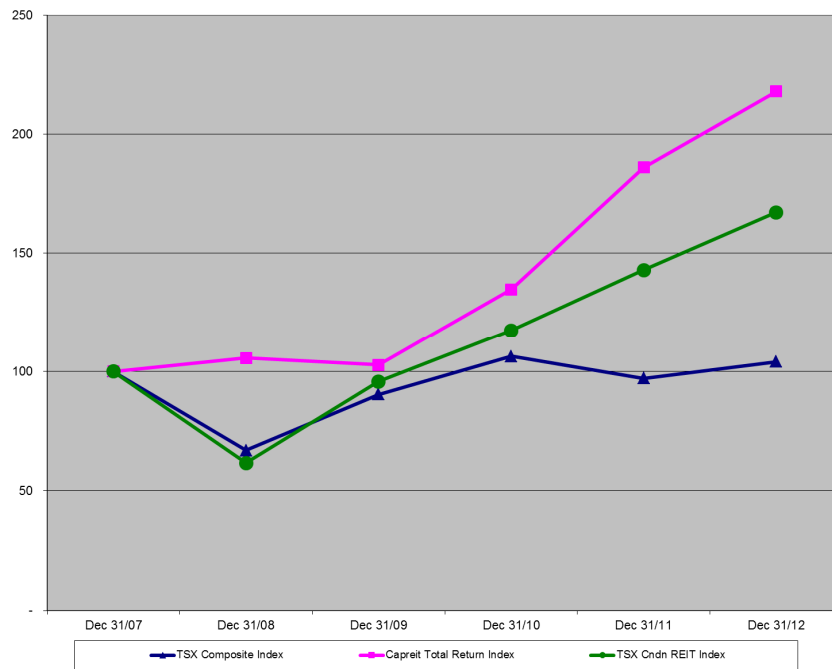
Mercer did not provide any other services to the Trust or to any of its trustees or members of management other than as described.

#### *Summary of Fees to Mercer*

<b>Nature of Fees</b>	<b>2012</b>	<b>2011</b>
Executive Compensation-Related Fees	\$38,943	Nil
All Other Fees	Nil	Nil
<b>Total</b>	<b>\$38,943</b>	<b>Nil</b>

#### *Performance Graph*

The following graph compares the total cumulative Unitholder return for \$100 invested in Units on December 31, 2007 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 the Trust.



Compensation for the Trust'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 the Trust's investment or operating strategy or the achievement by the Trust of its objectives, which include 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 the Trust that compensation delivered to the NEOs versus performance, as measured by NFFO, is a more meaningful illustration of the Trust's pay for performance policy. As a result, the Trust's NEO compensation is heavily linked to the success of the Trust's generation of NFFO for Unitholders.

### SUMMARY COMPENSATION TABLE

The following table sets forth a summary of the compensation earned by each NEO of the Trust in 2012. For comparison purposes, the compensation information from 2010 and 2011 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	2012	710,500	710,500 <sup>(4)</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>(5)</sup>	481,227 <sup>(8)</sup>	690,000 <sup>(11)</sup>	-	-	23,994 <sup>(14)</sup>	2,575,221
	2010	670,000	670,000 <sup>(6)</sup>	234,840 <sup>(9)</sup>	670,000 <sup>(12)</sup>	-	-	27,455 <sup>(15)</sup>	2,272,295
SCOTT CRYER <sup>(2)</sup> Chief Financial Officer	2012	221,500	166,000 <sup>(4)</sup>	-	276,000 <sup>(10)</sup>	-	-	17,475 <sup>(13)</sup>	690,975
	2011	200,769	115,625 <sup>(5)</sup>	-	105,625 <sup>(11)</sup>	-	-	16,165 <sup>(14)</sup>	438,184
	2010	180,000	20,000 <sup>(6)</sup>	-	50,000 <sup>(12)</sup>	-	-	5,271 <sup>(15)</sup>	255,271
MARK KENNEY Chief Operating Officer	2012	354,500	355,000 <sup>(4)</sup>	-	535,000 <sup>(10)</sup>	-	-	43,736 <sup>(13)</sup>	1,288,236
	2011	320,000	320,000 <sup>(5)</sup>	-	320,000 <sup>(11)</sup>	-	-	41,358 <sup>(14)</sup>	1,001,358
	2010	309,000	309,000 <sup>(6)</sup>	-	309,000 <sup>(12)</sup>	-	-	40,810 <sup>(15)</sup>	967,810
MARIA AMARAL <sup>(3)</sup> Chief Accounting Officer	2012	257,500	194,000 <sup>(4)</sup>	-	324,000 <sup>(10)</sup>	-	-	38,115 <sup>(13)</sup>	813,615
	2011	250,000	187,500 <sup>(5)</sup>	-	187,500 <sup>(11)</sup>	-	-	37,438 <sup>(14)</sup>	662,438
	2010	242,000	181,500 <sup>(6)</sup>	-	181,500 <sup>(12)</sup>	-	-	36,429 <sup>(15)</sup>	641,429

**Notes:**

- (1) Mr. Schwartz is President and Chief Executive Officer of the Trust and a trustee. Mr. Schwartz does not receive compensation for his services as trustee.
- (2) Mr. Cryer was appointed Chief Financial Officer of the Trust in June, 2011. Prior to that, he held the position of Vice President, Financial Reporting.

- (3) Ms. Amaral was appointed Chief Accounting Officer of the Trust in June, 2011. Prior to that, she held the position of Senior Vice President, Finance.
- (4) 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.
- (5) 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.
- (6) Represents 36,472 RURs issued to Mr. Schwartz; 1,089 RURs issued to Mr. Cryer; 16,821 RURs issued to Mr. Kenney; and 9,880 RURs issued to Ms. Amaral; in each case on February 22, 2011. 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 \$18.37. 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 \$18.80.
- (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-Scholes model is used as the most commonly used valuation methodology by options market participants.
- (9) On December 10, 2010 in connection with an equity offering, 217,500 options were granted at an exercise price of \$17.30 and on December 23, 2010 in connection with the exercise of the over-allotment option, a further 10,500 options were granted at an exercise price of \$17.30. The options mature on December 9 and December 22, 2020, 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 6.24%, a risk-free rate of 3.08%, and a volatility of 17.41%. The options vested immediately on grant date. The Black-Scholes model is used as the most commonly used valuation methodology by options market participants.
- (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. See "New Actions/Decisions or Policies" for more information on such special bonuses.
- (11) This bonus was earned in respect of the 2011 financial year and paid in March, 2012.
- (12) This bonus was earned in respect of the 2010 financial year and paid in February, 2011.
- (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 the Trust pursuant to the 10% match under the EUPP and insurance premiums paid by the Trust 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 the Trust pursuant to the 10% match under the EUPP and insurance premiums paid by the Trust in respect of life insurance for each NEO, which amounts for 2011 were immaterial.
- (15) Represents the total value of perquisites, including car allowance of \$18,000 for Mr. Schwartz. Represents total perquisites for Mr. Cryer. Represents total value of perquisites, including car allowance of \$18,000, and Executive RRSP contribution of \$15,450 for Mr. Kenney. Represents total value of perquisites, including car allowance of \$18,000, and Executive RRSP contribution of \$12,100 for Ms. Amaral. This also includes the taxable portion of the additional Units received by each NEO, as applicable, from the Trust pursuant to the 10% match under the EUPP and insurance premiums paid by the Trust in respect of life insurance for each NEO, which amounts for 2010 were immaterial.

## Narrative Discussion

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

The Executive Contracts for Messrs. Schwartz, Kenney 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 the Trust 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 the Trust 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).

The Compensation and Governance Committee bases its determinations with respect to bonus entitlements and eligibility under the Trust'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, the Trust 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, the Trust 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 the Trust, 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 first anniversary 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 or substantially all of the assets of the Trust 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 first anniversary 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 the Trust 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 the Trust 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, the Trust 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, the Trust may elect not to purchase the annuity but to provide the Change of Control Annual Benefit in another manner that is more favourable to the Trust 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 the Trust.

The Executive Contract for Mr. Cryer provides for an annual base salary. The Executive Contract for Mr. Cryer provides that he may be entitled to an annual discretionary performance bonus and to participate in the RUR Plan. The Compensation and Governance Committee bases its determinations with respect to bonus entitlements and eligibility under the Trust's RUR Plan on the achievement of targeted annual performance levels. See "Annual Performance Awards" and "Elements of Executive Compensation".

Mr. Cryer is also entitled to participate in the EUPP and Executive Registered Retirement Savings Plan.

Mr. Cryer's Executive Contract does not include defined termination provisions. As such, in the event of termination, Mr. Cryer's entitlements upon termination would be governed by applicable laws. Mr. Cryer's Executive Contract does not include any change of control provisions.

#### *Executive Registered Retirement Savings Plan*

The Trust has established an Executive Registered Retirement Savings Plan (the "Plan") for key senior management, excluding the President and Chief Executive Officer. The Plan 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 the Trust's and/or individual performance in that year.

The Plan is intended to assist participants in generating long-term capital appreciation for the executives' retirement income; it is not designed to provide short-term compensation. Accordingly, in the event that while still employed by the Trust, an executive withdraws any assets from his or her Plan account, the Trust will make no further contributions to the Plan on the executive's behalf. A resumption of Plan 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 the Trust.

## 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	217,500 10,500 224,250 232,500 201,000 30,150 915,900	17.30 17.30 20.30 22.75 24.00 24.85	December 9, 2020 December 22, 2020 October 30, 2021 May 16, 2022 December 3, 2022 December 12, 2022	1,653,000 79,800 1,031,550 499,875 180,900 <u>1,507</u> 3,446,632	101,845	2,535,941	28,022,410
SCOTT CRYER Chief Financial Officer	-	-	-	-	6,565	163,469	-
MARK KENNEY Chief Operating Officer	-	-	-	-	47,044	1,171,396	5,408,326
MARIA AMARAL Chief Accounting Officer	-	-	-	-	27,618	687,688	2,863,500

Notes:



- (1) Value based on the closing price of Units on the TSX on December 31, 2012.  
(2) Represents RURs which vest on the third anniversary of the grant date.  
(3) Represents SELTIP and LTIP awards for Mr. Schwartz and LTIP awards for Mr. Kenney and Ms. Amaral. The outstanding loan balances on such awards at December 31, 2012 are \$15,227,009, \$2,637,089 and \$1,546,315 for Mr. Schwartz, Mr. Kenney and Ms. Amaral, respectively.

### Incentive Plan Awards – Value Vested or Earned During the Year

Name	Option-Based Awards - Value Vested During the Year <sup>(1)</sup> (\$)	Unit-Based Awards - Value Vested During the Year <sup>(2)</sup> (\$)	Non-Equity Incentive Plan Compensation - Value Earned During the Year (\$)
THOMAS SCHWARTZ President and Chief Executive Officer	-	-	1,071,000
SCOTT CRYER Chief Financial Officer	-	-	276,000
MARK KENNEY Chief Operating Officer	-	-	535,000
MARIA AMARAL Chief Accounting Officer	-	-	324,000

#### Notes:

- (1) Value of options issued to Mr. Schwartz is nil as the market price on vesting date of May 16, 2012, December 4, 2012 and December 13, 2012, were \$22.72, \$23.53 and \$24.80, respectively, which were below the exercise price of \$22.75, \$24.00 and \$24.85, respectively.  
(2) Excludes RURs as units vest on the third anniversary date of grant.

### Narrative Discussion

#### Equity Based Incentive Plans

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

Compensation Component <sup>(1)</sup>	Incentive Type	Applies To	Period	Other Provisions
RUR Plan	RURs exercisable for Units upon vesting.	Officers and employees of the Trust as well as any affiliate (as such term is defined in the <i>Securities Act</i> (Ontario)) of the Trust 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, the Trust 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.

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**Note:**

- (1) In connection with the adoption of the RUR Plan in 2010, the trustees suspended the granting of additional awards under the LTIP and the SELTIP. The Trust adopted a Unit Option Plan. However, the trustees' current policy is not to make any further incentive compensation awards under this plan, except as provided for pursuant to the President and Chief Executive Officer's employment agreement (see "Significant Terms of Executive Employment Agreements").

*Description of Equity Based Incentive Plans**RUR Plan*

The Trust 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 the Trust 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 the Trust or its subsidiaries, and includes a takeover.

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

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

As at April 1, 2013, 344,764 RURs have been issued and are outstanding under the RUR Plan to Participants; the Units issuable under such grants constitute 0.34% of the Trust’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 all equity incentive plans of the Trust.

#### *Long-Term Incentive Plan*

The Trust has established a LTIP, which is available to certain trustees, officers and employees of the Trust. The objective of the LTIP is to encourage increased long-term equity participation in the Trust by such individuals. The Compensation and Governance Committee of the board of trustees may award LTIP Units, subject to the attainment of specified performance objectives to individuals eligible to participate.

No non-executive trustee shall be issued Units under the LTIP which would result in the non-executive trustees collectively holding an aggregate number of Units issued or issuable pursuant to the LTIP or any of the Trust’s other equity incentive plans (or pursuant to exercise of options granted pursuant to the Trust’s Unit Option Plan) of more than one-half percent (0.5%) of the aggregate number of Units, on a non-diluted basis, outstanding from time to time. The maximum aggregate number of LTIP Units reserved for issuance to any one participant must be less than any limit prescribed by any applicable regulatory authority from time to time.

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 the Trust'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, the Trust 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 the Trust's President and Chief Executive Officer and then Chief Financial Officer and Secretary under the LTIP, were transferred to the SELTIP.

As of April 1, 2013, a total of 1,515,427 Units have been issued and are outstanding under the LTIP (representing approximately 1.48% of the issued and outstanding Units at such date). As of April 1, 2013, 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 equity incentive plans of the Trust.

Trustees participate in the DUP and, accordingly, the trustees' current policy is not to award LTIP Units to trustees. See "Trustee Compensation - Deferred Unit Plan".

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 2010.

#### *Senior Executive Long-Term Incentive Plan*

The Trust has established a SELTIP that is available to the President and Chief Executive Officer and Chief Financial Officer of the Trust and such other persons as the Compensation and Governance Committee of the Trust may from time to time direct. The SELTIP is intended to facilitate long-term ownership of Units by such individuals, to provide them with additional incentives by increasing their interest, as owners, in the Trust, and encourage such individuals to remain with the Trust.

No non-executive trustee shall be issued Units under the SELTIP which would result in the non-executive trustees collectively holding an aggregate number of Units (including Units issuable pursuant to the exercise of options granted pursuant to the Trust's Unit Option Plan) in excess of one-half percent (0.5%) of the aggregate number of Units, on a non-diluted basis, outstanding from time to time. The maximum aggregate number of SELTIP Units reserved for issuance to any one participant must be less than any limit prescribed by any applicable regulatory authority from time to time.

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 the Trust'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, the Trust 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 1, 2013, a total of 817,914 Units have been issued and are outstanding under the SELTIP (representing approximately 0.80% 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 equity incentive plans of the Trust.

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 2010.

#### *Unit Option Plan*

The Trust adopted a Unit Option Plan on May 21, 1997. Participation in the Unit Option Plan is restricted to (i) trustees, officers and employees of the Trust, (ii) persons or companies engaged to provide ongoing management or consulting services for the Trust, 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.

The following table sets forth information related to options exercised by the NEOs during the 2012 financial year and financial year end option values.

Name	Securities Acquired on Exercise(#)	Aggregate Value Realized (\$)	Unexercised Options at Financial Year End (#)	Value of Unexercised In-The-Money Options at Financial Year-End (\$)
MARIA AMARAL Chief Accounting Officer	40,000	\$435,000	Nil	Nil

As at April 1, 2013, 2,093,000 options have been exercised and 915,900 remain outstanding and unexercised as at such date (representing, in the aggregate, approximately 2.94% 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 predisclose securities transactions.

Units issuable under the Unit Option Plan are included in the 7,000,000 limit on the number of Units issuable under all equity incentive plans of the Trust.

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

#### *Employee Unit Purchase Plan*

The Trust has adopted an EUPP that is available to certain full-time employees and senior officers of the Trust. The purpose of the EUPP is to advance the interests of the Trust and Unitholders by facilitating and encouraging employees and senior officers of the Trust 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 five percent (5%) 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, participants receive an additional amount 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.

No Units of the Trust shall be issued under the EUPP if such issuance would result in the majority of the Units to be allocated under the EUPP being or becoming issuable to Insiders (as such term is defined in the EUPP) or if the EUPP, together with all other previously established or proposed Unit incentive compensation plans, could result, at any time in: (i) the issuance to Insiders, within a one (1) year period, of a number of Units exceeding ten percent (10%) of the outstanding issue; (ii) the issuance to Insiders, at any time, of a number of Units exceeding ten percent (10%) of the outstanding issue; or (iii) the number of Units which may be issued or reserved for issuance, within a one (1) year period, under the EUPP and any other Unit incentive compensation plans to any single employee exceeding five percent (5%) of the outstanding issue.

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

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

The EUPP can be amended by the board of trustees, subject to applicable law, without Unitholder approval, except in certain limited circumstances, which are substantially similar to those listed in the LTIP, as described above; except that Unitholder approval is not required to amend the provision of the EUPP relating to purchase price. Examples of the types of amendments that the trustees could make



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

As at April 1, 2013, 133,926 Units have been issued and are outstanding under the EUPP, constituting 0.13% of the Trust's currently outstanding Units.

Units issuable under the EUPP are included in the 7,000,000 limit on the number of Units issuable under all equity incentive plans of the Trust.

#### *Unit Purchase Plan*

The Trust has adopted a Unit Purchase Plan with the intent of advancing the interests of the Trust 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 will be based upon the ability of the Trust to meet annual targeted performance levels established for each financial year by the Compensation and Governance Committee.

Under the terms of the Unit Purchase Plan, loans may be made to participants for the purchase of Units. Loans must be repaid in full no later than the third anniversary of the date of the loan. Loans will bear interest at a rate determined by the Compensation and Governance Committee and may be interest free. Units purchased with loan proceeds will be pledged as collateral security for the repayment of the loan to such participant. The price at which Units are issued by the Trust and purchased by participants shall be the Market Value (which means the price per Unit equal to the weighted average trading price of the Units on the TSX for the five (5) trading days during which the Units were traded or posted immediately preceding the date in question) thereof as at the date of approval by the Administrator (as defined in the Unit Purchase Plan) of the making of the loan. A participant may not assign, transfer or dispose of his interest in the Units acquired under the Unit Purchase Plan and the Trust reserves the right to amend or terminate the Unit Purchase Plan at any time, subject to any required Unitholder and/or regulatory approvals. Unitholder approval is not required to amend the Unit Purchase Plan 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 Purchase Plan 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 UPP 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.

If a participant voluntarily retires before attaining the age of sixty-five (65) or resigns or is terminated by the Trust from all of his position(s) as a senior officer or employee of the Trust, the participant shall cease to be eligible to participate in the plan and the participant's loan for Units under the plan shall become due and payable on the earlier of the original repayment date and the date that is sixty (60) business days after the triggering event.

In the event of a change of control, as described in the Unit Purchase Plan, the Compensation and Governance Committee may determine the manner in which all outstanding loans and Units shall be treated.

The loans made pursuant to the Unit Purchase Plan bore interest at the rate equal to the Trust'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.

As of April 1, 2013, a total of 423,725 Units have been issued and are outstanding under the Unit Purchase Plan (representing approximately 0.41% of the number of the issued and outstanding Units at such date). No new Units were issued and no new loans were granted to executives pursuant to the Unit Purchase Plan in 2011 or 2012. None of the trustees and executive officers of the Trust was indebted to the Trust in connection with the purchase of Units under the Unit Purchase Plan during the 2012 financial year and no amounts remain outstanding as at April 1, 2013.

Units issued under the Unit Purchase Plan are included in the 7,000,000 limit on the number of Units issuable under all equity based incentive plans of the Trust.

The trustees' current policy is not to issue any further Units under the Unit Purchase Plan.

#### *Deferred Unit Plan*

Please refer to "Trustee Compensation - Deferred Unit Plan" for a description of the Trust's DUP.

### **PENSION PLAN BENEFITS**

The Trust 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 the Trust's termination provisions by compensation program as they relate to the NEOs.

<b>Plan</b>	<b>Death, Retirement or Resignation</b>	<b>Termination With Cause</b>	<b>Termination Without Cause</b>	<b>Termination Without Cause Following a Change-In-Control</b>
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). <sup>(1)</sup>	Eligible for severance or lump sum severance payment (36 months). <sup>(1)</sup>
Annual Incentive (Bonus)	Receive pro-rated payment based on proportion of financial year completed as of the date of death or retirement.	No longer eligible effective date of termination.	Eligible for severance or lump sum severance payment (30 months pro-rated on prior two (2) year average annual incentive award). <sup>(1)</sup>	Eligible for severance or lump sum severance payment (36 months pro-rated on prior two (2) year average annual incentive award). <sup>(1)</sup>
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	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

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

**Note:**

(1) Not applicable to Mr. Cryer whose Executive Contract does not contain defined termination provisions.

The following table provides details pertaining to the estimated incremental payments from the Trust to each of the NEOs under each of the termination scenarios, assuming termination on December 31, 2012.

Name	Death, Retirement or Resignation (\$)	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	710,500	Nil	3,613,083	4,335,699
SCOTT CRYER <sup>(2)</sup> Chief Financial Officer	-	-	-	-
MARK KENNEY Chief Operating Officer	354,500	Nil	1,812,330	2,174,796
MARIA AMARAL Chief Accounting Officer	192,875	Nil	1,198,874	1,438,649

**Notes:**

- (1) Includes benefits premiums and car allowance.  
(2) Mr. Cryer's Executive Contract does not contain defined termination provisions.

Each of the Executive Contracts, other than the Executive Contract for Mr. Cryer, 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, other than the Executive Contract for Mr. Cryer, contains certain customary non-competition, non-solicitation and confidentiality provisions in favour of the Trust.

## TRUSTEE COMPENSATION

### Trustee Compensation Table for 2012

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	7,000	110,000	-	-	-	-	117,000
DAVID EHRLICH <sup>(2)</sup>	-	-	-	-	-	-	-
PAUL HARRIS	-	110,000	-	-	-	-	110,000
EDWIN F. HAWKEN	27,500	55,000	-	-	-	-	82,500
THOMAS SCHWARTZ <sup>(3)</sup>	-	-	-	-	-	-	-
MICHAEL STEIN	20,000	110,000	-	-	-	-	130,000
STANLEY SWARTZMAN	17,000	110,000	-	-	-	-	127,000
DAVID WILLIAMS	7,000	110,000	-	-	-	-	117,000
<b>TOTAL</b>	<b>78,500</b>	<b>605,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>683,500</b>

**Notes:**

- (1) Represents 4,667 Deferred Units issued each to Messrs. Burke, Harris, Stein, Swartzman and Williams and 2,996 Deferred Units issued to Mr. Hawken 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. Ehrlich was appointed trustee on February 4, 2013.

- (3) Mr. Schwartz is President and Chief Executive Officer of the Trust and a trustee. Mr. Schwartz does not receive compensation for his services as trustee and does not participate in the DUP.

## 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 2009 (see the “Compensation Discussion and Analysis – Executive Compensation Benchmark Analysis” discussion) and assessed trustee compensation as against the Trust’s peers. The trustee compensation policy is to compensate trustees at the median of its peers.

During fiscal 2012, trustees received a flat annual retainer from the Trust per the schedule below. Certain trustees were also reimbursed for travel and miscellaneous expenses totalling, in the aggregate, \$11,844. Pursuant to the DUP, each non-executive trustee in 2012 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 the Trust. 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 2012 (including the impact of Deferred Units issued and matched by the Trust), would amount to \$110,000.

The following table provides a description of the 2012 trustee fee schedule.

Compensation Element	Compensation Value (\$)
Member Annual Retainer	\$55,000
Chairman Annual Retainer (premium)	\$20,000
Lead Trustee (premium)	\$10,000
Audit Committee, Investment Committee and Compensation and Governance Committee Chair (premium)	\$7,000

Currently, the Trust 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 1, 2013 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	16,351	16,451	408,807	Yes
DAVID EHRLICH	-	688	688	17,097	n/a <sup>(3)</sup>
PAUL HARRIS	55,000	26,679	81,679	2,029,723	Yes
EDWIN F. HAWKEN	58,856	17,384	76,240	1,894,564	Yes
THOMAS SCHWARTZ <sup>(4)</sup>	2,595,968	-	2,595,968	64,509,805	Yes
MICHAEL STEIN	619,906	29,213	649,119	16,130,607	Yes
STANLEY SWARTZMAN	104,021	29,213	133,234	3,310,865	Yes
DAVID WILLIAMS	53,126	29,213	82,339	2,046,124	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 1, 2013 by the closing price of the Units on the TSX on such date.
- (3) Mr. Ehrlich was appointed trustee on February 4, 2013 and is in the process of meeting the ownership requirements.
- (4) Mr. Schwartz is President and Chief Executive Officer of the Trust 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, the Trust established the DUP. The purpose of the DUP is to promote a greater alignment of interests between the non-executive trustees of the Trust and the Unitholders of the Trust.

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 in its sole discretion and approved by the board of trustees, in the form of deferred Units ("Deferred Units"), in lieu of cash, provided that the Trust 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 2012 was one hundred percent (100%) of the participant's board compensation in respect of 2012. Under the DUP, one (1) Deferred Unit shall be equivalent in value to one (1) Unit of the Trust. 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, 2012, 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) fifty percent (50%) of the participant's Elected Amount; (calculated by doubling the dollar amount of the participant's Elected Amount and dividing that product by four) by (ii) the Market Value (as defined in the plan) of a Unit on the Award Date (as defined in the plan).

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

In no event may the rights or interests of a participant under the DUP be assigned, encumbered, pledged, transferred or alienated in any way, except to the extent that certain rights may pass to a beneficiary or legal representative upon death of a participant, by will or by the laws of succession and distribution. The DUP may be amended by the board of trustees, subject to applicable law, without Unitholder approval, except in certain limited circumstances, which are substantially similar to those listed in the LTIP, as described above; except that Unitholder approval is not required to amend the provisions of the DUP relating to the value of Deferred Units. Such amendments to the DUP that the trustees may make without Unitholder approval, include, but are not limited to: (i) minor changes of a house-keeping nature; (ii) amendment which, in the opinion of the trustees, are necessary or desirable to remove conflicts of inconsistencies in the DUP; (iii) amendments as the trustees in their discretion deem necessary or desirable as a result of changes in the taxation laws from time to time; and (iv) a change to or the addition of any vesting provisions of Deferred Units issued pursuant to the DUP.

As of April 1, 2013, a total of 34,847 Units have been settled under the DUP (representing approximately 0.03% of the issued and outstanding Units at such date) and a further 148,741 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 1, 2013 and the associated dollar value. Such Deferred Units are included in the 7,000,000 limit on Units which may be issued under all of the Trust's equity incentive plans; provided, however, that: (i) at no time shall the number of Units reserved for issuance to insiders of the Trust 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





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> (\$)
STANLEY SWARTZMAN	-	-	-	-	-	-	1,563,845
DAVID WILLIAMS	-	-	-	-	-	-	1,563,845

**Notes:**

- (1) Value based on closing price of the Units on the TSX on December 31, 2012.
- (2) Represents Deferred Units and LTIP Units. The outstanding loan balance on the LTIP Unit awards at December 31, 2012 is \$413,599 for each of Messrs. Harris, Hawken, Stein, Swartzman and Williams.
- (3) Mr. Schwartz is President and Chief Executive Officer of the Trust 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 2012 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 the Trust'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, 2012 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 the Trust'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	21.24	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	21.24	412,252

**Note:**

- (1) The maximum number of Units remaining available for future issuance under the Unit Option Plan, LTIP, SELTIP, RUR Plan, EUPP and Unit Purchase Plan (all as more fully described under "Equity Based Incentive Plans") and the DUP (as more fully described

under “Deferred Unit Plan”), as at April 1, 2013, was 412,252 Units (which represents approximately 0.40% of the issued and outstanding Units at such date).

## INDEBTEDNESS OF TRUSTEES AND EXECUTIVE OFFICERS

Since the creation of the Trust, there has been no indebtedness incurred to the Trust 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 1, 2013 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 the Trust and its subsidiaries.

AGGREGATE INDEBTEDNESS		
Purpose	To the Trust or its subsidiaries	To Another Entity
LTIP and SELTIP Purchases	\$30,650,438	—
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 2012 financial year. No LTIP Units were issued in 2012.

Name and Principal Position	Involvement of the Trust	Largest Amount Outstanding During 2012 (\$)	Amount Outstanding at April 1, 2013 (\$)	Financially Assisted Securities Purchased During 2012 (#)	Security for Indebtedness	Amount Forgiven During 2012 (\$)
<b>Securities Purchase Programs</b>						
THOMAS SCHWARTZ <sup>(5)</sup> President and Chief Executive Officer	Lender	7,255,683	6,782,075 <sup>(1)</sup>	NIL	Non-recourse-security are the Units and the distributions	NIL
MARK KENNEY Chief Operating Officer	Lender	2,733,191	2,610,486 <sup>(2)</sup>	NIL	Non-recourse-security are the Units and the distributions	NIL
MARIA AMARAL Chief Accounting Officer	Lender	1,598,849	1,531,729 <sup>(3)</sup>	NIL	Non-recourse-security are the Units and the distributions	NIL
<b>SUB-TOTAL:</b>		11,587,722	10,924,290	NIL		NIL
PAUL HARRIS <sup>(5)</sup> Partner, Davies,	Lender	430,890	408,822 <sup>(4)</sup>	NIL	Non-recourse-security are the	NIL

Name and Principal Position	Involvement of the Trust	Largest Amount Outstanding During 2012 (\$)	Amount Outstanding at April 1, 2013 (\$)	Financially Assisted Securities Purchased During 2012 (#)	Security for Indebtedness	Amount Forgiven During 2012 (\$)
<b>Securities Purchase Programs</b>						
Ward, Phillip & Vineberg LLP (a law firm)					Units and the distributions	
EDWIN F. HAWKEN <sup>(5)</sup> Corporate Director	Lender	430,890	408,822 <sup>(4)</sup>	NIL	Non-recourse-security are the Units and the distributions	NIL
MICHAEL STEIN <sup>(5)</sup> Chairman of the Trust and President and Chief Executive Officer of MPI Group Inc.	Lender	430,890	408,822 <sup>(4)</sup>	NIL	Non-recourse-security are the Units and the distributions	NIL
STANLEY SWARTZMAN <sup>(5)</sup> Vice President, Real Estate and Store Planning of Sears Canada	Lender	430,890	408,822 <sup>(4)</sup>	NIL	Non-recourse-security are the Units and the distributions	NIL
DAVID WILLIAMS Corporate Director	Lender	430,890	408,822 <sup>(4)</sup>	NIL	Non-recourse-security are the Units and the distributions	NIL
<b>SUB-TOTAL</b>		2,154,451	2,044,109	NIL		NIL
<b>TOTAL</b>		13,742,173	12,968,399	NIL		NIL

**Notes:**

- (1) Instalment receipts issued for 10-year terms on August 21, 2007 at 4.88%, February 29, 2008 at 4.65%, March 10, 2009 at 4.48% and November 19, 2009 at 4.48%.
- (2) Instalment receipts issued for 10-year terms on 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 2012 financial year. No SELTIP Units were issued in 2012.

Name and Principal Position	Involvement of the Trust	Largest Amount Outstanding During 2012 (\$)	Amount Outstanding as at April 1, 2013 (\$)	Financially Assisted Securities Purchased During 2012 (#)	Security for Indebtedness	Amount Forgiven During 2012 (\$)
<b>Securities Purchase Programs</b>						
THOMAS SCHWARTZ <sup>(2)</sup> President and Chief Executive Officer	Lender	8,454,545	8,209,943 <sup>(1)</sup>	NIL	Non-recourse – security are the Units and the distributions	NIL
<b>TOTAL</b>		8,454,545	8,209,943	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 1, 2013, a total of 423,725 Units have been issued under the Unit Purchase Plan (representing approximately 0.41% 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 the Trust'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 2012. None of the trustees and executive officers of the Trust were indebted to the Trust in connection with the purchase of Units under the Unit Purchase Plan during the 2012 financial year and no amounts remain outstanding as at April 1, 2013.

The trustees' current policy is not to issue any further Units under the Unit Purchase Plan.

## 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 the Trust 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 the Trust.

To comply with these various standards and achieve best practices, the Trust has adopted comprehensive corporate governance policies and procedures. The Trust'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 the Trust believe that the Trust'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 1, 2013, the trustees were: Harold Burke, David Ehrlich, Paul Harris, Edwin F. Hawken, Thomas Schwartz, Michael Stein, Stanley Swartzman and David Williams.

### *Independent and Non-Independent Trustees*

Pursuant to NI 52-110, an independent trustee is one who has no direct or indirect material relationship with the Trust 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 the Trust is considered not to be independent because he is the President and Chief Executive Officer of the Trust.

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 the Trust serves as a trustee or director as at April 1, 2013:

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	• McEwan Mining Inc., Director	• TSX and New York Stock Exchange
STANLEY SWARTZMAN	• GT Canada Capital Corporation, Director	• TSX Venture Exchange
DAVID WILLIAMS	• Shoppers Drug Mart Corporation, Director • Aastra Technologies Limited, Lead Independent Director • Toronto Hydro Corporation	• TSX • TSX and American Stock Exchange

### Meetings of Trustees

The following table shows meeting attendance records for all current trustees in 2012.

Name of Trustee	Board	Audit Committee	Compensation and Governance Committee	Investment Committee
HAROLD BURKE	15/15	5/5	N/A	1/1 <sup>(4)</sup>
DAVID EHRLICH <sup>(1)</sup>	N/A	N/A	N/A	N/A
PAUL HARRIS	15/15	N/A	6/6	N/A
EDWIN F. HAWKEN	15/15	3/3 <sup>(2)</sup>	2/2 <sup>(3)</sup>	7/7
THOMAS SCHWARTZ	15/15	N/A	N/A	N/A
MICHAEL STEIN	15/15	N/A	N/A	N/A
STANLEY SWARTZMAN	15/15	5/5	4/4 <sup>(3)</sup>	7/7
DAVID WILLIAMS	15/15	2/2 <sup>(2)</sup>	6/6	6/6 <sup>(4)</sup>

#### Notes:

- (1) Mr. Ehrlich was not appointed trustee until February 4, 2013 and therefore did not attend any meetings in 2012 in his capacity as trustee.
- (2) Mr. Hawken was appointed to the Audit Committee effective May 16, 2012. Mr. Williams ceased being a member of the Audit Committee effective May 16, 2012.
- (3) Mr. Hawken ceased being a member of the Compensation and Governance Committee effective May 16, 2012. Mr. Swartzman was appointed to the Compensation and Governance Committee effective May 16, 2012.
- (4) Mr. Burke ceased being a member of the Investment Committee effective May 16, 2012. Mr. Williams was appointed to the Investment Committee effective May 16, 2012.

### 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 2012, the Audit Committee and Compensation and Governance Committee met as follows:

Meeting	Meetings Held	Meetings Held Without Management
Audit Committee	5	5
Compensation and Governance Committee	6	6

### Declaration of Trust

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

- (i) the development and adoption of the Trust's strategic planning process;
- (ii) the identification of the principal risks associated with the business of the Trust and the implementation of appropriate systems to manage these risks;
- (iii) the appointment and evaluation of senior management;
- (iv) overseeing the communications policy of the Trust;
- (v) ensuring the integrity of the Trust'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 the Trust. 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 1, 2013, the Audit Committee of the Trust consists of the following three (3) trustees: Harold Burke, 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 the Trust's Annual Information Form dated March 28, 2013, which can be accessed on SEDAR under the Trust's profile at [www.sedar.com](http://www.sedar.com).

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

During the year ended December 31, 2012, the Audit Committee met five (5) 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 the Trust and compensation offered to officers of the Trust. 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 the Trust, 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 the Trust's compensation plans; reviewing the Trust'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 1, 2013, the Compensation and Governance Committee of the Trust consists of the following three (3) trustees: Paul Harris; Stanley Swartzman and David Williams. David Williams 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, 2012, the Compensation and Governance Committee met six (6) 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 the Trust, subject to such authority as the trustees may delegate to the officers of the Trust, 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 1, 2013, the Investment Committee of the Trust consists of the following three (3) trustees: Edwin F. Hawken; Stanley Swartzman and David Williams. Stanley Swartzman serves as Chairman of the Investment Committee.

The Investment Committee met seven (7) times during the year ended December 31, 2012.

### **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 the Trust'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 the Trust. 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 the Trust. The President and Chief Executive Officer, who is accountable to the board of trustees for the effective overall management of the Trust, and for conformity with policies agreed upon by the board, has full responsibility for the day-to-day operations of the Trust'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 the Trust that enhances Unitholder value;
- developing an annual operating plan and financial budget that support the Trust's long-term strategy;
- strategy and implementation for major mergers, acquisitions and divestitures;
- ensuring that the day-to-day business affairs of the Trust are appropriately managed by developing and implementing processes that will ensure the achievement of the Trust'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 the Trust's performance and events affecting its business, including opportunities in the marketplace and adverse or positive developments;
- serving as the chief spokesperson for the Trust and establishing the Trust'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 the Trust 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 the Trust's Annual Information Form dated March 28, 2013, which can be accessed on SEDAR under the Trust'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 the Trust 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*

The Trust ensures that new trustees have a general understanding of both the business of the Trust 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 the Trust's operations as well as the role of the board of trustees and its committees, new trustees are provided with documents material to the Trust, including the Trust'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 the Trust's portfolio with the President and Chief Executive Officer, in order to familiarize themselves with the Trust'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 the Trust's business strategy.

#### *Ongoing Education*

In addition, the Trust provides trustees with ongoing education and information sessions to ensure that they remain current with respect to the Trust's financial condition, operations, current trends and other matters related to the advancement of the success of the Trust and the implementation of the Trust'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 the Trust's operating performance and financial results. The President and Chief Executive Officer also

provides a comprehensive review of the Trust's current and foreseeable opportunities and challenges, market conditions and market trends.

- To educate the trustees on the operations of the Trust, members of the Trust'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 the Trust'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 the Trust's portfolio.
- Internal education on topics affecting the Trust, 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 2012, following the third quarterly meeting in Toronto, Ontario, the trustees toured part of the Trust's portfolio in Scarborough, Ontario. On the tour, the trustees were accompanied by regional management and met with the on-site property managers to discuss operations at the properties visited.

### **Nomination of Trustees**

The Trust 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 the Trust 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 the Trust.

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 the Trust and its employees, trustees and officers;
- (iii) maintain the Trust's reputation for integrity; and
- (iv) facilitate compliance by the Trust 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 the Trust'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 the Trust 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 the Trust's profile at [www.sedar.com](http://www.sedar.com).

In addition, the Trust's Declaration of Trust requires that if a trustee or officer of the Trust is a party to a proposed or existing material contract or transaction with the Trust, 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 the Trust, 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, the Trust'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 the Trust and the enhancement of Unitholder value; (ii) providing fair and

competitive compensation; and (iii) balancing the interests of management and Unitholders of the Trust. 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 2012 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 the Trust; 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 2012 financial year was completed in February 2013. 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 the Trust, 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 2013 meeting) and highlighted any improvement opportunities to facilitate the greater functioning of the board and its committees.

## **INDEMNIFICATION OF TRUSTEES AND OFFICERS**

The Trust indemnifies the trustees and officers against certain losses arising from claims against them for certain of their acts, errors or omissions as such. The Trust maintains liability insurance for its trustees and officers. The policy provides insurance for trustees and officers of the Trust 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. The Trust 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 the Trust 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 the Trust for the period ending December 31, 2012 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 the Trust who have been a trustee or executive officer since the commencement of the Trust's last financial year, nominees for election as trustees of the Trust, 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, 2012, the Trust incurred a total rent expense for head office space, including operating costs, in the amount of \$0.9 million payable to a company in which Mr. Schwartz has an eighteen percent (18.0%) beneficial interest.

## **INFORMATION ON THE TRUST'S AUDITOR**

PricewaterhouseCoopers LLP has been the Trust's auditor since the date of the initial public offering on May 21, 1997. For the year ended December 31, 2012, PricewaterhouseCoopers LLP has advised that they are independent with respect to the Trust 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 the Trust's Annual Information Form dated March 28, 2013, which can be accessed on SEDAR under the Trust's profile at [www.sedar.com](http://www.sedar.com).

## **GENERAL**

The consolidated financial statements of the Trust for the financial year ended December 31, 2012, 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 the Trust is available on SEDAR under the Trust's profile at [www.sedar.com](http://www.sedar.com). Unitholders may contact the Chief Financial Officer of the Trust at (416) 861-9404 to request copies of the Trust's consolidated financial statements and management's discussion and analysis.

Financial information is provided in the Trust's comparative consolidated financial statements and management's discussion and analysis for its most recently completed financial year which are available on SEDAR under the Trust'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 the Trust.

**DATED** at Toronto this 1<sup>st</sup> day of April, 2013.

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

(Signed) THOMAS SCHWARTZ  
President and Chief Executive Officer

## **SCHEDULE "A"**

### **SUMMARY OF UNITHOLDERS' RIGHTS PLAN AGREEMENT**

The following is a summary of the principal terms of the Rights Plan.

#### *Term*

The Rights Plan is currently effective until May 21, 2015.

#### *Issue of Rights*

On the Effective Date, one (1) right (a "**Right**") will be issued and attached to each outstanding Unit. One Right will also be issued and attached to each subsequently issued Unit and will be issued and will attach to any subsequently issued Units. The initial exercise price of each Right is \$100 (the "**Exercise Price**"), subject to appropriate anti-dilution adjustments.

#### *Rights Exercise Privilege*

The Rights will separate from the Units to which they are attached and will become exercisable at the time (the "**Separation Time**") that is ten (10) trading days after the earlier of (i) a person having acquired, or (ii) the commencement or announcement date in respect of a takeover bid to acquire, twenty percent (20%) or more of the Units of the Trust, other than by an acquisition pursuant to a Permitted Bid. The acquisition by a person (an "**Acquiring Person**"), including persons acting in concert, of twenty percent (20%) or more of the Units of the Trust, other than by way of a Permitted Bid in certain circumstances, is referred to as a "**Flip-in Event**". Any Rights held by an Acquiring Person on or after the earlier of the Separation Time or the first date of public announcement by the Trust or an Acquiring Person that an Acquiring Person has become such, will become void upon the occurrence of a Flip-in Event. Ten (10) trading days after the occurrence of the Flip-in Event, the Rights (other than those held by the Acquiring Person) will permit the holder to purchase, for example, Units with a total market value of \$200, on payment of \$100 (i.e., at a fifty percent (50%) discount). The issue of the Rights is not initially dilutive. Upon a Flip-in Event occurring and the Rights separating from the attached Units, reported earnings per Unit on a fully diluted or non diluted basis may be affected. Holders of Rights who do not exercise their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

#### *Certificates and Transferability*

Prior to the Separation Time, the Rights will be evidenced by a legend imprinted on certificates for Units and will not be transferable separately from the attached Units. From and after the Separation Time, the Rights will be evidenced by Rights certificates which will be transferable and traded separately from the Units.

#### *Permitted Bid Requirements*

The requirements of a Permitted Bid include the following:

- The takeover bid must be made by way of a takeover bid circular.
- The takeover bid must be made for all Units and to all holders of Units, other than the bidder.
- The takeover bid must contain, and the provisions for the take-up and payment for securities tendered or deposited thereunder must be subject to, an irrevocable and unqualified condition that no securities shall be taken up or paid for pursuant to the takeover bid prior to the close of business on a date which is not less than sixty (60) days following the date of the takeover bid.
- The takeover bid must contain irrevocable and unqualified provisions that, unless the takeover bid is withdrawn, securities may be deposited pursuant to the takeover bid at any time prior to the close of business on the date of first take-up or payment for securities and that all securities deposited pursuant to the takeover bid may be withdrawn at any time prior to the close of business on such date.
- The takeover bid must contain an irrevocable and unqualified condition that more than fifty percent (50%) of the outstanding Units held by Independent Unitholders (defined below), determined as at the close on business on the date of first take-up or payment for securities under the takeover bid, must be deposited to the takeover bid and not withdrawn at the close of business on the date of first take-up or payment for securities.
- If more than fifty percent (50%) of the Units held by Unitholders other than the bidder, its affiliates and persons acting jointly or in concert with the bidder (the "**Independent Unitholders**") are tendered to the takeover bid and not withdrawn as at the close on business on the date of first take-up or payment for securities under the takeover bid, the offeror will make a public announcement of that fact and the takeover bid will remain open for deposits and tenders of securities for not less than ten (10) business days from the date of such public announcement.

The Rights Plan allows a competing Permitted Bid (a "**Competing Permitted Bid**") to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all the requirements of a Permitted Bid except that, provided it is outstanding for a minimum period of thirty-five (35) days, (or such other minimum period of days as may be prescribed by applicable law in Ontario) it may expire on the same date as the Permitted Bid.

#### *Waiver and Redemption*

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

*Waiver of Inadvertent Flip-in Event*

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

*Portfolio Managers*

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

*Supplement and Amendments*

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

*General*

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

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

**RECONFIRMATION OF UNITHOLDERS' RIGHTS PLAN AGREEMENT**

**RESOLVED AS AN ORDINARY RESOLUTION THAT:**

1. The Unitholders' Rights Plan Agreement to be effective May 21, 2013 between the trustees of Canadian Apartment Properties Real Estate Investment Trust and Computershare Investor Services Inc., substantially as described in Schedule "A" to the Circular, be and is hereby reconfirmed.
2. The Unitholders' Rights Plan Agreement is hereby amended to the extent necessary to reflect and give effect to the foregoing.
3. Any trustee or officer of the Trust 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 the Trust as may be necessary, proper or advisable in order to carry out and give full effect to the foregoing.

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

**AMENDMENTS TO THE DECLARATION OF TRUST - ADVANCE NOTICE POLICY**

**RESOLVED AS A SPECIAL RESOLUTION THAT:**

1. The following amendment to the Trust's Declaration of Trust be and is hereby authorized and approved:
  - (a) The following subsection is added following subsection 22 and preceding subsection 23 of Section 3.2 Specific Powers and Authorities of the Declaration of Trust:

“(22.1) To make, adopt, amend or repeal policies containing provisions relating to the advance notice of nominations of Trustees in connection with any annual or special meeting of Unitholders;”
2. The Declaration of Trust is hereby further amended to the extent necessary to reflect and give effect to the foregoing.
3. Any trustee or officer of the Trust 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 the Trust as may be necessary, proper or advisable in order to carry out and give full effect to the foregoing.

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**SCHEDULE "D"**  
**ADVANCE NOTICE POLICY**

**(Adopted by the board of trustees with immediate effect on ●, 2013)**

**INTRODUCTION**

The purpose of this Advance Notice Policy (the "**Policy**") is to provide Unitholders, trustees and management of Canadian Apartment Properties Real Estate Investment Trust (the "**Trust**") with a clear framework for nominating trustees. This Policy fixes a deadline by which registered or beneficial owners of the Units of the Trust must submit trustee nominations to the Trust prior to any annual or special meeting of Unitholders, and sets forth the information to be provided and other procedures to be followed, in respect of such nomination.

It is the position of the Trust that this Policy is in the best interests of the Trust. This Policy will be subject to amendment from time to time.

**NOMINATION OF TRUSTEES**

**Section 1.1** Only persons who are nominated in accordance with the procedures set out in this Policy shall be eligible for election as trustees to the board of trustees (the "**Board**") of the Trust. Nominations of persons for election to the Board may only be made at an annual meeting of Unitholders, or at a special meeting of Unitholders called for any purpose which includes the election of trustees to the Board, as follows:

- (a) by or at the direction of the Board or an authorized officer of the Trust, including pursuant to a notice of meeting;
- (b) by or at the discretion or request of one or more Unitholders pursuant to a requisition of Unitholders made in accordance with the provisions of the Declaration of Trust; or
- (c) by any person entitled to vote at such meeting (a "**Nominating Unitholder**"), who: (A) is, at the close of business on the date of giving notice provided for in Section 1.3 below and on the record date for notice of such meeting, either entered in the securities register of the Trust as a holder of one or more Units carrying the right to vote at such meeting or who beneficially owns Units that are entitled to be voted at such meeting; and (B) has given timely notice in proper written form as set forth in this Policy.

**Section 1.2** For the avoidance of doubt, the foregoing Section 1.1 shall be the exclusive means for any person to bring nominations for election to the Board before any annual or special meeting of Unitholders of the Trust.

**Section 1.3** For a nomination made by a Nominating Unitholder to be timely notice (a "**Timely Notice**"), the Nominating Unitholder's notice must be received by the General Counsel and Corporate Secretary of the Trust at the principal executive offices of the Trust:

- (a) in the case of an annual meeting of Unitholders, not later than the close of business on the 30<sup>th</sup> day and not earlier than the opening of business on the 65<sup>th</sup> day before the date of the meeting; provided, however, if the first public announcement made by the Trust of the date of the annual meeting is less than 50 days prior to the meeting date, not later than the close of business on the 10<sup>th</sup> day following the day on which the first public announcement of the date of such annual meeting is made by the Trust; and
- (b) in the case of a special meeting (which is not also an annual meeting) of Unitholders called for any purpose which includes the election of trustees to the board, not later than the close of business on the 15<sup>th</sup> day following the day on which the first public announcement of the date of the special meeting is made by the Trust.

**Section 1.4** The time periods for giving of a Timely Notice shall in all cases be determined based on the original date of the annual meeting or the first public announcement of the annual or special meeting, as applicable. In no event shall an adjournment or postponement of an annual meeting or special meeting of Unitholders or any announcement thereof commence a new time period for the giving of a Timely Notice.

**Section 1.5** To be in proper written form, a Nominating Unitholder's notice to the General Counsel and Corporate Secretary must comply with all the provisions of this Section 1.5 and:

- (a) disclose or include, as applicable, as to each person whom the Nominating Unitholder proposes to nominate for election as a trustee (a "**Proposed Nominee**"):
  - (i) their name, age, business and residential address, principal occupation or employment for the past five years, status as a "resident Canadian";
  - (ii) their direct or indirect beneficial ownership in, or control or direction over, any class or series of securities of the Trust, including the number or principal amount and the date(s) on which such securities were acquired;
  - (iii) any relationships, agreements or arrangements, including financial, compensation and indemnity related relationships, agreements or

arrangements, between the Proposed Nominee or any affiliates or associates of, or any person or entity acting jointly or in concert with, the Proposed Nominee or the Nominating Unitholder;

- (iv) any other information that would be required to be disclosed in a dissident proxy circular or other filings required to be made in connection with the solicitation of proxies for election of trustees pursuant to this Declaration of Trust or applicable securities law; and
  - (v) a duly completed personal information form in respect of the Proposed Nominee in the form prescribed by the principal stock exchange on which the securities of the Trust are then listed for trading; and
- (b) disclose or include, as applicable, as to each Nominating Unitholder giving the notice and each beneficial owner, if any, on whose behalf the nomination is made:
- (i) their name, business and residential address, direct or indirect beneficial ownership in, or control or direction over, any Units of Special Voting Units of the Trust, including the number or principal amount and the date(s) on which such securities were acquired;
  - (ii) their interests in, or rights or obligations associated with, an agreement, arrangement or understanding, the purpose or effect of which is to alter, directly or indirectly, the person's economic interest in a security of the Trust or the person's economic exposure to the Trust;
  - (iii) any proxy, contract, arrangement, agreement or understanding pursuant to which such person, or any of its affiliates or associates, or any person acting jointly or in concert with such person, has any interests, rights or obligations relating to the voting of any securities of the Trust or the nomination of trustees to the Board;
  - (iv) any direct or indirect interest of such person in any contract with the Trust or with any of the Trust's affiliates or principal competitors;
  - (v) the number of Units the Nominating Unitholder or beneficial owner reasonably and in good faith believes will be voted in favour of the Proposed Nominee;
  - (vi) a representation that the Nominating Unitholder is a holder of record of securities of the Trust, or a beneficial owner, entitled to vote at such meeting, and intends to appear in person or by proxy at the meeting to propose such nomination;

- (vii) a representation as to whether such person intends to deliver a proxy circular and/or form of proxy to any Unitholder of the Trust in connection with such nomination or otherwise solicit proxies or votes from Unitholders of the Trust in support of such nomination; and
- (viii) any other information relating to such person that would be required to be included in a dissident proxy circular or other filings required to be made in connection with solicitations of proxies for election of trustees pursuant to the Declaration of Trust or as required by applicable securities law.

**Section 1.6** All information to be provided in a Timely Notice pursuant to Section 1.5 shall be provided as of the date of such notice. The Nominating Unitholder shall update such information forthwith so that it is true and correct in all material respects as of the date that is ten (10) business days prior to the date of the meeting, or any adjournment or postponement thereof, failing which, the nomination(s) shall be deemed to be withdrawn.

**Section 1.7** If requested by the Trust, a Proposed Nominee shall furnish any other information as may reasonably be required by the Trust to determine the eligibility of such Proposed Nominee to serve as a trustee of the Trust or a member of any committee of the board, with respect to independence or any other relevant criteria for eligibility, or that could be material to a Unitholder's understanding of the independence or eligibility, or lack thereof, of such Proposed Nominee.

**Section 1.8** Any notice, or other document or information required to be given to the General Counsel and Corporate Secretary pursuant to this Policy may only be given by personal delivery, facsimile transmission, and shall be deemed to have been given and made only at the time it is served by personal delivery to the General Counsel and Corporate Secretary at the address of the principal executive offices of the Trust, or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received); provided that if such delivery or electronic communication is made on a day which is a not a business day or later than 5:00 p.m. (Toronto time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the next following day that is a business day. For greater certainty, this provision applies notwithstanding any other notice provision contained in this Declaration of Trust.

**Section 1.9 Additional Matters**

- (a) The chair of any meeting of Unitholders of the Trust shall have the power to determine whether any proposed nomination is made in accordance with the provisions of this Policy, and if any proposed nomination is not in compliance with such provisions, may declare that such defective nomination shall not be considered at any meeting of Unitholders.
- (b) Despite any other provision of this Policy, if the Nominating Unitholder (or a qualified representative of the Unitholder) does not appear at the meeting of Unitholders of the Trust to present the nomination, such nomination shall be

disregarded, notwithstanding that proxies in respect of such nomination may have been received by the Trust.

- (c) Nothing in this Policy shall obligate the Trust or the board to include in any proxy statement or other Unitholder communication distributed by or on behalf of the Trust or board any information with respect to any proposed nomination or any Nominating Unitholder or Proposed Nominee.
- (d) The board may, in its sole discretion, waive any requirement of this Policy.
- (e) For the purposes of this Policy, "public announcement" means disclosure in a press release disseminated by the Trust through a national news service in Canada, or in a document filed by the Trust for public access under its profile on the System of Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com).
- (f) This Policy is subject to, and should be read in conjunction with, the Declaration of Trust. If there is any conflict or inconsistency between any provision of the Declaration of Trust and any provision of this Policy, the provision of the Declaration of Trust will govern.

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

**AMENDMENTS TO THE DECLARATION OF TRUST - NOTICE-AND-ACCESS**

**RESOLVED AS A SPECIAL RESOLUTION THAT:**

1. The following amendments to the Trust's Declaration of Trust be and are hereby authorized and approved:

- (a) Section 6.3 of the Declaration of Trust is amended as follows (amended portions identified in bold and underlined):

Section 6.3 Notice of Meeting of Unitholders and Special Unitholders.

Notice of all meetings of the Unitholders and Special Unitholders shall be ~~mailed or delivered~~ **provided** by the Trustees to each Unitholder and Special Unitholder at his address appearing in the Register **or as otherwise permitted under this Declaration of Trust**, to each Trustee and to the auditors of the Trust not less than 21 nor more than 50 days before the meeting. Notice of any meeting of the Unitholders and Special Unitholders shall (a) state the nature of the business to be transacted at such meeting in sufficient detail to permit the Unitholders and Special Unitholders to form a reasoned judgement thereon; and (b) include the text of any submission to be submitted to the meeting.

- (b) Section 15.2 of the Declaration of Trust is amended as follows (amended portions identified in bold and underlined):

Section 15.2 Manner of ~~Giving~~ **Providing** Notice.

Any notice required or permitted by the provisions of this Declaration of Trust to be ~~given~~ **provided** to a Unitholder, Special Unitholder, a Trustee or the auditors of the Trust shall be deemed conclusively to have been ~~given~~ **provided** if ~~given~~ **provided** either by delivery or by prepaid first-class mail addressed to the Unitholder or Special Unitholder at his address shown on the Register, to the Trustee at the last address provided by such Trustee to the Secretary of the Trust, or to the auditors of the Trust at the last address provided by such auditors to the Secretary of the Trust, as the case may be, **or as otherwise permitted under this Declaration of Trust**.

- (c) Section 15.6 of the Declaration of Trust is amended as follows (amended portions identified in bold):

Section 15.6 Reports to Unitholders.

Within 140 days of the end of each fiscal year, commencing in the fiscal year of 1997, and at least 21 days prior to each annual meeting of Unitholders and Special Unitholders, the Trustees shall **send provide** to each Unitholder and Special Unitholder a report, including audited comparative financial statements for such year, prepared in compliance with applicable securities laws. Within 60 days after the end of each of the first three fiscal quarters of each year, the Trustees shall **send provide** unaudited comparative financial statements for the period then ended to each Unitholder and Special Unitholder. The Trustees will supply Unitholders and Special Unitholders with any information that may be required by them in connection with their obligations under the Income Tax Act (Canada) and equivalent provincial legislation.

- (d) The following provision is added following Section 15.2 and preceding Section 15.3:

"Section 15.2.1 Electronic Documents

Any requirement under this Declaration of Trust, the *Securities Act* (Ontario) or any other applicable law that a notice, statement, document or other information be created or provided is satisfied by the creation or provision of an electronic document to the extent permitted by law."

2. The Declaration of Trust is hereby further amended to the extent necessary to reflect and give effect to the foregoing.
3. Any trustee or officer of the Trust 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 the Trust as may be necessary, proper or advisable in order to carry out and give full effect to the foregoing.

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