

**CANADIAN APARTMENT PROPERTIES
REAL ESTATE INVESTMENT TRUST**

ANNUAL INFORMATION FORM

For the year ended December 31, 2020

Dated March 26, 2021

TABLE OF CONTENTS

1 - FORWARD-LOOKING INFORMATION	3
2 - NOTE REGARDING FINANCIAL INFORMATION.....	4
3 - NON-IFRS FINANCIAL MEASURES	4
4 - TRUST STRUCTURE	5
4.1 Overview.....	5
4.2 Structure Chart (Simplified)	6
4.3 Amendments to the Declaration of Trust	7
5 - INTERPRETATION	8
6 - GENERAL DEVELOPMENT OF THE BUSINESS.....	8
6.1 History	8
6.2 Three Year Developments	9
7 - DESCRIPTION OF THE BUSINESS.....	19
7.1 Summary	19
7.2 The Residential Real Estate Market.....	19
7.3 Competition.....	20
7.4 Owned Properties.....	21
7.5 Portfolio Average Monthly Rents and Occupancy by Geography	24
7.6 Cyclical Nature of the Business.....	25
7.7 Property Capital Improvements and Investments.....	25
7.8 Environmental.....	28
7.9 Divestitures	30
7.10 Mortgage Financing.....	30
7.11 Credit Facilities.....	32
7.12 Employees.....	33
7.13 Foreign Operations	33
7.14 Our Growth Strategies	34
7.15 Environmental, Social and Governance Strategy Integration.....	35
7.16 Intangible Properties.....	36
7.17 Risk Factors	36
8 - DESCRIPTION OF CAPITAL STRUCTURE AND GOVERNING POLICIES.....	54
8.1 General.....	54
8.2 Trust Units.....	54
8.3 Meetings of Trust Unitholders.....	56
8.4 Purchases of Units and Preferred Units.....	57
8.5 Take-over Bids.....	57
8.6 Issuance of Trust Units.....	58
8.7 Right of Redemption.....	58
8.8 Limitation on Non-Resident Ownership	59
8.9 Information and Reports.....	60
8.10 Amendments to Declaration of Trust.....	60

8.11	Term of CAPREIT and Sale of Substantially All Assets.....	61
8.12	Unitholders' Rights Plan.....	61
9	- EQUITY INCENTIVE PLANS	65
9.1	Active Plans.....	65
10	- INVESTMENT RESTRICTIONS AND OPERATING POLICIES	68
10.1	Investment Restrictions.....	68
10.2	Operating Policies.....	69
10.3	Amendments to Investment Restrictions and Operating Policies.....	71
11	- DISTRIBUTIONS.....	71
11.1	Distribution Policy	71
11.2	Cash Distributions	72
11.3	Distribution Reinvestment Plan.....	72
12	- MANAGEMENT'S DISCUSSION AND ANALYSIS.....	72
13	- MARKET FOR SECURITIES	72
14	- MANAGEMENT OF CAPREIT, TRUSTEES AND EXECUTIVE OFFICERS	73
14.1	General.....	73
14.2	Trustees and Executive Officers.....	73
14.3	Trustees.....	77
14.4	Cease Trade Orders, Bankruptcies, Penalties and Sanctions.....	78
14.5	Conflict of Interest Restrictions and Provisions.....	79
14.6	Independent Trustee Matters.....	79
14.7	Audit Committee.....	80
14.8	Human Resources and Compensation Committee	82
14.9	Governance and Nominating Committee.....	82
14.10	Investment Committee.....	82
14.11	Remuneration of Trustees and Officers.....	83
15	- LEGAL PROCEEDINGS AND REGULATORY ACTIONS.....	83
16	- INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....	84
17	- TRANSFER AGENT AND REGISTRAR.....	84
18	- MATERIAL CONTRACTS	84
19	- INTEREST OF EXPERTS	84
20	- EXTERNAL AUDITOR FEES.....	84
21	- ADDITIONAL INFORMATION.....	85

ADDENDA

APPENDIX "A" CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF TRUSTEES

ANNUAL INFORMATION FORM
CANADIAN APARTMENT PROPERTIES
REAL ESTATE INVESTMENT TRUST

(Information as at December 31, 2020, unless otherwise indicated)

1 - FORWARD-LOOKING INFORMATION

Certain statements contained, or contained in documents incorporated by reference, in this Annual Information Form of Canadian Apartment Properties Real Estate Investment Trust (“CAPREIT”) constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to CAPREIT’s future outlook and anticipated events or results and may include statements regarding the future financial position, business strategy, budgets, litigation, occupancy rates, rental rates, productivity, projected costs, capital investments, development and development opportunities, financial results, taxes, plans and objectives of, or involving, CAPREIT. Particularly, statements regarding CAPREIT’s future results, performance, achievements, prospects, costs, opportunities and financial outlook, including those relating to acquisition and capital investment strategies, and the real estate industry generally, are forward-looking statements. In some cases, forward-looking information can be identified by terms such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “intend”, “estimate”, “predict”, “potential”, “continue” or the negative thereof, or other similar expressions concerning matters that are not historical facts. Forward-looking statements are based on certain factors and assumptions regarding expected growth, results of operations, performance, and business prospects and opportunities. In addition, certain specific assumptions were made in preparing forward-looking information, including: that the Canadian, Irish, and Dutch economies will generally experience growth, which, however, may be adversely impacted by the global economy and the ongoing health crisis related to the novel coronavirus (“COVID-19”) pandemic and its direct or indirect impacts on the business of CAPREIT, with such impacts potentially including the ability to enforce leases, perform capital expenditure work, increase rents, apply for rental guideline increases, and obtain mortgage financings; that inflation will remain low; that interest rates will remain low in the medium term; that Canada Mortgage and Housing Corporation (“CMHC”) mortgage insurance will continue to be available and that a sufficient number of lenders will participate in the CMHC-insured mortgage program to ensure competitive rates; that the Canadian capital markets will continue to provide CAPREIT with access to equity and/or debt at reasonable rates; that vacancy rates for CAPREIT properties will be consistent with historical norms; that rental rates on renewals will grow at levels similar to the rate of inflation; that rental rates on turnovers will grow; that the difference between in-place and market-based rents will be reduced upon such turnovers and renewals; that CAPREIT will effectively manage price pressures relating to its energy usage; and, with respect to CAPREIT’s financial outlook regarding capital investments, assumptions respecting projected costs of construction and materials, availability of trades, the cost and availability of financing, CAPREIT’s investment priorities, the properties in which investments will be made, the composition of the property portfolio and the projected return on investment in respect of specific capital investments. Although the forward-looking statements contained in this Annual Information Form are based on assumptions, CAPREIT’s management believes they are reasonable as of the date hereof; however, there can be no assurance actual results will be

consistent with these forward-looking statements, and they may prove to be incorrect. Forward-looking statements necessarily involve known and unknown risks and uncertainties, many of which are beyond CAPREIT's control, that may cause CAPREIT's or the industry's actual results, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, risks related to: public health crises, disease outbreaks, reporting investment properties at fair value, real property ownership, investment restrictions, operating risk, energy costs, environmental matters, catastrophic events, insurance, capital investments, indebtedness, taxation-related risks, government regulations, controls over financial reporting, other legal and regulatory risks, the nature of units of CAPREIT, unitholder liability, liquidity and price fluctuation of units of CAPREIT, dilution, distributions, participation in CAPREIT's distribution reinvestment plan, potential conflicts of interest, dependence on key personnel, general economic conditions, competition for residents, competition for real property investments, risks related to acquisitions, cyber security risk and foreign operation and currency risks. There can be no assurance that the expectations of CAPREIT's management will prove to be correct. For a detailed discussion of risk factors, refer to the "Risk Factors" section of this Annual Information Form. Subject to applicable law, CAPREIT does not undertake any obligation to publicly update or revise any forward-looking information.

2 - NOTE REGARDING FINANCIAL INFORMATION

Financial data included in this Annual Information Form has been prepared in accordance with International Financial Reporting Standards as set out in Part I of the CPA Canada Handbook ("**IFRS**"). This Annual Information Form should be read in conjunction with CAPREIT's management discussion and analysis of the results of operations and financial condition for the year ended December 31, 2020, incorporated herein by reference, and the consolidated annual audited financial statements for the year ended December 31, 2020, each of which is publicly available at www.sedar.com under CAPREIT's profile.

3 - NON-IFRS FINANCIAL MEASURES

In this Annual Information Form, CAPREIT also discloses and discusses certain financial measures not recognized under IFRS, which do not have standard meanings prescribed by IFRS. These include stabilized net rental income ("**Stabilized NOI**"), Funds From Operations ("**FFO**"), Normalized Funds From Operations ("**NFFO**"), Adjusted Cash Flow from Operations ("**ACFO**"), FFO and NFFO per Unit amounts and FFO, NFFO and ACFO payout ratios, and Adjusted Cash Generated from Operating Activities (collectively, the "**non-IFRS measures**"). These non-IFRS measures are further defined and discussed below. Since Stabilized NOI, FFO, NFFO and ACFO are not measures determined under IFRS, they may not be comparable to similar measures reported by other issuers. CAPREIT presents such non-IFRS measures because management believes these non-IFRS measures are relevant measures of the ability of CAPREIT to earn revenue and to evaluate CAPREIT's performance and cash flows. The non-IFRS measures should not be construed as alternatives to net income (loss) or cash flows from operating activities determined in accordance with IFRS as indicators of CAPREIT's performance or sustainability of our distributions.

Stabilized NOI represents net rental income for properties owned by CAPREIT continuously for two years prior to the current annual reporting year end date. Stabilized NOI is

a widely used operating performance indicator in the real estate industry, and includes all rental revenues and other related ancillary income (including from home sales at manufactured home communities (“MHCs”) home sales) generated at the property level, less: (i) related direct costs such as realty taxes, utilities, repair and maintenance costs, on-site wages and salaries, insurance costs and bad debts; and (ii) an appropriate allocation of overhead costs.

FFO is a measure of operating performance based on the funds generated by the business before reinvestment or provision for other capital needs. FFO as presented is in accordance with the recommendations of the Real Property Association of Canada (“REALpac”), with the exception of the adjustment for amortization of certain other assets, unrealized gains or losses on fair value through profit or loss marketable securities, the deduction of the impact attributable to the non-controlling interest of European Residential Real Estate Investment Trust (“ERES”), the one-time write off of prepaid CMHC premiums on expired mortgages and the adjustment for non-recurring mortgage prepayment penalties. It may not, however, be comparable to similar measures presented by other real estate investment trusts or companies in similar or different industries. Management considers FFO to be an important measure of CAPREIT’s operating performance.

ACFO is a measure of economic cash flow based on the operating cash flows generated by the business, adjusted to deduct items such as interest expense, non-discretionary capital expenditures, capitalized leasing costs, tenant improvements, and amortization of other financing costs, partially offset by investment income. ACFO as calculated by CAPREIT is in accordance with the recommendation by REALpac, with the exception of the adjustment for investment income and the deduction of the impact attributable to the non-controlling interest of ERES. It may not, however, be comparable to similar measures presented by other real estate investment trusts or companies in similar or different industries.

Management considers NFFO to be the key measure of CAPREIT’s operating performance. NFFO is calculated by excluding from FFO the effects of certain, mainly non-recurring items, including amortization of losses on certain hedging instruments previously settled and paid, mortgage prepayment penalties, accelerated vesting of previously granted RUR units, pre-development costs and large acquisition research costs relating to transactions that were not completed. As it is an operating performance metric, no adjustment is made to NFFO for capital expenditures. NFFO facilitates better comparability to the prior year’s performance and provides a better indicator of CAPREIT’s long-term operating performance.

Adjusted Cash Generated from Operating Activities is calculated by taking cash generated from operating activities and deducting interest expense and cash flow from financing activities.

4 - TRUST STRUCTURE

4.1 Overview

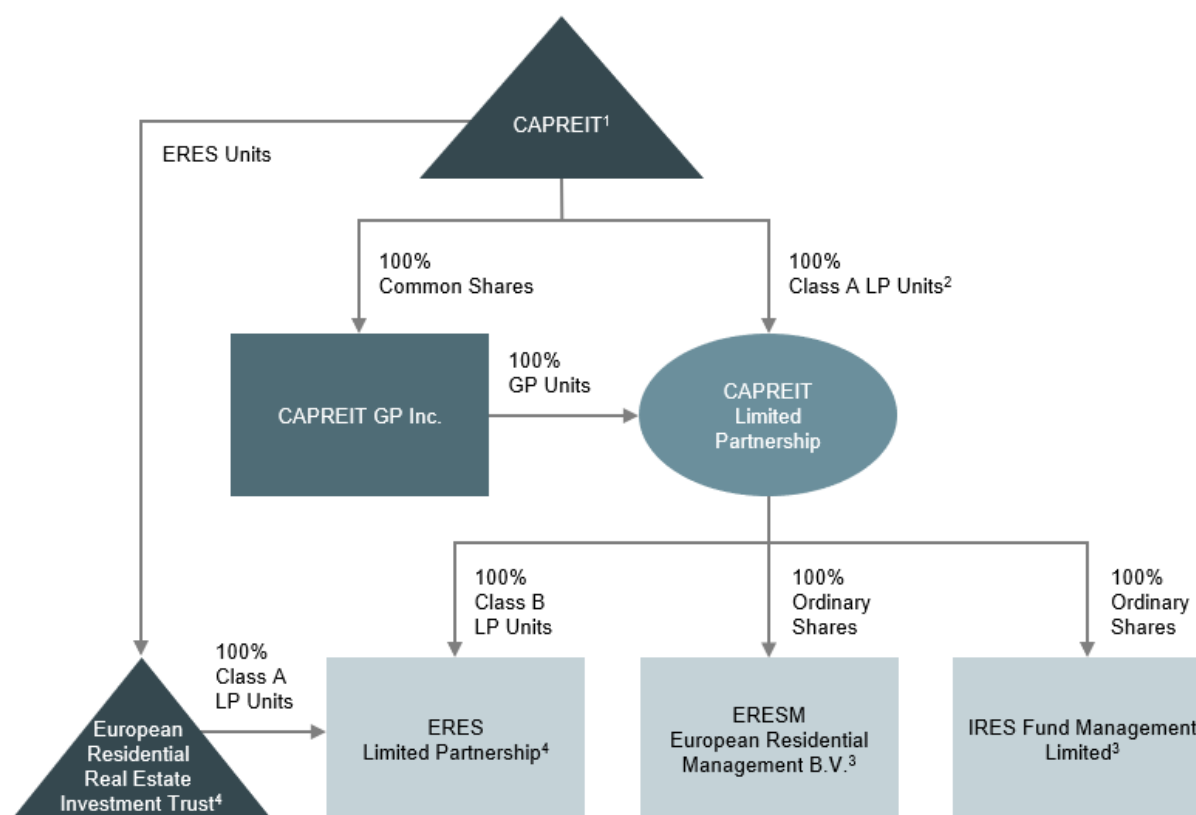
CAPREIT is an “open-end” real estate investment trust created and governed by a declaration of trust dated February 3, 1997, under the laws of the Province of Ontario, as amended and restated from time to time, including most recently on April 1, 2020 (the “**Declaration of Trust**”).

Although CAPREIT qualifies as a “mutual fund trust” as defined in the *Income Tax Act* (Canada) (the “**Tax Act**”), CAPREIT is not a “mutual fund” as defined by applicable securities legislation.

The head and registered office of CAPREIT is located at 11 Church Street, Suite 401, Toronto, Ontario, M5E 1W1.

CAPREIT Limited Partnership (“**CAPLP**”), a subsidiary of CAPREIT, is a limited partnership established and existing under the laws of the Province of Manitoba pursuant to a limited partnership agreement dated June 26, 2007, as amended, including most recently on June 22, 2020, among CAPREIT GP Inc., CAPREIT and other limited partners from time to time. CAPREIT GP Inc., a company incorporated under the laws of the Province of Ontario on June 21, 2007, is the general partner of CAPLP and CAPREIT is the sole shareholder of CAPREIT GP Inc. CAPLP is CAPREIT’s only material subsidiary.

4.2 Structure Chart (Simplified)



- 1 CAPREIT indirectly holds all of its real estate beneficially through CAPLP, which holds legal title to such real estate directly (through nominee companies) or indirectly through other subsidiaries. With the exception of five nominee companies in which CAPREIT owns indirectly a 50% interest, and one nominee company in which CAPREIT owns indirectly a 33% interest, CAPREIT owns, directly or indirectly, a 100% interest in all nominee companies and subsidiaries.
- 2 While CAPREIT owns 100% of the Class A LP Units of CAPLP, certain vendors of the Operating Lease Buyouts (as defined below) hold as of December 31, 2020, in the aggregate, approximately 332,703 of the Class B limited partnership units (“**CAPLP Class B LP Units**”) of CAPLP (which represent 100% of the total outstanding CAPLP

Class B LP Units). The CAPLP Class B LP Units are exchangeable by the applicable holder into Units on a 1-to-1 basis.

- 3 CAPREIT's investment and property management platform in Ireland is operated, locally, through IRES Fund Management Limited and CAPREIT's asset and property management platform in the Netherlands is operated locally, through ERESM European Residential Management B.V. (formerly CANLiving B.V.).
- 4 CAPREIT directly holds 10,197,000 trust units ("**ERES Units**") of ERES, and indirectly, through CAPLP, holds 100% of the 142,040,821 issued and outstanding Class B limited partnership units ("**ERES Class B LP Units**") of ERES Limited Partnership ("**ERES LP**") which upon exchange of the ERES Class B LP Units into ERES Units represents, in the aggregate, an approximate 66% total interest in ERES on a fully diluted basis.

4.3 Amendments to the Declaration of Trust

On May 26, 2005, the Declaration of Trust was amended and restated by the Board of Trustees as follows: (i) to impose a single restriction to the effect that CAPREIT's borrowings, including the acquisition and operating facility (the "**Acquisition and Operating Facility**"), shall not exceed 70% of the gross book value of CAPREIT's assets and (ii) to grant the Board of Trustees the authority to convert CAPREIT's structure from a "closed-end" to an "open-end" trust and to add a limited redemption right for holders (the "**Unitholders**") of Units (as defined below).

On May 25, 2006, the Declaration of Trust was amended and restated by resolution of the Unitholders of CAPREIT (i) to provide investment restrictions that would permit investments by CAPREIT outside of Canada and in buildings that may not be substantially occupied; (ii) to change the investment restrictions to add flexibility to CAPREIT's ability to participate in joint ventures and to provide that CAPREIT may guarantee the indebtedness of a third party; (iii) to permit investments in securities of other entities, including corporations, provided their activities are similar to those of CAPREIT; (iv) to provide that the exclusive test for limiting indebtedness be measured on a portfolio basis and be limited to a maximum of 70% of the gross book value of CAPREIT's assets and to provide that the restrictions on CAPREIT's floating rate and short-term debt may be overridden where the Board of Trustees believes it is in the interests of CAPREIT to do so.

On January 8, 2008, the Declaration of Trust was amended and restated by resolution of the Board of Trustees of CAPREIT to convert CAPREIT from a "closed-end" trust to an "open-end" trust. As part of the conversion, the Declaration of Trust was also amended to include a right of redemption (see "Right of Redemption"). The Declaration of Trust was also amended to modify those provisions that restrict the investments that may be made by CAPREIT in accordance with paragraph 108(2)(b) of the Tax Act.

On May 21, 2008, the Declaration of Trust was amended and restated by resolution of the Unitholders and holders ("**Special Unitholders**", and, together with Unitholders and holders of Preferred Units (the "**Preferred Unitholders**"), the "**Trust Unitholders**") of special voting units of CAPREIT ("**Special Voting Units**", and together with Units and Preferred Units (as defined below), the "**Trust Units**") to, among other things: (i) allow CAPREIT to acquire, invest in, develop, and manage a broader range of assets (real property-related businesses outside the category of multi-unit residential real property); (ii) to remove the restriction on the amount of indebtedness of CAPREIT at floating interest rates or having original maturities of less than one year to 10% of CAPREIT's total indebtedness and (iii) to give the Board of Trustees the flexibility to establish and amend operating policies related to appropriate delegations of authority in connection with acquisitions, dispositions, and financing of CAPREIT.

On June 1, 2016, the Declaration of Trust was amended and restated by special resolution of the Unitholders and Special Unitholders in order to enable CAPREIT to issue a maximum of 25,840,600 preferred units (the “**Preferred Units**”), with such designation, rights, privileges, restrictions and conditions attached to each series as determined by the Board of Trustees prior to the issuance thereof.

On May 24, 2017, the Declaration of Trust was amended and restated by special resolution of the Unitholders and Special Unitholders in order to provide in favour of Trust Unitholders certain rights, remedies and procedures that are consistent with those available to shareholders of public corporations governed by the *Canada Business Corporations Act* as reflected in certain provisions of the draft model declaration of trust (the “**Model Declaration of Trust Provisions**”) published in November 2015 by the Canadian Coalition for Good Governance (the “CCGG”).

On April 1, 2020, the Declaration of Trust was amended and restated by resolution of the Board of Trustees of CAPREIT in order to enable CAPREIT to conduct its annual and special meetings of the Trust Unitholders by electronic means.

5 - INTERPRETATION

CAPREIT owns all of its property interests, owes all of its mortgage debt and debt obligations, and carries on its operating business, indirectly through CAPLP and its subsidiaries. For simplicity, and unless the context otherwise requires, we use terms in this Annual Information Form to refer to CAPREIT’s business and operations as a whole. Accordingly, in this Annual Information Form, unless the context otherwise requires, references to CAPREIT include CAPLP and its subsidiaries, including ERES. References to CAPREIT’s business, properties or portfolios and operations refer to the activities of CAPREIT and its subsidiaries as a whole, including CAPLP, CAPREIT’s ownership of and investment in properties indirectly through CAPLP and other subsidiaries and CAPREIT’s operations through its indirect interest in CAPLP, respectively.

6 - GENERAL DEVELOPMENT OF THE BUSINESS

6.1 History

CAPREIT commenced activities on February 4, 1997, when it acquired six multi-unit residential apartment buildings. On May 21, 1997, in connection with the closing of its initial public offering (“**Initial Public Offering**”) of units (the “**Units**”), CAPREIT acquired an additional six multi-unit residential apartment buildings and 117 townhomes. CAPREIT continued to expand by acquiring selected multi-unit residential properties over the years, and combining with Residential Equities Real Estate Investment Trust (“**ResREIT**”) on June 1, 2004.

CAPREIT primarily owns interests in multi-unit residential rental properties, including apartments, townhomes and MHCs located in and near major urban centres across Canada and, through ERES, in the Netherlands. As at December 31, 2020, CAPREIT had ownership or co-ownership interests in 57,743 residential units in Canada, comprised of 45,887 residential suites and 75 MHCs comprising 11,856 land lease sites. In addition, through its interest in ERES, CAPREIT has ownership interests in 6,047 residential units in the Netherlands. As at December 31, 2020, CAPREIT had 1,029 employees (1,026 employees as at December 31, 2019). The

investment policies and operations of CAPREIT are governed by its Declaration of Trust and are subject to the control and direction of its trustees, a majority of whom must at all times be “independent” (as defined in NI 58-101). CAPREIT’s property management and other day-to-day operations have been fully internalized since November 11, 1999. Since April 1, 2008, CAPREIT’s day-to-day operations and property management have been carried out by CAPLP, following CAPREIT’s conversion to an “open-end” real estate investment trust on January 8, 2008. See “Management of CAPREIT, Trustees and Executive Officers”.

On September 10, 2013, CAPREIT, through CAPREIT Ireland Limited, a former indirect wholly-owned subsidiary, acquired a portfolio of 338 apartment suites in four residential properties located in Dublin, Ireland. On March 20, 2014, Irish Residential Apartments REIT Limited (formerly, CAPREIT Ireland Limited) registered as a public limited company and changed its name to Irish Residential Properties REIT public limited company (“**IRES**”). It was listed on the Irish Stock Exchange (now the Euronext Dublin Exchange) on April 16, 2014, and on admission, IRES issued 200,000,000 ordinary shares to the public on top of the existing 2,000,000 ordinary shares owned by CAPLP, which resulted in dilution of CAPLP’s beneficial interest in IRES by 79.2%. On March 25, 2015, CAPREIT invested an additional €23.5 million in ordinary shares in IRES (“**IRES Shares**”) as part of IRES’ €215 million secondary equity offering. In 2018, CAPREIT acquired an additional 12.5 million IRES Shares for €17.2 million. In 2019, CAPREIT acquired an additional 17.5 million IRES Shares for €27.1 million. In 2020, CAPREIT acquired an additional 3.4 million IRES Shares for €1.6 million (see “Three Year Developments – IRES Transactions” below). As at December 31, 2020, CAPREIT held a beneficial interest in 98.9 million IRES Shares representing approximately 18.8% of the issued and outstanding share capital of IRES.

On March 29, 2019, CAPREIT completed the reverse takeover of European Commercial Real Estate Investment Trust (“**ECREIT**”), a TSX Venture Exchange listed issuer at the time of the reverse takeover. The continuing entity adopted the name European Residential Real Estate Investment Trust, creating Canada’s first Europe-focused multi-residential REIT. CAPREIT beneficially owns over 142 million ERES Class B LP Units and 10.2 million ERES Units, which, upon conversion of the ERES Class B LP Units to ERES Units, represents in the aggregate an approximate 66% interest in ERES, on a fully diluted basis. In connection with the reverse takeover of ERES, CAPREIT and ERES entered into a pipeline agreement dated March 29, 2019 (the “**Pipeline Agreement**”), which makes up to €165 million available for CAPREIT to acquire properties on behalf of ERES, where ERES does not have sufficient funds to acquire such properties, for an initial period ending on the two-year anniversary of the Pipeline Agreement. On March 5, 2021, CAPREIT and ERES entered into an agreement extending the term of the Pipeline Agreement for an additional two years. The ERES Units are now listed on the Toronto Stock Exchange (“**TSX**”) under the symbol “ERE.UN”. See “General Developments of the Business – Three Year Developments – ERES Transactions”.

6.2 Three Year Developments

S&P/TSX 60 Composite Index

Effective June 15, 2020, CAPREIT is included in the S&P/TSX 60 Composite Index. The S&P/TSX 60 is a stock market index of 60 large companies listed on the TSX in 10 industry sectors.

Equity Offerings

On December 6, 2019, CAPREIT issued 9,119,500 Units at \$53.60 per Unit on a bought-deal basis for aggregate gross proceeds of approximately \$488.8 million, which included the exercise in full of the over-allotment option granted to the underwriters in connection with the equity offering. The net proceeds of approximately \$468.6 million were used to (i) fund the acquisition of approximately \$76.4 million of unencumbered multi-residential properties; (ii) finance a \$5.6 million acquisition of the freehold interest in a Toronto property leased by CAPREIT and (iii) the remainder for future acquisitions, capital expenditures and for general trust purposes.

On April 23, 2019, CAPREIT issued 7,043,750 Units at \$49.00 per Unit on a bought-deal basis for aggregate gross proceeds of approximately \$345.1 million, which included the exercise in full of the over-allotment option granted to the underwriters in connection with the equity offering. The net proceeds of approximately \$330.4 million were used to (i) finance its \$116 million equity requirement in certain completed acquisitions, (ii) fund its \$74 million equity requirement in certain since completed acquisitions; (iii) partially repay borrowings on the Acquisition and Operating Facility; and (iv) the remainder for future acquisitions, capital expenditures and for general trust purposes.

On January 4, 2019, CAPREIT issued 5,500,000 Units at \$45.50 per Unit on a bought-deal basis for aggregate gross proceeds of approximately \$250.3 million. On January 11, 2019, CAPREIT issued an additional 825,000 Units at \$45.50 per Unit for aggregate gross proceeds of approximately \$37.5 million, pursuant to the exercise of the over-allotment option granted to the underwriters. The net proceeds of approximately \$275.4 million were used to partially repay borrowings on the Acquisition and Operating Facility and the remainder for future acquisitions, capital expenditures and for general trust purposes.

On March 15, 2018, CAPREIT issued 4,910,500 Units at \$35.15 per Unit on a bought deal basis for aggregate gross proceeds of \$172.6 million, which included the exercise in full of the over-allotment option. The offering was sold through a syndicate of underwriters led by RBC Capital Markets. The net proceeds of approximately \$164.9 million were used to partially repay borrowings on the Acquisition and Operating Facility and the remainder for future acquisitions, capital expenditures and for general trust purposes.

2020 Annual Meeting

At CAPREIT's annual and special meeting of Unitholders and Special Unitholders held on June 1, 2020, the Unitholders and Special Unitholders, among other things, approved a non-binding advisory say-on-pay resolution accepting CAPREIT's approach to executive compensation.

2019 Annual and Special Meeting

At CAPREIT's annual and special meeting of Unitholders and Special Unitholders held on June 13, 2019, the Unitholders and Special Unitholders, among other things, (a) approved a non-binding advisory say-on-pay resolution accepting CAPREIT's approach to executive compensation; and (b) reconfirmed the Rights Plan (as defined below).

2018 Annual and Special Meeting

At CAPREIT's annual and special meeting of Unitholders and Special Unitholders held on June 6, 2018, the Unitholders and Special Unitholders approved, among other things, a non-binding advisory say-on-pay resolution accepting CAPREIT's approach to executive compensation.

Increases in Distributions

In 2020, CAPREIT's annual cash distribution remained stable at \$1.38 per Unit. In 2019, CAPREIT increased its annual cash distributions from \$1.33 per Unit to \$1.38 per Unit. In 2018, CAPREIT increased its annual cash distributions from \$1.28 per Unit to \$1.33 per Unit.

Property Acquisitions and Dispositions

Acquisitions Completed During the Year Ended December 31, 2020⁽⁵⁾

(\$ Thousands)	Suite or Site Count	Region(s)	Total Acquisition Costs	Assumed Mortgage Funding	Subsequent Acquisition Financing	Interest Rate (%) ⁽¹⁾	Term to Maturity (Years) ⁽²⁾
February 10, 2020	1,503	Halifax, NS	\$ 394,734	\$ 108,744	\$ 76,174	1.84	4.66
March 4, 2020	112	Montreal, QC	44,331	—	33,427	2.06	10
March 16, 2020	109	Edmonton, AB	28,392	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
August 13, 2020	88	Halifax, NS	23,033	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
September 21, 2020	301	London & Sarnia, ON	51,097	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
October 1, 2020	169	Espanola, Wingham & Midland, ON	9,909	3,911	—	4.77	7.94
November 26, 2020	147	Maple Ridge, BC	29,272	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
November 30, 2020	380	Ottawa, ON	97,482	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
December 2, 2020	38	Halifax, NS	12,149	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
Total	3,262		\$ 690,399	\$ 112,655	\$ 109,601		
Acquisition financing					\$ 103,480 ⁽⁴⁾	1.91 ⁽⁴⁾	8.09 ⁽⁴⁾

⁽¹⁾ Weighted average stated interest rate on mortgage funding.

⁽²⁾ Weighted average term to maturity on mortgage funding.

⁽³⁾ The acquisition was funded from CAPREIT's cash and cash equivalents invested in short-term investments.

⁽⁴⁾ Subsequent acquisition financing of \$103.5 million relates to Canadian properties acquired in 2019.

⁽⁵⁾ Excludes acquisitions completed directly by ERES.

Dispositions Completed During the Year Ended December 31, 2020⁽¹⁾

(\$ Thousands)	Suite Count	Region(s)	Sale Price	Cash Proceeds	Mortgage Discharged
March 30, 2020	6	Charlottetown, PEI	\$ 675	\$ 675	—
July 15, 2020	188	Calgary, AB	30,500	19,335	11,165
Total	194		\$ 31,175	\$ 20,010	\$ 11,165

⁽¹⁾ Excludes dispositions completed directly by ERES.

In addition, in January 2020, CAPREIT completed the buyout of an additional operating lease for a purchase price of \$19.0 million.

On June 30, 2020, CAPREIT completed the buyout of eight operating leases (the “**Operating Lease Buyouts**”) for properties in Toronto for an aggregate purchase price of approximately \$123 million. The operating lease buyouts were financed, in part, by a draw on the Acquisition and Operating Facility. In addition, certain vendors (the “**Vendors**”) of the Operating Lease Buyouts elected to receive, in the aggregate, approximately 633,000 in CAPLP Class B LP Units at an agreed upon price of \$48.00, with an aggregate value of \$30.4 million. The Class B LP Units are exchangeable into Units on a 1-for-1 basis. 332,703 CAPLP Class B LP Units are held by the Vendors as of December 31, 2020.

On October 8, 2020, CAPREIT completed the buyout of one operating lease for a property located near Yonge Street and Lawrence Avenue in midtown Toronto. The purchase price for the operating lease buyout was approximately \$7.8 million, funded by cash.

Acquisitions Completed During the Year Ended December 31, 2019⁽¹⁰⁾

(\$ Thousands)	Suite or Site Count	Region(s)	Total Acquisition Costs	Assumed Mortgage Funding	Subsequent Acquisition Financing	Interest Rate (%) ⁽¹⁾	Term to Maturity (Years) ⁽²⁾
February 26, 2019	511	The Netherlands ⁽⁹⁾	\$ 153,424	\$ —	\$ 89,586	0.97	4.00
March 14, 2019	1,104	Various ⁽⁴⁾	66,866	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
April 15, 2019	191	Langley, BC	70,000	—	44,222	2.9	15.00
May 27, 2019	181	Various ⁽⁵⁾	11,317	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
May 28, 2019	3,898	Various ⁽⁶⁾	204,955	74,345	—	3.38	2.39
June 7, 2019	72	Victoria, BC	26,558	—	18,368	2.44	10.00
June 20, 2019	98	Langley, BC	39,045	—	22,839	2.92	15.00
July 31, 2019 ⁽⁷⁾	506	Toronto, Ontario	63,790	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
August 1, 2019	942	The Netherlands ⁽⁹⁾	246,602	—	143,367	1.28	7.00
August 30, 2019	553	London, Ontario	70,301	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
August 30, 2019	42	Charlottetown, PEI	7,430	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
October 15, 2019	64	Summerside, PEI	11,844	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
November 21, 2019	121	Montreal, QC	33,990	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
December 12, 2019	79	Calgary, AB	19,578	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
December 19, 2019	48	New Westminster, BC	13,475	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
Total	8,410		\$ 1,039,175	\$ 74,345	\$ 318,382		
Acquisition financing					\$ 73,719 ⁽⁸⁾	3.00 ⁽⁸⁾	10.00 ⁽⁸⁾

⁽¹⁾ Weighted average stated interest rate on mortgage funding.

⁽²⁾ Weighted average term to maturity on mortgage funding.

⁽³⁾ The acquisition was funded from CAPREIT's Acquisition and Operating Facility

⁽⁴⁾ The acquisition comprised 13 properties consisting of 407 sites in Ontario, 615 sites in Alberta, and 82 sites in British Columbia.

⁽⁵⁾ The acquisition comprised three properties consisting of 56 sites in Ontario and 125 sites in British Columbia.

⁽⁶⁾ The acquisition comprised 24 properties consisting of 800 sites in Ontario, 1,050 sites in Alberta, 1,211 sites in New Brunswick, 128 sites in Nova Scotia, 280 sites in Prince Edward Island, and 429 sites in Quebec.

In 2015 CAPREIT entered into an agreement to acquire a 33.3% undivided interest in the residential component of a property under development upon completion. On July 31, 2019, CAPREIT acquired a 19.8% interest in the property, with an additional 5.3% interest acquired on each August 31, 2019 and September 30, 2019, and a final interest of 3% acquired on October 31, 2019.

⁽⁷⁾ Subsequent acquisition financing of \$73.7 million with a weighted average interest rate of 3.00% and a weighted average term to maturity of 10 years relates to a property acquired in 2018.

⁽⁸⁾ These properties were sold to ERES before the year end of December 31, 2019 pursuant to the Pipeline Agreement.

⁽⁹⁾ Excludes acquisitions completed directly by ERES.

The following properties were sold to ERES pursuant to the Pipeline Agreement during the year ended December 31, 2019.

(\$ Thousands)	Suite Count	Region(s)	Sale Price	Cash Proceeds	ERES Class B LP Units Received	Mortgage Discharged
May 31, 2019	1,257	The Netherlands	\$ 350,274	\$ -	\$ 203,773	\$ 146,451
June 28, 2019	511	The Netherlands	147,541 ⁽¹⁾	123,721	33,357	-
September 30, 2019	942	The Netherlands	248,533 ⁽¹⁾	243,624	5,003	-
Total	2,710		\$ 746,348	\$ 367,345	\$ 242,133	\$ 146,451

⁽¹⁾ Includes underwriting fees paid to CAPREIT.

In addition, in 2019, CAPREIT completed the buyout of two existing operating leases at a net purchase price of \$14.7 million.

Acquisitions Completed During the Year Ended December 31, 2018

(\$ Thousands)	Suite or Site Count	Region(s)	Total Acquisition Costs	Assumed Mortgage Funding	Subsequent Acquisition Financing	Interest Rate (%) ⁽¹⁾	Term to Maturity (Years) ⁽²⁾
April 24, 2018	134	Swift Current, SK	\$ 5,744	\$ - ⁽³⁾	\$ -	- ⁽³⁾	- ⁽³⁾
April 30, 2018	2	Burlington, ON	2,404	- ⁽³⁾	-	- ⁽³⁾	- ⁽³⁾
August 7, 2018	90	Langley, BC	34,310	21,088	-	2.56	8.83
August 15, 2018	3	New Westminster, BC	2,536	- ⁽³⁾	-	- ⁽³⁾	- ⁽³⁾
September 27, 2018	269	Vancouver, BC	103,169	- ⁽³⁾	-	- ⁽³⁾	- ⁽³⁾
November 13, 2018	11	New Westminster, BC	3,373	- ⁽³⁾	-	- ⁽³⁾	- ⁽³⁾
December 3, 2018	881	The Netherlands ⁽⁷⁾	253,410	-	104,796 ⁽⁴⁾	1.98 ⁽⁴⁾	7.00 ⁽⁴⁾
December 5, 2018	376	The Netherlands ⁽⁷⁾	93,396	-	46,456 ⁽⁵⁾	1.98 ⁽⁵⁾	7.00 ⁽⁵⁾
December 5, 2018	25	New Westminster, BC	6,368	1,827	-	2.49	6.17
Total	1,791		\$ 504,710	\$ 22,915	\$ 151,252		
Acquisition Financing					\$ 26,766 ⁽⁶⁾	3.49 ⁽⁶⁾	10.0 ⁽⁶⁾

- (1) Weighted average stated interest rate on mortgage funding.
- (2) Weighted average term to maturity on mortgage funding.
- (3) The acquisition was funded from CAPREIT's Acquisition and Operating Facility.
- (4) The acquisition, comprised of 881 suites, was financed by a new non-amortizing mortgage of €67.6 million (\$104.8 million) with a term to maturity of 7 years with an interest rate of 1.98% and the balance in cash from CAPREIT's Acquisition and Operating Facility.
- (5) The acquisition, comprised of 376 suites, was financed by a new non-amortizing mortgage of €29.9 million (\$46.5 million) with a term to maturity of 7 years with an interest rate of 1.98% and the balance in cash from CAPREIT's Acquisition and Operating Facility.
- (6) Subsequent acquisition financing of \$26.8 million with a weighted average interest rate of 3.49% and a weighted average term to maturity of 10 years relates to properties acquired in 2016 and 2017.
- (7) These properties were sold into ERES before the year end of December 31, 2019 pursuant to the Pipeline Agreement.

Dispositions Completed During the Year Ended December 31, 2018

(\$ Thousands)	Suite Count	Region(s)	Sale Price	Cash Proceeds	Mortgage Discharged
August 15, 2018	102	Saskatoon, SK	\$ 10,195	\$ 2,425	\$ 7,476
September 6, 2018	162	Vancouver, BC	70,000	49,900	19,948
October 11, 2018	419	Longueuil, QC	35,831	15,168	20,564
December 12, 2018	217	Québec City, QC	24,900	14,404	10,224
Total	900		\$ 140,926	\$ 81,897	\$ 58,212

CAPREIT continues to further diversify its property portfolio by geography and to maintain a balance among asset types and demographic segments.

ERES Transactions

On December 11, 2018, CAPREIT and ECREIT entered into a purchase agreement whereby CAPREIT agreed to sell a portfolio of multi-residential properties located in the Netherlands (the "**Netherlands Properties**"), comprising 2,091 suites in 41 properties to ECREIT for an aggregate purchase price of approximately \$634 million (the "**ECREIT Transaction**"). The ECREIT Transaction subsequently closed on March 29, 2019. The aggregate purchase price of the initial properties was satisfied with the issuance of 81.6 million ERES Class B LP Units, valued at \$326.5 million and the assumption of mortgages valued at approximately \$307 million. Prior to the closing of the ECREIT Transaction, ECREIT changed its name to ERES. ERES is managed by CAPREIT pursuant to long-term asset and property management agreements. See "General Development of the Business – Other Developments – (c) Management Agreements" for more information on the ERES property management agreements.

On May 31, 2019, CAPREIT sold 26 properties in the Netherlands to ERES, pursuant to the Pipeline Agreement, representing an aggregate of 1,257 residential suites, ancillary commercial space and parking facilities, located in 24 municipalities across the Netherlands. The sale price of the portfolio was at the original acquisition cost of \$350.3 million adjusted for working capital, satisfied through the transfer of \$146.5 million in mortgages plus \$203.8 million satisfied through the receipt of 50.6 million ERES Class B LP Units.

On June 28, 2019, CAPREIT sold 21 properties in the Netherlands to ERES representing an aggregate of 511 residential suites located in 6 municipalities across the Netherlands at the original acquisition cost of \$145.9 million adjusted for working capital and earned an underwriting fee of \$1.6 million (the "**ERES Pipeline Sale**"). ERES paid \$123.7 million in cash and \$33.4 million through the issuance of 8.3 million ERES Class B LP Units.

On September 24, 2019, ERES completed an offering of 40.2 million ERES Units for a price of \$4.15 per unit for aggregate proceeds of \$166.8 million. CAPREIT purchased 4.8 million ERES Units amounting to \$20 million.

On September 30, 2019, CAPREIT sold 18 properties in the Netherlands to ERES, representing an aggregate of 942 residential suites located in 7 municipalities across the Netherlands at the original acquisition cost of \$246.2 million and earned an underwriting fee of \$2.4 million (together with the ERES Pipeline Sale, the “**ERES Sale Transactions**”). ERES paid \$243.6 million in cash and \$5 million through the issuance of 1.1 million ERES Class B LP Units.

On December 18, 2019, ERES completed an offering of 30.9 million ERES Units for a price of \$4.65 per unit for aggregate proceeds of \$143.8 million. CAPREIT purchased 5.4 million ERES Units amounting to \$25 million.

There were no acquisitions made pursuant to the Pipeline Agreement in the year ended December 31, 2020.

As at the date hereof, CAPREIT holds an approximate 66% interest in ERES, on a fully diluted basis, through its holding of 100% of the ERES Class B LP Units and 10.2 million ERES Units.

IRES Transactions

On November 20, 2020, CAPREIT, through Irish Residential Properties Fund, the qualifying investor alternative investment fund (the “**QIAIF**”), purchased options (the “**IRES Options**”) from certain employees of CAPREIT. The aggregate purchase price for the IRES Options was €1.6 million. CAPREIT, through the QIAIF, exercised the IRES Options on the same day and acquired 3.4 million additional IRES Shares. As at December 31, 2020, CAPREIT held a beneficial interest in 98.9 million IRES Shares representing approximately 18.8% of the issued and outstanding share capital of IRES.

Other Developments

(a) Management Agreements

ERES Agreements

On March 29, 2019, CAPREIT and CAPLP, entered into an asset management agreement (the “**Asset Management Agreement**”) with ERES, whereby CAPLP assumed the role of asset manager of ERES. In this role, CAPLP provides the services of a senior management team, advises the trustees of ERES on strategic matters and, among other things, generally advises ERES with respect to investor relations, payment of distributions and the structuring of acquisitions, dispositions and other transactions.

On March 29, 2019, CAPREIT and CAPLP entered into a services agreement with ERES, whereby CAPREIT and CAPLP agreed to provide administrative, legal, financial, marketing, payroll, treasury and various other services to ERES and ERES’ affiliates (the “**Additional Services Agreement**”).

IRES Agreements

IRES Fund Management Limited, CAPLP's wholly-owned Irish subsidiary ("**IRES Fund Management**") became authorized as an alternative investment fund manager ("**AIFM**") by the Central Bank of Ireland on October 28, 2015 and was appointed as the AIFM of IRES effective November 1, 2015.

Pursuant to an amended and restated management agreement dated May 24, 2018 (the "**Investment Management Agreement**"), IRES Fund Management provides portfolio management, risk management, property management and other related services to IRES and its subsidiary IRES Residential Properties Limited. The Investment Management Agreement has an initial term of five years from November 1, 2015, and thereafter continues for consecutive five-year periods unless duly terminated sooner by either party in accordance with the terms of the Investment Management Agreement. As such, as of November 1, 2019, IRES Fund Management has the right to terminate the Investment Management Agreement effective on twelve-months' notice, and, as of November 1, 2020, IRES has the right to terminate the Investment Management Agreement if it determines that it is in its best interests to internalise the management of IRES and, if applicable, to apply to the Central Bank of Ireland for authorisation as an alternative investment fund manager. On November 1, 2020, the Investment Management Agreement continued for another five year period, subject to the aforementioned termination provisions under the Investment Management Agreement, and IRES announced that it is considering its strategic options, including internalization under the terms of the Investment Management Agreement.

IRES, CAPLP and IRES Fund Management entered into an amended and restated services agreement dated May 24, 2018 (as further amended or amended and restated from time to time, the "**Services Agreement**"), which governs the provision by CAPLP of property management services, asset management services and administrative services to IRES Fund Management during the term of the Investment Management Agreement. The Services Agreement terminates automatically with the termination of the Investment Management Agreement.

(b) Natural Gas Supply

CAPREIT entered into fixed natural gas contracts covering fiscal years 2019 to 2024. As at December 31, 2020, CAPREIT is committed to natural gas contracts and transportation costs at fixed prices as follows:

	Actual ⁽²⁾ 2019	Actual ⁽²⁾ 2020	Estimated 2021	Estimated 2022	Estimated 2023	Estimated 2024
Gas Commodity						
Fixed Weighted Average Cost per GJ ⁽¹⁾	\$ 2.48	\$ 2.17	\$ 1.73	\$ 2.07	\$ 2.34	\$ 2.50
Total of CAPREIT's Actual/Estimated	78.8%	80.6%	70.6%	60.0%	53.4%	16.7%
Transport						
Fixed Weighted Average Cost per GJ ⁽¹⁾	\$ 1.15	\$ 1.21	\$ 1.38	\$ 1.06	\$ 0.81	\$ 0.65
Total of CAPREIT's Actual/Estimated	78.0%	74.6%	70.6%	60.0%	53.4%	16.7%

⁽¹⁾ Fixed weighted average cost per gigajoule ("GJ") excludes other administrative costs.

⁽²⁾ Based on actual fixed hedged gas commodity and transport costs per GJ. Also shown above is the actual percentage of utilized hedge contracts against actual total requirements.

(c) Credit Facilities

CAPREIT's credit facilities (excluding ERES) include the \$740 million Acquisition and Operating Facility maturing on June 30, 2022 and the \$65 million existing non-revolving term credit facility maturing on June 30, 2021 (the "**Land Lease Facility**") (collectively, the "**Credit Facilities**").

In January 2021, CAPREIT repaid the fully drawn Land Lease Facility and settled the corresponding cross currency swap.

In December 2020, CAPREIT settled the €163.5 million cross currency swap, prior to the original maturity date of June 2021.

Effective June 30, 2020, CAPREIT amended its credit agreement to, among other things, change the conversion date for when the Acquisition and Operating Facility converts to a one-year non-revolving term facility from June 30, 2020 to June 30, 2021.

In December 2019, CAPREIT entered into a cross currency swap to: (i) hedge a US-based loan of USD \$177.3 million into €160.0 million effective December 2019; and (ii) convert the variable interest rate on the US-based loan of LIBOR plus 1.65% to a fixed interest rate of EURIBOR plus 1.65% equaling 1.06% and maturing November 2020. In December 2019, CAPREIT entered into a cross currency swap to: (i) hedge a US-based loan of USD \$82.5 million into €74.0 million effective December 2019; and (ii) convert the variable interest rate on the US-based loan of LIBOR plus 1.65% to a fixed interest rate of EURIBOR plus 1.65% equaling 1.05% and maturing December 2021.

Effective November 15, 2019, CAPREIT amended its credit agreement to, among other things: (i) increase the Acquisition and Operating Facility to \$740 million with maturity extended to June 30, 2022; (ii) provide for the temporary bridge credit facility, which expired on March 15, 2020 (the "**Second Temporary Bridge Facility**"), with draws permitted in Canadian dollars or euros at an approximate spread of 1.65%, which replaced the First Temporary Bridge Facility (as defined below) (which was previously paid down in full); and (iii) increase its tangible net worth requirement to \$2,400 million.

In September 2019, CAPREIT entered into a cross currency swap to: (i) hedge a CAD-based loan of \$65.0 million into €44.8 million effective September 2019; and (ii) convert the variable interest rate on the CAD-based loan of banker's acceptance plus 1.40% to a fixed interest rate of EURIBOR plus 1.65% equaling 0.97% and maturing June 2021.

In June 2019, CAPREIT entered into a cross currency swap to: (i) hedge a US-based loan of USD \$186.2 million into €163.5 million effective June 2019; and (ii) convert the variable interest rate on the US-based loan of LIBOR plus 1.65% to a fixed interest rate of EURIBOR plus 1.65% equaling 1.08% and maturing June 2021.

Effective June 28, 2019, CAPREIT amended its credit agreement to, among other things: (i) amend its credit facilities, including the Acquisition and Operating Facility, through the addition of a \$100 million temporary bridge credit facility (the "**First Temporary Bridge**

Facility”), with draws permitted in Canadian dollars or euros at an approximate spread of 1.65%; and (ii) to remove the €320 million euro LIBOR sub-limit entirely.

Effective February 4, 2019, CAPREIT amended its credit agreement to increase its €200 million euro LIBOR sub-limit to €320 million.

Effective November 26, 2018, CAPREIT amended its credit agreement to, among other things: (i) increase its revolving credit facility by \$100 million from \$540 million to \$640 million, including a €200 million euro LIBOR sub-limit; (ii) provide for a temporary, three month bridge credit facility of \$200 million, with draws permitted in Canadian dollars or euro LIBOR, at an approximate floating rate of 1.65%, with the condition that any principal amounts under the bridge facility that is repaid may not be re-borrowed; and (iii) amend the tangible net worth requirement to \$2,100 million.

(d) Other Canadian derivative contracts

In January 2021, CAPREIT entered into a cross currency swap to: (i) hedge existing CAD-based debt of \$69.7 million into €44.8 million; and (ii) convert fixed CAD-based debt payments with interest rate of 0.82% for fixed euro-based payments with interest rate of -0.07%, and maturing in January 2024.

In December 2020, CAPREIT entered into a cross currency swap to: (i) hedge existing CAD-based debt of \$123.9 million into €80.0 million; and (ii) convert fixed CAD-based debt payments with interest rate of 1.04% for fixed euro-based payments with interest rate of 0.01%, and maturing December 2024. CAPREIT also entered into a cross currency swap to: (i) hedge existing CAD-based debt of \$129.4 million into €83.5 million; and (ii) convert fixed CAD-based debt payments with interest rate of 0.75% for fixed euro-based payments with interest rate of -0.06%, and maturing December 2022.

In November 2020, CAPREIT entered into a cross currency swap to: (i) hedge existing CAD-based debt of \$247.7 million into €160.0 million; and (ii) convert fixed CAD-based debt payments with interest rate of 1.33% for fixed euro-based payments with interest rate of 0.22%, and maturing November 2025.

(e) Captive Insurance Company

On November 27, 2020, CAPLP incorporated as a wholly-owned subsidiary Residential Properties Insurance Limited (“**RPIL**”), a Barbados corporation. RPIL is certified and registered as a Class 1 insurance company in Barbados to insure certain risks related to CAPREIT and its subsidiaries. Effective as of March 5, 2021, RPIL will reinsure the first \$10,000,000 per claims under CAPREIT’s property insurance program, and the first \$2,000,000 per claims under CAPREIT’s general liability insurance program, pursuant to a reinsurance agreement with a licensed Canadian insurance company. Pursuant to the reinsurance agreement, RPIL’s aggregate liability for claims made on an annual basis is limited to \$25,000,000.

7 - DESCRIPTION OF THE BUSINESS

7.1 Summary

The objectives of CAPREIT are (i) to provide Trust Unitholders with long-term, stable and predictable monthly cash distributions; (ii) to grow NFFO, sustainable distributions and Unit value through the active management of its properties, accretive acquisitions, developments, intensifications, and strong financial management; and (iii) to invest capital within the property portfolio in order to maximize earnings and cash flow potential and to help ensure life safety of residents.

7.2 The Residential Real Estate Market

The Multi-Unit Residential Real Estate Market

CAPREIT's real property portfolio is comprised primarily of interests in income-producing multi-unit residential properties in Canada. Properties consist of well-located, low-rise and high-rise apartment buildings and townhome complexes in or near urban centres throughout Canada. This particular type of real estate differs significantly from the commercial real estate investment market particularly because of the following:

- residential tenancy agreements tend to have terms of one year or less, thereby allowing for more frequent changes to rental rates;
- cash flow for each property is generated by a diverse resident base. The temporary loss of any one of these residents through turnover or exposure to bad debt from any one of these residents, will have no significant effect on CAPREIT's overall income stream;
- the demand for residential rental accommodation is much more consistent and stable than the demand for commercial rental space, reflecting demographic trends and reflecting that the need for housing, unlike its commercial counterpart, is governed to a lesser extent by economic business cycles;
- the costs necessary to attract and retain residential tenants are generally lower and much more predictable than in the case of commercial tenancies, regardless of the stage of the business cycle;
- the value of residential properties has historically been less susceptible to economic business cycles than other classes of income-producing real estate; and
- properties can often be purchased at amounts below replacement cost.

While the characteristics detailed above mitigate the detrimental effects of severe cyclical swings in the real estate industry, the residential market is not completely immune to supply and demand imbalances nor variances in general economic conditions including the impacts of the public health crisis related to the COVID-19 pandemic (see "Risk Factors").

CAPREIT has supplemented its portfolio of multi-unit residential properties with the acquisition of MHCs in Ontario, Québec, British Columbia, Alberta, Nova Scotia, Saskatchewan, Prince Edward Island and New Brunswick. Homeowners in an MHC enter into lease agreements for the lots on which their homes are located for a monthly rental charge. In certain provinces of Canada, residents are subject to annual provincial guideline rent increases (see “Risk Factors – Rent Control Regulations”). Homeowners are responsible for all of their utility costs and all sites are connected to full municipal services. The homes are constructed by a home builder in a variety of styles and floor plans, and can be customized to an owner’s specifications. Owning and operating an MHC is similar to owning and operating a multi-unit residential property. However, owning and operating MHCs offers the following advantages: significantly lower capital investment and maintenance costs; minimal rent collection issues; reduced exposure to energy costs; stable occupancies; and generally longer lease terms with low resident turnover.

7.3 Competition

Competition for Real Property Investments

CAPREIT competes for suitable real property investments with individuals, corporations, institutions (both Canadian and foreign) and other real estate investment trusts which are seeking, or which may seek in the future, real property investments similar to those sought by CAPREIT. A number of these investors may have greater financial resources than those of CAPREIT, or operate without the investment or operating restrictions of CAPREIT or according to more flexible conditions. An increase in the availability of investment funds and an increase in interest in real property investments may increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

CAPREIT’s growth in the past has come from its focused acquisition program. Management has demonstrated an ability to locate and complete property purchases at accretive purchase prices. There is a risk that continuing competition for the acquisition of apartments, townhomes, and MHCs may increase purchase prices to levels that are not accretive to Unitholders, or which could substantially increase future refinancing risk.

Ownership of apartment buildings and MHCs is diverse and very fragmented, and the owner often performs rental management. CAPREIT believes there are acquisition opportunities as a result of the fragmented market and opportunities to enhance income through the application of professional management practices and gaining efficiencies of scale.

Competition for Residents

The real estate business is competitive. Numerous other developers, managers and owners of properties or residential units compete with CAPREIT in seeking residents. The resulting competition for CAPREIT’s residents could have an adverse effect on CAPREIT’s ability to lease suites in its properties and on the rents charged, which could adversely affect CAPREIT’s revenues and, consequently, its ability to meet its obligations and pay distributions.

Many city centres in our markets have seen a significant increase in new condominium construction. In certain markets a significant proportion of new condominiums constructed are being used as rental properties. Condominiums are targeted primarily at the luxury market and provide competition for CAPREIT in this market segment. In addition, in view of the current low interest rate environment, mortgage loans for home ownership are available at attractive interest rates, potentially providing competition to CAPREIT for residents who may prefer to enter the home-ownership market. This competition could adversely affect CAPREIT's ability to lease suites in its properties and on the rents charged and could lead to increased leasing, marketing and refurbishment costs necessary to lease and release suites.

CAPREIT's strong sales and marketing team continues to execute innovative and highly effective strategies to help attract and retain residents and adapt to changing conditions in specific markets. In addition, CAPREIT's lease administration system improves control of rent-setting by suite, increasing resident service and enhancing the overall profile of its resident base. While ensuring the needs of its residents are met, CAPREIT also carefully monitors operating costs to ensure it is delivering services to residents both efficiently and cost effectively. CAPREIT strives to capture potential economies of scale and cost synergies arising from past growth.

7.4 Owned Properties

Types of Property Interests

CAPREIT's investments in its Canadian property portfolio reflect different forms of property interests, including fee simple, operating leasehold interests and land leasehold interests.

The majority (December 31, 2020 – 76.50%; December 31, 2019 – 70.4%) of CAPREIT's Canadian investments in its apartment and townhome property portfolio, based on total residential suites and MHC land lease sites, are in the form of fee simple, representing freehold ownership of the properties subject only to typical encumbrances that run with the property, including mortgages.

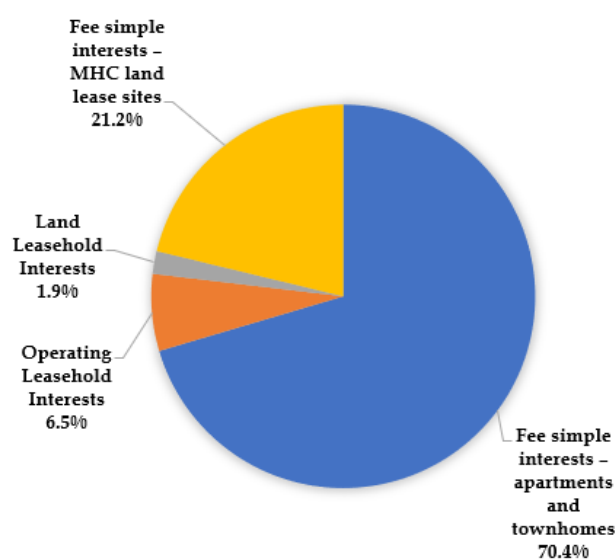
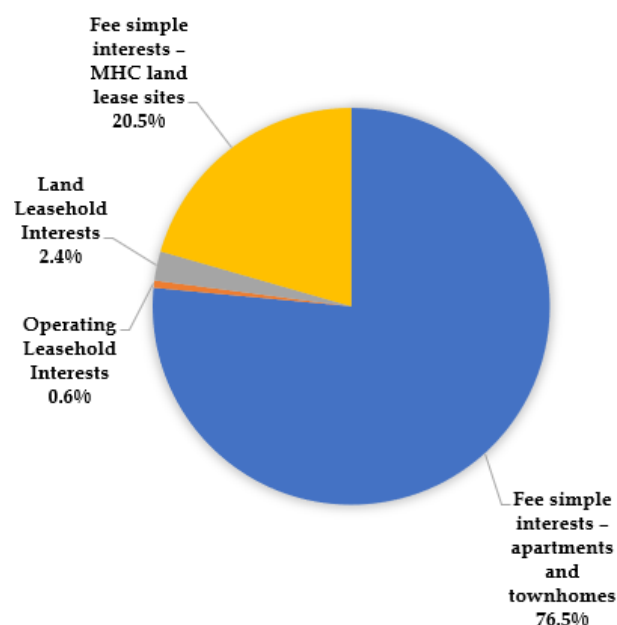
CAPREIT owns operating leasehold interests in three properties located in the GTA. The leases mature between 2033 and 2037. While separate lease arrangements exist for each property, all such leases have a common general structure: each lease is for a 35-year term and the rent for the entire lease term was fully paid at the time the leasehold interest was acquired. Operating leasehold interests accounted for approximately 0.6% of CAPREIT's total Canadian residential suites (including MHC land lease sites) as at December 31, 2020 (December 31, 2019 – 6.5%). CAPREIT has the option to acquire fee simple interests in all of the properties exercisable between the 26th and 35th year of the respective leases. The purchase options are independently exercisable, enabling CAPREIT to acquire additional interests in any or all of the properties. The option prices vary by property and by the year in which the option is exercised. If CAPREIT elects to exercise any option prior to the maturity of the lease term, CAPREIT would be entitled to receive a *pro rata* amount of the prepaid original rent based on the remaining lease term. In addition, under certain circumstances, the option price may be reduced by the unamortized portion of certain capital expenditures incurred during the final ten years of the lease term.

CAPREIT owns ground leasehold interests in four land parcels located in Calgary, Edmonton and Vancouver, as well as an air leasehold interest in the space occupied by an apartment in the Greater Toronto Area. CAPREIT has acquired a residential building on each of the five locations and must pay rent on an annual basis for its use of the land or air rights. CAPREIT's leasehold interests in one property matures in 2045, two properties in 2068, one property in 2070, and another matures in 2072. CAPREIT does not have the right to acquire the land and air rights or to extend the lease term upon maturity of the respective leases. These five leasehold interests accounted for approximately 2.4% of CAPREIT's total Canadian residential suites and MHC land lease sites as at December 31, 2020 (December 31, 2019 – 1.9%).

CAPREIT has fee simple interests in 75 MHC land lease sites in Ontario, Québec, British Columbia, Alberta, Nova Scotia, Saskatchewan, New Brunswick, and Prince Edward Island whereby CAPREIT owns lots, which it rents to residents under long-term leases. Interests in MHCs accounted for approximately 20.5% of CAPREIT's total Canadian residential suites and MHC land lease sites as at December 31, 2020 (December 31, 2019 – 21.2%).

As at December 31, 2020:

As at December 31, 2019:



Portfolio Diversification

CAPREIT's investment property portfolio is diversified by geography and balanced among asset types and demographic segments. CAPREIT's long-term goal is to further enhance the geographic diversification and defensive nature of its portfolio through future acquisitions, as well as through dispositions of non-core and underperforming properties.

The tables that follow provide certain additional information relating to CAPREIT's diversification by geographic region and property type.

Canadian Portfolio by Geography

As at December 31,	2020	%	2019	%
Residential Suites				
Ontario				
Greater Toronto Area	16,160	28.0	16,155	29.3
Ottawa	2,750	4.8	2,377	4.3
London / Kitchener / Waterloo	3,261	5.6	2,960	5.4
Other Ontario	1,702	2.9	1,702	3.1
	23,873	41.3	23,194	42.1
Québec				
Greater Montréal Region	7,771	13.5	7,655	13.9
Québec City	2,517	4.4	2,517	4.6
	10,288	17.8	10,172	18.5
British Columbia				
Greater Vancouver Region	3,551	6.1	3,551	6.4
Victoria	1,697	2.9	1,550	2.8
	5,248	9.1	5,101	9.3
Alberta				
Edmonton	544	0.9	435	0.8
Calgary	1,775	3.1	1,963	3.6
	2,319	4.0	2,398	4.4
Nova Scotia				
Halifax	3,288	5.7	1,659	3.0
Saskatchewan				
Regina	234	0.4	234	0.4
Prince Edward Island				
Charlottetown	637	1.1	643	1.2
Total residential suites	45,887	79.5	43,401	78.8
MHC Sites				
Total MHC sites	11,856	20.5	11,680	13.7
Total suites and sites	57,743	100.0	55,081	100.0

Total Canadian Portfolio: Net AMR, Occupied AMR and Occupancy by Geography

As at December 31, 2020	Net AMR			Occupied AMR			Occupancy %	
	2020 AMR (\$)	2019 AMR (\$)	% Change AMR	2020 AMR (\$)	2019 AMR (\$)	% Change AMR	2020	2019
Residential Suites								
Ontario								
Greater Toronto Area	1,499	1,451	3.3	1,523	1,464	4.0	98.4	99.1
Ottawa	1,363	1,325	2.9	1,372	1,327	3.4	99.4	99.9
London / Kitchener /								
Waterloo	1,069	1,023	4.5	1,078	1,034	4.3	99.2	99.0
Other Ontario	1,409	1,353	4.1	1,421	1,357	4.7	99.2	99.7
	1,418	1,375	3.1	1,437	1,387	3.6	98.7	99.2
Québec								
Greater Montréal Region	991	981	1.0	1,025	989	3.6	96.7	99.3
Québec City	1,095	1,080	1.4	1,118	1,092	2.4	97.9	98.9
	1,016	1,006	1.0	1,048	1,014	3.4	97.0	99.2
British Columbia								
Greater Vancouver Region	1,466	1,448	1.2	1,484	1,462	1.5	98.8	99.0
Victoria	1,301	1,301	-	1,306	1,309	(0.2)	99.6	99.4
	1,413	1,403	0.7	1,426	1,415	0.8	99.1	99.1
Alberta								
Edmonton	1,079	1,192	(9.5)	1,223	1,217	0.5	88.2	97.9
Calgary	1,056	1,096	(3.6)	1,108	1,128	(1.8)	95.3	97.2
	1,061	1,113	(4.7)	1,133	1,144	(1.0)	93.7	97.3
Nova Scotia								
Halifax	1,197	1,184	1.1	1,259	1,207	4.3	95.1	98.1
Saskatchewan								
Regina	984	1,035	(4.9)	1,042	1,057	(1.4)	94.4	97.9
Prince Edward Island								
Charlottetown	1,100	1,083	1.6	1,109	1,093	1.5	99.2	99.1
Total residential suites	1,282	1,260	1.7	1,311	1,273	3.0	97.8	99.0
MHC Sites								
Total MHC sites	390	383	1.8	407	399	2.0	95.8	96.0
Total suites and sites	1,094	1,069	2.3	1,124	1,087	3.4	97.4	98.3

7.5 Portfolio Average Monthly Rents and Occupancy by Geography

The following table summarizes certain aspects of CAPREIT's Canadian properties on a property-by-property basis.

Stabilized Canadian Portfolio: Net AMR, Occupied AMR and Occupancy by Geography

As at December	Net AMR			Occupied AMR			Occupancy %	
	2020 AMR (\$)	2019 AMR (\$)	% Change AMR	2020 AMR (\$)	2019 AMR (\$)	% Change AMR	2020	2019
Residential Suites								
Ontario								
Greater Toronto	1,499	1,451	3.3	1,523	1,464	4.0	98.4	99.1
Ottawa	1,390	1,325	4.9	1,393	1,327	5.0	99.8	99.9
London /	1,080	1,023	5.6	1,090	1,034	5.4	99.2	99.0
Other Ontario	1,409	1,353	4.1	1,421	1,357	4.7	99.2	99.7
	1,427	1,375	3.8	1,446	1,387	4.3	98.7	99.2
Québec								
Greater Montréal	981	981	-	1,015	989	2.6	96.7	99.3
Québec City	1,095	1,080	1.4	1,118	1,092	2.4	97.9	98.9
	1,009	1,006	0.3	1,041	1,014	2.7	97.0	99.2
British Columbia								
Greater	1,466	1,448	1.2	1,484	1,462	1.5	98.8	99.0
Victoria	1,329	1,301	2.2	1,335	1,309	2.0	99.6	99.4
	1,424	1,403	1.5	1,438	1,415	1.6	99.0	99.1
Alberta								
Edmonton	986	1,192	(17.3)	1,150	1,217	(5.5)	85.8	97.9
Calgary	1,056	1,097	(3.7)	1,108	1,126	(1.6)	95.3	97.4
	1,042	1,116	(6.6)	1,116	1,144	(2.4)	93.4	97.5
Nova Scotia								
Halifax	1,160	1,184	(2.0)	1,248	1,207	3.4	93.0	98.1
Saskatchewan								
Regina	984	1,035	(4.9)	1,042	1,057	(1.4)	94.4	97.9
Prince Edward								
Charlottetown	1,100	1,086	1.3	1,109	1,096	1.2	99.2	99.1
Total residential	1,286	1,257	2.3	1,315	1,273	3.3	97.8	99.0
MHC Sites								
Total MHC sites	391	383	2.1	408	399	2.3	95.8	96.0
Total Suites and Sites	1,090	1,069	2.0	1,120	1,087	3.0	97.4	98.4

7.6 Cyclical Nature of the Business

CAPREIT's operations are affected by seasonal cycles and, as such, operating performance in one quarter may not be indicative of potential operating performance in any other quarter of the year. The first and fourth quarters of each year tend to generate weaker performance due to increased energy consumption during the winter months. There may be periods where actual distributions declared may exceed ACFO due to weaker performance in certain periods from seasonal fluctuations, regional market volatility, or from year to year based on the timing of property capital investments and the impact of acquisitions. These shortfalls are funded, if necessary, with CAPREIT's Acquisition and Operating Facility.

7.7 Property Capital Improvements and Investments

Part of CAPREIT's growth strategy includes (i) modernizing our asset base by targeting the purchase of more modern, recently built and brand-new properties in key growth markets ("New Build Properties") and (ii) the acquisition of properties below current replacement costs

(“**Below Cost Properties**”) which may require immediate and/or planned capital improvements and repairs. New Build Properties generate higher rents, require less ongoing maintenance and capital spending, and strengthen the overall long-term diversification of our portfolio. CAPREIT improves the operating performance of Below Cost Properties by investing annually in capital improvements to grow and sustain the portfolio’s future rental income potential over the useful economic life.

Prior to acquisition, CAPREIT obtains a building condition audit conducted by an independent professional engineer in respect of each of its properties for the purposes of evaluating the condition and structural integrity of each building and major building and operating components and systems and identifying and assessing the cost of deficiencies that are the subject of any outstanding or likely work orders and/or deferred maintenance items. Each property is measured against a standard that is at least consistent with its market segment and current rent levels. Each building condition audit is completed on the basis of work which is required to be completed within approximately one to five years and may include work which is recommended to be performed in subsequent years. The investments identified by these audits, which include improvements to major building structures, parking garages and balconies, are estimated at the time of acquisition and included in the acquisition analysis to ensure the transaction is expected to be accretive to Unitholders and are funded periodically over several years from mortgage advances or refinancings and equity financings.

CAPREIT completes a review of its portfolio and revises its long-term capital investment plan on an annual basis, which allows management to ensure capital investments extend the useful economic life of CAPREIT’s properties, enhance life safety, maximize earnings and improve the long-term cash flow potential of its portfolio. CAPREIT believes that these building improvement programs, combined with existing suite improvement, common area and environment-friendly and energy-savings initiatives, will enable CAPREIT to reposition its portfolio and maintain high occupancy levels. These investments are expected to continue to increase average monthly rents while improving life safety and resident services. CAPREIT also believes that strategic investments will position the portfolio for improved operating performance as the economy strengthens and will enhance the quality and value of the portfolio over the long term.

For the year ended December 31, 2020, CAPREIT made property and capital investments (excluding head office assets and development) of \$231.1 million, as compared to \$221.2 million for the year ended December 31, 2019.

A breakdown of property capital investments (excluding head office assets and development) is summarized by category below:

Property Capital Investments by Category

Year Ended December 31, 2020 (\$ Thousands)	Actual Total Portfolio	% of Actual
Non-discretionary property capital investments:		
Building improvements	\$ 64,447	27.9
MHC infrastructural	5,495	2.4
Life and safety	603	0.3
	70,545	30.6
Discretionary property capital investments:		
Suite improvements	68,092	29.4
Common area	51,196	22.2
Energy-saving initiatives	18,574	8.0
Equipment	13,855	6.0
Elevators and risers	6,489	2.8
Others	1,459	0.6
MHC common area	918	0.4
	160,583	69.4
Total	\$ 231,128	100.0

Year Ended December 31, 2019 (\$ Thousands)	Actual Total Portfolio	% of Actual
Non-discretionary property capital investments:		
Building improvements	\$ 61,869	28.0
MHC infrastructural	2,605	1.2
Life and safety	1,058	0.5
	65,532	29.7
Discretionary property capital investments:		
Suite improvements	68,907	31.1
Common area	45,517	20.6
Energy-saving initiatives	15,132	6.8
Equipment	14,752	6.7
Elevators and risers	8,505	3.8
Others	1,900	0.9
MHC common area	980	0.4
	155,693	70.3
Total	\$ 221,225	100.0

Capital Investment Strategy

CAPREIT's capital investment strategy over the long term will continue to:

- acquire newer properties or value-add properties at prices below their current replacement costs;
- invest in building improvement programs to ensure life safety conditions to re-position the portfolio or newly-acquired assets and to complete value-enhancing

capital investments combined with continued emphasis on improving life safety and resident service;

- direct discretionary capital investments at properties and initiatives, including technological, environmentally-friendly and energy-saving initiatives, where management expects to generate additional NOI as an outcome of the improvements;
- emphasize common area improvements and curbside appeal to maintain CAPREIT's high quality and occupancy goals; and
- focus on initiatives that are environmentally-friendly, energy saving and sustainable including high efficiency boilers, building automation systems, LED lighting fixtures and in-suite smart thermostats that will reduce greenhouse gas emissions and be in a position to benefit from future carbon credit programs, energy-efficient lighting systems and water savings.

7.8 Environmental

CAPREIT is exposed to potential liability in respect of environmental hazards or under various environmental laws and regulations (see "Risk Factors – Environmental Matters") accordingly management has developed environmental policies, procedures and practices to protect the environment and minimize CAPREIT's risks and liabilities.

Pursuant to the Declaration of Trust, unless determined otherwise by the Board of Trustees, it is CAPREIT's operating policy to obtain environmental assessments, conducted by a qualified independent environmental engineering firm, as an integral component of pre-acquisition due diligence.

Where an environmental assessment results in recommendations for further investigation, it is CAPREIT's standard practice to undertake these additional investigations through qualified independent professional environmental engineers until the issue is fully understood and/or resolved. CAPREIT also follows this practice for the acquisition of development land and the redevelopment of existing properties.

Environmental assessments are also reviewed and updated in advance of financing or refinancing, to fulfill any development requirements, and general due diligence of any property to assess for any changes in the environmental condition of a property or environmental legislation that may affect the compliance of a property with new legislated standards.

The environmental assessments which CAPREIT has obtained to date with respect to its properties have not revealed any potential environmental liability that management believes could have a material adverse effect on CAPREIT.

Management believes that CAPREIT can reduce its operational impact on the environment, while improving its long-term financial performance, through integrating responsible strategies and practices into every aspect of the business. By optimizing energy and water consumption at our buildings, providing employees and residents with conservation and waste diversion tools, and implementing sustainability practices across our portfolio.

Most of CAPREIT's Canadian portfolio is heated with natural gas, a clean-burning energy source. The remainder of the portfolio is heated using electricity or heating oil, and over the last few years, a number of such properties were converted to natural gas, reducing overall emissions produced, as well as operating costs. CAPREIT has also implemented a suite-metering program for electricity and water, installing individual meters in suite, in parts of its property portfolio where possible. Upon lease turnover, new rental agreements include metered billing payable by the resident, which acts as the strongest incentive to reduce energy and water consumption by residents.

One of CAPREIT's strategies is to assess the application of energy-efficient and sustainable initiatives at every newly acquired property promptly upon acquisition, along at new development builds where feasible. These energy-efficiency initiatives, with favourable payback periods, include:

- Installation of new high-efficiency boilers and chillers;
- Installation of building automation systems to better control equipment performance and resident comfort;
- In suite smart thermostats for electrically heated buildings;
- Installation of efficient LED and lighting technology in suites and common areas with occupancy and light harvesting controls where possible;
- Optimize electricity and water consumption by way of sub-metering;
- Use of reflective panels to cost-effectively reduce heat-loss;
- Installation of intelligent water pumping systems to further reduce electricity use; and
- Garage carbon monoxide monitoring systems.

These boiler plants are then remotely monitored by CAPREIT, allowing for optimal temperatures for residents' comfort with minimal energy waste. Each of these initiatives requires an initial capital investment by CAPREIT but has resulted in significant decreases in energy usage and related costs. Another initiative with no upfront capital cost is the regular cleaning of all in-suite heating coils, fins and radiators by building staff, which notably reduces energy waste.

Expenditures on energy consumption optimization investments were approximately \$18.6 million in 2020, \$15.1 million in 2019 and \$20.1 million in 2018.

Similar to the strategy for reducing energy consumption, CAPREIT also promptly installs a variety of water-efficient equipment at every newly acquired property, as previously owned properties have already been modernized. Such initiatives include the use of next-generation, ultra-high-efficient toilets, low-flow showerheads and faucets using aerators as well as high-efficiency laundry facilities. Additionally, CAPREIT's commitment to reduction of water consumption continues with mature properties whereby equipment has been upgraded more than once when newer and cost-effective technology has allowed even greater reduction in water usage. Inspections are conducted on a regular basis to check for leaks and change faulty devices.

Waste-management is also a key element of CAPREIT's operational focus which expands across all levels of its business mandate. Beginning in 2007, CAPREIT implemented a waste

diversion strategy and expanded recycling initiatives across its properties. Management believes this strategy is effective to improve its waste diversion efforts and reduce the volume of waste going to landfills. CAPREIT's waste management strategy includes providing recycling and composting solutions to its residents through signage and training and installing garbage compactors to reduce the number of bin pickups, ensuring there are no pre-existing contaminations prior to property acquisitions, and revitalizing existing residential properties to facilitate greater urban density, which ultimately reduces pollution.

7.9 Divestitures

As a component of CAPREIT's growth strategy, CAPREIT monitors its portfolio and, from time to time, identifies certain non-core properties for divestiture. The funds from these divestitures are used to acquire additional strategic assets better suited to CAPREIT's portfolio composition and property management objectives, or to retire existing debt. For the year ended December 31, 2020, CAPREIT divested three properties, consisting of two residential properties in Charlottetown, PEI and Calgary, Alberta, together having a total of 194 suites, for total net cash proceeds of approximately \$20.0 million and a commercial property in Dusseldorf, Germany for total net cash proceeds of \$15.4 million. Please see "Three Year Development - Property Acquisitions and Dispositions."

7.10 Mortgage Financing

CAPREIT takes a conservative approach and actively manages its mortgage portfolio to reduce interest costs while ensuring it is not overly exposed to interest rate volatility risk. Management takes a portfolio approach to its mortgage debt, proactively staggering maturities to reduce risk while taking advantage of the current low interest rate environment. Management is also focused on ensuring the portfolio weighted average term to maturity remains above the five-year range or longer and expects to gradually extend the term, while continuing to balance the maturity profile. CAPREIT is required to comply with limitations on its debt contained in the Declaration of Trust and under the terms of its other borrowing agreements. As at December 31, 2020, CAPREIT was in compliance in all material respects with the debt restrictions under the Declaration of Trust and under the terms of its borrowing agreements.

As at December 31, 2020, the weighted average interest rate on outstanding mortgage indebtedness for CAPREIT's Canadian portfolio was 2.80% (December 31, 2019 - 3.17%), excluding 0.05% (December 31, 2019 - 0.06%) for amortization of the realized component of loss on the settlement of derivative financial instruments in accumulated other comprehensive loss ("AOCL").

In Canada, CAPREIT focuses on ownership of multi-unit residential real estate which is eligible for government-backed mortgage insurance administered by CMHC (with the exception of MHCs). As a result, CAPREIT is able to obtain lower interest rates than are available under conventional mortgages and the overall renewal risk for mortgage refinancing is reduced as the mortgage insurance premium is transferable between CMHC approved lenders and is effective for the full amortization period of the underlying mortgage (typically ranging between 25-35 years). As at December 31, 2020, 98.7% of CAPREIT's Canadian mortgage debt was CMHC insured (excluding MHCs) (December 31, 2019 - 98.3%).

The large borrower agreement with CMHC dated August 9, 2010 (“LBA”) provides for, among other things, the cross-collateralization of mortgage loans for CAPREIT’s largest CMHC-insured mortgage lenders, secured by the registration of fixed and floating charge debentures on each such lender’s pool of charged CAPREIT properties. Such debentures are subordinate to the charges securing the related mortgage loans and senior to the debentures securing the Acquisition and Operating Facility.

The breakdown of CAPREIT’s Canadian dollar denominated future principal repayments, including mortgage maturities, and effective weighted average interest rates as at December 31, 2020 is as follows:

As at December 31, 2020

(\$ Thousands)

Period	Principal Amortization	Mortgage	Mortgage	% of Total Mortgage Balance	Interest Rate (%) ^{(1), (2)}
2021	142,464	444,232	586,696 ⁽³⁾	13.3	3.25
2022	132,783	341,536	474,319	10.7	3.16
2023	115,922	320,734	436,656	9.9	3.33
2024	102,405	305,265	407,670	9.2	3.14
2025	94,451	322,083	416,534	9.4	2.85
2026	74,037	298,212	372,249	8.4	2.84
2027	57,347	234,900	292,247	6.6	2.67
2028	49,028	190,181	239,209	5.4	2.85
2029	37,101	284,556	321,657	7.3	2.80
2030	23,551	290,875	314,426	7.1	2.15
2031-2035	42,516	512,328	554,845	12.7	2.25
	\$ 871,605	\$ 3,544,902	\$ 4,416,508	100.0 %	2.80 % ⁽²⁾
Deferred financing costs, fair value adjustments, prepaid					
CMHC premiums, net			(105,999)		
Total			\$ 4,310,509		

⁽¹⁾ Effective weighted average interest rates for maturing mortgages only.

⁽²⁾ Effective weighted average interest rate includes deferred financing costs, fair value adjustments and prepaid CMHC premiums.

⁽³⁾ Included in mortgages payable is a \$65.0 million non-amortizing credit facility on two of the MHC sites.

The breakdown for ERES of future principal repayments, including mortgage maturities, and effective weighted average interest rates as at December 31, 2020 is as follows:

As at December 31, 2020

(\$ Thousands)

Period	Principal Amortization	Mortgage Maturities	Mortgage Balance (\$)	Mortgage Balance (€)	% of Total Mortgage Balance	Interest Rate (%) ^{(1), (2)}
2021	3,375	-	3,375	2,182	0.3	-
2022	3,418	77,906	81,324	52,104 ⁽³⁾	7.4	1.43
2023	3,431	157,110	160,541	102,858 ⁽³⁾	14.7	1.49
2024	2,772	123,448	126,220	80,869 ⁽³⁾	11.5	1.70
2025	444	354,327	354,771	227,301 ⁽³⁾	32.4	1.87
2026	-	299,698	299,698	192,184 ⁽³⁾	27.4	1.47
2027	-	69,143	69,143	44,300 ⁽³⁾	6.3	1.74
	\$ 13,440	\$1,081,632	\$1,095,072	€ 701,798	100.0%	1.61% ⁽²⁾
Deferred financing costs, fair value adjustments, net			(4,379)			
Total			\$1,090,693			

⁽¹⁾ Effective weighted average interest rates for maturing mortgages only.

⁽²⁾ Effective weighted average interest rate includes deferred financing costs and fair value adjustments.

⁽³⁾ Included in mortgages payable are non-amortizing mortgages from ERES.

7.11 Credit Facilities

As of December 31, 2020, CAPREIT's Credit Facilities (excluding ERES) included the \$740 million Acquisition and Operating Facility and the existing \$65 million Land Lease Facility. The \$200 million Second Temporary Bridge Facility expired on March 15, 2020. The Credit Facilities are subject to compliance with the various provisions of the Credit Facilities. The Acquisition and Operating Facility is secured by fixed charge debentures on most of CAPREIT's properties, and floating charge debentures on all of CAPREIT's properties. In each case, such debentures are subordinate to the charges securing CAPREIT's mortgage financing. The margins are renegotiated annually. The interest rate on the Acquisition and Operating Facility is determined by interest rates on prime advances and bankers' acceptances utilized during the year.

With respect to the Acquisition and Operating Facility, the aggregate principal amount of all advances (including Canadian dollar, US dollar LIBOR and euro LIBOR borrowings) under the Acquisition and Operating Facility shall not exceed \$740 million.

At December 31, 2020, the borrowings outstanding under the USD-dominated facility were \$104.8 million and bear interest at the USD LIBOR rate plus a margin of 1.65% per annum, subject to a floor of 0%.

The table below summarizes CAPREIT's (excluding ERES') bank indebtedness position as at December 31, 2020 and December 31, 2019:

As at December 31, 2020 (\$ Thousands)	Acquisition and Operating Facility
Facility	\$ 740,000
Less: USD LIBOR Borrowings	(104,810) ⁽²⁾
Letters of Credit	(7,193)
Available Borrowing Capacity	\$ 627,997
Weighted Average Floating Interest Rate	1.10% ⁽⁴⁾

As at December 31, 2019 (\$ Thousands)	Acquisition and Operating Facility
Facility	\$ 740,000 ⁽¹⁾
Less: USD LIBOR Borrowings	(579,821) ⁽²⁾
Euro LIBOR Borrowings	(6,846) ⁽³⁾
Letters of Credit	(7,163)
Available Borrowing Capacity	\$ 146,170
Weighted Average Floating Interest Rate	1.08% ⁽⁴⁾

- (1) In addition to the Acquisition and Operating Facility, there was a \$200,000 bridge facility in place. There were no amounts drawn on this bridge facility as of December 31, 2019. This bridge facility expired on March 15, 2020.
- (2) CAPREIT has net USD LIBOR borrowings of USD \$82,320 (December 31, 2019 - USD \$446,428) that bear interest at the USD LIBOR rate plus a margin of 1.65% per annum.
- (3) CAPREIT has euro LIBOR borrowings of €nil (December 31, 2019 - €4,694) that bears interest at the euro LIBOR rate plus a margin of 1.65% per annum, subject to a floor of 0%.
- (4) Excluding the impact of cross-currency interest rate swaps, the weighted average interest rate on the Acquisition and Operating Facility is 1.78% (December 31, 2019 - 3.44%).

7.12 Employees

As of December 31, 2020, CAPREIT employed 1,029 individuals (December 31, 2019 – 1,026) in various capacities at CAPREIT’s corporate and regional offices and on site at its properties.

7.13 Foreign Operations

Effective April 11, 2014, CAPREIT, through the Investment Management Agreement (as amended and restated from time to time) performs certain investment and risk management and property services for IRES (and its wholly-owned subsidiary IRES Residential Properties Limited), which own properties in Ireland. In addition, CAPLP holds beneficial interest in 98.9 million ordinary shares of IRES representing approximately 18.8% of the issued and outstanding share capital of IRES, on a fully diluted basis.

On March 29, 2019, CAPREIT completed the reverse acquisition of ECREIT, creating Canada’s first Europe-focused multi-residential REIT. CAPREIT beneficially owns, controls or exercises direction of over 142 million ERES Class B LP Units, and 10.2 million ERES Units, which, upon the exchange of such ERES Class B LP Units into ERES Units, represents approximately 66% of the issued and outstanding units, on a fully diluted basis. See “General Developments of the Business – Three Year Developments – ERES Transactions”.

On March 29, 2019, CAPREIT and CAPLP, entered the Asset Management Agreement and Additional Services Agreement. Through these agreements, CAPREIT provides asset management and extensive services and support to ERES.

On October 1, 2017, ERESM European Residential Management B.V., CAPREIT's wholly-owned Dutch subsidiary (formerly known as CANLiving B.V.) began providing property management services to CAPREIT's Netherlands properties and continues to do so for ERES.

7.14 Our Growth Strategies

The discussion that follows constitutes forward-looking information and is subject to the risk factors and based on the assumptions set out herein (see "Forward-Looking Information" and "Risk Factors").

CAPREIT has defined a number of strategies to capitalize on its strengths and achieve its objectives of providing Trust Unitholders with stable and predictable monthly cash distributions while growing distributions and Trust Unit value over the long term. These strategies, and CAPREIT's ability to implement them effectively, are subject to uncertainty relating to the COVID-19 pandemic, including CAPREIT's inability to (i) estimate the length and severity of COVID-19 pandemic related impacts and (ii) predict how businesses and consumers will respond once physical-distancing measures are lifted or relaxed across Canada and internationally.

- Management will maintain its focus on maximizing occupancy and average monthly rents in accordance with local conditions in each of its markets. Since its inception in May 1997, CAPREIT's hands-on management style has focused on ensuring it maintains strong relations with residents while capital investment and property improvement programs are aimed at enhancing the lives of residents and ensuring properties and amenities meets their needs.
- Management will continue to invest in and adopt the latest technologies and solutions to enhance the CAPREIT's risk management, market research and operating efficiency, while reducing costs and strengthening relationships with residents.
- Management will continue to direct its efforts on its building infrastructure improvement programs to upgrade and reposition properties through value-enhancing capital investments. These investments are expected to enhance the life safety of residents, improve the portfolio's long-term cash flow generating potential and increase its useful life over the long term.
- Management will continue to evaluate opportunities to expand and diversify its property portfolio through accretive acquisitions at below replacement cost where management believes it can enhance returns on investment by increasing and stabilizing occupancy, growing average monthly rents, reducing operating costs, and enhancing property values through capital investment and property improvement programs. Management is also targeting modernizing and reducing the average age of its property portfolio by acquiring newer, recently constructed properties. Newer properties require less repair and maintenance or capital improvement costs. While management's strategy is to remain principally focused on its core Canadian markets, it continues to consider selected opportunities in other geographic markets.
- From time to time, management will also identify certain non-core assets for sale that do not conform to its current portfolio composition or operating strategies, or where management believes their value has been maximized. Management believes the realization and reinvestment of capital from such non-core property dispositions are

fundamental components of its growth strategy and demonstrate the success of its investment programs.

- Management will prudently investigate the opportunity to develop new multi-unit rental residential properties on land CAPREIT owns, as well as add new rental suites in certain properties where the opportunity exists. Such investments are highly accretive as no land costs are incurred and serve to further modernize and reduce the average age of its portfolio. Management believes its current portfolio provides the opportunity to add new rental suites over time through its development and intensification initiatives, primarily in Vancouver and Toronto where demand remains strong and monthly rents support profitable investment.
- Management will continue to manage interest costs by leveraging its balance sheet strength and the stability of its property portfolio to reduce borrowings on its Credit Facilities while appropriately staggering the maturity dates within its mortgage portfolio to reduce exposure to refinancing risk. Management believes that, with the continuing availability of lower cost CMHC-insured financing, CAPREIT is well-positioned to meet its financing and refinancing objectives at reasonable costs. Effective July 1, 2020, CMHC has revised its requirements for the eligibility of multi-unit CMHC-insured financing and limited it to financing for the purpose of property purchase, construction, capital repairs or improvements, or securing permanent financing. Due to CAPREIT's well-defined use of proceeds, the rule changes are not expected to have a material impact.
- Management will continue to maintain a conservative approach to its capital structure, leverage and coverage ratios to further improve its distribution payout ratio. Management believes successful equity financing and mortgage refinancing programs have resulted in CAPREIT possessing one of the strongest balance sheets in its industry, well suited to enable the delivery of consistent, stable and secure monthly cash distributions over the long term.

7.15 Environmental, Social and Governance Strategy Integration

CAPREIT remains committed to embedding its multi-year environmental, social and governance ("ESG") road map into its corporate growth strategy. Supported by CAPREIT's Board of Trustees, all levels of the organization remain accountable in the delivery of a resilient and adaptive multi-year ESG performance that keeps it a responsible steward of the environment, attracts and retains the best people in the business, builds strong relationships with its residents and the communities in which they live, adopts best practice programs in corporate governance, and maintains open and transparent communication with its investors. CAPREIT focuses on several ESG-specific deliverables. Building the in-house ESG subject matter expertise by onboarding our ESG Strategy Integration team in early 2019, CAPREIT established the necessary foundation to empower its people to be advocates and enablers of ESG transparency and performance, develop and monitor cross-functional policies, carry ongoing stakeholder engagements, establish frameworks, platforms and practices to deliver investment-grade data, identify and monitor its progress and build standardized and comprehensive ESG disclosures. In support of CAPREIT's ESG integration, management initiated its inaugural Global Real Estate Sustainability Benchmark submission in 2020, the results of which will underpin the development of CAPREIT's strategy going forward.

7.16 Intangible Properties

CAPREIT has established procedures to protect the trade-marks which are material to the business carried on by CAPREIT, including the trade-marks CAPREIT™ and Canadian Apartment Properties Real Estate Investment Trust™ and the design marks associated with those trade-marks. CAPREIT owns a number of domain names, including caprent.com. The domain name is used in connection with CAPREIT's online presence. The registrations for CAPREIT's trade-marks and domain names are renewable. Procedures are in place to ensure timely renewals.

7.17 Risk Factors

There are certain risks inherent in an investment in the Units and in the activities of CAPREIT, including the following.

COVID-19 and Other Public Health Crises

Public health crises, including the ongoing health crisis related to the COVID-19 pandemic, or relating to any other virus, flu, epidemic, pandemic or any other similar disease or illness (each a "**Health Crisis**") could adversely impact CAPREIT, including through: a general or acute decline in economic activity in the countries and regions in which CAPREIT's properties and investments are located; increased unemployment, reduced immigration, closure of college and university campuses, household consolidation (young adults moving back in with their parents), supply shortages, mobility restrictions and other quarantine measures; increased government regulation, inability to access governmental programs or processes on a timely basis, efficacy of governmental relief efforts; and the quarantine or contamination of one or more of CAPREIT's properties. Contagion in a property or market in which CAPREIT operates could negatively impact its occupancy, reputation or attractiveness of that market. Furthermore, increased government regulation relating to a Health Crisis could result in legislation or regulations that may restrict CAPREIT's ability to enforce material provisions under its leases among other potential adverse impacts. All of these occurrences may have a material adverse effect on the business, cash flows, financial condition and results of operations of CAPREIT, including, but not limited to: the ability to implement rent increases; rent collection and receivables; vacancy levels; mortgage renewals and refinancings; submission and processing of various applications and approvals; deferral of certain capital expenditures and repair and maintenance expenditures; valuation of investment properties; and CAPREIT's ability to meet its debt covenants.

The current public health crisis has also resulted in general economic slowdown and increased volatility in financial markets. In addition to impacting CAPREIT's Trust Unit price, this may create difficulty in raising capital in debt and equity markets, which could in turn adversely impact CAPREIT's strategy. While various governments and central banks have announced or implemented a range of measures targeted to alleviate these impacts and encourage economic growth, the impact of these measures remains uncertain, particularly in the short term. In the medium to long term, government debt accumulated as a result of relief measures may lead to tax increases for consumers and businesses. The duration and impact of the COVID-19 pandemic on CAPREIT remains unknown at this time. As such, it is not possible to reliably estimate the length and severity of COVID-19-related impacts on the financial results and operations of CAPREIT.

Related to Reporting Investment Property at Fair Value

CAPREIT holds investment property to earn rental income, for capital appreciation or both. All investment property is measured using the fair value model, whereby changes in fair value are recognized for each reporting period in the consolidated statements of income and comprehensive income. Management values each investment property based on the most probable price for which such property could be sold in an open, competitive market as of a specified date. Such valuation takes into account all requisite conditions to a fair sale, such as the buyer and seller each acting prudently and knowledgeably, and the assumption that such price is not affected by undue stimulus. Each investment property has been valued on a highest and best use basis.

An appraisal is an estimate of market value and caution should be used in evaluating data with respect to appraisals. It is a measure of value based on information gathered in the investigation, appraisal techniques employed and reasoning both quantitative and qualitative, leading to an opinion of value. Market assumptions applied for appraisals and valuation purposes do not necessarily reflect CAPREIT's specific history or experience and the conditions for realizing the fair values through a sale may change or may not be realized. In addition, there is an inherent risk related to the reliance on and use of a limited number of appraisers, as this approach may not adequately capture the range of fair values that market participants would assign to the investment properties. CAPREIT mitigates this risk by undertaking a detailed review of the assumptions utilized by the appraiser in its valuation, which includes a comparison of such assumptions to the corresponding benchmarks derived from management's own observations of market transactions and a secondary appraiser. Downturns in the real estate market could negatively affect CAPREIT's operating revenues and cash flows; such a downturn could also significantly impact the fair values of CAPREIT's investment properties, as well as certain of its financial ratios and covenants.

Related to Ownership and Operation of Real Property

Real Property Ownership

Real property investments are relatively illiquid. This illiquidity will tend to limit the ability of CAPREIT to respond to changing economic or investment conditions. If CAPREIT were required to quickly liquidate assets, there is a risk the proceeds realized from such a sale would be less than the book value of the assets or less than what could be expected to be realized under normal circumstances. By specializing in a particular type of real estate, CAPREIT is exposed to adverse effects on that segment of the real estate market and does not benefit from a broader diversification of its portfolio by property class.

Investment Restrictions

CAPREIT has been structured and operates in adherence to the stringent investment restrictions and operating policies set out in its Declaration of Trust and as applicable under tax laws relating to real estate investment trusts (also see "Taxation Related Risks" in this section). These policies cover such matters as the type and location of properties that CAPREIT can acquire, the maximum leverage allowed, environmental matters and investment restrictions. In addition, pursuant to the Declaration of Trust, CAPREIT's overall leverage is limited to 70% of

its reported gross book value, unless a majority of trustees, at their discretion, determine that the maximum amount of indebtedness shall be based on the appraised value of the real properties of CAPREIT. Fluctuations in the capitalization rates of CAPREIT's properties could impact these fair values and CAPREIT's debt covenant compliance.

Operating Risk

CAPREIT is subject to general business risks and to risks inherent in the multi residential rental property industry and in the ownership of real property. These risks include fluctuations in occupancy levels, the inability to achieve economic rents (including anticipated increases in rent), controlling bad debt exposure, rent control regulations, increases in labour costs and other operating costs including property taxes and the costs of utilities, as well as possible future changes in labour relations, competition from other landlords or the oversupply of rental accommodations, the imposition of increased taxes or new taxes and capital investment requirements.

In general, economic conditions will also affect the performance of the portfolio. Additionally, the portfolio is currently weighted with 43.9% of the overall portfolio (by number of suites and sites) in Ontario (25.3% in the GTA), making CAPREIT's performance particularly sensitive to economic conditions in and changes affecting, Ontario and, in particular, the GTA.

CAPREIT's investment properties generate income through rental payments made by residents. Residential tenant leases are relatively short, exposing CAPREIT to market rental-rate volatility. Upon the expiry of any lease, there can be no assurance that such lease will be renewed or the resident replaced. The terms of any subsequent lease may be less favourable to CAPREIT than the existing lease. Renewal rates may be subject to restrictions on increases to the then current rent (see "Rent Control Regulations" in this section). In addition, the ongoing COVID-19 pandemic could result in legislation or regulations that may restrict CAPREIT's ability to enforce material provisions under its leases (see "COVID-19 and Other Public Health Crises"). As well, unlike commercial leases, which are generally "net" leases and allow a landlord to recover expenditures, residential leases are generally "gross" leases (with the exception of sub-metering of certain utilities at some properties) under which the landlord is not able to pass on costs to residents. Moreover, there is no assurance that occupancy levels achieved to date at the properties will continue to be achieved and/or that occupancy levels expected in the future will be achieved. Any one, or a combination, of these factors may adversely affect the cash available to, or the financial position of CAPREIT.

Energy Costs

As a significant part of CAPREIT's operating expenses is attributable to energy and energy-related charges and fees, fluctuations in the price of energy and any related charges and fees (including transportation costs and commodity taxes) can have a material impact on the performance of CAPREIT, its ability to pay distributions and the value of its Units. The impact of such fluctuations could be exacerbated if such energy costs cannot be hedged.

From time to time, CAPREIT may enter into agreements to pay fixed prices on all or certain of its energy requirements (principally natural gas and electricity in certain markets) to offset the risk of rising expenditures resulting from the increase in the prices of these energy

commodities; however, if the prices of these energy commodities decline beyond the levels set in these agreements, CAPREIT will not benefit from such declines in energy prices and will be required to pay the higher price for such energy supplies in accordance with these agreements.

Environmental Matters

Environmental and ecological legislation and policies have become increasingly important, and generally more restrictive, in recent years. Under various laws CAPREIT could be liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in monitoring its properties, or disposed of by or on behalf of CAPREIT at other locations. The failure to remove, monitor or remediate any such substances, if any, may adversely affect CAPREIT's ability to sell its real estate, or to borrow using such real estate as collateral, and could potentially also result in regulatory enforcement proceedings and/or private claims against CAPREIT. Although CAPREIT is not aware of any material non-compliance with environmental laws at any of its properties nor is it aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties or any material pending or threatened claims relating to environmental conditions at its properties, no assurance can be given that environmental laws will not result in significant liability to CAPREIT in the future or otherwise adversely affect CAPREIT's business, financial condition or results of operations.

Environmental laws and regulations can change rapidly and CAPREIT may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have a material adverse effect on CAPREIT's business, financial condition or results of operation.

CAPREIT has formal policies and procedures to review and monitor environmental exposure. CAPREIT has made, and will continue to make, the necessary capital expenditures for compliance with environmental laws and regulations.

Catastrophic Events

CAPREIT's properties may be impacted by acts of nature, such as climate-related events. Depending on their severity, these events could cause threats to the safety of CAPREIT's tenants and significant damage to CAPREIT's properties and interruptions to CAPREIT's normal operations. CAPREIT may be required to incur significant unanticipated costs to manage the impact of these events. Management of the impact of a catastrophic event would also result in time and effort being diverted from CAPREIT's day-to-day operations. There is also a possibility that CAPREIT's ability to generate revenues from impacted properties could be significantly impaired. The increased costs, time, effort and potential revenue loss could be more significant if multiple properties or operating regions are impacted by catastrophic events within a relatively short time frame.

Climate Change

Climate change presents a multi-faceted risk for CAPREIT considering its investment in and management of real estate assets in multiple geographical territories.

Increases in the frequency and magnitude of climate related risks such as floods, fires, windstorms and ice storms in certain locales can lead to increased capital expenditure, repairs and maintenance and interruptions to the operation. Ongoing operating costs such as energy costs can potentially be impacted by more extreme weather, and anticipation of more frequent and severe weather events may have an adverse effect on insurance premiums. Asset values in areas that are more prone to weather related events may have adverse effects on valuations.

Lenders, investors, credit rating agencies and regulators are increasingly viewing climate change as an important issue that requires greater consideration. A lack of investment strategy, and operational management plan concerning climate change may have an adverse effect on CAPREIT's ability to raise funds via debt and/or equity, as well as related investment returns and sentiment.

CAPREIT is evaluating the potential impact of climate change related considerations with a view to developing a climate risk and resiliency strategy in order to address any material risks. In the event that material risks are identified, such strategy will support investment and development decisions and the management of CAPREIT's standing investments. Additionally, CAPREIT maintains a strong insurance program that considers the impacts of weather-related events by providing coverage for property damage and business interruption.

Insurance

It is CAPREIT's policy to maintain a comprehensive insurance program to cover general liabilities, such as fire, flood, injury or death, rental loss and environmental insurance, with limits and deductibles as deemed appropriate based on the nature of the risk, historical experience and industry standards. However, there are some types of losses, including those of a catastrophic nature that are generally uninsurable or not economically feasible to insure, or which may be subject to insurance coverage limitations, such as large deductibles, co-payments or limitations in policy language. There can be no assurance that insurance coverage will continue to be available on commercially acceptable terms.

Capital Investments

For prudent management of its property portfolio, CAPREIT makes significant property capital investments throughout the period of ownership of its properties (for example, to upgrade and maintain building structure, balconies, parking garages, electrical and mechanical systems). CAPREIT has prepared building condition reports and has committed to a multi-year property capital investment plan. CAPREIT must continuously monitor its properties to ensure appropriate and timely capital repairs and replacements are carried out in accordance with its property capital investment programs. CAPREIT requires sufficient capital to carry out its planned property capital investment and repair and refurbishment programs to upgrade its properties or be exposed to operating business risks arising from structural failure, electrical or mechanical breakdowns, fire or water damage, etc., which may result in significant loss of earnings to CAPREIT. A significant increase in capital investment requirements or difficulty in securing financing or the availability of financing on reasonable terms could adversely impact the cash available to CAPREIT and its ability to pay distributions.

Related to Financing

Indebtedness

A portion of CAPREIT's cash flow is devoted to servicing its debt, and there can be no assurance that CAPREIT will continue to generate sufficient cash flow from operations to meet required interest and principal payments. CAPREIT has and will continue to have substantial outstanding consolidated indebtedness comprising mainly property mortgages and indebtedness under its Credit Facilities. CAPREIT is subject to the risks associated with debt financing, including the risk that CAPREIT may be unable to make interest or principal payments or meet loan covenants, the risk that defaults under a loan could result in cross-defaults or other lender rights or remedies under other loans, and the risk that existing indebtedness may not be able to be refinanced or that the terms of such refinancing may not be as favourable as the terms of existing indebtedness or expectations of future interest rates. In such circumstances, CAPREIT could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing and its ability to make property capital investments and distributions to Unitholders could be adversely affected.

CAPREIT currently has access to the government-backed mortgage insurance program through the *National Housing Act*, which is administered by CMHC. CAPREIT entered into the LBA with CMHC during the third quarter of 2010. There can be no guarantee that the provisions of the mortgage insurance program will not be changed in the future so as to make the costs of obtaining mortgage insurance prohibitive or restrict access to the insurance program. To the extent that any financing requiring CMHC consent or approval is not obtained or that such consent or approval is only available on unfavourable terms, CAPREIT may be required to finance a conventional mortgage which may be less favourable to CAPREIT than a CMHC-insured mortgage.

CAPREIT's Acquisition and Operating Facility matures on June 30, 2022. CAPREIT's Acquisition and Operating Facility is at a floating interest rate and, accordingly, changes in short-term borrowing rates will affect CAPREIT's costs of borrowing. CAPREIT's financial condition and results of operations would be adversely affected if it were unable to obtain financing or cost-effective financing. As at the date hereof, it is difficult to forecast the future state of the commercial loan market. If, because of CAPREIT's level of indebtedness, the level of cash flows, lenders' perceptions of CAPREIT's creditworthiness or other reasons, management is unable to renew, replace or extend the Credit Facilities on acceptable terms, or to arrange for alternative financing, CAPREIT may be required to take measures to conserve cash until the markets stabilize or alternative credit arrangements or other funding can be arranged, if such financing is available on acceptable terms, or at all. Such measures could include deferring property capital investments, dispositions of one or more properties on unfavourable terms, reducing or eliminating future cash distributions or other discretionary uses of cash, or other, more severe actions. Also, disruptions in the credit markets and uncertainty in the economy could adversely affect the banks that currently provide the Credit Facilities, could cause the banks or a bank to elect not to participate in any new Credit Facilities sought, or could cause other banks that are not currently participants in the Credit Facilities to be unwilling or unable to participate in any such new facility.

Furthermore, given the relatively small size of the Canadian marketplace, there are a limited number of lenders from which CAPREIT can reasonably expect to borrow and the number of lenders currently participating in the CMHC-insured mortgage market is even smaller. Consequently, it is possible that financing which CAPREIT may require in order to grow and expand its operations in Canada, upon the expiry of the term of existing financing, or the refinancing of any particular property owned by CAPREIT or otherwise, may not be available or may not be available on favourable terms.

Related to Regulations and Taxes

Rent Control Regulations

As discussed in more detail below, multi-unit residential rental properties are subject to rent control legislation in most provinces in Canada. Each province in which CAPREIT operates maintains distinct regulations with respect to tenants' and landlords' rights and obligations. The legislation in various degrees imposes restrictions on the ability of a landlord to increase rents above an annually prescribed guideline or requires the landlord to give tenants sufficient notice prior to an increase in rent or restricts the frequency of rent increases permitted during the year. The annual rent increase guidelines as per applicable legislation attempt to link the annual rent increases to some measure of the change in the cost of living index over the previous year. The legislation also, in most cases, provides for a mechanism to ensure rents can be increased above the guideline increases in extraordinary circumstances. As a result of rent controls, CAPREIT may incur property capital investments in the future that will not be fully recoverable from rents charged to tenants.

The lack of availability of affordable housing and related housing policy and regulations is continuing to increase in prominence as a topic of concern at the various levels of government. Accordingly, through different approaches, governments may enact policy, or amend legislation in a manner that may have a material adverse effect on the ability of CAPREIT to grow or maintain the historical level of cash flow from its properties. In addition, laws and regulations providing for compliance with various housing matters involving tenant evictions, work orders, health and safety issues or fire and maintenance standards, etc., including in relation to the ongoing COVID-19 pandemic, may become more stringent in the future. CAPREIT may incur increased operating costs as part of its compliance with any such additional government legislation and regulations relating to housing matters, which may have an adverse effect on revenues.

Certain provinces of Canada have enacted residential tenancy legislation which imposes, among other things, rent control guidelines that limit CAPREIT's ability to raise rental rates at its properties. However, Alberta and Saskatchewan have not placed a statutory ceiling on rent increases, despite limiting the frequency with which increases can be implemented. Limits on CAPREIT's ability to raise rental rates at its properties may adversely affect CAPREIT's ability to increase income from its properties. In addition to limiting CAPREIT's ability to raise rental rates, residential tenancy legislation in various provinces provides certain rights to tenants, while imposing obligations upon landlords. Residential tenancy legislation in British Columbia, Ontario and Québec, for example, prescribes certain stringent procedures which must be followed by a landlord in order to terminate a residential tenancy. As certain proceedings may need to be brought before the applicable administrative body governing residential tenancies as

appointed under a province's residential tenancy legislation, it may take several months to terminate a residential lease, even where the tenant's rent is in arrears.

Further, residential tenancy legislation in certain provinces provides tenants with the right to bring certain claims to the applicable administrative body seeking an order to, among other things, compel a landlord to comply with health, safety, housing and maintenance standards. As a result, CAPREIT may, in the future, incur capital expenditures which may not be fully recoverable from tenants. The inability to fully recover substantial capital expenditures from tenants may have an adverse impact on CAPREIT's financial conditions and results of operations, and decrease the amount of cash available for distributions.

Residential tenancy legislation may be subject to further regulations or may be amended, repealed or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of CAPREIT to maintain the historical level of earnings through its properties.

Additional information regarding applicable residential tenancy legislative changes in connection with the COVID-19 pandemic, including rent increase restrictions, passed by certain provinces is as follows:

In Ontario, the *Helping Tenants and Small Businesses Act, 2020* ("**HTSBA**"), which received royal assent on October 1, 2020, amended the *Residential Tenancies Act, 2006* (Ontario) to set the Ontario guideline for rent increases in 2021 at 0% and to implement a rent freeze for the period beginning on January 1, 2021 and ending on December 31, 2021. The rent freeze applies to increases in rent for most residential units covered by the Ontario guideline, but does not apply to an accommodation that is (i) subject to the *Homes for Special Care Act*; or (ii) a supported group living residence or an intensive support residence under the *Services and Supports to Promote the Social Inclusion of Persons with Developmental Disabilities Act, 2008*. Certain above-guideline increases in rent are exempt from the rent freeze. The rent freeze does not apply to an increase in rent for a rental unit (i) taken in accordance with a mutual agreement between tenant and landlord for landlord to add a parking space or an additional "prescribed" service, facility, privilege, accommodation or thing; (ii) taken in accordance with a mutual agreement between tenant and landlord where landlord has carried out or undertakes to carry out a specified capital expenditure in exchange for the rent increase; or the landlord has provided or undertakes to provide a new or additional service in exchange for the rent increase; (iii) that is approved by an order of the Landlord and Tenant Board (the "**Board**") for eligible capital expenditures, operating costs related to security services, or an extraordinary increase in the cost for municipal taxes and charges (if the increase in the cost for municipal taxes and charges is permitted by an order of the Board that was issued before October 1, 2020); or (iv) payable by an assignee under a tenancy agreement for a site for a mobile home or a site on which there is a land lease home. Subject to the above-mentioned exceptions, no landlord shall increase the rent charged to a tenant during the rent freeze period, even if notice of the increase was given prior to October 1, 2020 (i.e. the day the HTSBA received royal assent). While the rent freeze will end on December 31, 2021, landlords can give proper 90 days' notice during the rent freeze period for a rent increase that takes effect in 2022.

The Alberta government declared a state of public health emergency under *Order in Council 80/2020* (the “**AB Pandemic Order**”) on March 17, 2020 in response to the ongoing health crisis related to the COVID-19 pandemic. Following the AB Pandemic Order, the *Tenancies Statutes (Emergency Provisions) Amendment Act, 2020* (Alberta) (the “**AB Emergency Act**”) came into force on April 2, 2020 amending both the *Residential Tenancies Act* (Alberta) (the “**AB RTA**”) and the *Mobile Home Sites Tenancies Act* (Alberta) (the “**AB MHTA**”) which, *inter alia*, prohibited rent increases under existing tenancy agreements until after June 15, 2020, being the emergency end date prescribed by legislation. Rent increases occurring after June 15, 2020 must have satisfied the pre-pandemic statutory notice and delay as required under the AB RTA and the AB MHTA, respectively. The AB RTA, provided that: (i) no increases have occurred in the preceding three hundred sixty-five (365) days, (ii) the tenancy is for a period of one (1) year or less; and (iii) the parties have not contracted for longer notice periods, these periods are a minimum of: (i) twelve (12) tenancy weeks before the effective date of the rent increase, in the case of weekly tenancies; (ii) three (3) tenancy months, in the case of a monthly tenancy; or (iii) ninety (90) days, in the case of any other periodic tenancy. Pursuant to the AB MHTA, one hundred eighty (180) days’ notice of a rent increase must have been provided to the tenant, with at least three hundred sixty-five (365) days having passed since the commencement of the tenancy or the last increase. A *Late Payment Fees And Penalties Regulation*, AB Reg. 55/2020 also came into force on April 1, 2020, which suspended a landlord’s ability to charge a fee or penalty for late or non payment of rent by tenants between the period of April 1, 2020 and June 30, 2020 in respect of tenancies governed under the AB RTA; a similar suspension was reflected in the AB MHTA by way of amendment.

In British Columbia, due to the ongoing COVID-19 pandemic, from March 18, 2020 to August 17, 2020, a moratorium on evictions was in place. From March 18, 2020 to June 23, 2020, such moratorium prevented a landlord from issuing a tenant notice to end a tenancy for any reason. Effective June 24, 2020, the moratorium was partially lifted to allow a landlord to issue a tenant notice to end a tenancy for reasons other than late or non-payment of rent (e.g., for cause unrelated to non-payment of rent, for landlord’s use of property). Effective August 18, 2020, such moratorium was lifted in its entirety. To give tenants a reasonable timeframe to pay back any rent they still owe from the period that the moratorium on evictions was in place, the province of British Columbia introduced a repayment framework whereby landlords and tenants must enter into a repayment plan for any amounts still outstanding. Such repayment plan must include the following basic terms: (i) it begins on the date the repayment plan is entered into and ends on July 10, 2021, (ii) each payment of overdue rent under the plan must be in equal installments paid on the same date that rent is due under the tenancy agreement, and (iii) the date the first instalment is due must be at least 30 days after the date the plan is entered into. Certain of the foregoing basic terms can be amended by the landlord and tenant if agreed to (e.g., extension of the repayment period, allowing earlier instalments to be less than later instalments, change of payment due date). Due to the introduction of the repayment plan framework, a landlord must not issue a notice to end a tenancy for unpaid rent that came due during the period of March 18, 2020 to August 17, 2020 unless the landlord has entered into a repayment plan with the tenant for the unpaid amounts and the tenant has defaulted on the repayment plan.

Due also to the ongoing COVID-19 pandemic and in addition to the moratorium on evictions, a moratorium on rent increases was imposed effective March 30, 2020 in British Columbia. Such freeze on rent increases is slated to end on July 10, 2021. Such moratorium does

not prevent the issuance of a notice of rent increase to a tenant, but the rent increase will not be effective until July 10, 2021 and a landlord cannot combine 2020 and 2021 rent increases.

In Nova Scotia, on November 25, 2020, the Minister of Municipal Affairs and Housing issued a direction under Section 14 of the Nova Scotia *Emergency Management Act* (the “**NS EMA**”). The direction provided two major limitations for landlords during the Provincial State of Emergency. First, effective on September 1, 2020, a landlord cannot give notice to quit under the NS RTA to a tenant for the purposes of renovating the premises. As a result, any notice to quit given between September 1, 2020 and November 25, 2020 was made void. Second, a cap of 2% for residential suites and 1.9% for MHCs was placed on all rent effective as of September 1, 2020. Landlords who increased the rent of a tenant by more than the cap between September 1, 2020 and November 25, 2020 were required to deduct the overpaid amount collected above the cap from the tenant’s next rental payment if the tenant remained in the premises or reimburse the full amount of overpayment to the tenant if they no longer reside in the premises. Failure to comply could result in summary conviction with fines between \$500 and \$100,000 for individuals and up to \$100,000 for a corporation per incident. The direction states it will expire on the earlier of February 1, 2022 or the end of the Provincial State of Emergency.

In PEI, on March 26, 2020, the Office of the Attorney General (PEI) filed a notice of application to the Supreme Court of Prince Edward Island seeking to suspend the enforcement of eviction orders to protect the health and safety of both Island tenants and Sheriffs who are responsible for the enforcement of eviction orders. On April 1, 2020, the Supreme Court of PEI heard the matter *ex parte*, following the posting of notice on the government’s website, and issued an Order suspending enforcement of eviction orders for the duration of the period in which the court was only hearing urgent and emergency matters. The Order also covered all eviction notices that were already issued but not yet executed.

As such, anyone seeking an order for an eviction, or a writ requiring a residential premises to be vacated had to follow the procedures of the Director of the Island Regulatory and Appeals Commission (the “**Commission**”). On March 30, 2020, the Commission advised the public that the Director of Residential Tenancies would not hold hearings for non-payment of rent and that it would only hold hearings for urgent matters, such as serious threats to the health and safety of tenants and landlords. This freeze remained in place until June 15, 2020 when the Supreme Court of Prince Edward Island resumed regular operations.

Taxation Related Risks

CAPREIT currently qualifies as a mutual fund trust for Canadian income tax purposes. It is the current policy of CAPREIT to distribute all of its taxable income to Unitholders and it is therefore generally not subject to tax on such amount. In order to maintain its current mutual fund trust status, CAPREIT is required to comply with specific restrictions regarding its activities and the investments held by it. If CAPREIT were to cease to qualify as a “mutual fund trust”, the consequences could be adverse.

There can be no assurance that Canadian federal income tax laws in respect of the treatment of mutual fund trusts will not be changed in a manner that adversely affects CAPREIT or its Trust Unitholders. If CAPREIT ceases to qualify as a “mutual fund trust”, CAPREIT will be required to pay tax under Part XII.2 of the Tax Act. The payment of Part XII.2 tax by CAPREIT

may have adverse income tax consequences for certain of CAPREIT's Unitholders, including non-resident persons and trusts governed by registered retirement savings plans, registered disability savings plans, deferred profit-sharing plans, registered retirement income funds, tax-free savings accounts and registered education savings plans ("**designated savings plans**"), which acquired an interest in CAPREIT directly or indirectly from another Trust Unitholder. If CAPREIT ceases to qualify as a "mutual fund trust" or "registered investment" under the Tax Act and Trust Units cease to be listed on a designated stock exchange, Trust Units will cease to be qualified investments for trusts governed by designated savings plans. CAPREIT will endeavour to ensure Trust Units continue to be qualified investments for trusts governed by the designated savings plans; however, there can be no assurance that this will be so. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments by such trusts. Unitholders should consult their own tax advisors in this regard, including as to whether Trust Units are "prohibited investments" for registered retirement savings plans, registered retirement income funds, or tax-free savings accounts.

A REIT is defined under the provisions of the Tax Act that apply to a specified investment flow-through ("**SIFT**") trust or partnership (the "**SIFT Rules**") as a trust that is resident in Canada throughout the taxation year and that satisfies all of the following criteria:

- (a) at each time in the taxation year the total fair market value at that time of all non-portfolio properties that are qualified REIT properties held by the trust is at least 90% of the total fair market value at that time of all non-portfolio properties held by the trust;
- (b) not less than 90% of the trust's gross REIT revenue for the taxation year is from one or more of the following: rent from real or immovable properties, interest, dispositions of real or immovable properties that are capital properties, dividends, royalties, and dispositions of eligible resale properties;
- (c) not less than 75% of the trust's gross REIT revenue for the taxation year is from one or more of the following: rent from real or immovable properties, interest from mortgages, or hypothecs, on real or immovable properties, and dispositions of real or immovable properties that are capital properties;
- (d) at each time in the taxation year an amount, that is equal to 75% or more of the equity value of the trust at that time, is the amount that is the total fair market value of all properties held by the trust each of which is a real or immovable property that is a capital property, an eligible resale property, an indebtedness of a Canadian corporation represented by a bankers' acceptance, a property described by either paragraph (a) or (b) of the definition "qualified investment" in section 204, or a deposit with a credit union; and,
- (e) investments in the trust are, at any time in the taxation year, listed or traded on a stock exchange or other public market.

For this purpose, "real or immovable property" includes a security of any trust, corporation or partnership that itself satisfies the above criteria in (i)-(iv) above, but does not

include any depreciable property of a prescribed class for which the rate of capital cost allowance exceeds 5%.

Excluded from the application of the SIFT Rules is a partnership, such as CAPLP and CAPREIT 2 Limited Partnership, that is not publicly traded and of which the equity (and equity-like debt) is wholly owned by any combination of a SIFT trust, a SIFT partnership, a REIT, a taxable Canadian corporation, a person or partnership that does not have, in connection with the holding of a security of the partnership, property the value of which is determined, all or in part, by reference to a security that is listed or traded on a stock exchange or other public market, or an “excluded subsidiary entity” (as defined in the Tax Act) for the taxation year. If CAPREIT does not qualify for the real estate investment trust exemption rule at any point in time in a given future year, the SIFT Rules will apply to CAPREIT for that taxation year.

CAPREIT has foreign subsidiaries in a number of countries with varying statutory rates of taxation. Judgment is required in the estimation of income taxes and deferred income tax assets and liabilities in each of CAPREIT’s operating jurisdictions. Income taxes may be paid where activities carried on by the foreign subsidiaries are considered to be taxable in those countries.

CAPREIT or its subsidiaries may be reassessed for taxes from time to time. Such reassessments, together with associated interest and penalties, could adversely affect CAPREIT and CAPREIT’s Unitholders.

CAPREIT has foreign subsidiaries, directly and indirectly through ERES, that are subject to the tax laws of foreign jurisdictions. Distributions from those foreign subsidiaries may be subject to withholding tax, which may increase the overall taxes payable by CAPREIT and its subsidiaries and reduce the amount of cash available for distribution to Unitholders. For Canadian income tax purposes, any such foreign withholding tax incurred by CAPREIT will generally be allocated to the Unitholders and such Unitholders may be entitled to claim a foreign tax credit in respect of such taxes.

In addition, there is a risk that the tax laws and treaties of the foreign jurisdictions may change in the future. Any such changes could adversely affect the taxes payable, including withholding taxes, the effective tax rate in the jurisdictions in which the foreign subsidiaries operate and the portion of distributions which would be income for Canadian income tax purposes. Any such changes may have a material adverse effect on Unitholders’ returns.

Portions of the distributions received by taxable Canadian Unitholders are characterized as other income, capital gain income, or a return of capital. While a return of capital is not immediately taxable, it reduces the tax cost of Units, and thus will increase future capital gains for Unitholders on the sale of the Units. The deferral rate is the portion of distributions treated as return of capital.

Unitholders may be allocated capital gains as a result of CAPREIT’s disposal of properties. The capital gain will decrease the deferral for Unitholders. As CAPREIT expands its presence in Europe, the deferral rate may decrease. Also, Unitholders may expect the deferral rate to decrease gradually as depreciation claimed to offset taxable income diminishes over time. An increase in CAPREIT’s payout ratio will increase the deferral rate.

Controls over Financial Reporting

CAPREIT maintains information systems, procedures and controls over financial reporting. As a result of the inherent limitations in all control systems, there cannot be complete assurance that the objectives of the control system will be met. Furthermore, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, will be detected or prevented. These inherent limitations include, without limitation, the possibility that Management's assumptions and judgements may ultimately prove to be incorrect under varying conditions and circumstances and the impact of isolated errors.

In addition, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by Management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions.

Other Legal and Regulatory Risks

CAPREIT is subject to a wide variety of laws and regulations across all jurisdictions and faces risks associated with legal and regulatory changes and litigation. If CAPREIT or its advisors fail to monitor and become aware of changes in applicable laws and regulations or if CAPREIT fails to comply with these changes in an appropriate and timely manner, it could result in fines and penalties, litigation, or other significant costs, as well as significant time and effort to remediate any violations. Additionally, such violations could result in reputational damage to CAPREIT both from an operating and an investment perspective.

Related to CAPREIT's Securities, Organization and Structure

Nature of CAPREIT Trust Units

Trust Units are not traditional equity investments and Trust Unitholders do not have all of the statutory rights normally associated with ownership of shares of a company including, for example, the right to bring "oppression" or "derivative" actions against CAPREIT. The Trust Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (the "CDIC Act") and are not insured under the provisions of the CDIC Act or any other legislation. Furthermore, CAPREIT is not a trust company and, accordingly, it is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company. In addition, although CAPREIT is intended to qualify as a "mutual fund trust" as defined by the Tax Act, CAPREIT is not a "mutual fund" as defined by applicable securities legislation.

Securities like the Trust Units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Trust Units do not represent a direct investment in the business of CAPREIT and should not be viewed by investors as shares or interests in CAPREIT, or any other company or entity. The Trust Units do not represent debt instruments and there is no principal amount owing to Trust Unitholders under the Trust Units. Each Trust Unit represents an equal, undivided, beneficial interest in CAPREIT as compared to all other Trust Units of the same class.

Unitholder Liability

Recourse for any liability of CAPREIT is limited to the assets of CAPREIT. The Declaration of Trust provides that no Unitholder, Special Unitholder or annuitant (an “**annuitant**”) under a plan of which a Unitholder or Special Unitholder acts as a trustee or carrier will be held to have any personal liability and that no recourse shall be had to the private property of any Unitholder, Special Unitholder or annuitant for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of CAPREIT or of the trustees.

Certain provincial legislatures have passed legislation that provides for statutory limited liability for unitholders of public income trusts governed as a contractual matter by the laws of their jurisdictions. Certain of these statutes have not yet been judicially considered and it is possible that reliance on such statutes by a Unitholder, Special Unitholder or annuitant could be successfully challenged on jurisdictional or other grounds.

Liquidity and Price Fluctuation of Units

CAPREIT is an unincorporated “open-ended” investment trust and its Units are listed on the TSX. There can be no assurance that an active trading market in the Units will be sustained.

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. The prices at which Units will trade cannot be predicted. The market price of the Units could be subject to significant fluctuations in response to variations in quarterly operating results, distributions and other factors beyond the control of CAPREIT. One of the factors that may influence the market price of the Units is the annual yield on the Units. Accordingly, an increase in market interest rates may lead purchasers of Units to demand a higher annual yield which could adversely affect the market price of the Units. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Units. Accordingly, the Units may trade at a premium or a discount to the value of CAPREIT’s underlying assets.

In addition, changes in CAPREIT’s creditworthiness or perceived creditworthiness may affect the market price or value and/or liquidity of the Units.

The Declaration of Trust imposes various restrictions on Unitholders. Non-residents and non-Canadian partnerships are prohibited from beneficially and collectively owning more than 49% of the outstanding Units (on a non-diluted or diluted basis). These restrictions may limit (or inhibit the exercise of) the rights of certain non-resident persons and partnerships to acquire Units, to continue to hold Units, or to initiate and complete take-over bids in respect of the Units. As a result, these restrictions may limit the demand for Units from certain Unitholders and other investors and thereby adversely affect the liquidity and market value of the Units.

Dilution

Subject to applicable laws, CAPREIT is authorized to issue an unlimited number of Units and 25,840,600 Preferred Units for the consideration and on the terms and conditions that the

Board of Trustees determines, without Unitholders' approval. Unitholders have no pre-emptive right in connection with any further issuance. The Board of Trustees has the discretion to issue additional Units in other circumstances, pursuant to CAPREIT's various incentive plans. Any issuance of additional Units may have a dilutive effect on the holders of Units. Furthermore, timing differences may occur between the issuance of additional Units and the time such proceeds may be used to invest in new properties. Depending on the duration of such timing difference, this may be dilutive.

Distributions

Cash distributions are not guaranteed. Distributions on the Units are established by the Board of Trustees and are subject to change at the discretion of the Board of Trustees. While CAPREIT has historically made monthly cash distributions to Unitholders, the actual amount of distributions paid in respect of the Units will depend upon numerous factors, all of which are susceptible to a number of risks and other factors beyond the control of CAPREIT. The market value of the Units will deteriorate if CAPREIT is unable to meet its distribution targets in the future, and that deterioration could be significant. In addition, the composition of the cash distributions for tax purposes may change over time and could affect the after-tax return for Unitholders.

Distribution Reinvestment Plan ("DRIP") Participation

Participation by Unitholders in CAPREIT's DRIP is determined by factors such as CAPREIT's overall performance and also by many factors outside the control of management such as, but not limited to, market trends and, general economic conditions. Declining DRIP participation may adversely affect funds available for distribution to Unitholders, to make interest and principal payments or to make property capital investments. Additionally, such effects may adversely affect Unit prices.

Risk Related to CAPREIT's investment in ERES

CAPREIT currently beneficially owns, controls or exercises direction over 142 million ERES Class B LP Units and 10.2 million ERES Units, which, upon the exchange of the ERES Class B LP Units into ERES Units, represents approximately 66% of the issued and outstanding units of ERES, on a fully diluted basis. The trading price of ERES Units may be volatile, and subject to fluctuations due to market conditions and other factors which are often unrelated to operating results and which are beyond CAPREIT's control. Fluctuations in the market price and valuations of CAPREIT's holdings in ERES may affect the price of the Units.

Potential Conflicts of Interest

CAPREIT may be subject to various conflicts of interest because certain of the trustees and officers of CAPREIT are engaged in a wide range of real estate and other business activities. CAPREIT may become involved in transactions which conflict with the interests of the foregoing.

The trustees may from time to time deal with persons, firms, institutions or corporations with which CAPREIT may be dealing, or which may be seeking investments similar to those desired by CAPREIT. The interests of these persons could conflict with those of CAPREIT. In

addition, from time to time, these persons may be competing with CAPREIT for available investment opportunities.

Mark Kenney is President, Chief Executive Officer and a Trustee of CAPREIT. He is also a Non-Executive Director of IRES as IRES Fund Management's nominee. This may give rise to conflicts of interest with his roles at CAPREIT and IRES particularly in any dispute relating to the Investment Management Agreement or the Services Agreement. Voting restrictions have been put in place in the memorandum and articles of association of IRES to manage any conflicts of interest that may arise out of these roles and the Declaration of Trust also contains "conflict of interest" provisions (see "Conflict of Interest Restrictions and Provisions") but such conflicts of interest may still exist.

In addition, certain trustees of CAPREIT are also trustees of ERES, and certain CAPREIT employees are officers of ERES, which may give rise to conflicts of interest with their roles at CAPREIT and ERES. The ERES declaration of trust provides that certain matters which have the potential to give rise to a conflict of interest between ERES and CAPREIT or with any related party of CAPREIT, must be approved by a majority of the non-restricted ERES trustees, in addition to a majority of the ERES trustees generally.

CAPREIT's Declaration of Trust contains "conflicts of interest" provisions requiring trustees to disclose material interests in material contracts and transactions and to refrain from voting thereon.

Dependence on Key Personnel

The success of CAPREIT depends to a significant extent on the efforts and abilities of its executive officers and other members of management, as well as its ability to attract and retain qualified personnel to manage existing operations and future growth.

The loss of an executive officer or other key employee could lead to a material disruption to the business.

Related to the Real Estate Industry

General Economic Conditions

All real property investments are subject to elements of risk. The real value of real property and any improvements thereto depend on the credit and financial stability of residents and the vacancy rates of such properties. The properties generate revenue through rental payments made by residents. CAPREIT is affected by changes in general economic conditions (such as the availability and cost of mortgage funds and the impact of the COVID-19 pandemic), local real estate markets (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics, competition from other available rental premises, including new developments, and various other factors. If a significant number of residents are unable to meet their obligations under their leases or if a significant amount of available space in the properties becomes vacant and cannot be leased on economically favourable lease terms, cash available for distribution may be adversely affected.

The global economy may face increasing uncertainty due to trade protectionism, disputes and political events around the world, which could potentially impact Canadian trade and lead to impact on the Canadian economy at large. This could have an impact on employment in the markets in which CAPREIT operates and in turn have an adverse effect on CAPREIT.

Competition for Residents

The real estate business is competitive. Numerous other developers, managers and owners of properties compete with CAPREIT in seeking residents. Competition for residents also comes from opportunities for individual home ownership, including condominiums, which can be particularly attractive when home mortgage loans are available at relatively low interest rates. The existence of competing developers, managers and owners and competition for CAPREIT's residents could have an adverse effect on CAPREIT's ability to lease suites in its properties and on the rents charged, and may increase leasing and marketing costs and refurbishing costs necessary to lease and release suites, all of which could adversely affect CAPREIT's revenues and, consequently, its ability to meet its obligations and pay distributions. For example, increased condominium construction in the GTA could impact the rental market and affect residential rental fundamentals. In addition, any increase in the supply of available rental accommodation in the markets in which CAPREIT operates or may operate could have an adverse effect on CAPREIT.

Furthermore, low interest rates may encourage residents to purchase condominiums or other types of housing, which could result in a reduction in demand for rental properties. Changes in interest rates may also have effects on vacancy rates, rent levels, refurbishing costs and other factors affecting CAPREIT's business and profitability, including its financing costs.

Competition for Real Property Investments

CAPREIT competes for suitable real property investments with individuals, corporations and institutions (both Canadian and foreign) and other real estate investment trusts that are presently seeking, or which may seek in the future, real property investments similar to those desired by CAPREIT. A number of these investors may have greater financial resources than those of CAPREIT, or operate without the investment or operating restrictions of CAPREIT or according to more flexible conditions. An increase in the availability of investment funds and/or an increase in interest in real property investments, may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

Acquisitions

CAPREIT's external growth prospects will depend in large part on identifying suitable acquisition opportunities that meet CAPREIT's investment criteria and satisfy its rigorous due diligence process. In addition, external growth prospects will be affected by purchase price, ability to obtain adequate financing or financing on reasonable terms, consummating acquisitions (including obtaining necessary consents) and effectively integrating and operating the acquired properties. Acquired properties may not meet financial or operational expectations due to unexpected costs associated with acquiring the property, as well as the general investment risks inherent in any real estate investment or acquisition, including future refinancing risks. Moreover, newly acquired properties may require significant management attention or property

capital investments that would otherwise be allocated to other properties. If CAPREIT is unable to manage its growth and integrate its acquisitions effectively, its business, operating results and financial condition could be adversely affected.

Privacy and Cyber Security Risk

CAPREIT may be vulnerable to privacy and cyber security incidents given its reliance on processing personal and business confidential information using information technology systems. Given the increased work from home policies as a result of the COVID-19 pandemic, CAPREIT's reliance on using information technology systems is further elevated during this time period. Third-party vendors, such as cloud host providers and software and application providers and consultants, may also expose CAPREIT to cyber security or privacy incidents.

As technology continues to become more sophisticated and complex, governments are responding with stricter legislation, requiring higher levels of data protection. In Canada, CAPREIT is subject to federal and provincial privacy, anti-spam, and data protection laws. In Europe, CAPREIT and its Irish and Dutch affiliates are required to comply with the EU General Data Protection Regulation (GDPR). Under GDPR, CAPREIT and its affiliates are classified as either data processors, sub-processors, or controllers, based on their function with regards to processing of EU personal data. Controllers and (sub)processors may share liability, to varying degrees, in the event of a breach. Non-compliance with either of the Canadian or Europeans laws would also expose CAPREIT and/or its affiliates to the risks above.

A cyber security and/or privacy incident can lead to: (a) unauthorized access to or disclosure of business confidential and personal information, belonging to CAPREIT, IRES, or ERES and their respective tenants, employees or vendors, (b) identity theft, fraudulent activities and direct losses to stakeholders, including tenants and employees, (c) destruction or corruption of data affecting timeliness or accuracy of financial reporting, (d) lost revenues, (e) disruption to operations, including delays in processing rental applications and rent payments and the time, (f) attention required by management to investigate and respond to a cyber security incident, (g) remediation costs, including to restore or recover lost data, (h) litigation, fines and liabilities, including third-party liabilities, for failure to comply with applicable privacy and data protection laws or contractual obligations, (i) regulatory investigations, (j) increased insurance premiums and (k) reputational damage to CAPREIT.

CAPREIT has implemented processes, procedures and controls to help mitigate these risks, but these measures, as well as its increased awareness of a risk of a cyber-incident, do not guarantee that its financial results will not be negatively impacted by such an incident.

Foreign Operation and Currency Risks

In connection with CAPREIT's investment in and management of IRES and ERES, the Irish and Dutch real estate markets, respectively, differ from the Canadian environment and CAPREIT's experience and expertise in managing Canadian properties may not apply perfectly to a foreign operation. Additionally, these foreign markets may differ from Canadian markets with respect to laws and regulations, economic conditions, and market norms. Operating success in these foreign markets will depend on CAPREIT's ability to recognize these differences and adapt its business model accordingly. CAPREIT's growth in foreign jurisdictions also requires

management oversight and resources that may have been otherwise focused on its Canadian properties. Additionally, it is possible that CAPREIT's subsidiaries and involvement in foreign operations will expose CAPREIT to foreign currency risk, as CAPREIT's functional and presentation currency is the Canadian dollar, while the functional currency of CAPREIT's foreign operations and its investment in IRES and ERES is the euro.

8 - DESCRIPTION OF CAPITAL STRUCTURE AND GOVERNING POLICIES

8.1 General

CAPREIT is an unincorporated "open-end" real estate investment trust created pursuant to the Declaration of Trust and governed by the laws of the Province of Ontario.

8.2 Trust Units

The beneficial interests in CAPREIT are divided into three classes of trust units, described and designated as Trust Units. The aggregate number of Units and Special Voting Units which CAPREIT may issue is unlimited. The aggregate number of Preferred Units which CAPREIT may issue is limited to 25,840,600. There have not been any Preferred Units issuances to date. The Declaration of Trust provides that the Board of Trustees may create additional classes of units of CAPREIT having such attributes as may be ascribed from time to time provided that, other than Preferred Units, in no event, shall any such additional class of units contain any rights, terms or conditions which are more favourable than the rights terms and conditions attaching to the Units and Special Voting Units outstanding as of the date hereof.

As at December 31, 2020, there were 171,751,839 Units outstanding (excluding 174,805 Deferred Units (as defined herein) and 563,387 RURs (as defined herein)), and a further 550,279 Units are issuable pursuant to CAPREIT's Unit incentive plans, which consist of a Unit Option Plan (as defined below), Employee Unit Purchase Plan, Deferred Unit Plan and RUR Plan. As at December 31, 2020, there were no Options (as defined below) issued and outstanding, there were 332,703 Special Voting Units issued and outstanding, and there were no Preferred Units issued and outstanding. In addition, as at December 31, 2020, there were 332,703 CAPLP Class B LP Units outstanding, which are exchangeable into Units on a 1-to-1 basis.

Except as otherwise provided in the terms of a particular series of Preferred Units as fixed by the Board of Trustees, the Units, Special Voting Units or any series of Preferred Units shall not have or be deemed to have any term, condition, right or other attribute which would provide Unitholders, Special Unitholders or Preferred Unitholders of any series with an interest in the income of CAPREIT as a percentage in any distribution received by that Trust Unitholder that is greater or lesser than an interest in the income of CAPREIT as a percentage of any distribution received by the holder of any other Units, Special Voting Units or Preferred Units of any series.

Units

Each Unit represents a Unitholder's proportionate undivided beneficial interest in CAPREIT, subject to the rights of Preferred Unitholders. No Unit has any preference or priority over another. No Unitholder has or is deemed to have any right of ownership in any of the assets of CAPREIT. Each Unit confers the right to one vote at any meeting of Unitholders, except at a

meeting of Preferred Unitholders in specified circumstances, and, subject to the rights of Preferred Unitholders, to participate *pro rata* in any distributions by CAPREIT and, in the event of termination of CAPREIT, in the net assets of CAPREIT remaining after satisfaction of the rights of Preferred Unitholders and all liabilities. Units will be issued in registered form and are transferable. Issued and outstanding Units may be subdivided or consolidated from time to time by the Board of Trustees without Unitholder approval. No certificates or interests for fractional Units will be issued or credited, as applicable, and fractional Units will not entitle the holders thereof to vote.

Preferred Units

At CAPREIT's annual and special meeting of Unitholders and Special Unitholders held on May 25, 2016, Unitholders and Special Unitholders approved amendments to the Declaration of Trust to facilitate the issuance of a new class of preferred equity securities, issuable in series, being designated as the Preferred Units. The Preferred Units may be issued from time to time in one or more series, and the Board of Trustees may fix from time to time before such issue the number of Preferred Units which is to comprise each series and the designation, rights, privileges, restrictions and conditions attaching to each series of Preferred Units and the currency thereof, including, without limiting the generality of the foregoing, any voting rights, the rate or amount of distributions (which may be cumulative or non-cumulative and variable or fixed) or the method of calculating distributions, the dates of payment thereof, the terms and conditions of redemption, purchase and conversion, if any, any rights on the liquidation, dissolution or winding-up of CAPREIT, and any sinking fund or other provisions. No Preferred Unitholder has or is deemed to have any right of ownership in any of the assets of CAPREIT. Preferred Units will be issued in registered form and are transferable. Issued and outstanding Preferred Units may be subdivided or consolidated from time to time by the Board of Trustees without Preferred Unitholder approval. No certificates or interests for fractional Preferred Units will be issued or credited, as applicable, and fractional Preferred Units will not entitle the holders thereof to vote.

The Preferred Units of each series shall, with respect to the payment of distributions (other than distributions paid solely through the distribution of additional Units) and the distribution of assets of CAPREIT or return of capital in the event of the liquidation, dissolution or winding-up of CAPREIT, whether voluntary or involuntary, or any other return of capital or distribution of assets of CAPREIT among its Unitholders and Special Unitholders for the purpose of winding-up its affairs, be entitled to preference over the Units and Special Voting Units, and over any other security of CAPREIT ranking by their terms junior to the Preferred Units. The Preferred Units of any series may also be given such other preferences, not inconsistent with the Declaration of Trust, over the Units, Special Voting Units and any other securities of CAPREIT ranking by their terms junior to the Preferred Units, as may be fixed by the Board of Trustees.

If any cumulative distributions or amounts payable on the return of capital in respect of a series of Preferred Units are not paid in full, all series of Preferred Units of equal ranking shall participate ratably in respect of accumulated distributions and return of capital based on the accumulated distributions and return of capital of a series of Preferred Units as a proportion of the accumulated distributions and return of capital of all series of Preferred Units of equal ranking.

The terms of a particular series of Preferred Units as fixed by the Board of Trustees shall be set out in a “Certificate of Preferred Unit Terms” which certificate shall be approved by the Board of Trustees prior to the issue of such Preferred Units and, upon such approval, the certificate shall become a part of the Declaration of Trust.

Special Voting Units

Holders of Special Voting Units are not entitled to any share of or interest in the distributions or net assets of CAPREIT. Special Voting Units may be issued in series and may only be issued in connection with or in relation to securities of any trust, limited partnership or corporation other than CAPREIT that are convertible or exchangeable directly for Units without the payment of additional consideration thereof (the “**Exchangeable Securities**”) issued and shall be automatically cancelled on the issuance of Units on exercise, conversion or cancellation of Exchangeable Securities. Subject to the restrictions set forth in the Declaration of Trust, each holder of Special Voting Units is entitled to a number of votes at all meetings of Unitholders or in respect of any written resolution of Unitholders equal to the number of Units into which the Exchangeable Securities 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). Holders of Special Voting Units are not entitled to any distributions of any nature whatsoever from CAPREIT nor do they have any legal or beneficial interests in any assets of CAPREIT on termination or winding-up of CAPREIT.

8.3 Meetings of Trust Unitholders

The Declaration of Trust provides that meetings of Trust Unitholders entitled to vote must be called and held for the appointment, election or removal of trustees; the appointment or removal of the auditors of CAPREIT; the approval of amendments to the Declaration of Trust (except as described under “**Amendments to Declaration of Trust**” and except for any amendment resulting from or in connection with the issuance of any new series of Preferred Units or the conversion or reclassification of one series of Preferred Units into another series); provided that Preferred Unitholders shall not be entitled to vote on any amendment which directly or indirectly adds, removes or changes any of the rights, privileges, restrictions and conditions in respect of the Units; and further provided that any amendment which directly or indirectly adds, removes or changes in an adverse manner any of the rights, privileges, restrictions and conditions in respect of any series of Preferred Units cannot occur without the affirmative vote of at least two-thirds of the votes cast at a duly called and held meeting of the Preferred Unitholders of that series or those series so affected, except for in connection with the issuance of any new series of Preferred Units or the conversion or reclassification of one series of Preferred Unit into another series, including the amendment of any right with respect to any outstanding Units or Preferred Units to reduce the amount payable thereon upon termination of CAPREIT or to diminish or eliminate any voting rights pertaining thereto, the amendment of the duration or termination provisions of CAPREIT and the amendment of the powers, duties, obligations, liabilities or indemnification of the trustees; the sale or transfer of the assets of CAPREIT as an entirety or substantially as an entirety other than as part of an internal reorganization of the assets of CAPREIT as approved by the Board of Trustees; and the termination of CAPREIT.

The annual meeting of the Trust Unitholders entitled to vote will be held at such time and place and/or by such form of telephonic, electronic, virtual or other communication method, as

the Board of Trustees shall prescribe for the purpose of electing trustees, appointing the auditors of CAPREIT and transacting such other business as the Board of Trustees may determine or as may properly be brought before the meeting. The annual meeting of Trust Unitholders entitled to vote shall be held after delivery to the Trust Unitholders of the annual report and, in any event, within 180 days after the end of each fiscal year of CAPREIT, or such later date (not later than fifteen months after holding the last preceding annual meeting of the Trust Unitholders entitled to vote) as the Board of Trustees may determine is in the best interests of the Trust Unitholders, subject to the receipt of all applicable regulatory approvals.

A meeting of Trust Unitholders may be convened at any time and for any purpose by the Board of Trustees and must be convened, except in certain circumstances, if requisitioned by the holders of not less than 5% of the Trust Units then outstanding by a written requisition. A requisition must state in reasonable detail the business proposed to be transacted at the meeting. Trust Unitholders have the right to obtain a list of Trust Unitholders to the same extent and upon the same conditions as those which apply to shareholders of a corporation governed by the *Canada Business Corporations Act*.

Trust Unitholders entitled to vote at a meeting may attend and vote at all meetings of Trust Unitholders either in person or by electronic means, as applicable, or by proxy and a proxy need not be a Trust Unitholder. Unitholders and Special Unitholders shall be entitled to vote at all meetings of Trust Unitholders, except at a class meeting of the Preferred Unitholders.

8.4 Purchases of Units and Preferred Units

Provided the holder thereof agrees or the terms of the Units or Preferred Units so provide, CAPREIT may from time to time purchase for cancellation Units or Preferred Units in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange or regulatory policies. Any such purchases will constitute an “issuer bid” under Canadian provincial securities legislation and must be conducted in accordance with the applicable requirements thereof. A Unitholder will not have the right at any time to require CAPREIT to purchase such Unitholder’s Units, except as described under “Right of Redemption” below (see “Market for Securities — Normal Course Issuer Bids”).

8.5 Take-over Bids

The Declaration of Trust contains provisions to the effect that if a take-over bid is made for Units or Special Voting Units, within the meaning of the *Securities Act* (Ontario) and not less than 90% of the Units (or Special Voting Units, if the take-over bid is made for Special Voting Units), other than Units (or Special Voting Units, if the take-over bid is made for Special Voting Units) held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror, are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units (or Special Voting Units, if the take-over bid is made for Special Voting Units) held by Unitholders who did not accept the offer either at the election of such Unitholders, on the terms offered by the offeror or at the fair value of such Unitholders’ Units (or Special Voting Units, if the take-over bid is made for Special Voting Units) determined in accordance with the procedures set out in the Declaration of Trust. The take-over bid provisions of the Declaration of Trust shall apply *mutatis mutandis* to any series of Preferred Units that is the subject of a take-over bid

(whether or not the Preferred Units are voting securities or equity securities for the purposes of the *Securities Act* (Ontario)).

8.6 Issuance of Trust Units

CAPREIT may issue new Trust Units from time to time. Trust Unitholders do not have any pre-emptive rights whereby additional Trust Units proposed to be issued are first offered to existing Trust Unitholders. New Units or Preferred Units may be issued for cash through public offerings, through rights offerings to existing Unitholders or Preferred Unitholders (i.e., in which Unitholders or Preferred Unitholders receive rights to subscribe for new Units or Preferred Units in proportion to their existing holdings of Units or Preferred Units, as applicable, which rights may be exercised or sold to other investors) or through private placements (i.e., offerings to specific investors which are not made generally to the public or existing Unitholders or Preferred Unitholders), except that Special Voting Units shall only be issued in connection with the issuance of Exchangeable Securities. In certain instances, CAPREIT may also issue new Trust Units as consideration for the acquisition of new properties or assets. The price or the value of the consideration for which Trust Units may be issued will be determined by the Board of Trustees, and in the case of offerings of Units or Preferred Units, generally in consultation with investment dealers or brokers, if applicable, who may act as underwriters or agents in connection with such offerings.

8.7 Right of Redemption

Units (but not Preferred Units and Special Voting Units) are redeemable at any time on demand by the holders thereof upon delivery to CAPREIT of (i) the certificate or certificates representing such Units to be redeemed or (ii) written instructions as to the number of Units to be redeemed, accompanied by a duly completed and properly executed notice requesting redemption. A Unitholder not otherwise holding a registered Unit certificate that wishes to exercise the redemption right will be required to obtain a redemption notice form from the Unitholder's investment dealer who will be required to deliver the completed redemption notice form to CAPREIT and to CDS. No form or manner of completion or execution shall be sufficient unless the same is in all respects reasonably acceptable to the Board of Trustees and is accompanied by any further evidence that the Board of Trustees may reasonably require with respect to the identity, capacity or authority of the person giving such notice.

Upon receipt of the redemption request by CAPREIT, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per Unit (the "**Redemption Price**") equal to the lesser of (i) 90% of the "market price" of the Units on the principal market on which the Units are quoted for trading during the ten (10) trading day period ending on the date on which the Units are surrendered to CAPREIT for redemption; and (ii) the "closing market price" of the Units on the principal market on which the Units are quoted for trading on the date that the Units are surrendered to CAPREIT for redemption.

"**Market price**" will be an amount equal to the simple average of the closing price of the Units for each of the ten (10) trading days on the principal market on which the Units are quoted for trading and on which there was a closing price; provided that, if the applicable exchange or market does not provide a closing price but only provides the highest and lowest prices of the

Units traded on a particular day, the market price shall be an amount equal to the weighted average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than five (5) of the ten (10) trading days, the “market price” shall be the weighted average of the following prices established for each of the ten trading days: the average last bid and last ask prices for each day on which there was no trading; the closing price of the Units for each day that there was trading if the exchange or market provides for a closing price; and the weighted average of the highest and lowest price of the Units for each day that there was trading, if the market provides only the highest and lowest prices of Units traded on a particular day. The “**closing market price**” on a particular day shall be an amount equal to the closing price of the Units if there was a trade on that day and the exchange or market provides a closing price; an amount equal to the weighted average of the highest and lowest prices of Units if there was trading and the exchange or other market provides only the highest and lowest prices of Units traded on that day; and the weighted average of the last bid and last ask prices of the Units if there was no trading on that day.

The aggregate cash Redemption Price payable by CAPREIT in respect of any Units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment on the last day of the following month; provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that (i) the total amount payable by CAPREIT in respect of such Units and all other Units tendered for redemption in the same calendar month shall not exceed \$50,000, provided that such limitation may be waived at the discretion of the Board of Trustees; (ii) at the time such Units are tendered for redemption the outstanding Units of CAPREIT shall be listed for trading on a stock exchange or traded or quoted on any other market which the Board of Trustees considers, in its sole discretion, provides representative fair market value prices for the Units; or (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which Units are quoted for trading) on the date that the Units are tendered for redemption or for more than five trading days during the ten day trading period commencing immediately after the date on which the Units are tendered for redemption.

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the foregoing limitations, then the Redemption Price for such Units shall be satisfied by the distribution *in specie* of certain securities held by CAPREIT, as determined by the Board of Trustees and, subject to any applicable regulatory approvals. No fractional securities owned by CAPREIT (the “**Securities**”) will be distributed and where a number of Securities to be received by a Unitholder includes a fraction, such number shall be rounded to the next lowest whole number. CAPREIT shall be entitled to all income paid or accrued and unpaid on the Securities on or before the date of the distribution *in specie*. The holders of Securities will be subject to the provisions of all material agreements that relate to such Securities.

8.8 Limitation on Non-Resident Ownership

At no time may non-residents of Canada (within the meaning of the Tax Act) be the beneficial owners of more than 49% of the Units or Preferred Units, on a basic or fully-diluted basis (and for greater certainty, including Units into which Exchangeable Securities may be converted or exchanged), and the Board of Trustees shall inform the transfer agent and registrar of this restriction. The transfer agent and registrar, at the request of CAPREIT, shall require

declarations as to the jurisdictions in which beneficial owners of Units or Preferred Units are resident. If the transfer agent and registrar becomes aware, as a result of requiring such declarations as to beneficial ownership, that the beneficial owners of 49% of the Units or Preferred Units (on a basic or fully-diluted basis, including Units into which Exchangeable Securities may be converted or exchanged) are, or may be, non-residents or that such a situation is imminent, the transfer agent and registrar will advise the Board of Trustees and, upon receiving direction from the Board of Trustees, may make a public announcement thereof and shall not accept a subscription for Units or Preferred Units from or issue or register a transfer of Units to a person unless the person provides a declaration that the person is not a non-resident and does not hold such Units or Preferred Units for the benefit of non-residents. If, notwithstanding the foregoing, the transfer agent and registrar determines that more than 49% of the Units or Preferred Units (on a basic or fully-diluted basis, including Units, Preferred Units into which Exchangeable Securities may be converted or exchanged) are held by non-residents, the transfer agent and registrar upon receiving direction and a suitable indemnity from the Board of Trustees, may send a notice to non-resident holders of the Units, Preferred Units or Exchangeable Securities, chosen in inverse order to the order of acquisition or registration or in such manner as the Board of Trustees may consider equitable and practicable, requiring them to sell their Units, Preferred Units or Exchangeable Securities or a portion thereof within a specified period of not more than 30 days. If the Unitholders or Preferred Unitholders receiving such notice have not sold the specified number of Units, Preferred Units or Exchangeable Securities or provided the Board of Trustees with satisfactory evidence that they are not non-residents within such period, the transfer agent and registrar may on behalf of such unitholders sell such Units, Preferred Units or Exchangeable Securities and, in the interim, shall suspend the voting and distribution rights attached to such Units, Preferred Units or Exchangeable Securities (other than the right to receive the net proceeds from the sale). Upon such sale or conversion, the affected holders shall cease to be Unitholders, Preferred Unitholders or Exchangeable Securities and their rights shall be limited to receiving the net proceeds of sale upon surrender of the certificate, if any, representing such securities.

8.9 Information and Reports

CAPREIT will furnish to Trust Unitholders such consolidated financial statements (including quarterly and annual consolidated financial statements) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Trust Unitholders' tax returns under the Tax Act and equivalent provincial legislation.

Prior to each annual or special meeting of Trust Unitholders, the Board of Trustees will provide the Trust Unitholders (along with notice of such meeting) with information similar to that required to be provided to shareholders of a public corporation governed by the *Canada Business Corporations Act*.

8.10 Amendments to Declaration of Trust

The Declaration of Trust may be amended or altered from time to time. Certain amendments (including termination of CAPREIT) require approval by at least two-thirds of the votes cast at a meeting of the Trust Unitholders called for such purpose by Trust Unitholders entitled to vote thereon. Other amendments to the Declaration of Trust require approval by a

majority of the votes cast at a meeting of the Trust Unitholders called for such purpose by Trust Unitholders entitled to vote thereon.

The Board of Trustees may, without the approval of the Trust Unitholders, make certain amendments to the Declaration of Trust, including:

- amendments for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Board of Trustees or over CAPREIT, its status as a “mutual fund trust”, a “registered investment” or, if applicable, a “real estate investment trust” under the Tax Act or the distribution of Units or Special Voting Units;
- amendments which, in the opinion of the Board of Trustees, provide additional protection for the Trust Unitholders;
- amendments, which in the opinion of the Board of Trustees, are necessary or desirable to remove any conflicts or inconsistencies in the Declaration of Trust;
- amendments of a minor or clerical nature or to correct typographical mistakes, ambiguities or manifest omissions or errors, which amendments in the opinion of the Board of Trustees are necessary or desirable and not prejudicial to the Trust Unitholders;
- such amendments to the Declaration of Trust as the Board of Trustees in its discretion deems necessary or desirable as a result of changes in taxation laws or accounting standards from time to time which may affect CAPREIT, Trust Unitholders or annuitants under a plan of which a Trust Unitholder acts as a trustee or carrier;
- amendments, which in the opinion of the Board of Trustees, are not prejudicial to Trust Unitholders and are necessary or desirable (which, for greater certainty, exclude amendments in respect of which a Trust Unitholder vote is specifically otherwise required); and
- amendments, which in the opinion of the Board of Trustees, are necessary or desirable to enable CAPREIT to issue Trust Units for which the purchase price is payable on an instalment basis, as permitted pursuant to section 5.4 (Consideration of Units) of the Declaration of Trust.

8.11 Term of CAPREIT and Sale of Substantially All Assets

CAPREIT has been established for an indefinite term. Pursuant to the Declaration of Trust, termination of CAPREIT or the sale or transfer of the assets of CAPREIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of CAPREIT as approved by the Board of Trustees) requires approval by at least two-thirds of the votes cast at a meeting of the Trust Unitholders entitled to vote thereon.

8.12 Unitholders’ Rights Plan

CAPREIT has established an amended and restated Unitholders’ rights plan agreement (the “**Rights Plan**”). The Rights Plan utilizes the mechanism of a permitted bid (a “**Permitted**

Bid") (as hereinafter described) to ensure that a person seeking control of CAPREIT gives Unitholders and the Board of 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 105 days after the bid is made or such shorter period that a take-over bid (that is not exempt from the requirements of Division 5: Bid Mechanics of Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids* ("MI 62-104")) must remain open for deposits of securities thereunder, in the applicable circumstances at such time, pursuant to MI 62-104. If more than 50% of the Units held by Independent Unitholders (as hereinafter defined) are deposited or tendered to the bid and not withdrawn, the bidder may take up and pay for such Units. The take-over bid must then be extended for a further period of ten days on the same terms to allow those Unitholders who did not initially tender their Units to tender to the take-over bid if they so choose. Thus, there is no coercion to tender during the initial 105-day period, or such shorter period as permitted by MI 62-104, because the bid must be open for acceptance for at least a further ten 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 20% of the outstanding Units without the approval of the Board of Trustees, except pursuant to the Permitted Bid procedures or pursuant to certain other exemptions 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**" below).

Summary

The following is a summary of the principal terms of the Rights Plan. The provisions of the Rights Plan shall apply *mutatis mutandis* to Special Voting Units and any series of Preferred Units that are the subject of a take-over bid.

Term

At CAPREIT's annual and special meeting of Trust Unitholders held on June 13, 2019, Unitholders reconfirmed and approved amendments to the Rights Plan. The Rights Plan must be reconfirmed and approved by a resolution passed by a majority of the votes cast by Independent Trust Unitholders who vote in respect of such reconfirmation and approval at a meeting of Unitholders to be held not later than the date of CAPREIT's 2022 annual meeting of Trust Unitholders (or any adjournment or postponement thereof) and thereafter at such meeting to be held, *mutatis mutandis*, every three years thereafter.

Issue of Rights

One right (a “**Right**”) has been issued in respect of each Trust Unit outstanding at the Record Time (as defined in the Rights Plan) and one Right has and will be issued in respect of each Trust Unit issued after the Record Time and prior to the Separation Time (as defined below). The initial exercise price of each Right is: (i) until the Separation Time, an amount equal to three times the Market Price (as defined in the Rights Plan), from time to time per Trust Unit and (ii) from and after the Separation Time, an amount equal to three times the Market Price, as at the Separation Time, per Trust Unit, subject to appropriate anti-dilution adjustments.

Rights Exercise Privilege

The Rights will separate from the Trust Units to which they are attached and will become exercisable at the time (the “**Separation Time**”) that is ten trading days after the earlier of: (i) a person having acquired, or (ii) the commencement or announcement date in respect of a take-over bid to acquire, 20% or more of the Trust Units of CAPREIT, other than by an acquisition pursuant to a Permitted Bid.

The acquisition by a person (an “**Acquiring Person**”), including persons acting in concert, of 20% or more of the Trust Units of CAPREIT, other than by way of a Permitted Bid in certain circumstances, is referred to as a “**Flip-in Event**”. Any Rights held by an Acquiring Person on or after the earlier of the Separation Time or the first date of public announcement by CAPREIT or an Acquiring Person that an Acquiring Person has become such, will become void upon the occurrence of a Flip-in Event.

The issue of the Rights is not initially dilutive. Upon a Flip-in Event occurring and the Rights separating from the attached Trust Units, reported earnings per Trust 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 the certificates for Trust Units (or by a legend included in the registration record of book-entry form Trust Units) and will not be transferable separately from the attached Trust Units. From and after the Separation Time, the Rights will be evidenced by Rights certificates or by book-entry form registration, which will be transferable and traded separately from the Trust Units.

Permitted Bid Requirements

The requirements of a Permitted Bid include the following:

- The take-over bid must be made by way of a take-over bid circular.
- The take-over bid must be made to all holders of Trust Units (or instalment receipts related to Trust Units, if any), other than the bidder.
- The take-over 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 take-over bid prior to the close of business on a date which is not less than 105 days following the date of the take-over bid or such shorter period that a take-over bid (that is not exempt from the requirements of Division 5: Bid Mechanics of MI 62-104) must remain open for deposits of securities thereunder, in the applicable circumstances at such time, pursuant to MI 62-104.

- The take-over bid must contain irrevocable and unqualified provisions that securities may be deposited pursuant to the take-over 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 take-over bid may be withdrawn, unless restricted by law, at any time prior to the close of business on such date.
- The take-over bid must contain, and the provisions for take-up and payment for securities tendered or deposited thereunder shall be subject to, an irrevocable and unqualified condition that no securities shall be taken up or paid for pursuant to the take-over bid unless, at such date, more than 50% of the outstanding Trust Units held by Independent Trust Unitholders (defined below), determined as at the close of business on the date of first take-up or payment for securities under the take-over bid, have been deposited or tendered to the take-over bid and not withdrawn.
- The take-over bid must contain an irrevocable and unqualified provision that in the event that more than 50% of the Trust Units held by Trust Unitholders other than the bidder, its affiliates and persons acting jointly or in concert with the bidder (the “**Independent Trust Unitholders**”) are deposited to the take-over bid and not withdrawn as at the close of business on the date of first take-up or payment for securities under the take-over bid, the offeror will make a public announcement of that fact and the take-over bid will remain open for deposits and tenders of securities for not less than 10 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 (other than the requirements set out in clause (ii) of that definition in the Rights Plan) and contain, and the take-up and payment for securities tendered or deposited is subject to, an irrevocable and unqualified provision that no Trust Units will be taken up or paid for pursuant to the take-over bid prior to the close of business on the date that is no earlier than the minimum number of days such take-over bid must remain open for deposits of securities thereunder pursuant to MI 62-104 after the date of the take-over bid constituting the Competing Permitted Bid.

Waiver and Redemption

The Board of Trustees acting in good faith may, with the consent of the Trust Unitholders (or instalment receipts related to Trust 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 Board of Trustees may, at their option, redeem all, but not less than all, of the then outstanding Rights at a price of \$0.00001 each.

Waiver of Inadvertent Flip-in Event

The Board of 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 Board of 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 Trust Units (or instalment receipts related to Trust 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 take-over bid either alone or jointly with others.

Supplement and Amendments

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

General

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

9 - EQUITY INCENTIVE PLANS

9.1 Active Plans

(1) Restricted Unit Rights Plan

CAPREIT has adopted a restricted unit rights plan (the “**RUR Plan**”) as the primary plan through which long-term incentive compensation will be awarded. The Human Resources and Compensation Committee of the Board of Trustees may award restricted unit rights (“**RURs**”), 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. RUR Plan Units will be issued from treasury upon vesting.

The RURs earn notional distributions in respect of each distribution paid on RURs commencing from the grant date and 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.

The maximum available for future issuance under all Unit incentive plans as at December 31, 2020 was 550,279 Units. As at December 31, 2020, 563,387 RURs were issued and outstanding under the RUR Plan.

(2) Employee Unit Purchase Plan

CAPREIT has adopted an employee unit purchase plan (“**Employee Unit Purchase Plan**”) that is available to certain full-time employees and senior officers of CAPREIT (a “**Participant**”). Under the terms of the Employee Unit Purchase Plan, each Participant is entitled to acquire a number of Units up to a maximum of 10% of their respective annual salary from payroll deductions. A Participant may not assign, transfer or dispose of his interest in the Employee Unit Purchase Plan and CAPREIT reserves the right to amend or terminate the Employee Unit Purchase Plan at any time. Units issuable under the Employee Unit Purchase Plan will be issued at the weighted average trading price of the Units on the TSX for the five trading days immediately preceding the date of issue. In addition, Participants (including “insiders”) receive an additional amount equal to 20% of the Units purchased pursuant to the Employee Unit Purchase Plan, which amount is automatically paid in the form of additional Units at the time of purchase of Units. The maximum available for future issuance under all Unit incentive plans as at December 31, 2020 was 550,279 Units. During the year ended December 31, 2020, 53,986 Units have been issued under the Employee Unit Purchase Plan.

(3) Deferred Unit Plan

CAPREIT has adopted a deferred unit plan (the “**Deferred Unit Plan**”) to promote a greater alignment of interests between the non-executive trustees of CAPREIT and Unitholders.

Under the terms of the Deferred Unit Plan, non-executive trustees have the right to receive a percentage of their annual retainer in the form of deferred units (“**Deferred Units**”). Each trustee who elects to participate may be paid 25%, 50%, 75% or 100% (the “**Elected Percentage**”) of his annual retainer payable in respect of a calendar year (the “**Elected Amount**”), subject to an annual maximum Elected Percentage established by the Human Resources and Compensation Committee of the Board of Trustees, in the form of Deferred Units, in lieu of cash. CAPREIT will match the Elected Amount in the form of Deferred Units having a value equal to the volume weighted average price of all Units traded on the TSX for the five trading days immediately preceding the date on which board compensation is payable. The maximum Elected Percentage in respect of 2020 is 100% of a trustee’s annual board compensation.

Under no circumstances shall Deferred Units be considered Units nor entitle a participant to any Unitholder rights, including, without limitation, voting rights, distribution entitlements (other than as described below) or rights on liquidation. One Deferred Unit is equivalent in value to one Unit.

The Deferred Units earn additional Deferred Units for the distributions that would otherwise have been paid on the Deferred Units. The Deferred Units and additional Deferred Units are credited to each trustee’s Deferred Unit account and are not issued to the trustee until the trustee elects to withdraw such Units. Each trustee may elect to withdraw up to 20% of the Deferred Units credited to his Deferred Unit account and redeem them for Units at any one time or from time to time in any five-year period (a “**Redemption Period**”). The Redemption Period

commences on the date the Deferred Units are first credited to a trustee's Deferred Unit account and expires on the fifth anniversary thereof; with each subsequent Redemption Period occurring in five-year increments thereafter. In the event that a trustee does not elect to withdraw up to a total of twenty percent (20%) of the Deferred Units credited to his Deferred Unit account and redeem them for Units during a Redemption Period, the remaining balance of up to twenty percent (20%) of the Deferred Units credited to his Deferred Unit account at the end of such Redemption Period shall be carried forward to the next Redemption Period. Upon withdrawal, one Unit is issued for each withdrawn Deferred Unit.

The maximum available for future issuance under all Unit incentive plans as at December 31, 2020 was 550,279 Units. As at December 31, 2020, 174,805 Deferred Units were issued and outstanding under the Deferred Unit Plan.

(4) Unit Option Plan

CAPREIT has adopted a Unit option plan (the "**Unit Option Plan**"). Participation in the Unit Option Plan is restricted to (i) trustees, officers and employees of CAPREIT, (ii) persons or companies engaged to provide ongoing management or consulting services for CAPREIT, and (iii) personal holding companies or family trusts of any persons referred to in (i) and (ii), all as approved by the Human Resources and Compensation Committee of the Board of Trustees. Options under the Unit Option Plan (the "**Options**") have a maximum term of ten years and are exercisable at a price not less than the closing price of the Units on the TSX on the last trading day on which the Units traded prior to the date of that grant, except with respect to any options issued to Thomas Schwartz, the former president and chief executive officer, relating to an equity offering, which are exercisable at the greater of the price the Units are issued under such equity offering and the market price. The maximum available for future issuance under all Unit incentive plans as at December 31, 2020 was 550,279 Units. As at December 31, 2020, no Options are outstanding under the Unit Option Plan. The Board of Trustees' current policy is not to award any further Options under the Unit Option Plan.

(5) Executive RRSP Plan

The CAPREIT Executive Registered Retirement Savings Plan (the "**RRSP Plan**") was established in 2008 in order to assist designated executives in accumulating retirement savings.

Under the RRSP Plan, CAPREIT or one of its affiliates may make contributions on designated executives' behalf, in such amounts and in such years as it determines at its sole discretion. The contributions will be deposited into participants' self-directed RRSP accounts to be used solely for purposes of the RRSP Plan. It is CAPREIT's general expectation that RRSP Plan contributions will be made annually and equal to 5% of participating executives' base salary, subject to applicable Tax Act limitations. However, there is no guarantee that contributions will be made in any particular year or that any contributions which are made will equal any specific amount. Without limiting the generality of the foregoing, the making of contributions or the level thereof in any given year may depend on CAPREIT and/or individual performance in that year.

10 - INVESTMENT RESTRICTIONS AND OPERATING POLICIES

10.1 Investment Restrictions

The Declaration of Trust provides for certain restrictions on investments which may be made by CAPREIT. The assets of CAPREIT may be invested only in accordance with the following restrictions:

- (a) CAPREIT shall focus its activities primarily on the acquisition, holding, developing, maintaining, improving, leasing, or management of income producing real property with an emphasis on real property which is being utilized or intended to be utilized to provide living accommodation (the “**Focus Activities**”);
- (b) notwithstanding anything else contained in the Declaration of Trust, CAPREIT shall not make any investment, take any action or omit to take any action that would result in Trust Units not being units of a “mutual fund trust” within the meaning of the Tax Act, that would result in Units being disqualified for investment by registered retirement savings plans, registered retirement income funds or deferred profit sharing plans or that would, if CAPREIT is a registered investment within the meaning of the Tax Act, result in CAPREIT paying a tax under the registered investment provisions of the Tax Act imposed for exceeding certain investment limits;
- (c) CAPREIT may, directly or indirectly, make such investments, do all such things and carry out all such activities as are necessary or desirable in connection with the conduct of its activities provided they are not otherwise specifically prohibited under the Declaration of Trust;
- (d) CAPREIT may invest in freehold, leasehold, or other interests in property (real, personal, moveable or immovable);
- (e) CAPREIT may make its investments and conduct its activities directly or indirectly through an investment in one or more persons on such terms as the Board of Trustees may from time to time determine;
- (f) except for temporary investments held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province of Canada, short-term government debt securities, or money market instruments of, or guaranteed by, a Canadian bank listed on Schedule I to the *Bank Act* (Canada) maturing prior to one year from the date of issue, CAPREIT may not hold securities other than securities of a person:
 - (i) acquired in connection with the carrying on, directly or indirectly, of CAPREIT’s activities or the holding of its assets; or
 - (ii) which focuses its activities primarily on Focus Activities and ancillary activities;

- (g) CAPREIT shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;
- (h) CAPREIT shall not acquire any interest in a single real property if, after giving effect to the proposed acquisition, the cost to CAPREIT of such acquisition (net of the amount of acquisition debt) will exceed 20% of CAPREIT's Adjusted Unitholders' Equity (as defined in the Declaration of Trust);
- (i) CAPREIT may invest in operating businesses;
- (j) CAPREIT may invest in mortgages and mortgage bonds (including a participating or convertible mortgage) where the aggregate amount of such investments after giving effect to the proposed investment, will not exceed 20% of the Adjusted Unitholders' Equity; and
- (k) notwithstanding any other provision of the Declaration of Trust but subject always to (b) above, CAPREIT may make investments not otherwise permitted under the Declaration of Trust, provided the aggregate amount of such investments (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any indebtedness assumed or incurred by CAPREIT and secured by a mortgage on such property) will not exceed 20% of the Adjusted Unitholders' Equity of CAPREIT after giving effect to the proposed investment.

10.2 Operating Policies

The Declaration of Trust provides that the operations and affairs of CAPREIT shall be conducted in accordance with the following policies:

- (a) CAPREIT shall not purchase, sell, market or trade in currency or interest rate futures contracts otherwise than for hedging purposes where, for the purposes hereof, the term "hedging" shall have the meaning ascribed thereto by National Instrument 81-102 – *Mutual Funds*, as amended from time to time;
- (b) (i) any written instrument creating an obligation which is or includes the granting by CAPREIT of a mortgage, and (ii) to the extent the Board of Trustees determines to be practicable and consistent with its fiduciary duty to act in the best interests of the Trust Unitholders, any written instrument which is, in the judgment of the Board of Trustees, a material obligation shall contain a provision or be subject to an acknowledgement to the effect that the obligation being created is not personally binding upon, and that resort shall not be had to, nor shall recourse or satisfaction be sought from, the private property of any of the trustees, Trust Unitholders, annuitants under a plan of which a Trust Unitholder acts as a trustee or carrier, or officers, employees or agents of CAPREIT, but that only property of CAPREIT or a specific portion thereof shall be bound; CAPREIT, however, is not required, but shall use all reasonable efforts, to comply with this requirement in respect of obligations assumed by CAPREIT upon the acquisition of real property;

- (c) CAPREIT shall not incur or assume any indebtedness if, after giving effect to the incurring or assumption of the indebtedness, the total indebtedness of CAPREIT (including the amount then advanced under the Credit Facilities) would be more than 70% of the Gross Book Value, unless a majority of the trustees, in their discretion, determine that the maximum amount of indebtedness shall be based on the appraised value of the real properties of CAPREIT. For the purposes of this subparagraph, "indebtedness" means (without duplication) on a consolidated basis:
- (i) any obligation of CAPREIT for borrowed money (other than under the Credit Facilities),
 - (ii) any obligation of CAPREIT (other than under the Credit Facilities) incurred in connection with the acquisition of property, assets or businesses other than the amount of future income tax liability arising out of indirect acquisitions,
 - (iii) any obligation of CAPREIT issued or assumed as the deferred purchase price of property, and
 - (iv) any capital lease obligation of CAPREIT;

provided that (A) for the purposes of (i) through (iv), an obligation (other than convertible debentures) will constitute indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of CAPREIT in accordance with generally accepted accounting principles, (B) obligations referred to in clauses (i) through (iii) exclude trade accounts payable, security deposits, distributions payable to Unitholders or Preferred Unitholders, contingent liabilities and accrued liabilities arising in the ordinary course, and (C) convertible debentures will constitute indebtedness to the extent of the principal amount thereof outstanding;

- (d) CAPREIT shall obtain an independent appraisal of each real property that it intends to acquire;
- (e) CAPREIT shall obtain and maintain at all times insurance coverage in respect of potential liabilities of CAPREIT and the accidental loss of value of the assets of CAPREIT from risks, in amounts, with such insurers, and on such terms as the Board of Trustees considers appropriate, taking into account all relevant factors including the practices of owners of comparable properties; and
- (f) unless the Board of Trustees determines it is not necessary, CAPREIT shall have conducted a Phase I environmental audit of each real property to be acquired by it and, if the Phase I environmental audit report recommends that further environmental audits be conducted, CAPREIT shall have conducted such further environmental audits, in each case by an independent and experienced environmental consultant; such audit, as a condition to any acquisition, shall be satisfactory to the Board of Trustees.

10.3 Amendments to Investment Restrictions and Operating Policies

Pursuant to the Declaration of Trust, all of the investment restrictions set out under the headings “Investment Restrictions” and the operating policies set out under the heading “Operating Policies” may be amended only with the affirmative vote of at least two-thirds of the votes cast at a meeting of Trust Unitholders duly called and held by Trust Unitholders entitled to vote thereon, except for amendments, which in the opinion of the Board of Trustees, are not prejudicial to Trust Unitholders and are necessary or desirable (which, for greater certainty, exclude amendments in respect of which a Trust Unitholder vote is specifically otherwise required).

11 - DISTRIBUTIONS

11.1 Distribution Policy

The following outlines the distribution policy of CAPREIT as contained in the Declaration of Trust. The distribution policy may be amended only with the approval of a majority of the votes cast at a meeting of Trust Unitholders entitled to vote thereon.

Distributions are determined by the Board of Trustees. All declared distributions are due and payable on or about the 15th day of each month with the exception of the year end distribution which is payable on December 31st and due on January 15th of the immediately following year. Distributions may be adjusted for amounts paid in prior periods. Unitholders of record at the close of business on the distribution record date in respect of a month shall be entitled to receive proportionately any distribution declared payable by the Board of Trustees for such month, subject to the preferential entitlements of Preferred Unitholders.

Distributions are made in cash or Units pursuant to any distribution reinvestment plan or Unit purchase plan.

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

The cost for Canadian tax purposes of Units or Preferred Units held by a Canadian resident Unitholder or Preferred Unitholder will generally be reduced by the non-taxable portion of distributions made to the Unitholder or Preferred Unitholder, as applicable, other than the non-taxable portion of certain capital gains. A Unitholder or Preferred Unitholder will generally realize a capital gain to the extent that the Unitholder's or Preferred Unitholder's tax cost of his or her Units or Preferred Units, as applicable, would otherwise be a negative amount. Unitholders and Preferred Unitholders should seek advice from their respective tax advisors with respect to any specific tax matters.

11.2 Cash Distributions

For the months of January 2018 to May 2018, CAPREIT's (excluding ERES') annualized distribution (the "**Annualized Distribution**") was \$1.28 per Unit, payable monthly. For the months of June 2018 to February 2019, the Annualized Distribution was \$1.33 per Unit, payable monthly. For the months of March 2019 to December 2020, the Annualized Distribution was \$1.38 per Unit, payable monthly. In determining the amount of monthly cash distributions, the Board of Trustees relies upon cash flow information, including NFFO, and management forecasts and budgets.

The following table summarizes the cash distributions for the last three years as at December 31, 2020.

Distribution Period	Annualized Cash Distributions
January 2018 - May 2018	\$1.28
June 2018 - February 2019	\$1.33
March 2019 - December 2020	\$1.38

11.3 Distribution Reinvestment Plan

CAPREIT has established a DRIP. Under the DRIP, a participant may purchase additional Units with the cash distributions paid on the eligible Units which are registered in the name of the participant or held in a participant's account maintained pursuant to the DRIP. Each participant will also receive a right to receive an additional amount equal to 5% of their monthly distributions reinvested pursuant to the DRIP, which amount shall automatically be paid on each distribution date in the form of additional Units. The price at which Units will be purchased with cash distributions will be the weighted average of the trading price for Units of CAPREIT on the TSX for the five trading days immediately preceding the relevant distribution date. No commissions, service charges or brokerage fees are payable by participants in connection with the DRIP. Full investment of participants' funds is possible under the DRIP because the DRIP permits fractions of Units as well as whole Units to be purchased and held for participants. Distributions in respect of whole Units and fractions of Units acquired under the DRIP will be held by the agent for the DRIP for the participants' account and automatically invested under the DRIP in additional Units. For the year ended December 31, 2020, the average participation rate in the DRIP was approximately 29.2% of Units outstanding compared to 31.2% for the year ended December 31, 2019.

12 - MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis of results of operations and financial position of CAPREIT for the year ended December 31, 2020 is incorporated herein by reference.

13 - MARKET FOR SECURITIES

Trading Price and Volume

Units of CAPREIT are listed and posted for trading on the TSX under the symbol "CAR.UN". As at December 31, 2020, there were 171,751,839 Units (excluding 174,805 Deferred

Units and 563,387 RURs) issued and outstanding. The following table indicates the high and low trading price and the volume of the Units traded on the TSX on a monthly basis for the year ended December 31, 2020:

Date	High	Low	Volume Traded
January	\$57.51	\$51.69	9,355,216
February	\$60.05	\$54.62	8,610,846
March	\$61.29	\$36.40	26,529,696
April	\$48.67	\$39.63	13,516,490
May	\$49.38	\$45.10	10,672,458
June	\$52.80	\$45.50	18,562,399
July	\$49.93	\$46.81	7,340,327
August	\$49.93	\$44.52	7,764,594
September	\$46.85	\$43.15	11,168,140
October	\$47.04	\$42.22	7,814,910
November	\$52.94	\$42.63	10,151,252
December	\$51.79	\$49.51	8,041,107

14 - MANAGEMENT OF CAPREIT, TRUSTEES AND EXECUTIVE OFFICERS

14.1 General

The investment policies and operations of CAPREIT are subject to the control and direction of the trustees, a majority of whom must be independent trustees (as defined in NI 58-101). All of the Trustees of CAPREIT are independent, other than Mr. Kenney, as President and Chief Executive Officer of CAPREIT. Trustees hold office for a term ending following the annual meeting subsequent to the annual meeting at which they were elected by Trust Unitholders entitled to vote.

14.2 Trustees and Executive Officers

The name, province of residence, office held with CAPREIT, principal occupations held during the preceding 5 years and the period during which each trustee or executive officer has served are as follows:

Name and Place of Residence	Office	Principal Occupations during preceding five years	Year first became a Trustee or Executive Officer	Number of Units, Deferred Units and RURs beneficially owned, controlled or directed, directly or indirectly as at December 31, 2020 ⁽¹⁾
Michael Stein Toronto, Ontario, Canada	Chairman and a Trustee	Chairman and Chief Executive Officer of MPI Group Inc. (a real estate investment and development company)	1997	376,405 Units 81,050 Deferred Units
Harold Burke ⁽³⁾ ⁽⁵⁾ Toronto, Ontario, Canada	Trustee	Consultant and former Senior Vice President of Taxation, Dream Asset Management Corporation	2010	31,159 Deferred Units

Name and Place of Residence	Office	Principal Occupations during preceding five years	Year first became a Trustee or Executive Officer	Number of Units, Deferred Units and RURs beneficially owned, controlled or directed, directly or indirectly as at December 31, 2020 ⁽¹⁾
Gina Parvaneh Cody ⁽²⁾⁽³⁾⁽⁴⁾ Toronto, Ontario, Canada	Trustee	Corporate Director	2017	23,000 Units 14,228 Deferred Units
Poonam Puri ⁽³⁾⁽⁵⁾ Toronto, Ontario, Canada	Trustee	Professor at Osgoode Hall Law School	2019	5,501 Deferred Units
Jamie Schwartz ⁽²⁾⁽⁴⁾⁽⁵⁾ Toronto, Ontario, Canada	Trustee	Associate Vice President, Enterprise Real Estate of the TD Bank Financial Group	2018	175 Units 8,308 Deferred Units
Elaine Todres ⁽²⁾⁽⁴⁾ Toronto, Ontario, Canada	Trustee	Chief Executive Officer of Todres Leadership Counsel (a consultancy company)	2013	3,000 Units 30,849 Deferred Units
René Tremblay ⁽²⁾⁽⁴⁾ Montréal, Québec, Canada	Trustee	Corporate Director and former President of Taubman Asia	2020	3,711 Deferred Units
Mark Kenney Newmarket, Ontario, Canada	President, Chief Executive Officer and Trustee	President, Chief Executive Officer and Chief Operating Officer of CAPREIT	2002	256,053 Units 131,893 RURs
Scott Cryer Toronto, Ontario, Canada	Chief Financial Officer	Chief Financial Officer of CAPREIT	2011	905 Units 69,961 RURs

Notes:

- (1) Individual trustees and executive officers have furnished information as to Units beneficially owned, or controlled or directed, directly or indirectly, by them.
- (2) Member of Human Resources and Compensation Committee.
- (3) Member of the Governance and Nominating Committee.
- (4) Member of Investment Committee.
- (5) Member of Audit Committee.

Based on information provided by such persons, as of December 31, 2020, the trustees and executive officers of CAPREIT, as a group, beneficially owned, or controlled or directed, directly or indirectly, an aggregate of 1,036,197 Units, Deferred Units and RURs of CAPREIT, representing approximately 0.60% of CAPREIT's issued and outstanding Units.

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

Michael Stein has been Chairman and Chief Executive Officer of MPI Group Inc., a company engaged in real estate investment and development, since 1994. Mr. Stein also held the position of Chairman and Chief Executive Officer of MICC Properties Inc., a company engaged in real estate investment and development from 1987 to 2000. Mr. Stein is the Chairman of the board of trustees of ERES (TSX/ERE.UN), a director of FirstService Corporation (TSX/NASDAQ), a director of McEwan Mining Inc. (TSX/NYSE) and Chairman of the board of directors of Cliffside Capital Ltd. (TSX-V). Between 2000 and 2006, Mr. Stein was a member of the board of directors of Goldcorp Inc., a public natural resource company the shares of which are listed on the TSX and New York Stock Exchange. Between 1978 and 1987, Mr. Stein held progressively senior positions, ultimately holding the position of Executive Vice President responsible for operations, with The Mortgage Insurance Co. of Canada. Mr. Stein is a graduate engineer and holds a master of business administration in finance and international business from Columbia University in New York.

Harold Burke is a former Senior Vice President of Taxation of Dream Asset Management Corporation, a real estate asset manager and developer, 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 a trustee and Chair of the audit committee of ERES (TSX/ERE.UN). Mr. Burke is recognized as a specialist in the area of real estate-related financial services as well as in domestic and international taxation issues. While a senior partner at PricewaterhouseCoopers LLP, Mr. Burke advised a diverse domestic and foreign clientele many of which were public, private and institutional, on a variety of matters including mergers and acquisitions, capital markets financing and investment structuring. He is a Chartered Professional Accountant and holds the Institute of Corporate Directors, Institute-Certified Director Designation, ICD.D.

Gina Parvaneh Cody holds a Masters and a Doctorate in Building Engineering from Concordia University. Dr. Cody has more than 30 years of professional practice in the private sector as a professional engineer, corporate executive and principal of an engineering firm. Dr. Cody has provided professional engineering services to some of Canada's largest REITs, financial institutions, builders and developers. Dr. Cody is a trustee of ERES (TSX/ERE.UN). Dr. Cody retired in 2016 as the Executive Chair of CCI Group Inc., a Toronto based national engineering company. Prior to her retirement, Dr. Cody served the Professional Engineers of Ontario (PEO) for over 15 years as a member of the Discipline Committee and for over 8 years as a member and subsequently chair of the Professional Practice Committee. Dr. Cody was granted both the Certificate of Fellowship and the Award of Honor by PEO. Dr. Cody is currently a member of the Board of Governors as well as the Governance Committee and Chair of the Real Estate Planning Committee and Industrial Advisory Council of Concordia University. Dr. Cody is also a recipient of the Award of Merit by the Canadian Standard Association. Dr. Cody was awarded the Order of Montreal in 2019 and became a Fellow of the Canadian Academy of Engineers. In 2020, she was named one of the Top 25 Women of Influence and in December 2020, Dr. Cody was named to the Order of Canada. Dr. Cody is also the benefactor of the Gina Cody School of Engineering and Computer Science at Concordia University.

Poonam Puri is a tenured Professor of Law at Osgoode Hall Law School and a corporate lawyer and Affiliated Scholar at Davies Ward Phillips & Vineberg LLP. Ms. Puri is one of Canada's most respected experts in corporate governance and has extensive board experience in engineering, transportation, infrastructure and healthcare, including as a past director for

Arizona Mining, Greater Toronto Airports Authority and as a former commissioner and director of the Ontario Securities Commission. She currently serves on the boards of the Canada Infrastructure Bank, Holland Bloorview Kids Rehabilitation Hospital, and Augusta Gold. Ms. Puri has been recognized as one of the top 25 most influential lawyers in Canada by Canadian Lawyer Magazine in 2017 and 2015 and is a former recipient of Canada's Top 40 under 40 award and Canada's Most Powerful Women: Top 100 Award. Ms. Puri holds a Masters in Law from Harvard University, a Bachelor of Laws from the University of Toronto and the Institute of Corporate Directors, Institute-Certified Director Designation, ICD.D.

Jamie Schwartz is an Associate Vice President, Enterprise Real Estate of the TD Bank Financial Group, with responsibility for the bank's Canadian corporate real estate portfolio. Mr. Schwartz has over 20 years of experience working in the banking, real estate and hospitality industries. From 2011 to December 2020, Mr. Schwartz worked for TD Securities Inc. in Toronto and New York, with responsibility for structuring and managing corporate debt. Before that, Mr. Schwartz worked in TD Securities' commercial mortgage group, providing mortgage financing for all classes of real estate assets across Canada. Before joining TD Securities, Mr. Schwartz was Vice President at HVS Consulting and Valuation, a global consulting organization, where he spent almost 10 years providing real estate strategic advisory services to the hospitality industry.

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

René Tremblay has over 40 years of experience in the real estate industry, having been involved in international investment and development for 25 years in numerous countries, including Brazil, Poland, France, Scotland, Spain, China, South Korea, Mexico, Germany, Canada, Luxembourg, Russia, Turkey and the United States. From 2010 to 2017, Mr. Tremblay was the President of Taubman Asia, part of Taubman Centers, a leader in the shopping center industry, where he was responsible for driving Taubman's shopping center expansion in the Asia-Pacific Region. He is the Chairman of the board of trustees of Cominar REIT and currently serves on the board of Cogir Real Estate and the International Council of Shopping Centers. Mr. Tremblay's prior board experience includes serving as chairman of the real estate group of Caisse de dépôt et placement du Québec - one of the fifteen largest diversified real estate portfolios in the world.

Mark Kenney joined CAPREIT in 1998 and is the President, Chief Executive Officer and member of its Board of Trustees. Prior to this appointment, Mr. Kenney held the position of Chief Operating Officer of CAPREIT. Mr. Kenney has over 25 years of experience in the multi-family sector, having worked previously at Realstar Management Partnership as District Manager of

Western Canada and Northern Ontario (1995 to 1998) and Greenwin Property Management as Senior Property Manager prior to 1995. Mr. Kenney currently serves as a non-executive director of IRES. Mr. Kenney is also a director of the Federation of Rental Providers of Ontario since 2009 and was a director of the Greater Toronto Apartment Association from 1998 to 2009. Mr. Kenney maintains active membership in the Halifax, Montreal, Calgary, and Vancouver Apartment Associations, and holds a Bachelor of Economics degree from Carleton University.

Scott Cryer joined CAPREIT in September 2009 and has been the Chief Financial Officer since 2011. Until December 2020, Mr. Cryer was also the Chief Financial Officer of ERES (TSX/ERE.UN), and he previously held the role of Chief Financial Officer of IRES. Prior to joining CAPREIT, Mr. Cryer had an eleven year career of increasing responsibility in the Real Estate Assurance and Advisory practice of Deloitte & Touche LLP. He received his Chartered Accountant designation in 2000 and holds a Bachelor of Economics degree from the University of Western Ontario. Mr. Cryer is also a Director on the board of IRES Fund Management.

14.3 Trustees

The Declaration of Trust provides that the assets and operations of CAPREIT will be subject to the control and authority of a minimum of seven and a maximum of eleven trustees. The number of trustees within such minimum and maximum numbers may be changed by the Trust Unitholders or, if authorized by the Trust Unitholders, by the Board of Trustees, provided that the Board of Trustees may not, between meetings of Trust Unitholders entitled to vote, appoint an additional trustee if, after such appointment, the total number of trustees would be greater than one and one-third times the number of trustees in office immediately following the last annual meeting of Trust Unitholders entitled to vote. At the 1998 annual and special meeting of Unitholders, Unitholders approved a resolution authorizing the Board of Trustees to increase or decrease, from time to time, the number of trustees. There are currently eight (8) trustees on the Board of Trustees. A majority of the trustees are required to be independent of the management of CAPREIT. A vacancy occurring among the trustees may be filled by resolution of the remaining trustees or by the Trust Unitholders at a meeting of the Trust Unitholders entitled to vote. A trustee elected or appointed to fill a vacancy shall hold office for the remaining term of the trustee he or she is succeeding.

All of the trustees are elected annually by resolution passed by a majority of the votes cast at a meeting of the Trust Unitholders entitled to vote.

The Declaration of Trust provides for the appointment by the Board of Trustees of an Audit Committee, Human Resources and Compensation Committee, Governance and Nominating Committee and an investment committee (the “**Investment Committee**”). The approval of the independent trustees is required prior to CAPREIT making any acquisition or disposition of real property, and for the assumption or granting of any mortgage. A trustee may be removed with or without cause by two-thirds of the votes in the aggregate cast at a meeting called for that purpose of Trust Unitholders entitled to vote thereon or by the written consent of Trust Unitholders holding in the aggregate not less than two-thirds of the outstanding Trust Units entitled to vote thereon or with cause by the resolution passed by an affirmative vote of not less than two-thirds of the remaining trustees.

The standard of care and duties of the trustees provided in the Declaration of Trust are similar to those imposed on a director of a corporation governed by the *Canada Business Corporations Act*. Accordingly, each trustee is required to exercise the powers and discharge the duties of his or her office honestly, in good faith and in the best interests of CAPREIT and the Trust Unitholders and, in connection therewith, to exercise that degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

14.4 Cease Trade Orders, Bankruptcies, Penalties and Sanctions

Corporate Cease Trade Orders or Bankruptcies

No trustee or executive officer of CAPREIT, nor any personal holding company of any such person, is, as at the date of this Annual Information Form or within the 10 years before the date of this Annual Information Form has been, a director, trustee, chief executive officer or chief financial officer of any company (including CAPREIT) that, (i) while that person was acting in that capacity was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; or (ii) after that person ceased to act in that capacity was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days, and which resulted from an event that occurred while the person was acting in that capacity.

Other than as described below, no trustee or executive officer of CAPREIT or, to the knowledge of CAPREIT, a Trust Unitholder holding a sufficient number of Trust Units of CAPREIT to affect materially the control of CAPREIT, nor any personal holding company of any such person, (i) is as of the date of this Annual Information Form or has been within 10 years before the date of this Annual Information Form, a director, trustee or executive officer of a company (including CAPREIT) that while that person was acting in such capacity or within a year of that person ceasing to act in that capacity became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has within the 10 years before the date of this Annual Information Form become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or has been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such director, trustee or officer.

Michael Stein served as a director of a privately held United Kingdom-registered company from February 2012 to January 2019. On March 21, 2019, the company voluntarily appointed an administrator under the United Kingdom insolvency act (*Insolvency Act 1986*).

Penalties or Sanctions

No trustee or executive officer of CAPREIT or, to the knowledge of CAPREIT, a Trust Unitholder holding a sufficient number of Trust Units to affect materially the control of CAPREIT, nor any personal holding company of any such person, has (i) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or entered into a settlement agreement with a Canadian securities

regulatory authority; or (ii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

14.5 Conflict of Interest Restrictions and Provisions

The Declaration of Trust contains “conflict of interest” provisions that serve to protect Trust Unitholders without creating undue limitations on CAPREIT. Given that the trustees are engaged in a wide range of real estate and other activities, the Declaration of Trust contains provisions, similar to those contained in the *Canada Business Corporations Act*, that require each trustee to disclose to CAPREIT any interest in a material contract or transaction or proposed material contract or transaction with CAPREIT (including a contract or transaction involving the making or disposition of any investment in real property or a joint venture arrangement) or the fact that such person is a director or officer of or otherwise has a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with CAPREIT. Such disclosure is required to be made at the first meeting at which a proposed contract or transaction is considered. In the event that a material contract or transaction or proposed material contract or transaction is one that in the ordinary course would not require approval by the trustees, a trustee is required to disclose in writing to CAPREIT or request to have entered into the minutes of meetings of the Board of Trustees the nature and extent of his interest forthwith after the trustee becomes aware of the contract or transaction or proposed contract or transaction. In any case, a trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating primarily to his or her remuneration as a trustee, officer, employee or agent of CAPREIT or any affiliate of CAPREIT or one for indemnity under the provisions of the Declaration of Trust or the purchase of liability insurance.

CAPREIT has also adopted a Code of Business Ethics and Conduct, which provides a framework of guidelines and principles to govern and encourage ethical and professional behaviour in conducting its business. The Code of Business Ethics and Conduct applies to all trustees, officers and employees of CAPREIT and provides guidelines for identifying and reporting conflicts of interest or potential conflicts of interest.

14.6 Independent Trustee Matters

The following matters require the approval of at least a majority of the independent trustees to become effective:

- the entering into of an arrangement in which a Non-Independent Trustee (as defined in the Declaration of Trust) or an officer of CAPREIT has a material interest;
- the enforcement of any agreement entered into by CAPREIT with a Non-Independent Trustee (as defined in the Declaration of Trust) or an officer of CAPREIT or an affiliate or associate of such party;
- the grant of options under any Unit option plan or any rights to participate in any other long term incentive plans adopted by CAPREIT;

- the demolition of all or substantially all of a property owned by CAPREIT;
- to increase the number of trustees by no more than one-third in accordance with Section 2.1 of the Declaration of Trust and to appoint trustees to fill the vacancies so created; or
- to recommend to Trust Unitholders that the number of trustees be increased, where a vote of Trust Unitholders thereon is required, and to nominate individuals as trustees to fill the vacancies so created.

14.7 Audit Committee

The Audit Committee must consist of at least three trustees, all of whom must be independent and financially literate, as those terms are defined in NI 52-110, subject to any applicable exceptions in NI 52-110. The Audit Committee assists the trustees in fulfilling their oversight responsibilities in respect of CAPREIT's accounting and reporting practices.

Pursuant to its charter, a copy of which is attached hereto as Appendix "A", the Audit Committee is responsible for the review of the consolidated financial statements, accounting policies and reporting procedures of CAPREIT. In addition, the Audit Committee is responsible for reviewing, on an annual basis, the principal risks that CAPREIT is faced with, and considering whether adequate systems are in place to manage such risks and that such systems appear effective. It also supervises the activities of CAPREIT's Director, Internal Audit.

The Audit Committee reviews CAPREIT's quarterly and annual consolidated financial statements and other required financial documents or documents that contain financial disclosure (such as press releases), reviews with management and the external auditors the state of internal controls, and makes appropriate reports thereon to the Board of Trustees. The Audit Committee has unrestricted access to the senior management of CAPREIT and to CAPREIT's external auditor, who regularly attends the Audit Committee meetings.

As at the date of this Annual Information Form, the Audit Committee consists of the following members: Harold Burke, Poonam Puri, and Jamie Schwartz. Harold Burke serves as Chair of the Audit Committee. All members of the Audit Committee are independent and financially literate, as those terms are defined in NI 52-110. The following is a brief summary of the education or experience of each member of the Audit Committee that is relevant to the performance of his or her responsibilities as a member of the Audit Committee, including any education or experience that has provided the member with an understanding of the accounting principles used by CAPREIT to prepare its annual and quarterly consolidated financial statements.

Name of Audit Committee Member	Relevant Education and Experience
Harold Burke	• Consultant and former Senior Vice President of Taxation, Dream Asset Management Corporation, an integrated real estate asset manager and developer • More than 30 years professional practice in the tax area at PricewaterhouseCoopers LLP, its predecessor, Coopers & Lybrand LLP and another major Canadian accounting firm • Chartered Professional Accountant • Holds the Institute of Corporate Directors, Institute-Certified Designation, ICD.D
Poonam Puri	• Tenured Professor of Law at Osgoode Hall Law School and former Associate Dean and Associate Dean - Research, Graduate Studies and Institutional Relations • Affiliated Scholar and corporate lawyer at Davies Ward Phillips & Vineberg LLP • Experienced corporate director in a variety of industries including engineering, transportation, infrastructure and healthcare, including as a past director of Arizona Mining, Greater Toronto Airports Authority and Cole Engineering Limited as well as a former commissioner and director of Ontario Securities Commission • Currently serves on the boards of the Canada Infrastructure Bank, Holland Bloorview Kids Rehabilitation Hospital and Augusta Gold • Holds a Masters in Law from Harvard University, a Bachelor of Laws from the University of Toronto and the Institute of Corporate Directors, Institute-Certified Director Designation, ICD.D.
Jamie Schwartz	• Associate Vice President, Enterprise Real Estate, TD Bank Financial Group • More than 20 years of experience working in the banking, real estate and hospitality industries • Former Director, Large Cap Corporate Banking Group with TD Securities Inc. • Former Vice President at HVS Consulting and Valuation, a global consulting organization • Holds a Masters in Hospitality and Real Estate Finance from Cornell University

Further to CAPREIT's Audit Committee Charter, the Audit Committee has adopted specific policies and procedures for the engagement of non-audit services provided by its external auditor. The Audit Committee must pre-approve all engagements (and fees related thereto) for non-audit services. In connection with this requirement, the Audit Committee has adopted an internal policy allowing CAPREIT to engage external auditors to provide non-audit services, as follows:

- (i) To pre-approve fees in connection with the approval of the annual audit plan and budget, and from time to time as presented to the Audit Committee, for recurring non-audit services to be delivered by the external auditor.
- (ii) To pre-approve non-audit services to be delivered by the external auditor on an ad hoc basis, as may be recommended by, and engaged with the approval of, the Chief Executive Officer and/or the Chief Financial Officer, provided that such non-audit services do not exceed, in the aggregate, \$75,000 on an annual basis, or such other amount as may be approved from time to time by the Audit Committee.
- (iii) To authorize the Chair of the Audit Committee to pre-approve, on behalf of the Audit Committee, non-audit services delivered by the external auditor, provided that (a) the estimated fees per engagement for such non-audit services do not exceed \$100,000; and (b) such non-audit services so approved are presented to the Audit Committee at its first scheduled meeting following such pre-approval.

- (iv) Any fees for proposed non-audit services exceeding the amounts set forth herein, including any increases in fees for previously pre-approved services, will require specific pre-approval by the Audit Committee in accordance with National Instrument 52-110 – *Audit Committees*.

The external auditor is also required to provide the Audit Committee with annual and quarterly reports. The Audit Committee will review the fees and scope of the non-audit services so as to avoid any question as to the compatibility of such services with the external auditor's independence.

The Audit Committee is responsible for monitoring CAPREIT's external auditor and ensuring that the external auditor is and remains independent of management. For a description of the external auditor service fees see section 18 below.

14.8 Human Resources and Compensation Committee

The Declaration of Trust requires the creation of a Human Resources and Compensation Committee, consisting of at least three trustees, to review matters relating to human resources, including compensation of trustees and officers of CAPREIT. All of the members of the Human Resources and Compensation Committee must at all times be "independent", as this term is defined in NI 58-101.

As at the date of this Annual Information Form, the members of the Human Resources and Compensation Committee are as follows: Gina Cody, Jamie Schwartz, Elaine Todres and René Tremblay. Elaine Todres serves as Chair of the Human Resources and Compensation Committee.

14.9 Governance and Nominating Committee

The Declaration of Trust requires the creation of a Governance and Nominating Committee, consisting of at least three trustees, to review matters relating to the governance of CAPREIT including the nomination of trustees. All of the members of the Governance and Nominating Committee must at all times be "independent", as this term is defined in NI 58-101.

As at the date of this Annual Information Form, the members of the Governance and Nominating Committee are as follows: Gina Cody, Harold Burke and Poonam Puri. Gina Cody serves as Chair of the Governance and Nominating Committee.

14.10 Investment Committee

The Declaration of Trust provides that the trustees shall appoint from among their number an Investment Committee consisting of at least three trustees. A majority of the members of the Investment Committee must have had at least five years of substantial experience in the real estate industry. In addition, a majority of the members of the Investment Committee must be "independent", as this term is defined in NI 58-101. The duties of the Investment Committee are to, unless delegated by the Board of Trustees to officers of CAPREIT: (i) review all investment and financing proposals for CAPREIT; (ii) where the approval of the Board of Trustees is

required, recommend to the Board of Trustees approval or rejection of proposed transactions by CAPREIT (including acquisitions and dispositions of investments by CAPREIT); (iii) where the approval of the Investment Committee is required, approve or reject proposed transactions by CAPREIT (including acquisitions and dispositions of investments by CAPREIT); and (iv) approve all proposed borrowings and the assumption or granting of any mortgage or other security interest in real property.

As at the date of this Annual Information Form, the members of the Investment Committee are as follows: Gina Cody, Jamie Schwartz, Elaine Todres and René Tremblay. Gina Cody serves as Chair of the Investment Committee.

14.11 Remuneration of Trustees and Officers

A person who is employed by and receives salary from CAPREIT will not receive any remuneration from CAPREIT for serving as a trustee. Trustees who were not so employed during fiscal 2020 received a flat annual retainer from CAPREIT in the amount of \$85,000, in addition each of the Chair of the Audit Committee, Investment Committee, the Human Resources and Compensation Committee and the Governance and Nominating Committee, received an additional \$25,000 for 2020 for serving as Chair of such committee, and the Chairman of the Board of Trustees received an additional \$100,000. Pursuant to the terms of the Deferred Unit Plan, in 2020, each non-executive trustee was entitled to elect to receive up to 100% of his or her board compensation (being \$85,000), in the form of Deferred Units, in lieu of cash, which amount was matched by CAPREIT. As a result, for non-executive trustees who elected to receive 100% of their board compensation in the form of Deferred Units, such trustee's annual compensation for 2020 (including the impact of Deferred Units issued and matched by CAPREIT, but excluding additional Chair fees described above), amounted to \$170,000.

In fiscal 2020, no additional meeting or written resolutions fees were paid to the trustees. The officers of CAPREIT are entitled to participate in the Unit Option Plan described under the heading "Unit Option Plan", however, the Board of Trustees' current policy is not to award any further Options. In addition, officers are entitled to participate in the Employee Unit Purchase Plan described under the heading "Employee Unit Purchase Plan". Non-executive trustees are entitled to participate in the Deferred Unit Plan described under the heading "Deferred Unit Plan".

15 - LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Management of CAPREIT is not aware of any litigation outstanding, threatened or pending as of the date hereof by or against it or relating to its business which would be material to CAPREIT's financial condition or results of operations.

During the year ended December 31, 2020, no penalties or sanctions were imposed against CAPREIT by a court relating to securities legislation or by a securities regulatory authority, no other penalties or sanctions were imposed by a court or regulatory body against CAPREIT that would likely be considered important to a reasonable investor in making an investment decision, and CAPREIT entered into no settlement agreements before a court relating to securities legislation or with a securities regulatory authority.

16 - INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described elsewhere in this Annual Information Form, there are no material interests, direct or indirect, of any of CAPREIT's trustees or executive officers, any Unitholders that beneficially owns, or controls or directs (directly or indirectly), more than 10% of any class or series of our outstanding Trust Units, or any associate or affiliate of any of the foregoing persons, in any transaction within the three years before the date hereof that has materially affected or is reasonably expected to materially affect CAPREIT.

17 - TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Units is Computershare Trust Company of Canada at its principal offices in Toronto, Ontario.

18 - MATERIAL CONTRACTS

See "General Development of the Business – Amendments to the Declaration of Trust"; "Description of Capital Structure and Governance Policies" generally in relation to the Declaration of Trust; "Description of Capital Structure and Governance Policies – Unitholders' Rights Plan"; "Description of Capital Structure and Governance Policies – Deferred Unit Plan"; "Description of Capital Structure and Governance Policies – Restricted Unit Rights Plan" and "Description of Capital Structure and Governance Policies – Employee Unit Purchase Plan".

19 - INTEREST OF EXPERTS

CAPREIT's auditors are PricewaterhouseCoopers LLP, Chartered Professional Accountants, who have prepared an independent auditors' report dated February 24, 2021 in respect of CAPREIT's consolidated annual financial statements with accompanying notes as at and for the years ended December 31, 2020 and 2019. PricewaterhouseCoopers LLP has advised that they are independent with respect to CAPREIT within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

20 - EXTERNAL AUDITOR FEES

The following chart summarizes the fees for services provided by the auditors to CAPREIT, excluding ERES, for the fiscal years 2020 and 2019.

Summary of External Audit Fees

Nature of Fees	2020	2019
Audit fees: Includes fees billed for audit and review services in respect of the annual and quarterly consolidated financial statements and other regulatory filings.	\$526,966	\$779,906
Audit-related fees: Includes fees billed for services related to consultations regarding financial accounting and reporting standards not classified as audit, prospectuses filed during the respective years, and other compliance related matters not included under "Audit fees".	\$224,983	\$571,838
Tax-related fees:		
• Compliance. Includes fees billed for tax compliance and the review of tax returns.	\$317,807	\$292,890
• Consulting. Includes tax fees billed for tax planning and tax advisory services.	\$320,158	\$293,923
• One-Time Capital Restructuring Events. Includes fees billed for the reverse takeover of ECREIT.	\$-	\$851,088
All other fees: Includes fees billed for all other services other than those presented in the categories of audit fees, audit-related fees and tax fees, including other advisory services.	\$-	\$-
Total	\$1,389,914	\$2,789,645

The Audit Committee considered and agreed that the above fees are compatible with maintaining the independence of CAPREIT's auditors. Further, the Audit Committee determined that, in order to ensure the continued independence of the auditors, only limited non-audit related services will be provided to CAPREIT by CAPREIT's external auditors and in such case, only with the prior approval of the Audit Committee.

21 - ADDITIONAL INFORMATION

Additional information, including trustee and officer remuneration and indebtedness, principal holders of CAPREIT's securities and securities authorized for issuance under equity compensation plans is contained in CAPREIT's information circular for its most recent annual and special meeting of Unitholders and Special Unitholders which involved the election of trustees. Additional information, including CAPREIT's consolidated audited annual financial statements and management's discussion and analysis for the year ended December 31, 2020, may be found on SEDAR at www.sedar.com under CAPREIT's profile. CAPREIT will provide any person, upon request to the Chief Financial Officer of CAPREIT, any of the following documents:

- (a) one copy of the Annual Information Form of CAPREIT, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the Annual Information Form;
- (b) one copy of the consolidated audited financial statements of CAPREIT for its most recently completed financial year together with the accompanying report of the

auditor and one copy of any quarterly consolidated financial statements of CAPREIT subsequent to the consolidated annual audited financial statements for its most recently completed financial year; and

- (c) one copy of the information circular of CAPREIT in respect of its most recent annual meeting of Unitholders and Special Unitholders that involved the election of trustees or one copy of any annual filing prepared in lieu of that information circular, as appropriate.

When the securities of CAPREIT are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus that has been filed by CAPREIT in respect of a distribution of securities, the foregoing documents, in addition to any other documents that are incorporated by reference into the short form prospectus or preliminary short form prospectus, will be provided free of charge. At other times, CAPREIT may require the payment of a reasonable charge if the request is made by a person who is not a securityholder of CAPREIT.

APPENDIX “A”

CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF TRUSTEES

SECTION 1 PURPOSE

The Audit Committee (the “**Committee**”) is a committee of the Trustees (the “**Trustees**”) of Canadian Apartment Real Estate Investment Trust, (the “**Trust**”). The Committee and its Chair are appointed by the Trustees for the purpose of assisting the Trustees in fulfilling their oversight responsibilities. The Committee will primarily fulfill this role by carrying out the activities enumerated in this Charter. The Committee is, however, independent of the Trustees and the Trust, and in carrying out its role of assisting the Trustees in fulfilling their oversight responsibilities the Committee shall have the ability to determine its own agenda and any additional activities that the Committee shall carry out.

SECTION 2 COMPOSITION

The Committee is comprised of not less than three trustees, each of whom is, and must at all times be, independent and financially literate within the meaning of applicable Canadian securities laws. The members of the Committee, and its Chair, shall be appointed by the Trustees on an annual basis or until their successors are duly appointed. A majority of the members of the Committee must be resident Canadians.

SECTION 3 LIMITATIONS ON COMMITTEE’S DUTIES

In contributing to the Committee’s discharge of its duties under this Charter, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended or may be construed as imposing on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which the Trustees are subject.

It is not the duty of the Committee to prepare financial statements or ensure their accuracy or absence of errors and omissions, to plan or conduct audits, to determine that the financial statements are complete and accurate and in accordance with Canadian generally accepted accounting principles, to conduct investigations, or to assure compliance with laws and regulations or the Trust’s internal policies, procedures and controls, as these are the responsibility of management and in certain cases the external auditor.

Members of the Committee are entitled to rely, absent actual knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, (iii) representations made by management as to the non-audit services provided to the Trust by the external auditor, (iv) financial statements of the Trust represented to them by a member of management or in a written

report of the external auditors to present fairly the financial position of the Trust in accordance with generally accepted accounting principles, and (v) any report of a lawyer, accountant, auditor, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

SECTION 4 FUNCTION

The primary function of the Audit Committee is to assist the Board of Trustees in fulfilling their roles as Trustees of the Trust by:

- (a) recommending to the Board the appointment and compensation of the Trust's external auditor;
- (b) overseeing the work of the external auditor, including the resolution of disagreements between the external auditor and management;
- (c) establishing pre-approval processes for all non-audit services (or delegating such pre-approval if and to the extent permitted by law) to be provided to the Trust by the Trust's external auditor;
- (d) reviewing and approving the annual and interim financial statements, related management discussion and analysis ("**MD&A**"), and annual and interim earnings press releases before such information is publicly disclosed to determine whether they are complete and consistent with the information known to the Committee members about the Trust and its operations;
- (e) satisfying themselves that adequate procedures are in place for the review of the Trust's public disclosure of financial information, including any information extracted or derived from its financial statements, and including periodically assessing the adequacy of such procedures;
- (f) establishing procedures for the receipt, retention and treatment of complaints received by the Trust regarding accounting, internal controls or auditing matters, and for the confidential, anonymous submission by employees of the Trust of concerns regarding questionable accounting or auditing matters and including the establishment and review of a whistle blower policy;
- (g) reviewing and approving any proposed hiring of a current or former partner or employee of the current and former external auditor of the Trust;
- (h) reviewing and approving any proposed hiring of the Trust's internal auditor (the "**Internal Auditor**"), as may be recommended to the Audit Committee by management;
- (i) determining the annual compensation of the internal auditor; and
- (j) overseeing the work of the Internal Auditor.

The Audit Committee should primarily fulfill these responsibilities by carrying out the activities enumerated in this Charter. However, it is not the duty of the Committee to prepare financial statements, or to plan or conduct audits, as these are the responsibility of management and in certain cases the external auditor, as the case may be.

SECTION 5 COMPOSITION OF THE COMMITTEE AND MEETINGS

- (1) The Audit Committee must be constituted as required under Multilateral Instrument 52-110 *Audit Committees*, as it may be amended from time to time (“**MI 52-110**”).
- (2) All members of the Committee must (except to the extent permitted by MI 52-110) be free from any direct or indirect relationship with the Trust that, in the opinion of the Board, would reasonably interfere with the exercise of his or her independent judgment as a member of the Committee.
- (3) All members of the Committee must (except to the extent permitted by MI 52-110) be financially literate (which is defined as the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Trust’s financial statements).
- (4) The members of the Committee shall be elected by the Board on an annual basis or until their successors shall be duly appointed. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.
- (5) Any member of the Audit Committee may be removed or replaced at any time by the Board of Trustees and shall cease to be a member of the Audit Committee on ceasing to be a Trustee. The Board of Trustees may fill vacancies on the Audit Committee by election from among the Board of Trustees. If and whenever a vacancy shall exist on the Audit Committee, the remaining members may exercise all of its powers so long as a quorum remains.
- (6) The Committee shall meet at least four times annually, or more frequently as circumstances require.
- (7) The Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their duties, members of the Committee shall have full access to all corporate information and any other information deemed appropriate by them, and shall be permitted to discuss such information and any other matters relating to the financial position of the Trust with senior employees, officers and the external auditor of the Trust, and others as they consider appropriate.
- (8) In order to foster open communication, the Committee or its Chair shall meet at least annually with management and the external auditor in separate sessions to discuss any matters that the Committee or each of these groups believes should be

discussed privately. In addition, the Committee or its Chair should meet with management quarterly in connection with the Trust's interim financial statements.

- (9) Quorum for the transaction of business at any meeting of the Committee shall be a majority of the number of members of the Committee or such greater number as the Committee shall determine by resolution.
- (10) Meetings of the Audit Committee shall be held from time to time and at such place as any member of the Committee shall determine upon reasonable notice to each of its members, which shall not be less than 48 hours. The notice period may be waived by all members of the Committee. Each of the Chairman of the Board and the external auditor, and the Chief Executive Officer, the Chief Financial Officer or the Secretary of the Trust, shall be entitled to request that any member of the Committee to call a meeting.
- (11) The Committee shall determine any desired agenda items.
- (12) The Chair of the Committee will review and assess the performance of the Committee and its members on an annual basis.

SECTION 6 ACTIVITIES

The Audit Committee shall, in addition to the matters described in Section 1:

- (1) Review and recommend to the Board changes to this Charter as considered appropriate from time to time.
- (2) Regularly update the Board about Committee activities and make appropriate recommendations.
- (3) Review the public disclosure regarding the Audit Committee required by MI 52-110.
- (4) Review and discuss, on an annual basis, with the external auditor all significant relationships they have with the Trust to assess their independence.
- (5) Review the performance of the external auditor and any proposed discharge of the external auditor when circumstances warrant.
- (6) Periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the financial statements, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.
- (7) Review, with the Trust's counsel, any legal matters that could have a significant impact on the Trust's financial statements.

- (8) Periodically obtain updates from management, general counsel, others as appropriate regarding compliance.
- (9) Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements.
- (10) Review correspondence and findings of any examinations by regulatory agencies.
- (11) Arrange for the external auditor to be available to the Committee and the Board of Trustees as needed.
- (12) Review the integrity of the financial reporting processes, both internal and external, in consultation with the external auditor.
- (13) Consider the external auditor's judgments about the quality, transparency and appropriateness, not just the acceptability, of the Trust's accounting principles and financial disclosure practices, as applied in its financial reporting, including the degree of aggressiveness or conservatism of its accounting principles and underlying estimates, and whether those principles are common practices or are minority practices.
- (14) Review all material balance sheet issues paying particular attention to judgemental areas and complex and/or unusual transactions, material contingent obligations (including those associated with material acquisitions or dispositions) and material related party transactions.
- (15) Consider proposed major changes to the Trust's accounting principles and practices.
- (16) Review with management and the external auditor the Trust's accounting policies and any changes that are proposed to be made thereto, including all critical accounting policies and practices used, any alternative treatments of financial information that have been discussed with management, the ramification of their use and the external auditor's preferred treatment and any other material communications with management with respect thereto. Review the disclosure and impact of contingencies and the reasonableness of the provisions, reserves and estimates that may have a material impact on financing reporting.
- (17) If considered appropriate, establish separate systems of reporting to the Committee by each of management and the external auditor.
- (18) Review the scope and plans of the external auditor's audit and reviews. The Committee may authorize the external auditor to perform supplemental reviews or audits as the Committee may deem desirable.
- (19) Following completion of the annual audit and, if applicable, quarterly reviews, review separately with each of management and the external auditor any significant changes to planned procedures, any difficulties encountered during the

course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews.

- (20) Where there are significant unsettled issues between management and the external auditor that do not affect the audited financial statements, the Committee shall seek to ensure that there is an agreed course of action leading to the resolution of such matters.
- (21) Review the system in place to seek to ensure that the financial statements, MD&A and other financial information disseminated to governmental organizations and the public satisfy applicable requirements.
- (22) Review with the external auditor and management significant findings during the year and the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.
- (23) Review activities, organizational structure and qualifications of the Chief Financial Officer and the staff in the financial reporting area and see to it that matters related to succession planning are raised for consideration by the Board of Trustees.
- (24) Review management's program of risk assessment and steps taken to address significant risks or exposures of all types, including insurance coverage and tax compliance.
- (25) Review and approve the Internal Audit Charter.
- (26) Review and approve the annual work plan of the Internal Auditor.
- (27) Receive and review reports from the Internal Auditor regarding the status of the work plan and any control issues, which may arise. At a minimum, quarterly reports shall be provided.
- (28) Arrange for the Internal Auditor to be available to the Committee and the Board of Trustees as needed.
- (29) Evaluate the performance and determine the compensation of the Director, Internal Audit.

SECTION 7 GENERAL MATTERS

- (1) The Committee is authorized to retain independent counsel, accountants, consultants and any other professionals ("**Advisors**") it deems necessary to carry out its duties, and the Committee shall have the authority to determine the compensation of and to cause the Trust to pay any such Advisors.

- (2) The Committee is authorized to communicate directly with the external (and, if applicable, internal) auditors as it sees fit.
- (3) If considered appropriate by it, the Committee is authorized to conduct or authorize investigations into any matters within the Committee's scope of responsibilities, and to perform any other activities as the Committee or the Board deems necessary or appropriate.
- (4) Review the public disclosure regarding the Committee required from time to time by applicable Canadian securities laws, including:
 - (i) the Charter of the Committee;
 - (ii) the composition of the Committee;
 - (iii) the relevant education and experience of each member of the Committee;
 - (iv) the external auditor services and fees; and
 - (v) such other matters as the Trust is required to disclose concerning the Committee.
- (5) Review in advance, and approve, the hiring and appointment of the Trust's senior financial executives.
- (6) Perform any other activities as the Committee or the Trustees deems necessary or appropriate.
- (7) Notwithstanding the foregoing and subject to applicable law, the Committee shall not be responsible for preparing financial statements, for planning or conducting internal or external audits or for determining that the Trust's financial statements are complete and accurate and are in accordance with generally accepted accounting principles, as these are the responsibility of management and in certain cases the external auditor, as the case may be. Nothing contained in this Charter is intended to make the Committee liable for any non-compliance by the Trust with applicable laws or regulations.
- (8) The Committee is a committee of the Board of Trustees and is not and shall not be deemed to be an agent of the Trust's unitholders for any purpose whatsoever. The Board of Trustees may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively, and no provision contained herein is intended to give rise to civil liability to securityholders of the Trust or to any other liability whatsoever.