



Killam Apartment REIT

Annual Information Form
For the Year Ended December 31, 2022

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March 28, 2023

2022 Annual Information Form

Dollar amounts in thousands of Canadian dollars (except as noted)

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Forward-Looking Statements

Certain statements contained in this Annual Information Form (AIF) may contain forward-looking statements and forward-looking information (collectively, "forward-looking statements"), including within the meaning of applicable securities law.

In some cases, forward-looking statements can be identified by the use of words such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "potential", "continue", "target", "committed", "priority", "remain", "strategy", "future" or the negative of these terms or other comparable terminology, and by discussions of strategies that involve risks and uncertainties.

Such forward-looking statements contained in this AIF may include, among other things, statements regarding: Killam's expectations for market demand, rent growth and occupancy levels; the effect of government-imposed rental rate restrictions; Killam's strategy and priorities, including increasing earnings from Killam's existing portfolio, expanding Killam's portfolio through acquisitions, developing high-quality properties in core markets; Killam's capital recycling program and the targeted sales thereunder; Killam's increased presence outside of, and maintained market presence in, Atlantic Canada through acquisitions and development; Killam's development pipeline and the qualities thereof; renovations to Killam's properties; the expansion of Killam's portfolio of land for future developments; increasing Killam's portfolio of commercial properties; future acquisitions, including the amount expected to be invested in such acquisitions and the location of such acquisitions; Killam's property developments, including cost and timing of completion thereof; short- and longer-term targets relating to same property net operating income (NOI) (as defined herein) growth, portfolio growth, geographic diversification and NOI generated outside of Atlantic Canada, development of high-quality properties and investment in completed developments, strengthening Killam's balance sheet and debt maintenance or reductions, return on investment, and affordable housing and the factors that may affect the achievement of such targets; Killam's joint venture partners; Killam's ability to mitigate cost increases and property taxes; maintenance and operating costs; the effect of completed developments on Killam's business, Killam's competitive advantage; the expansion and optimization of Killam's repositioning program, the units eligible therefore and expected revenues generated thereunder; continued uncertainty and risks arising from the COVID-19 pandemic, including uncertainty surrounding disruptions to financial markets, regional economies and the world economy; interest rate fluctuations; reduced debt levels and long-term debt reduction targets; the adjustment of cap-rates to match market values; commodity prices and the impacts thereof on Killam's operating costs; the impact of efficiency initiatives on Killam's operating costs and NOI growth; credit availability; financing costs, including increased interest expenses; the pace and scope of future acquisitions, construction, development and renovation, renewals and leasing; the estimated population, demographic, economic and other changes in key markets and the related effects on Killam's business; the GDP growth across the country; the continued capital investment from governments and the private sector in key markets; the sufficiency of Killam's liquidity and capital resources; the availability and sources of capital to fund further acquisitions and investments in Killam's business; replacing construction financing with permanent mortgage financing; Killam's normal course issuer bid (NCIB) program and share purchases thereunder; the required expenditures to comply with environmental regulations; Killam's insurance and the coverage thereunder; expiration of leases and the effect thereof on Killam's business; Killam's commitment to environmental, social and governance (ESG); investment in ESG initiatives and technology and its impact on Killam's energy consumption costs and carbon footprint; augmenting Killam's sustainability programs and policies and Killam's actions thereunder; reducing Killam's impact on the environment, including emissions reductions goals; the outcome and materiality of any legal or regulatory claims or proceedings and the impact on Killam; Killam's climate change reporting; the installation of electric vehicle charging stations across Killam's portfolio; and the sustainability and resilience to climate change of Killam's buildings.

Readers should be aware that these forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those anticipated or implied, or those suggested by any forward-looking statements, including: the effects and duration of local, international or global events, such as the COVID-19 pandemic, and any government responses thereto; national and regional economic conditions (including interest rates and inflation), and the availability of capital to fund further investments in Killam's business. Further information regarding these risks, uncertainties and other factors may be found under the "Risk Factors" section in this document. Given these uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements contained, or incorporated by reference, in this AIF.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events contained therein may not occur. Although Management believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that future results, levels of activity, performance or achievements will occur as anticipated.

While Killam anticipates that subsequent events and developments may cause Killam's view to change, Killam does not intend to update or revise any forward-looking statement, whether as a result of new information, future events, circumstances, or such other factors that affect this information, except as required by applicable law. The forward-looking statements in this document are provided for the limited purpose of enabling current and potential investors to evaluate an investment in Killam. Readers are cautioned that such statements may not be appropriate and should not be used for any other purpose.

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Note Regarding Financial Information

Financial data included in this AIF has been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The following should also be read in conjunction with Killam Apartment Real Estate Investment Trust's ("Killam", the "Trust", or the "REIT") consolidated audited financial statements for the years ended December 31, 2022 and December 31, 2021, and the notes thereto, and Killam's Management's Discussion and Analysis for the year ended December 31, 2022. These documents are available at www.killamreit.com, or under Killam's profile at www.sedar.com.

Non-IFRS Financial Measures

Management believes the following non-IFRS financial measure is a relevant measure of the ability of Killam to earn revenue and to evaluate Killam's financial performance. Non-IFRS measures should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS, as indicators of Killam's performance, or sustainability of Killam's distributions. This measure does not have standardized meanings under IFRS and, therefore, may not be comparable to similarly titled measures presented by other publicly traded organizations.

- Same property NOI is a supplementary financial measure defined as NOI for stabilized properties that Killam has owned for equivalent periods in 2022 and 2021. Same property results represent 85.8% of the fair value of Killam's investment property portfolio as at December 31, 2022. Excluded from same property results in 2022 are acquisitions, dispositions and developments completed in 2021 and 2022, and non-stabilized commercial properties linked to development projects.

Market and Industry Data

Certain market and industry data contained in this AIF are based upon information from government or other independent industry publications and reports, or based on estimates derived from such publications and reports. Government and industry publications and reports do not guarantee the accuracy or completeness of their information. While Management believes this data to be reliable, market and industry data are subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey.

Organizational Structure

Overview

Killam Apartment Real Estate Investment Trust is an open-ended real estate investment trust (REIT) formed under the laws of the Province of Ontario pursuant to an amended and restated declaration of trust dated November 27, 2015 (the "Declaration of Trust"). The Declaration of Trust is available on SEDAR at www.sedar.com.

The head and registered office of the Trust is located at 3700 Kempt Road, Suite 100, Halifax, Nova Scotia, B3K 4X8. Although Killam qualifies as a "mutual fund trust" as defined in the Income Tax Act (Canada) (the "Tax Act"), Killam is not a "mutual fund" as defined by applicable securities legislation.

REIT Conversion

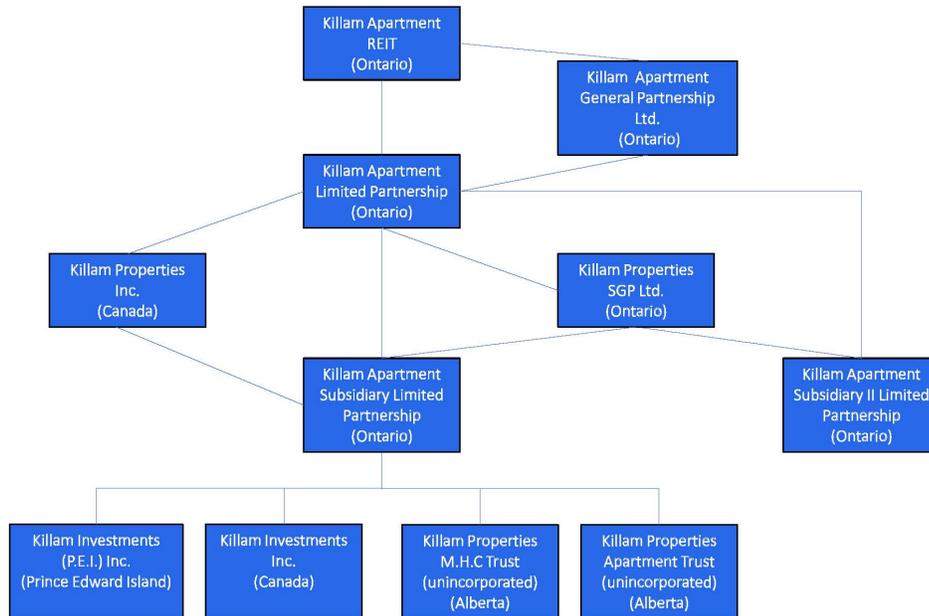
Effective January 1, 2016, Killam Properties Inc. completed a plan of arrangement (the "Arrangement") to convert to a REIT, known as Killam Apartment Real Estate Investment Trust. Under the Arrangement, each outstanding common share of Killam Properties Inc. was exchanged for one unit of the Trust ("Trust Unit"), unless a qualifying shareholder elected to receive exchangeable Class B limited partnership units ("Exchangeable Units") in Killam Apartment Limited Partnership, a partnership controlled by the Trust, in exchange for their common shares. Details relating to the REIT conversion are available in the Management Information Circular detailing the Arrangement on SEDAR at www.sedar.com (filed on November 6, 2015).

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Trust Structure

The following organizational chart presents the structure of Killam and its principal subsidiaries. All voting securities of each principal subsidiary are directly or indirectly owned by Killam.



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General Development of the Business

Three-Year History

Killam has grown its portfolio through acquisitions and developing apartment buildings. The following chart summarizes Killam's acquisitions and developments completed over the last three years:

in \$ millions	2020	2021	2022	Total
Acquisitions ⁽¹⁾				
Apartments	\$199.1	\$375.9	\$108.2	\$683.2
Manufactured Home Communities (MHCs)	4.0	0.4	2.5	6.9
Commercial	2.5	10.1	—	12.6
Land for Development	5.5	13.0	7.9	26.4
Completed Developments ⁽²⁾	22.0	10.4	151.5	183.9
Total	\$233.1	\$409.8	\$270.1	\$913.0

⁽¹⁾ Acquisition totals do not include transactions costs.

⁽²⁾ Represents Killam's ownership in the completed developments.

Killam expects to continue to grow through acquisitions, developments and reinvesting through capital recycling. Management expects to expand its portfolio of land for future development and may increase Killam's portfolio of commercial properties if a commercial asset includes an apartment development opportunity.

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Property Acquisitions – 2020 to 2022

The following tables detail Killam's acquisitions during 2022, 2021 and 2020:

2022 Acquisitions	Location	Date of Acquisition	Purchase Price ⁽¹⁾	# of Units
Apartments				
1477 & 1479 Carlton Street	Halifax, NS	February 16	\$3,500	4
510-516 Quiet Place	Waterloo, ON	March 7	7,900	24
Craigflower House	Victoria, BC	March 31	14,000	49
1358 & 1360 Hollis Street	Halifax, NS	April 3	6,200	27
665 & 671 Woolwich Street ⁽²⁾	Guelph, ON	April 29	21,000	84
621 Crown Isle Blvd	Courtenay, BC	May 18	21,900	56
1876 & 1849 Riverside Lane	Courtenay, BC	May 18	33,700	94
Total Apartment Acquisitions			\$108,200	338
MHCs				
Highland Village	Amherst, NS	July 4	\$2,500	99
Total MHC Acquisitions			\$2,500	99
Land for Development/Other				
150 Wissler Road ⁽³⁾	Waterloo, ON	March 17	3,850	N/A
665 & 671 Woolwich Street ⁽²⁾	Guelph, ON	April 29	4,000	N/A
Total Land Acquisitions			\$7,850	—
Total 2022 Acquisitions			\$118,550	

⁽¹⁾ Purchase price does not include transaction costs.

⁽²⁾ Property includes an existing 84-unit apartment building and an adjacent parcel of land for future development potential.

⁽³⁾ Property has in-place income. It was acquired for future development potential and is located adjacent to Killam's previously acquired Northfield Gardens complex in Waterloo, ON.

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2021 Acquisitions	Location	Date of Acquisition	Purchase Price ⁽¹⁾	# of Units
Apartments				
Nolan Hill ⁽²⁾	Calgary, AB	January 21	\$49,500	233
54 Assumption Blvd	Moncton, NB	February 1	5,600	23
38 Pasadena Crescent	St. John's, NL	June 8	4,200	40
KWC Portfolio ⁽³⁾	Kitchener-Waterloo, ON	June 30	190,500	785
140 Dale Drive	Stratford, PE	October 6	15,300	61
Emma Place	Moncton, NB	October 18	31,800	118
Heritage Valley	Edmonton, AB	October 28	28,900	123
Nautical Suites	Edmonton, AB	November 9	42,300	180
1350 Hollis Street	Halifax, NS	December 1	1,300	3
155 Kedgwick Drive	Moncton, NB	December 20	6,500	31
Total Apartment Acquisitions			\$375,900	1,597
MHCs				
131 Queensway Drive ⁽⁴⁾	Moncton, NB	September 15	\$385	N/A
Total MHC Acquisitions			\$385	—
Commercial				
Royalty Crossing ⁽⁵⁾	Charlottetown, PE	June 1	\$10,100	N/A
Total Commercial Acquisitions			\$10,100	—
Land for Development/Other				
Sherwood Crossing Land	Charlottetown, PE	January 29	\$3,400	N/A
1313-1321 Hollis Street ⁽⁶⁾	Halifax, NS	January 29	3,000	N/A
Stratford Land	Stratford, PE	February 1	3,800	N/A
5735 College Street	Halifax, NS	May 7	1,300	N/A
160 Dale Drive ⁽⁶⁾	Stratford, PE	October 29	1,500	N/A
Total Land Acquisitions			\$13,000	—
Total 2021 Acquisitions			\$399,385	

⁽¹⁾ Purchase price excludes transaction costs.

⁽²⁾ Killam had a 10% interest in the Nolan Hill development of \$4.8 million and acquired the remaining 90% interest in January 2021, based on the purchase price of \$55.0 million for a 100% interest.

⁽³⁾ The portfolio of 785 units consists of 297 units located in Kitchener, ON, and 488 units in Waterloo, ON.

⁽⁴⁾ Killam acquired a parcel of land adjacent to its Camper City seasonal resort.

⁽⁵⁾ Killam acquired an additional 25% interest in Royalty Crossing for \$10.1 million, increasing its ownership to 75%. Royalty Crossing is a stabilized, grocery-anchored, enclosed mall. Killam's former joint venture partner, RioCan REIT, sold its 50% interest to Killam and a local PEI real estate operator. Killam has taken over the management and identified opportunities to reduce the property's operating expenses and carbon footprint in the near future. The total square footage of the commercial property is 383,222 square feet (SF).

⁽⁶⁾ Revenue-generating property acquired for future development potential.

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2020 Acquisitions	Location	Date of Acquisition	Purchase Price ⁽¹⁾	# of Units
<i>Apartments</i>				
Christie Point	Victoria, BC	January 15	\$54,000	161
9 Carrington	Halifax, NS	January 31	8,800	54
1325 Hollis	Halifax, NS	March 31	3,700	7
Crossing at Belmont	Langford, BC	April 30	60,000	156
171 & 181 Leopold	Moncton, NB	October 26	17,600	107
88 Sunset	Moncton, NB	November 13	55,000	162
Total Apartment Acquisitions			\$199,100	647
<i>MHCs</i>				
Domaine Parlee	Shediac, NB	March 23	\$3,950	89
Total MHC Acquisitions			\$3,950	89
<i>Commercial</i>				
3644 & 3670 Kempt Rd	Halifax, NS	July 15	\$2,500	N/A
Total Commercial Acquisitions			\$2,500	—
<i>Land for Development/Other</i>				
Luma – Land ⁽²⁾	Ottawa, ON	July 30	\$4,300	N/A
1538 Carlton Street ⁽³⁾	Halifax, NS	October 30	1,200	N/A
Total Land Acquisitions			\$5,500	—
Total 2020 Acquisitions			\$211,050	

⁽¹⁾ Purchase price excludes transaction costs.

⁽²⁾ Purchase price represents 50% interest in a parcel of land from RioCan REIT to jointly develop Luma, a 169-unit apartment building which opened in June 2022, adjacent to the grocery-anchored Elmvale Acres Shopping Centre in Ottawa.

⁽³⁾ Land parcel adjacent to a future development site in Halifax, NS.

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Developments – 2020 to 2022

Developments completed during the past three years and those which are underway as at December 31, 2022, include the following:

Development	Location	Units	Price (\$M)	Construction	Completion/Expected Completion Date
<i>Completed:</i>					
Shorefront	Charlottetown, PE	78	\$22.0	Wood	2020
10 Harley	Charlottetown, PE	38	\$10.4	Wood	2021
The Kay	Mississauga, ON	128	\$60.0	Concrete	2022
Latitude ⁽¹⁾	Ottawa, ON	104	\$43.5	Concrete	2022
Luma ⁽¹⁾	Ottawa, ON	84	\$48.0	Concrete	2022
<i>Active developments:</i> ⁽²⁾⁽³⁾					
The Governor	Halifax, NS	12	\$24.3	Concrete	2023
Civic 66	Kitchener, ON	169	\$69.7	Concrete	2023
The Carrick	Waterloo, ON	139	\$83.5	Concrete	2024

⁽¹⁾ Represents Killam's 50% ownership interest.

⁽²⁾ In addition, Killam has a 10% interest in the second phase (234 units) of the Nolan Hill development in Calgary, AB, which broke ground during the fourth quarter of 2021 and is expected to be completed in 2024. Killam has a \$65.0 million commitment in place to purchase the remaining 90% interest of the second phase, following completion of construction and the achievement of certain conditions.

⁽³⁾ In addition, Killam has a 50% interest in the development of 18 townhouses for future sale on a portion of the Sherwood Crossing land in Charlottetown, which are expected to be completed in mid-2023. The investment in the townhouses is recorded in residential inventory.

Capital Raised to Fund Growth

Killam will at times issue REIT units in the public markets to fund acquisitions and developments and strengthen its balance sheet. Equity raises in the public markets since the beginning of 2020 include the following:

July 29, 2020 – Killam completed a public offering of 4,036,500 units, which included 526,500 units on the exercise of an over-allotment option granted to the underwriters, at a price of \$17.10 per unit for aggregate gross proceeds of approximately \$69.0 million.

May 31, 2021 – Killam completed a public offering of 5,905,480 units, which included 770,280 units on the exercise of an over-allotment option granted to the underwriters, at a price of \$18.50 per unit for aggregate gross proceeds of approximately \$109.3 million.

February 4, 2022 – Killam completed a public offering of 4,715,000 units, which included 615,000 units on the exercise of an over-allotment option granted to the underwriters, at a price of \$20.80 per unit for aggregate gross proceeds of approximately \$98.1 million.

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Description of the Business

Summary

Killam is one of Canada's largest publicly traded real estate investment trusts, owning, operating, managing and developing a portfolio of apartments, MHC properties and commercial properties across seven provinces. Killam was founded in 2000 to create value through the consolidation of apartments in Atlantic Canada and MHCs across Canada. Killam entered the Ontario apartment market in 2010, the Alberta apartment market in 2014, and the British Columbia apartment market in 2020.

The apartment business is Killam's largest segment and accounted for 88.6% of Killam's NOI for the year ended December 31, 2022. As at December 31, 2022, Killam's apartment portfolio consisted of 19,527 units, including 1,343 units jointly owned with institutional partners. Killam's 231 apartment properties are located in Atlantic Canada's six largest urban centres (Halifax, Moncton, Saint John, Fredericton, Charlottetown and St. John's), Ontario (Ottawa, London, Toronto, Guelph and Kitchener-Waterloo-Cambridge-GTA), Alberta (Edmonton and Calgary), and British Columbia (Greater Victoria and Courtenay). Killam is Atlantic Canada's largest owner of multi-residential apartments and plans to continue increasing its presence outside Atlantic Canada through acquisitions and developments; however, it will continue to invest strategically in Atlantic Canada to maintain its market presence.

In addition, Killam owns 5,975 sites in 40 MHCs, also known as land-lease communities or trailer parks, in Ontario and Atlantic Canada. Killam owns the land and infrastructure supporting these communities and leases sites to tenants who own their own homes and pay Killam site rent. The MHC portfolio accounted for 6.1% of Killam's NOI for the year ended December 31, 2022. Killam also owns 946,372 SF of commercial space that accounted for 5.3% of Killam's NOI for the year ended December 31, 2022.

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Portfolio Summary

The following table summarizes Killam's portfolio as at December 31, 2022:

Apartment Portfolio				
	Units ⁽¹⁾	Number of Properties	NOI (\$) ⁽²⁾	NOI ⁽²⁾ (% of Total)
Nova Scotia				
Halifax	5,847	67	\$59,941	29.0%
Sydney	139	2	\$1,467	0.7%
	5,986	69	\$61,408	29.7%
New Brunswick				
Moncton	2,246	39	\$18,425	8.9%
Fredericton	1,529	23	\$13,421	6.5%
Saint John	1,202	14	\$7,789	3.7%
Miramichi	96	1	\$707	0.3%
	5,073	77	\$40,342	19.4%
Ontario				
Ottawa	1,592	11	\$11,856	5.7%
London	523	5	\$5,894	2.8%
Kitchener-Waterloo-Cambridge-GTA	1,839	13	\$21,329	10.3%
	3,954	29	\$39,079	18.8%
Newfoundland & Labrador				
St. John's	955	13	\$7,971	3.9%
Grand Falls	148	2	\$804	0.4%
	1,103	15	\$8,775	4.3%
Prince Edward Island				
Charlottetown	1,163	24	\$9,448	4.6%
Summerside	86	2	\$589	0.3%
	1,249	26	\$10,037	4.9%
Alberta				
Calgary	764	4	\$7,619	3.7%
Edmonton	882	6	\$9,323	4.5%
	1,646	10	16,942	8.2%
British Columbia				
Victoria	516	5	\$6,842	3.3%
Total Apartments	19,527	231	183,425	88.6%
Manufactured Home Community Portfolio				
	Sites	Number of Properties	NOI (\$) ⁽²⁾	NOI ⁽²⁾ (% of Total)
Nova Scotia	2,850	18	\$5,295	2.5%
Ontario	2,284	17	\$6,166	3.0%
New Brunswick ⁽³⁾	671	3	\$758	0.4%
Newfoundland & Labrador	170	2	\$401	0.2%
Total MHCs	5,975	40	\$12,620	6.1%
Commercial Portfolio ⁽⁴⁾				
	Square Footage	Number of Properties	NOI (\$) ⁽²⁾	NOI ⁽²⁾ (% of Total)
Prince Edward Island ⁽⁵⁾	383,222	1	\$2,632	1.3%
Ontario	311,106	2	\$5,062	2.5%
Nova Scotia ⁽⁶⁾	218,829	5	\$2,736	1.3%
New Brunswick	33,215	1	\$437	0.2%
Total Commercial	946,372	9	\$10,867	5.3%
Total Portfolio		280	\$206,912	100.0%

(1) Unit count includes the total unit count of properties held through Killam's joint arrangements. Killam has a 50% ownership interest in apartment properties in Ontario, representing a proportionate ownership of 672 units of the 1,343 units in these properties. Killam manages the operations of all the co-owned apartment properties.

(2) For the year ended December 31, 2022.

(3) Two of Killam's New Brunswick MHC communities have seasonal operations, which typically commence in mid-May and run through the end of October.

(4) Killam also has 181,117 SF of ancillary commercial space in various residential properties across the portfolio, which is included in apartment results.

(5) Square footage represents 100% of the commercial property located in PEI.

(6) Square footage includes Killam's 50% ownership interest in two office properties that are third-party managed.

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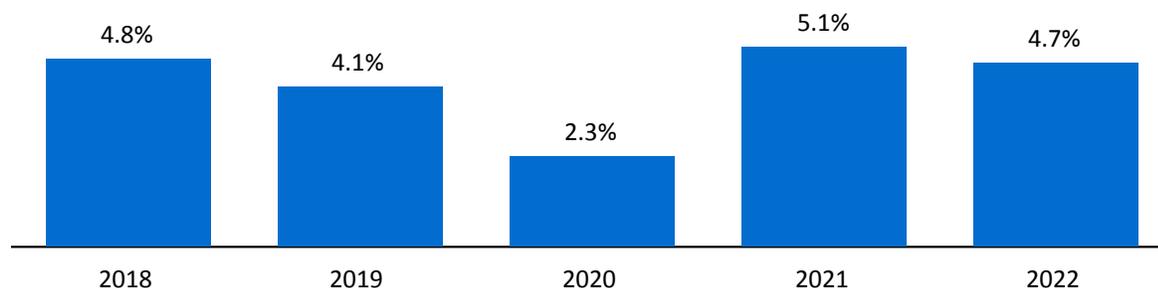
Business Strategy

Increase Earnings from the Existing Portfolio

Killam increases the value of its portfolio by increasing revenue and managing expenses. To achieve NOI growth, Killam must manage three critical factors: occupancy, rental rates and operating costs. Killam focuses on providing superior employee training and customer service, using technology and analytics to drive leasing and marketing, and completing unit renovations and repositionings to maximize revenue on unit turnover. Operating cost management is focused on energy efficiencies, technology investments, economies of scale, risk management, and staff and tenant education.

Killam has increased same property NOI by an average of 4.2% per annum over the last five years. Killam's same property portfolio in 2022 represents properties owned during comparable 2022 and 2021 periods⁽¹⁾.

Historic Same Property NOI Growth



(1) Same property NOI is a supplementary financial measure; please refer to “Non-IFRS Financial Measures” for more information.

Expand the Portfolio through Acquisitions

Killam owns and operates one of Canada's newest apartment portfolios. Newer properties require less maintenance capital to operate and are generally preferred by tenants. Killam also acquires well-maintained, well-located, older properties that offer attractive earnings potential. Killam continues to expand its portfolio by acquiring well-located assets in Ontario, Alberta and British Columbia, and continues to add to its established portfolio in Atlantic Canada. Acquisition activity varies by year depending on opportunities and access to capital.

Develop High-Quality Properties in Core Markets

Killam enhances its organic and acquisition growth with development. Killam started developing apartment properties in 2010 and has completed sixteen projects to date, totaling 1,807 units (1,505 units, when counting Killam's 50% interest in joint arrangement developments). Killam has an experienced development team who hold architectural and engineering degrees and oversee all projects. New property construction enables Killam to control the quality and features of its buildings. Killam targets building at a 50–150 bps discount to the market capitalization rates (cap-rates) on completion, creating value for its unitholders. Killam currently has a development pipeline of approximately 4,200 units.

Diversify Geographically through Accretive Acquisitions

Geographic diversification is a priority, and Killam is focused on increasing the amount of its NOI generated outside Atlantic Canada. Killam is targeting expansion in select markets, such as Ottawa, the Greater Toronto Area, Southwestern Ontario, Calgary, Edmonton and Victoria. Killam's strong operating platform can support a larger and more geographically diverse portfolio. Increased investment in Ontario and Western Canada will enhance Killam's diversification and exposure to larger urban centres with high rates of population growth. In 2022, 35.8% of Killam's NOI was generated outside Atlantic Canada, 280 bps higher than in 2021.

Environmental, Social and Governance-Focused Initiatives

Killam believes that effective corporate governance is critical to its continued and long-term success and contributes to maximizing unitholder value. The Trustees believe that commitment to sound governance practices is in the best interest of Killam stakeholders and contributes to effective and efficient decision-making. Killam is continuing to work towards reducing its impact on the environment and ensuring its buildings are sustainable and resilient to climate change. Killam's ongoing energy efficiency capital investment program includes the installation of solar photovoltaic panels, geothermal heating systems in new developments, LED lighting retrofits, low-flow toilets, and other energy-efficiency initiatives.

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Reporting Segments

Killam operates in three primary segments: apartments, MHCs and commercial. The breakdown among apartments, MHCs and commercial for both investment properties and property revenue is as follows:

For the year ended December 31, 2022	Investment Properties ⁽¹⁾	Percentage	Property Revenue	Percentage
Apartments	\$4,250,263	88.3%	\$289,790	88.1%
MHCs	\$223,619	4.6%	\$19,790	6.0%
Commercial	\$163,910	3.4%	\$19,267	5.9%
Investment Properties Under Construction	\$135,196	2.8%	\$—	—%
Land for Development	\$39,813	0.8%	\$—	—%
Total	\$4,812,801	100.0%	\$328,847	100.0%

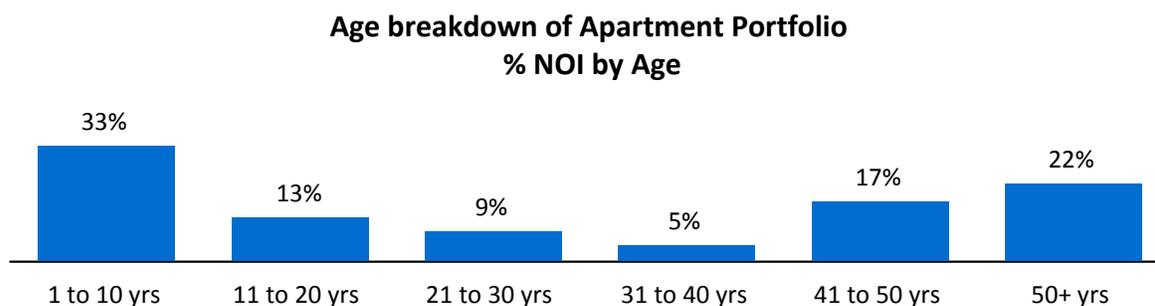
⁽¹⁾ Based on fair market value.

For the year ended December 31, 2021	Investment Properties ⁽¹⁾	Percentage	Property Revenue	Percentage
Apartments	\$3,897,354	85.8%	\$254,955	87.6%
MHCs	\$231,370	5.1%	\$18,578	6.4%
Commercial	\$155,306	3.4%	\$17,384	6.0%
Investment Properties Under Construction	\$201,319	4.4%	\$—	—%
Land for Development	\$55,528	1.2%	\$—	—%
Total	\$4,540,877	100.0%	\$290,917	100.0%

⁽¹⁾ Based on fair market value.

Apartment Portfolio

Killam's 231 apartment properties are a combination of high-rise buildings, elevated mid-rise buildings, walkups and townhouses. The average age of Killam's apartment portfolio is 27 years. The following graph shows the age distribution, by NOI, of Killam's apartment portfolio.



Competitive Conditions

The residential real estate market is competitive. Numerous other developers, managers and owners of properties or multi-residential units compete with Killam in seeking tenants. The addition of new supply from the construction of apartments or condominiums may further increase competition. Killam monitors supply, occupancy and rental rates in its core markets.

Killam believes that its diverse asset base, professional management, focus on customer service and well-maintained properties contribute to its competitive advantage. A summary of the market conditions in each of Killam's core apartment markets is included below.

Halifax

Twenty-nine percent of Killam's NOI was generated by its Halifax apartment properties for the year ended December 31, 2022. Halifax is the largest city in Atlantic Canada and is home to 19% of Atlantic Canadians. Halifax's diverse economy generates 56% of Nova Scotia's GDP and is home to 47% of the province's population.

With six degree-granting universities and three large college campuses, Halifax has approximately 35,560 full-time students, including 7,290 international students.

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Dollar amounts in thousands of Canadian dollars (except as noted)

Halifax's employment base is diversified, with the largest sectors focused on public service, health care, education, and retail and wholesale trade. Halifax is home to the largest Canadian Forces Base by number of personnel, and the Department of National Defence is the city's single largest employer.

According to the Canadian and Mortgage Housing Corporation's (CMHC) Rental Market Report, the city's rental market totals 56,100 units, with an additional 5,920 rental units currently under construction. Halifax's vacancy rate remained at a record low of 1.0% in 2022, consistent with the rate in 2021, and down from 1.9% in 2020. This was the second-lowest vacancy rate in Canada and can be attributed to the city's rising population and lack of housing availability, specifically in the city's downtown core. CMHC reported that the average monthly rent increased 8.9% in 2022, the highest single-year increase and four times above the average historical growth rate.

Scotiabank's December 2022 provincial analysis report noted that Halifax has seen a recent surge in interprovincial migration. The economic outlook notes that this recent increase in population has brought robust growth to the housing sector. Though rising interest rates have resulted in a housing downturn, residential construction investment is still tracking strong growth and is well above the national average. Scotiabank expects construction activity to continue in 2023, with solid demand from the rising population.

Between July 1, 2021 and June 30, 2022, Halifax's population grew by 4.5%, the largest annual increase the city has seen in decades. This growth rate is the second-fastest across Canada's 35 largest cities, behind only Moncton, and is driven by migration and urbanization. During this period, international migration was the largest source of new residents in Halifax, representing 60% of the total, while interprovincial migration represented 38%. This is the highest number of interprovincial migrants Halifax has ever seen. Net natural population growth contributed 2% of the population growth in this period, while intraprovincial migration contributed a loss of less than 1% in the population growth.

For the year ended December 31, 2022, Statistics Canada estimated total net population growth in Nova Scotia to be over 32,500, which included the highest net interprovincial migration to Nova Scotia in over ten years. In 2022, Nova Scotia's population also passed the one million mark.

RBC's December 2022 Provincial Outlook details that Nova Scotia's rapidly expanding population will help cushion the economy against a recession. Due to high inflation and increased interest rates, consumer spending is expected to dip in 2023, contributing to slowing economic growth from a forecasted 2.0% GDP growth rate in 2022 to 1.2% in 2023. With the recent record levels of international and interprovincial newcomers, the arrival of younger migrants has helped rejuvenate the population, with the median age dropping from 45.1 years in 2018 to 44.2 years in 2022. This increase in working-age migrants has helped the province meet the demands of employers, and is expected to support employment growth through 2023.

New Brunswick

Nineteen percent of Killam's NOI was generated by apartments in New Brunswick's three major urban centres – Fredericton, Moncton and Saint John – for the year ended December 31, 2022. Fredericton is the provincial capital and home to the province's largest university and a significant public-sector workforce. Moncton is the province's largest city and is a transportation and distribution hub for Atlantic Canada. Given the relatively affordable cost of living, New Brunswick has become a destination for both Canadians and newcomers.

The province saw an increase in net migration from other provinces, and the second-highest percentage of net non-permanent residents in Canada in 2022, as noted in RBC's December 2022 Provincial Outlook report. Moncton's population grew by 5.3% between July 1, 2021 and June 30, 2022, the highest growth rate across Canada's 35 largest cities, as measured by Statistics Canada. According to CMHC, New Brunswick's vacancy was 1.9% in 2022, compared to 1.7% in 2021.

According to Scotiabank's December 2022 provincial analysis report, declining exports and weaker demand from the US and Europe will impact New Brunswick's economic growth in 2023; however, economic growth is estimated to be above the national average. Scotiabank further notes that the province has the lowest debt-to-disposable income ratios in the country, which will help support consumption in a high-interest-rate environment. RBC's December 2022 Provincial Outlook report agreed with this analysis, forecasting New Brunswick's GDP growth to be 1.1% in 2023, compared to a projected 2.1% in 2022.

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St. John's, Newfoundland & Labrador

Four percent of Killam's NOI was generated by apartments in St. John's, Newfoundland & Labrador for the year ended December 31, 2022. RBC's December 2022 Provincial Outlook notes that increased oil and mining production coupled with a growing population is expected to stimulate demand for goods and services within the province in 2023. RBC forecasts the GDP growth rate in Newfoundland & Labrador to be 1.8% in 2023, higher than the projected 0.9% in 2022. Following five consecutive years of declines in population, 2022 saw record immigration and the resumption of positive net interprovincial migration flows in Newfoundland & Labrador, boosting population growth to a 12-year high at 1.3%, as measured by Statistics Canada. RBC expects this trend to continue in 2023, in part thanks to Canada's increased immigration targets. Improved demographics will further sustain stronger demand for goods and services, as well as housing in the region.

Charlottetown, Prince Edward Island

Five percent of Killam's NOI was generated by apartments in Prince Edward Island for the year ended December 31, 2022. According to RBC's December 2022 Provincial Outlook report, PEI's economic outlook is positive, with a forecasted GDP growth rate of 1.3% in 2023, compared to a projected 2.3% in 2022. Low levels of household debt coupled with a booming population are expected to support household spending and residential investment in the province. In 2022, the province welcomed its largest number of migrants on record, with the population growing 3.8%, as measured by Statistics Canada. RBC notes that population growth on the island is on track to be the fastest among the provinces for a sixth consecutive year in 2023. This surge in population is making a material impact on household consumption, and has resulted in retail sales increasing more than 20% from their pre-pandemic levels. Additionally, vacancy has decreased in the region, down 40 bps to 0.9% in 2022, compared to 1.3% in 2021, as reported by CMHC.

Ontario

Killam's Ontario apartment portfolio generated 18.8% of its total NOI for the year ended December 31, 2022. RBC's December 2022 Provincial Outlook notes that rising interest rates and a higher cost of living in Ontario are expected to result in economic tightening in the province. Ontario continues to be driven by advances in the healthcare industry and activity in real estate and professional services industries. Although residential activity has been strong, RBC reports this is expected to slow and decline due to high inflation and rising interest rates. These financial pressures are expected to slow household spending in 2023, causing challenges for businesses. RBC forecasts Ontario's GDP to decline by 0.1% in 2023, compared to a projected growth rate of 3.2% in 2022. However, this decline is not expected to continue, with a growth rate of 1.1% forecasted in 2024. According to CMHC, Ontario's vacancy rate decreased to 1.8% in 2022, down from 3.4% in 2021.

Alberta

Eight percent of Killam's NOI was earned in Alberta for the year ended December 31, 2022. According to RBC's December 2022 Provincial Outlook report, Alberta is expected to achieve a GDP growth rate of 1.9% in 2023, the highest among the provinces, compared to a projected 4.9% in 2022. This growth is driven by the massive upswing in global energy markets, which RBC expects to continue in 2023, at least in the short term. Scotiabank's December 2022 provincial analysis report noted that drilling activity has trended higher in 2022, and that the Alberta Energy Regulator expects oil and gas capital spending to increase by 56% in 2023 and remain above levels preceding the pandemic. The completion of the region's Trans Mountain pipeline expansion will also increase the transportation capacity for crude oil, and will open up new export avenues in the coming year. However, RBC notes that soaring interest rates and elevated inflation are expected to weigh on household and business spending in 2023. Alberta's housing sector is poised to remain buoyant in 2023, largely due to the region's increasing population. Statistics Canada reports that Alberta's population grew by 3.0% in 2022, the highest level since 2013–2014. This has led to decreased vacancy in Alberta, which is down 280 bps to 3.7% in 2022, compared to 6.5% in 2021, as reported by CMHC.

British Columbia

Killam earned 3.3% of its NOI in the British Columbia market for the year ended December 31, 2022. RBC's December 2022 Provincial Outlook reported British Columbia's forecasted GDP growth rate to be 0.3% in 2023, compared to a projected 3.1% in 2022. This decrease in growth is attributed to higher interest rates and inflation, decreasing household spending in the region. RBC notes that British Columbians carry the heaviest debt loads in Canada, making them especially sensitive to interest rate increases. However, record immigration flowing into the province is expected to boost residential capital investment, as builders, developers and policymakers address long-standing supply issues. Statistics Canada reported that British Columbia's population grew by 2.5% in 2022, and housing starts are projected to ramp up to 49,800 units in 2023, from 48,000 units in 2022. Additionally, vacancy has decreased modestly in the region, down 10 bps to 1.3% in 2022, compared to 1.4% in 2021, as reported by CMHC.

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Dollar amounts in thousands of Canadian dollars (except as noted)

Diversified Exposure to Rent Control

Approximately 40% of Killam's portfolio is not impacted by rent control restrictions, which provides Killam the opportunity to move rents to market rates in these regions. There is no rent control in New Brunswick, Newfoundland & Labrador and Alberta. Killam is also not restricted on rental increases for its commercial or seasonal resort properties.

Prince Edward Island

Prince Edward Island, which represented 5.5% of Killam's apartment NOI in 2022, is subject to rent control. The government put forward legislation that prevents property owners from increasing rent in 2023; however, to mitigate the financial impact, the government subsequently announced a rental unit property tax subsidy to help offset increasing costs for property owners associated with the 2023 rental freeze. The subsidy aims to provide relief on provincial property taxes payable in 2023.

Nova Scotia

Killam's Nova Scotia portfolio accounted for 33.5% of apartment NOI in 2022. In November 2020, the province announced a temporary rent restriction measure, limiting rental increases on lease renewals to 2.0% in place until the end of 2023. Nova Scotia has rent control for MHCs; however, it does not apply on turnover.

Ontario

Killam's Ontario portfolio, which accounted for 21.3% of apartment NOI in 2022, is subject to rent control. Rental rate increases were capped at 1.2% in 2022 and are capped at 2.5% in 2023. However, property owners can move rents to market on a unit-by-unit basis as they become vacant. Rent control also does not apply to new construction in Ontario completed after November 25, 2018.

British Columbia

British Columbia, which made up 3.7% of Killam's apartment NOI in 2022, also has rent control in place. Rental rate increases were capped at 1.5% in 2022 and are capped at 2.0% in 2023.

In all of the regions impacted by permanent rent control, owners may apply for above-guideline increases to offset significant capital expenditures. Killam analyzes each property on a regular basis, considering its location, tenant base and vacancy, to evaluate the ability to optimize rents on renewals and on turns.

Seasonality of Results

Killam's apartment segment results are impacted by seasonality, as operating costs are higher in the first and fourth quarters when heating expenses are increased. Killam's operating costs are typically lowest during the third quarter, due primarily to utility cost trends. Killam's revenue is not seasonal in nature; however, Killam has traditionally experienced its highest occupancy during the end of the third quarter.

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Dollar amounts in thousands of Canadian dollars (except as noted)

Apartment Portfolio Detail

Halifax	Units	Year Built	Fredericton	Units	Year Built
1 Oak Street	146	1969	25 McKnight Street	64	2001
10-214 Harlington Crescent	60	1978	11 Harold Doherty Court	59	2017
19 Plateau Crescent	81	1974	110 McKnight Street	45	1996
125 Knightsridge Drive	26	1986	116 & 126 Wilsey Avenue	48	1975
159 Radcliffe Drive	25	1995	120 McKnight Street	45	1998
175 - 211 Harlington Crescent	60	1978	127 & 157 Biggs Street	46	1985-92
1325 Hollis Street	7	n/a	200 Reynolds Street	52	2001
1335 Hollis Street	4	n/a	260 Wetmore Road	38	1978
1350 Hollis Street	3	n/a	270 Parkside Drive	28	1979
1358 - 1360 Hollis Street	27	n/a	300 Reynolds Street	52	2006
1477 & 1479 Carlton Street	4	n/a	305 Reynolds Street	52	2010
21 Parkland Drive	98	2002	50,60 Greenfield & 190 Parkside	72	1977-86
26 Alton Drive & 36 Kelly Street	80	1969	75 Greensfield Drive	44	1980
246 & 300 Innovation Drive	134	2016	969 Regent Street	62	1997-01
294 - 300 Main Street	58	1969	Carrington House	41	2002
3 Veronica Drive	70	1983	Elroy Apartments	194	1973
300 Royale Blvd	83	2014	Forest Hill Towers	151	1968-1979
31 Carrington Place	38	1998	Princess Place	141	1968-1979
3565 Connaught Avenue	19	1958	150 Lian Street	48	2017
50 Barkton Lane	63	1991	Southgate Apartments	47	2003
5206 Tobin Street	47	1993	The Plaza	101	2013
57 Westgrove Place	41	1969	Venus Apartments	54	1965
59 Glenforest/21 Plateau	154	1978	Westwood Apartment	45	1975
6 Jamieson Street	24	1965	Fredericton Total	1,529	
6087 South Street	9	1999	Saint John	Units	Year Built
6101 South Street	30	2002	20 Technology Drive	59	2014
67-141 Harlington Crescent	60	1978	37 Somerset Place	21	2007
75 Knightsridge Drive	41	1986	53 Somerset Place	16	1973
85-127 Harlington Crescent	60	1978	115 Woodhaven Drive	24	1977
9 Bruce Street	60	1974	Blue Rock Estates	60	2007
9 Carrington Street	54	1995	Carleton Towers	60	1968
9 Sybyl Court	22	1975	Cedar Glen Apartments	204	1977
95 Knightsridge Drive	46	1984	Ellerdale Apartments	154	1975
Bedford Apartments	53	1987	Fort Howe Apartments	153	1970
Brentwood Apartments	240	1968	Parkwood Apartments	205	1947
Carlton Street	4	n/a	Rocky Hill Apartments	42	2004
Chapter House	41	2004	Sydney Arms	54	1961
Dillman Place	60	1970s	The Anchorage	51	2003
Garden Park Apartments	246	1980	Woodward Gardens	99	1962
Glenforest Apartments	80	1969	Saint John Total	1,202	
Glenbourne Gate	67	2000	Moncton	Units	Year Built
Glenmoir Terrace	28	1972	100 Archibald Street	60	2003
Hillcrest Apartments	50	1980	101 Archibald Street	60	1993
Kent Street Properties	135	1950s	115 Kedgewick Drive	25	2009
Killick Apartment	110	2016	133 Kedgewick Drive	23	2010
Lakefront Apartments	396	1954	135 Gould Street	69	2011
Linden Lea & Pleasant Street	28	1950s	145 Canaan Drive	48	2017
Maplehurst Apartments	268	1965	155 Canaan Drive	48	2008
Maplehurst Houses	15	1965	155 Kedgewick Drive	31	2021
Parker Street Apartments	239	1960-75	1111 Main	16	1957
Parkridge Place	76	2002	171 & 181 Leopold	107	2020
Paxton Place	67	2000	276 - 350 Gauvin Road	84	1991-96
Quinpool Court	198	1978	303 Normandie Street	70	1994
Quinpool Towers	233	1978	316 Acadie Avenue	48	1996
S2	63	2013	360 Acadie Avenue	60	1998
Shaunslieve Apartments	154	1978	364-368 Gauvin Road	80	1995
Sheradon Place	82	1979	46 & 54 Strathmore Ave	40	2001
Stoney Brook Apartments	106	2000	54 Assomption Blvd	24	2004
Southport	75	2016	65 Bonaccord	35	2004
Spring Garden Terrace	201	1964	88 Sunset Rue	162	2020
The Alexander	240	2018	Gauvin Estates	48	2013
The Aspen	83	2012	Belmar Plaza	50	2005
The James	108	2008	Buckingham Place	55	1998
The Linden	81	2011	Cameron Arms	81	1981
Victoria Gardens	198	1954	Cambridge Court	45	1994
Waterview Place	88	1971	Cambridge Place	63	1995
Halifax Total	5,847		Cameron Street	81	1966-1967

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Dollar amounts in thousands of Canadian dollars (except as noted)

Moncton (continued)	Units	Year Built	Charlottetown	Units	Year Built
Eagles Ridge Estates	59	1994	10 Harley Street	38	2021
Emma Place	118	2021	140 Dale Drive	61	2021
Gordon/Bonaccord Street	41	1984/pre 1950	198 Spring Park Road	32	2006
Dieppe Village	112	2011-2017	27 Longworth Avenue	24	1983
Dieppe Village: Le Nuvo	15	2009	280 Shakespeare Drive	26	2010
Hestor & Church Street	64	1993	319-323 Shakespeare Drive	22	2004
Lakeview Estates	48	1980-81	36 Westridge Crescent	8	1985
Lorentz Apartments	102	1969	505-525 University Avenue	35	2003
Lutz & Kendra Street	40	1950-75	Bridlewood Apartments	66	1998-99
Pine Glen Apartments	54	1974	Browns Court	52	1997
Suffolk Street	80	2000	Brighton House	47	2013
Moncton Total	2,246		Harley Street	80	2016
Kitchener-Waterloo-Cambridge	Units	Year Built	Burns/University	95	2003
100 Eagle Street	119	2008	Charlotte Court	49	2011
200 Eagle Street	106	2004	Country Place	39	1998-02
510 - 516 Quiet Place	24	1973	DesBarres House	51	1978
665 & 671 Woolwich Street	84	1971	Ducks Landing	138	2005-12
Estates	137	1959	Horton Park	69	1987
Heritage	160	1987	Kensington Court	105	1990
Northfield Gardens	274	1985	Queen Street	48	1978
Ridgeway & Somerset	214	1967	Shorefront	78	2020
Saginaw Gardens	122	2015	Charlottetown Total	1,163	
Saginaw Park	93	2018	Calgary	Units	Year Built
Kitchener-Waterloo-Cambridge Total	1,333		Grid 5 Apartments	307	1965
London	Units	Year Built	Nolan Hill	233	2021
180 Mill Street	127	2011	Spruce Grove	66	1978
Bellwood Terrace	113	1967	Treo	158	2018
Richmond Hill Apartments	137	2009	Calgary Total	764	
Trafalgar and Fairview Apartments	40	1960-1965	Edmonton	Units	Year Built
Westminster Avenue	106	1955	Heritage Valley	123	2021
London Total	523		Nautical Suites	180	2019
Ottawa	Units	Year Built	Tisbury Crossing	172	2017
151 Greenbank	60	2018	The Vibe Lofts	178	2018
266 Bronson Avenue	43	1968	The Link	105	2017
621 Cummings Avenue	44	1950s	Waybury Park	124	2016
1090 Kristin Way	102	1974	Edmonton Total	882	
Frontier ⁽¹⁾	228	2019	Greater Victoria	Units	Year Built
Kanata Lakes Apartments I ⁽¹⁾	146	2012	Christie Point Apartments	161	1963
Kanata Lakes Apartments II ⁽¹⁾	152	2014	Craigflower House	49	1976
Kanata Lakes Apartments III ⁽¹⁾	173	2016	Crossing at Belmont	156	2020
Kanata Lakes Apartments IV & V ⁽¹⁾	268	2016	Greater Victoria Total	366	
Latitude ⁽¹⁾	208	2022	Courtenay	Units	Year Built
Luma ⁽¹⁾	168	2022	621 Crown Isle Blvd	56	2020
Ottawa Total	1,592		1876 & 1849 Riverside Lane	94	2020
Toronto	Units	Year Built	Courtenay Total	150	
100 Lower Ossington Street	179	2012	Other Non-Core Markets	Units	Year Built
1355 Silver Spear	199	1968	Nevada Court	48	1995
The Kay	128	2022	Northgate Apartments	38	2006
Toronto Total	506		Ridgeview Terrace Apartments	59	1975
St. John's	Units	Year Built	Terrace Apartments	89	1970-90
38 Pasadena Crescent	40	1976	Edward Court	96	1993
Bennett House	71	2013	Cabot House	88	1974
Blackshire Court	69	1981	Moxham Court	51	1998
Chelsea Place	102	2015	Other Atlantic Total	469	
Cornwall Manor	31	1976	TOTAL APARTMENT PORTFOLIO ⁽²⁾	19,527	
Freshwater Road Apartments	159	1972			
Forest Manor	65	1978			
Meadowland Apartments	105	1976			
Mount Pleasant Manor	100	1976			
Pleasantview Manor	36	1979			
Rutledge Manor	53	1983			
Torbay Road Apartments	84	1972			
Village Manor	40	1978			
St. John's Total	955				

⁽¹⁾ Killam has a 50% ownership interest in the property.

⁽²⁾ As at December 31, 2022.

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Dollar amounts in thousands of Canadian dollars (except as noted)

Manufactured Home Communities Portfolio

Killam's second-largest business segment is MHCs, which represented 6.1% of NOI in 2022. Killam owns the land and infrastructure supporting each community and leases the lots to the tenants, who own their own homes and pay Killam rent. In addition to lot rent, the tenant may have a mortgage payment to a financial institution for their home. The current average rent in Killam's MHC portfolio is \$275 per month, which offers value and affordability to the tenant. The homeowner is responsible for property taxes based on the assessed value of their home, and Killam is responsible for the property tax related to the land.

MHCs require less recurring capital investment and deliver a more predictable and stable cash flow than apartments. MHC homeowners are responsible for the repair, maintenance and operating costs for their homes, which removes many variable costs that are borne by Killam for apartments.

MHCs enjoy a stable tenant base, with consistently strong occupancy of approximately 98%. Should a tenant choose to leave a community, they typically sell their home and it remains on the site, and rent collection continues uninterrupted from the new homeowner, who Killam approves as part of the sale process.

Competitive Conditions

Competition in the MHC business is less than that of the apartment business. Killam has a limited number of communities in each geographic region, offering affordable home ownership through the land lease proposition. Killam does not typically face direct competition from other MHC communities; however, Killam understands that tenants compare the price of owning a manufactured home on leased land to the cost of owning a single family home in the region. Killam monitors the price of homeownership in the areas surrounding its MHCs to ensure that the land lease proposition remains attractive.

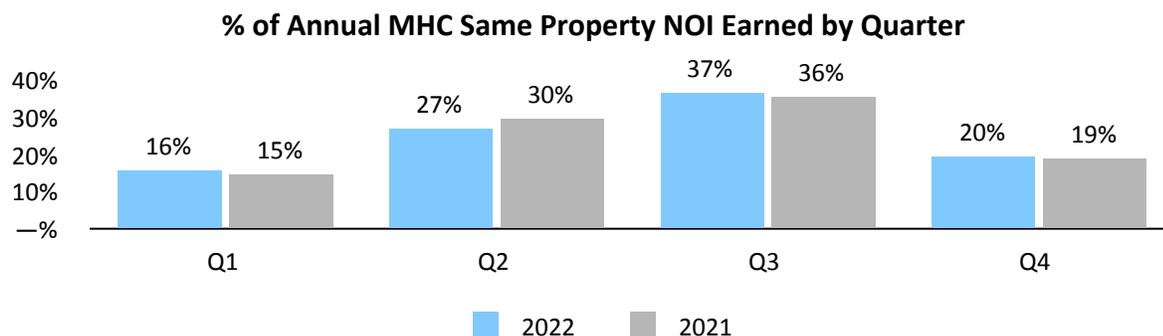
Rent Control for MHCs

Ontario and Nova Scotia have rent control for MHCs. In these provinces, rent controls do not apply to new tenants, and owners may apply for above-guideline increases to offset large capital expenditures.

Seasonality of Results

Killam's resort communities add a seasonality impact to the MHC segment's quarterly results. The MHC portfolio generates its highest revenues and NOI during the second and third quarters of each year due to the contribution from its nine seasonal resorts that earn approximately 60% of their annual NOI between July and October.

The graph below highlights same property NOI by quarter for the MHC segment during 2022 and 2021. Same property NOI is a supplementary financial measure; please refer to "Non-IFRS Financial Measures" for more information.



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Dollar amounts in thousands of Canadian dollars (except as noted)

MHC Portfolio Detail

Nova Scotia	Acres	Sites	Ontario (continued)	Acres	Sites
Brentwood Estates	67	300	Holiday Park Campground ⁽¹⁾	35	290
Birch Hill Estates	73	216	Lakewood Estates	13	60
Birchlee Estates	42	221	Lynnwood Gardens	54	64
Cairdeil Estates	37	160	Mississippi Lake ⁽¹⁾	22	139
Cowan Place	50	56	Millcreek	35	73
Enfield Estates	10	56	Paradise Valley ⁽¹⁾	109	392
Fairview Estates	15	131	Pine Tree Village	38	70
Glen Aire Estates	130	266	Pinehurst Estates	16	82
Greenhill Estates	30	115	Rockdale Ridge	96	69
Heather Estates	72	218	Stanley Park	76	107
Highland Village	28	99	The Village at Listowel	53	87
Kent Drive Estates	10	50	Westhill Estates	8	94
Maple Ridge Park	18	160	Wood Haven Campground ⁽¹⁾	50	126
Mountainview Estates	168	353	Ontario Total		2,284
Parkwood Court	34	123	New Brunswick	Acres	Sites
Shamrock Estates	8	65	Camper's City ⁽¹⁾	61	224
Silver Birch Estates	16	65	Domaine Parlee	19	89
Valley View Hills	50	196	Oceanic Camping ⁽¹⁾	28	358
Nova Scotia Total		2,850	New Brunswick Total		671
Ontario	Acres	Sites	Newfoundland & Labrador	Acres	Sites
Cedardale ⁽¹⁾	25	204	Lakeview Court	13	86
Domaine le Village	36	70	Sunset Parkway	43	84
Family Paradise ⁽¹⁾	50	214	Newfoundland & Labrador Total		170
Holiday Harbour ⁽¹⁾	15	143	TOTAL MHC PORTFOLIO ⁽²⁾		5,975

⁽¹⁾ Seasonal resort community.

⁽²⁾ As at December 31, 2022.

Commercial Portfolio

Killam's commercial property portfolio represented 5.3% of NOI in 2022 and contains approximately 946,400 SF, located in four of Killam's core markets. Killam also has another 181,117 SF of ancillary commercial space in various residential properties across the portfolio, which is included in apartment results.

Commercial Portfolio Detail

Location	Approximate Square Footage
New Brunswick	
Dieppe Village	33,215
Prince Edward Island	
Royalty Crossing ⁽¹⁾	383,222
Nova Scotia	
Medical Arts	17,890
3700 Kempt Road ⁽²⁾⁽³⁾	20,000
3770 Kempt Road ⁽³⁾	15,595
3644 & 3670 Kempt Rd	12,700
Brewery Market & Benjamin Weir	152,644
Ontario	
Westmount Place	306,106
Wissler Plaza	5,000
TOTAL COMMERCIAL PORTFOLIO	946,372

⁽¹⁾ Square footage represents 100% of the commercial property located in PEI. Killam has a 75% ownership.

⁽²⁾ Killam's head office.

⁽³⁾ Killam's 50% interest.

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Dollar amounts in thousands of Canadian dollars (except as noted)

Capital Improvements

Capital improvements are a combination of maintenance capital expenditures and value-enhancing upgrades. During the year ended December 31, 2022, Killam invested \$104.7 million of capital in its existing portfolio, compared to \$78.9 million for the same period in 2021. A summary of Killam's capital improvements to its apartments, MHCs and commercial assets are listed below.

For the years ended December 31,

	2022	2021	% Change
Apartments	\$91,388	\$70,711	29.2%
MHCs	6,242	5,423	15.1%
Commercial	7,096	2,744	158.6%
	\$104,726	\$78,878	32.8%

Of the \$91.4 million total capital invested in the apartment segment for the year ended December 31, 2022, approximately 48% was invested in building improvements. These investments include larger building improvement projects such as exterior cladding and brick work, balcony refurbishments, and roof upgrades, as well as projects such as plumbing improvements, fire safety, security systems and window upgrades. In 2022, Killam invested \$29.6 million in unit renovations, as Killam continues to focus on unit renovations to maximize occupancy and rental growth. Killam targets a minimum return on investment (ROI) of 10% for its unit renovations, earning rental growth of 10%–40%. In 2022, Killam repositioned 617 units, with an average investment of approximately \$31,100 per unit, generating an average ROI of 13%.

Additional information about Killam's capital improvements are included in the Management's Discussion and Analysis for the year ended December 31, 2022, available on SEDAR at www.sedar.com.

Mortgages

Killam's debt consists largely of fixed-rate, long-term mortgage financings, generally secured by a first charge against individual properties. Access to mortgage debt is essential in refinancing maturing debt and financing acquisitions. Management has diversified Killam's mortgages to avoid dependence on any one lending institution and has staggered maturity dates to manage interest rate risk. Killam's total debt as a percentage of total assets as at December 31, 2022, was 45.3%. Killam's Declaration of Trust limits Killam's debt level to 70% of the Gross Book Value of the assets of the REIT. (Gross Book Value is defined in the Declaration of Trust as the greater of (i) the value of the assets of the REIT and its consolidated subsidiaries, as shown on its then most recent consolidated statement of financial position, and (ii) the historical cost of the assets of the REIT and its consolidated subsidiaries.)

As an apartment owner, Killam is eligible for CMHC mortgage loan insurance with respect to its apartments, whereas MHCs and commercial properties are not eligible for CMHC insurance. These policies eliminate default risk for apartment lenders, resulting in lower interest rates than those available for conventional mortgages. Approximately 77.2% of Killam's apartment debt was CMHC-insured as at December 31, 2022.

Joint Arrangements

Killam has interests in six properties, one development project and land for future development that are subject to joint control and are joint operations. As at December 31, 2022, the fair value of the investment properties subject to joint control was \$364.8 million (December 31, 2021 – \$371.5 million).

Employees

Killam had an average employee count of 750 during 2022 (2021 – 689). The employee count fluctuates during the year, with an increased number of staff during the late spring and summer months due to the impact of the seasonal MHCs. Of the 750 employees, 592 worked in the apartment segment (2021 – 537), 71 in the MHC segment (2021 – 72) and 87 at the head office (2021 – 80). Killam's gender mix for 2022 was 50% female (2021 – 49%), 49% male (2021 – 50%) and 1% non-binary (2021 – 1%).

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Sustainability Policy

Killam has adopted a sustainability policy (the "Sustainability Policy"), which is monitored by the Governance and ESG Committee. The Sustainability Policy outlines Killam's commitment to ESG including a commitment to: invest in technology and new initiatives to increase sustainability and lower its carbon footprint across the portfolio, with a focus on energy, water and waste consumption and management; support and invest in its employees through training and development; enhance diversity and inclusion policies and practices to continue to foster a safe, inclusive, and equitable workplace; provide outstanding customer service and build an inclusive community at its properties; support initiatives in the communities in which Killam operates, with an emphasis on affordable housing through community partnerships, subsidized rents and discounts; establish and implement measurable governance policies and practices; report annually on its ESG programs, highlighting new initiatives and Killam's performance against targets; and review its annual ESG benchmark ratings and target areas for improvement each year.

Risk Factors

Killam faces a variety of risks, the majority of which are common to real estate investment trusts. These risks include: (i) changes in general economic conditions; (ii) changes in local conditions (such as an oversupply of units or a reduction in demand for real estate in an area); (iii) changes to government regulations (such as new or revised residential tenant legislation); (iv) competition from others with available units; and (v) the ability of the property owner to provide adequate maintenance economically.

Real estate is relatively illiquid and, therefore, can tend to limit Killam's ability to rebalance its portfolio promptly in response to changing economic or investment conditions. In addition, financial difficulties of other property owners, resulting in distress sales, may depress real estate values in the markets in which Killam operates. Killam's exposure to general risks associated with real estate investments is mitigated by its geographic and sector diversification due to investments in apartments, MHCs, and commercial properties.

Killam is exposed to other risks, as outlined below:

Pandemic Risk and Economic Downturn

Pandemics, epidemics or disease outbreaks, such as the COVID-19 pandemic, may result in, international, national and local restrictions, significant disruptions to business operations, financial markets, regional economies and the world economy and other changes to services, as well as considerable general concern and uncertainty. Such disruptions could adversely affect the ability of Killam's tenants to pay rent and increase Killam's credit risk. While many jurisdictions worldwide and governments at varying levels have substantially removed restrictions relating to the COVID-19 pandemic as a result of vaccines and other measures, there can be no certainty such measures will successfully control the spread or resurgence of COVID-19 or its variants, and the COVID-19 pandemic or other outbreaks could materially interrupt Killam's supply chain and service providers, which could have material adverse effects on Killam's ability to maintain and service its properties. Future developments relating to the COVID-19 pandemic or other pandemics, epidemics or disease outbreaks and the effects thereof remain uncertain. There can be no assurance that a disruption in financial markets, regional economies and the world economy, and the government measures to contain COVID-19, its variants, or other outbreaks will not negatively affect the financial performance or fair values of Killam's investment properties in a material manner.

Killam continues to closely monitor business operations and may take further actions that respond to directives of governments and public health authorities or that are in the best interests of employees, tenants, suppliers or other stakeholders, as necessary. Any such actions or changes in operations could materially impact the business, operations and financial results of Killam. There are no comparable recent events that provide guidance as to the effect the COVID-19 pandemic may have, and, as a result, it is not possible to reliably estimate the duration and severity of the ultimate and long-term consequences of the COVID-19 pandemic, as well as their impact on the financial position and results of Killam for future periods.

Inflation Risk

Killam does not believe that inflation has had a material effect on its business, financial condition or results of operations to date; however, if Killam's development, construction, operation or labour costs were to become subject to significant inflationary pressures, Killam may not be able to fully offset such higher costs through increases in rent to its tenants. Killam's inability or failure to do so could harm Killam's business, financial condition and results of operations. Further, there can be no assurance that any governmental action to mitigate inflationary cycles will be taken or be effective. Central banks have increased interest rates in response to inflation, and additional rate increases may occur. Governmental action, such as the imposition of higher interest rates or wage controls, may negatively impact Killam's financial results. In particular, certain of Killam's debt is at variable rates of interest, which exposes Killam to interest rate risk. If interest rates increase, Killam's debt service obligations on the variable rate indebtedness would increase, as discussed under "Interest Rate Risk" below. Continued inflation, any governmental response thereto, or Killam's inability to offset inflationary effects may have a material adverse effect on Killam's business, financial condition and results of operations.

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Interest Rate Risk

Interest rate risk is the risk that Killam would experience lower returns as the result of its exposure to a higher interest rate environment. Killam is exposed to interest rate risk as a result of its mortgages and loans payable; however, this risk is mitigated through Killam's strategy to have the majority of its mortgages payable in fixed-term arrangements. Killam also structures its financings to stagger the maturities of its debt, minimizing Killam's exposure to interest rates in any one year. Despite these risk mitigation efforts, the recent increase in interest rates may have an adverse effect on Killam's business, financial condition and results of operations.

As at December 31, 2022, \$218.6 million of Killam's debt had variable interest rates, including four construction loans totalling \$95.0 million, amounts drawn on Killam's credit facilities of \$121.0 million and one demand loan totalling \$2.6 million. These loans and facilities have interest rates of prime plus 0.55%–1.25% or 105–155 bps above Bankers Acceptance rates (BAs) (December 31, 2021 - prime plus 0.5%–1.25% or 105–245 bps above BAs), and consequently, Killam is exposed to short-term interest rate risk on these loans.

Killam's fixed mortgage debt, which matures in the next 12 months, totals \$276.5 million. Assuming these mortgages are refinanced at similar terms, except at a 100 bps increase in interest rates, financing costs would increase by \$2.8 million per year.

Liquidity Risk

Liquidity risk is the risk that Killam may not have access to sufficient capital to fund its growth program or refinance its debt obligations as they mature, which may have a material adverse effect on Killam's business, financial condition and results of operations. Killam manages cash resources based on financial forecasts and anticipated cash flows. The maturities of Killam's long-term financial liabilities are set out in note 26 to the consolidated financial statements. Killam staggers the maturities of its debt, minimizing exposure to liquidity risk in any year. In addition, Killam's apartments qualify for CMHC-insured debt, reducing the refinancing risk on maturity. Killam's MHCs and commercial properties do not qualify for CMHC-insured debt; however, they continue to have access to mortgage debt.

Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill the commitments of their lease. Killam mitigates the risk of credit loss through the diversification of its existing portfolio and limiting its exposure to any one tenant. Credit assessments are conducted for all new leases, and Killam also obtains a security deposit to assist in potential recovery requirements. Killam's bad debt expense has historically been less than 0.3% of revenues, and none of Killam's tenants account for more than 4% of tenant receivables as at December 31, 2022. Any credit risk that materializes may have a material adverse effect on Killam's business, financial condition and results of operations.

Cyber Security Risk

A cyber incident is any adverse event that threatens the confidentiality, integrity or availability of Killam's information technology resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information. Killam's primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to its reputation, damage to relationships with its vendors and tenants, and disclosure of confidential vendor or tenant information. Killam has implemented processes, procedures and controls to 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.

Increased Supply Risk

Increased supply risk is the risk of loss from competition from new rental units in Killam's core markets. Numerous residential developers and apartment owners compete for potential tenants. Although it is Killam's strategy to own multi-family residential properties in premier locations in each market in which it operates, some of the apartments or MHCs of Killam's competitors may be newer, better located, offer lower rents or have additional rental incentives. An increase in alternative housing could have a material adverse effect on Killam's ability to lease units, and the rents charged could adversely affect Killam's revenues and ability to meet its obligations. To mitigate against this risk, Killam has a geographically diverse asset base. Management is expanding this diversification by increasing Killam's investment in apartment markets outside Atlantic Canada.

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Development Risk

Development risk is the risk that costs of developments will exceed original estimates, unforeseen delays will occur and/or units will not be leased in the timeframe and/or at rents anticipated. To reduce Killam's exposure to cost increases, it enters into fixed-price contracts when possible. To reduce the lease-up risk, Killam does market research in advance of each development to support expected rental rates, and premarkets its properties early on in the process to increase demand for the new developments. Any development risk that materializes may have a material adverse effect on Killam's business, financial condition and results of operations.

Environmental Risk

As an owner of real estate, Killam is subject to federal, provincial and municipal environmental regulations. These regulations may require Killam to fund the costs of removal and remediation of certain hazardous substances on its properties or releases from its properties. The failure to remediate such properties, if any, could adversely affect Killam's ability to borrow using the property as collateral or to sell the real estate. Killam is not aware of any material non-compliance with environmental laws at any of its properties. Killam has made, and will continue to make, the necessary capital expenditures to comply with environmental laws and regulations.

Environmental laws and regulations can change rapidly, and Killam may be subject to more stringent environmental laws and regulations in the future. Killam mitigates its risk of losses associated with oil tank leaks by enforcing the requirement for appropriate insurance, performing regular oil tank inspections, and enforcing the removal of oil tanks when homes are sold at its MHC communities.

General Uninsured Losses

Killam does not and will not carry insurance with respect to all potential casualties, damages, losses and disruptions. Killam does carry comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customary for the industry. There are, however, certain types of risks (generally of a catastrophic nature) that are either uninsurable or would not be economically insurable. There can be no assurance that the insurance proceeds received by Killam in respect of a claim will be sufficient in any particular situation to fully compensate Killam for losses and liabilities suffered. Losses and liabilities arising from uninsured or under-insured events could adversely affect Killam's business, financial condition or results of operations.

Rent Control Risk

Rent control exists in some provinces in Canada, limiting the percentage of annual rental increases to existing tenants. Killam is exposed to the risk of the implementation of, or amendments to, existing legislative rent controls in the markets in which it operates, which may have an adverse impact on Killam's operations. In the provinces in which Killam currently operates, Prince Edward Island, Ontario and British Columbia have rent controls. As well, Nova Scotia has rent control for MHCs.

Nova Scotia currently has measures in place limiting the maximum allowable rental increase on renewal to 2.0%. These temporary measures in Nova Scotia are in place until the end 2023.

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 for Killam 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. may become more stringent in the future. Killam 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.

Utility, Energy and Property Tax Risk

Killam is exposed to volatile utility and energy costs and increasing property taxes. Killam has the ability to raise rents on the anniversary date of its leases, subject to the overall rental market conditions, to offset rising energy and utility costs; however, rental increases may be limited by market conditions or regulation. Killam invests in energy-efficiency initiatives to reduce its reliance on utility costs; however, Killam remains exposed to price volatility and carbon tax on natural gas and heating oil. Killam has the ability to fix rates through the use of swap contracts for a portion of its oil and fixed contracts through suppliers for natural gas consumption in order to reduce the impact of fluctuations in commodity prices. The impact of such volatility could be increased if such utility costs cannot be hedged. To address the risk of property tax increases, Killam, along with the assistance of outside consultants, reviews property tax assessments and, where warranted, appeals them.

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Fluctuation and Availability of Cash Distributions

Killam's distribution policy is established pursuant to the Amended and Restated Declaration of Trust (DOT) and may only be changed with the approval of a majority of unitholders. However, the Board of Trustees may reduce or suspend cash distributions indefinitely, which could have a material adverse effect on the market price of the Trust Units. There can be no assurance regarding the amount of income to be generated by Killam's properties.

The ability of Killam to make cash distributions and the actual amount distributed is at the sole discretion of the Board, will be entirely dependent on the operations and assets of Killam, and will be subject to various factors, including financial performance, obligations under applicable credit facilities, fluctuations in working capital, the sustainability of income derived from the tenant profile of Killam's properties, and capital expenditure requirements. Distributions may be increased, reduced or suspended entirely depending on Killam's operations and the performance of Killam's assets at the discretion of the Trustees. The market value of the Trust Units may deteriorate if Killam is unable to meet its distribution targets in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return of investors.

Ability of Unitholders to Redeem Trust Units

The entitlement of unitholders to receive cash upon the redemption of their Trust Units is subject to the following limitations: (i) the total amount payable by Killam in respect of such Trust Units and all other Trust Units tendered for redemption in the same calendar month must not exceed \$50,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) at the time such Trust Units are tendered for redemption, the outstanding Trust Units must be listed for trading on a stock exchange or traded or quoted on another market that the Trustees consider, in their sole discretion, provides fair market value prices for the Trust Units; (iii) the trading of Trust Units is not suspended or halted on any stock exchange on which the Trust Units are listed (or, if not listed on a stock exchange, on any market on which the Trust Units are quoted for trading) on the redemption date for more than five trading days during the 10-day trading period commencing immediately after the redemption date; and (iv) the redemption of the Trust Units must not result in the delisting of the Trust Units from the principal stock exchange on which the Trust Units are listed.

Exchangeable Units

Holders of Exchangeable Units may lose their limited liability in certain circumstances, including by taking part in the control or management of the business of Killam Apartment Limited Partnership ("Limited Partnership"). The principles of law in the various jurisdictions of Canada recognizing the limited liability of the limited partners of limited partnerships subsisting under the laws of one province but carrying on business in another province have not been authoritatively established. If limited liability is lost, there is a risk that holders of Exchangeable Units may be liable beyond their contribution of capital and share of undistributed net income of the Limited Partnership in the event of judgment on a claim in an amount exceeding the sum of the net assets of the General Partner and the net assets of the Limited Partnership. Holders of Exchangeable Units remain liable to return to the Limited Partnership for such part of any amount distributed to them as may be necessary to restore the capital of the Limited Partnership to the amount existing before such distribution if, as a result of any such distribution, the capital of the Limited Partnership is reduced and the Limited Partnership is unable to pay its debts as they become due.

Taxation-Related Risks

Killam currently qualifies as a mutual fund trust for Canadian income tax purposes. It is the current policy of Killam 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, Killam is required to comply with specific restrictions regarding its activities and the investments held by it. Should Killam 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 Killam or its unitholders. If Killam ceases to qualify as a "mutual fund trust", it will be required to pay a tax under Part XII.2 of the Income Tax Act (Tax Act).

The payment of Part XII.2 tax by Killam may have adverse income tax consequences for certain of Killam'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 Killam directly or indirectly from another Killam unitholder. If Killam ceases to qualify as a "mutual fund trust" under the Tax Act and Killam units cease to be listed on a designated stock exchange, Killam units will cease to be qualified investments for trusts governed by designated savings plans. Killam will endeavour to ensure its 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.

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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 Killam units are “prohibited investments” for registered retirement savings plans, registered retirement income funds, registered education savings plans, registered disability savings plans or tax-free savings accounts.

Certain rules in the Tax Act (the “SIFT Rules”) affect the tax treatment of specified investment flow-through trusts (“SIFT trusts”) and their unitholders. A trust resident in Canada will generally be a SIFT trust for a particular taxation year for purposes of the Tax Act if, at any time during the taxation year, investments in the trust are listed or traded on a stock exchange or other public market and the trust holds one or more “non-portfolio properties” as defined in the Tax Act. Non-portfolio properties generally include certain investments in real properties situated in Canada and certain investments in corporations and trusts resident in Canada, and in partnerships with specified connections to Canada. However, a trust will not be considered to be a SIFT trust for a taxation year if it qualifies as a “real estate investment trust” (as defined in the Tax Act) for that year (the “REIT Exception”).

Pursuant to the SIFT Rules, distributions of a SIFT trust’s “non-portfolio earnings” are not deductible to the SIFT trust in computing its income. Non-portfolio earnings are generally defined as income attributable to a business carried on by the SIFT trust in Canada or to income (other than dividends) from, and taxable capital gains from the disposition of, non-portfolio properties. The SIFT trust is itself liable to pay income tax on an amount equal to the amount of such non-deductible distributions at a rate that is substantially equivalent to the combined federal and provincial general tax rate applicable to taxable Canadian corporations. Such non-deductible distributions paid to a holder of units of the SIFT trust are generally deemed to be taxable dividends received by the holder of such units from a taxable Canadian corporation. Such deemed dividends will qualify as “eligible dividends” for purposes of the enhanced gross-up and dividend tax credit rules in the Tax Act if paid to any individual resident in Canada. Distributions that are paid as returns of capital will not attract this tax.

A trust that satisfies the REIT Exception is excluded from the definition of a SIFT trust in the Tax Act and is, therefore, not subject to the SIFT Rules. In addition to the Trust being resident in Canada throughout the year, the following five criteria must be met in order for the Trust to qualify for the REIT Exception:

- 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 must be at least 90% of the total fair market value at that time of all non-portfolio properties held by the Trust;
- 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, capital gains from dispositions of “real or immovable properties” that are capital properties, dividends, royalties and dispositions of “eligible resale properties”;
- Not less than 75% of the Trust’s gross REIT revenue for the taxation year is derived from one or more of the following: rent from real or immovable properties, interest from mortgages on real or immovable properties, capital gains from dispositions of real or immovable properties that are capital properties;
- At no time in the taxation year can the total fair market value of properties comprising real or movable property that is capital property, an “eligible resale property”, cash, deposits (within the meaning of the Canada Deposit Insurance Corporation Act or with a branch in Canada of a bank or a credit union), indebtedness of Canadian corporations represented by banker’s acceptances, and debt issued or guaranteed by the Canadian government or issued by a province, municipal government or certain other qualifying public institutions be less than 75% of the “equity value” (in each case, as defined in the Tax Act) of the Trust at that time; and
- Investments in the Trust must be, at any time in the taxation year, listed or traded on a stock exchange or other public market.

The SIFT Rules contain a “look-through rule” under which a trust could qualify for the REIT Exception where it holds properties indirectly through intermediate entities, provided that each such entity, assuming it were a trust, would satisfy paragraphs (1) through (4) of the REIT Exception above. The REIT Exception does not fully accommodate the current business structures used by many Canadian REITs and contains a number of technical tests that many Canadian REITs, including the Trust, may find difficult to satisfy. The Trust will endeavour to ensure that the Trust will qualify for the REIT Exception at all times during each taxation year, and each direct and indirect subsidiary of the Trust will qualify as an “excluded subsidiary entity” (as defined in the Tax Act) such that the Trust will not be a SIFT trust within the meaning of the SIFT Rules at any time. However, there can be no assurance that this will be so. There can also be no assurance that the investments or activities undertaken by the Trust in a taxation year will not result in the Trust failing to qualify for the REIT Exception for that taxation year.

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If the Trust does not qualify for the REIT Exception for a taxation year, the SIFT Rules will apply to the Trust for that year. Application of the SIFT Rules may, depending on the nature of distributions from the REIT, including what portion of its distributions is income and what portion is returns of capital, have a material adverse effect on the after-tax returns of certain unitholders. Such adverse tax consequences may impact the future level of cash distributions made by the Trust and the ability of the Trust to undertake future financings and acquisitions, and could also adversely affect the marketability of the Trust's securities.

The REIT Exception is applied on an annual basis. Accordingly, if the Trust did not qualify for the REIT Exception in a particular taxation year, it may be possible to restructure the Trust such that it may qualify in a subsequent taxation year. There can be no assurances, however, that the Trust will be able to restructure such that it will not be subject to the tax imposed by the SIFT Rules, or that any such restructuring, if implemented, would not result in material costs or other adverse consequences to the Trust and unitholders. The Trust intends to take such steps as are necessary to ensure that, to the extent possible, it qualifies for the REIT Exception and any negative effects of the SIFT Rules on the Trust and unitholders are minimized.

Other Canadian Tax Matters

There can be no assurance that Canadian federal income tax laws, the terms of the Canada-United States Income Tax Convention, or the administrative policies and assessing practices of the Canada Revenue Agency will not be changed in a manner that adversely affects the REIT or unitholders. Any such change could increase the amount of tax payable by the REIT or its affiliates and/or unitholders or could otherwise adversely affect unitholders by reducing the amount available to pay distributions or changing the tax treatment applicable to unitholders in respect of distributions. In structuring its affairs, the Trust consults with its tax and legal advisors and receives advice as to the optimal method in which to complete its business objectives, while at the same time minimizing or deferring taxes where possible. There is no guarantee that the relevant taxing authorities will not take a different view as to the ability of the Trust to utilize these strategies. It is possible that one or more taxing authorities may review these strategies and determine that tax should have been paid, in which case the Trust may be liable for such taxes.

Competition for Real Property Investments

Killam competes for suitable real property investments with individuals, corporations and institutions (both Canadian and foreign) that are presently seeking, or that may seek in the future, real property investments similar to those desired by Killam. Many of these investors will have greater financial resources than those of the Trust. An increase in the availability of investment funds, and an increase in interest of real property investments, would tend to increase competition for real property investments, thereby increasing purchase prices and reducing yields therefrom. In addition, Killam may require additional financing to complete future real property acquisitions, which may not be available on terms acceptable to Killam.

Future Acquisitions of Real Property Investments

Unitholders will have no advance opportunity to evaluate the merits and risks of any future acquisitions of real property investments made by Killam and will need to rely on the experience and judgment of Management. There can be no assurance that any such acquisitions will be successfully completed. Management and the Board will have responsibility for and substantial discretion in the making of such acquisitions. Therefore, the future profitability of Killam will depend upon the ability of Management to identify and complete commercially viable acquisitions.

Zoning and Approval

Future acquisitions and development projects may require zoning and other approvals from local government agencies. The process of obtaining such approvals may take months or years, and there can be no assurance that the necessary approvals for any particular project will be obtained. Holding costs accrue while regulatory approvals are being sought, and delays could render future acquisitions and developments uneconomical and may have a material adverse effect on Killam's business, financial condition and results of operations.

Dependence on Key Personnel

The success of Killam will be largely dependent upon the quality and diversity of its Management and personnel. Loss of the services of such persons, or the inability to attract personnel of equal ability, could adversely affect Killam's business operations and prospects.

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Market for Securities and Price Volatility

There can be no assurance that an active trading market in Killam's securities will be sustained. In addition, the market price for Killam's securities could be subject to wide fluctuations. Factors such as announcements of quarterly variations in operating results, changes in interest rates, as well as market conditions in the industry may have a significant impact on the market price of the securities of Killam. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies. At times, following periods of volatility in the market price of some companies' securities, securities litigation has been instituted against such companies. The institution of this type of litigation against Killam could result in substantial costs and a diversion of Management's attention and resources, which could harm the Trust's business and prospects.

Co-ownership

Killam has co-ownership of six properties (nine buildings), one development project and land for future development that are subject to joint control and are joint operations. Risks associated with co-ownership include the risk of non-payment for operating and capital costs from the partner, risk of inability to finance a property associated with a joint venture or limited partnership, and the risk of a partner selling their interest in the properties. If any such risks materialize, they may have an adverse effect on Killam's business, financial condition or results of operations.

Ground Leases

Four of Killam's properties, including 6101 South Street and Chapter House located in Halifax, Oceanic Camping located in Shediac, New Brunswick, and 1033 Queen Street West in Toronto, are subject to long-term ground leases in which the underlying land is owned by an arms-length third party and leased to Killam. Under the terms of the ground lease, Killam must pay rent for the use of the land and is generally responsible for all the costs and expenses associated with the building and improvements. Unless the lease term is extended, the land, together with all the improvements made, will revert to the owner of the land upon the expiration of the lease. The leases are scheduled to expire in 2040 (there is an option for a ten-year renewal), 2080, 2105 and 2059, respectively. The total ground lease payments for the year ended December 31, 2022, were \$0.3 million (December 31, 2021 - \$0.3 million). There is no assurance that any lease will be extended or renewed on terms acceptable to Killam or at all. The extension or renewal of any ground lease on terms less favourable to Killam or the expiration of any ground lease may have a material adverse effect on Killam's business, financial condition and results of operations.

Climate Change and Environmental Laws

Killam is exposed to physical climate change risk, including rising sea levels, natural disasters, and severe weather, such as heavy rain and flooding, high winds, wildfires, blizzards, ice storms and thunderstorms that may cause damage to its investment properties. As weather becomes more erratic, damage to investment properties may result in increased restoration costs, loss of revenue in the event of business disruption, potential decrease in property values and increased costs to insure properties against climate-related risks. Physical and transitional climate-related risks are considered by the Trust as part of its ongoing risk management processes. The materiality of such risks varies among the business operations of Killam and the jurisdictions in which such operations are conducted. Despite the potential uncertainties and longer-time horizon associated with any such risks, the Trust considers the impacts of climate change-related risks over the short, medium and long terms. In the long term, Killam plans to move towards operating its portfolio with net-zero carbon emissions to combat its impact on climate change.

In addition, environmental legislation and policies, which can change rapidly, have become increasingly important and generally more restrictive in recent years. Under various federal, provincial and local environmental laws, ordinances and regulations, Killam 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 Killam at other locations. The failure to remove, monitor or remediate any such substances, if any, may adversely affect Killam'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 Killam. Although Killam is not aware of any material noncompliance 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 Killam in the future, or otherwise adversely affect Killam's business, financial condition or results of operations.

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ESG Targets and Commitments

Killam has announced certain targets and ambitions relating to ESG. Killam's ability to meet its ESG targets and ambitions depends on numerous risks and uncertainties, many of which are out of Killam's control, including the availability of commercially viable technology on an acceptable timeline, or at all. Further, to achieve its ESG targets and ambitions, and to respond to changing market demand, Killam may incur additional costs and invest in new technologies. It is possible that the return on these investments may be less than Killam expects, which may have an adverse effect on its business, financial condition and reputation. Generally speaking, Killam's ability to meet its targets depends significantly on Killam's ability to execute its current business strategy, related milestones and schedules, each of which can be impacted by the numerous risks and uncertainties associated with our business and the industries in which it operates, as outlined in the other risk factors described in this AIF.

Killam recognizes that investors and stakeholders increasingly compare companies based on ESG-related performance. Failure by Killam to achieve its ESG targets, or a perception among key stakeholders that its ESG targets are insufficient, could adversely affect, among other things, Killam's cost of capital, reputation and ability to attract capital or obtain insurance.

There is also a risk that some or all of the expected benefits and opportunities of achieving the various ESG targets may fail to materialize, may cost more to achieve or may not occur within the anticipated time periods. In addition, there are risks that the actions taken by Killam in implementing targets and ambitions relating to ESG may have a negative impact on its existing business and operations and increase capital expenditures, which could have a negative impact on Killam's business, financial condition, results of operations and cash flows.

International Conflict

International conflict and other geopolitical tensions and events, including war, military action, terrorism, trade disputes, and international responses thereto have historically led to, and may in the future lead to, uncertainty or volatility in global energy and financial markets. Russia's invasion of Ukraine has led to sanctions being levied against Russia by the international community and may result in additional sanctions or other international action, any of which may have a destabilizing effect on global economies. Volatility in energy and financial markets, including increased commodity prices, may adversely affect Killam's business, financial condition and results of operations. The extent and duration of the current Russian-Ukrainian conflict and related international action cannot be accurately predicted at this time and the effects of such conflict may magnify the impact of the other risks identified in this AIF. The situation is rapidly changing and unforeseeable impacts, including on Killam, its stakeholders, and parties on which we rely, may materialize and may have an adverse effect on Killam's business, results of operation and financial condition.

Legal and Litigation Risk

Killam is subject to a wide variety of laws and regulations across all jurisdictions and faces risks associated with legal and regulatory changes. If Killam fails to monitor and become aware of changes in applicable laws and regulations or if Killam 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. Further, Killam may be involved in various claims and actions arising in the course of operations. Accruals for litigation, claims and assessments are recognized if Killam determines that the loss is probable, and the amount can be reasonably estimated. Killam believes it has made adequate provisions for such legal claims. Although the outcome of these claims is uncertain, Killam does not expect these matters to have a material adverse effect on Killam's financial position, cash flows or operational results. If an unfavorable outcome were to occur, there exists the possibility of a loss or material adverse impact on Killam's financial position in the period in which the outcome is determined. Additionally, any legal claims or violations could result in reputational damage to Killam both from an operating and an investment perspective.

Legal Rights Normally Associated with the Ownership of Shares of a Corporation

As holders of units, unitholders do not have all of the statutory rights normally associated with ownership of shares of a Corporation, including, for example, the right to bring "oppression" or "derivative" actions against the Trust. The units are not "deposits" within the meaning of the Canada Deposit Insurance Corporation Act and are not insured under the provisions of that Act or any other legislation. Furthermore, the Trust is not a trust company and, accordingly, 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.

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Distributions

Distribution Declared

A summary of the distributions declared by the Trust per year for each of the last fiscal three years are:

- 2020 – \$0.68 per Trust Unit
- 2021 – \$0.69 per Trust Unit
- 2022 – \$0.70 per Trust Unit

Killam's monthly distribution for 2022 was \$0.05833 (\$0.70 per Trust Unit annualized). Killam is not aware of any restriction that could prevent it from paying distributions, except as noted under the risk section.

The Board reviews the distribution rate on a regular basis, with consideration for future cash flows, distribution yield, payout ratios and the need to retain sufficient cash flow to support Killam's stability and growth. The Board has the sole discretion to declare and to adjust or eliminate distributions based on the above factors or other considerations.

Distribution Reinvestment Plan

The Trust has a Distribution Reinvestment Plan (DRIP). Pursuant to the DRIP, unitholders may elect to have all cash distributions of the Trust automatically reinvested in additional Trust Units at a price per Trust Unit calculated by reference to the weighted average of the closing price of Trust Units on the TSX for the ten trading days immediately preceding the relevant distribution date. Unitholders who elect to participate in the DRIP will receive a further distribution of Trust Units equal in value to 3% of each distribution that was reinvested by the unitholder. Additional details and an enrollment form in respect of the DRIP Plan are available on Killam's website at www.killamreit.com.

Description of Capital Structure, Units and Declaration of Trust

The following summary does not purport to be complete with respect to the attributes of the units and certain provisions of the Declaration of Trust. The following summary is qualified by reference to the terms of the Declaration of Trust, which has been filed with the Canadian securities regulatory authorities and is available on SEDAR at www.sedar.com.

Trust Units and Special Voting Units

The Declaration of Trust authorizes the issuance of an unlimited number of two classes of units, namely Trust Units and Special Voting Units. Special Voting Units are only issued in tandem with the issuance of Exchangeable Units.

No Trust Unit will have any preference or priority over another. Each Trust Unit will represent a unitholder's proportionate, undivided beneficial ownership interest in the Trust and will confer the right to one vote at any meeting of unitholders and to participate pro rata in any distributions by the Trust, whether of net income, net realized capital gains or other amounts and, in the event of termination or winding-up of the Trust, in the net assets of the Trust remaining after satisfaction of all liabilities. Trust Units will be fully paid and non-assessable when issued and are transferable. The Trust Units are redeemable at the holders' option, and the Trust Units have no other conversion, retraction, redemption or pre-emptive rights. Fractional Trust Units may be issued as a result of an act of the Trustees, but fractional Trust Units will not entitle the holders thereof to vote, except to the extent that such fractional Trust Units may represent in the aggregate one or more whole Trust Units.

Each Special Voting Unit shall have no economic entitlement nor beneficial interest in the Trust or in the distributions or assets of the Trust, but shall entitle the holder of record thereof to a number of votes at any meeting of the unitholders equal to the number of Trust Units that may be obtained upon the exchange of the exchangeable security to which such Special Voting Unit is attached. Special Voting Units may only be issued in connection with or in relation to securities exchangeable into Trust Units for the purpose of providing voting rights with respect to the Trust to the holders of such securities. Special Voting Units shall not be transferable separately from the exchangeable securities to which they are attached and will automatically be transferred upon the transfer of any such exchangeable securities. Upon the exchange or surrender of an exchangeable security for a Trust Unit, the Special Voting Unit attached to such exchangeable security will automatically be redeemed and cancelled for no consideration without any further action of the Trustees, and the former holder of such Special Voting Unit will cease to have any rights with respect thereto.

Concurrently with the issuance of Special Voting Units attached to exchangeable securities issued from time to time, the Trust shall enter into such agreements (including an exchange agreement and limited partnership agreement) as may be necessary or desirable to properly provide for the terms of the exchangeable securities, including to provide for the voting of such Special Voting Units.

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Meetings of Unitholders

The Declaration of Trust provides that meetings of unitholders will be required to be called and held in various circumstances, including (i) for the election or removal of Trustees, (ii) the appointment or removal of the auditors of the Trust, (iii) the approval of amendments to the Declaration of Trust, (iv) the sale or transfer of the assets of the Trust as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the Trust approved by the Trustees), (v) the termination of the Trust, and (vi) for the transaction of any other business as the Trustees may determine or as may be properly brought before the meeting. Meetings of unitholders will be called and held annually. All meetings of unitholders must be held in Canada.

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

Unitholders may attend and vote at all meetings of unitholders either in person or by proxy. Two persons present in person or represented by proxy, and such persons holding or representing by proxy not less in aggregate than 25% of the total number of outstanding units, will constitute a quorum for the transaction of business at all such meetings. Any meeting at which a quorum is not present within one-half hour after the time fixed for the holding of such meeting, if convened upon the request of the unitholders, will be terminated, but in any other case, the meeting will stand adjourned to a day not less than 14 days later and to a place and time as chosen by the chair of the meeting, and if at such adjourned meeting a quorum is not present, the unitholders present either in person or by proxy will be deemed to constitute a quorum.

Holders of Special Voting Units will have an equal right to be notified of, attend and participate in meetings of unitholders. Pursuant to the Declaration of Trust, a resolution in writing executed by unitholders holding a proportion of the outstanding units equal to the proportion required to vote in favour thereof at a meeting of unitholders to approve that resolution is valid as if it had been passed at a meeting of unitholders.

Purchases of Trust Units

Killam may from time to time purchase Trust Units in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange and regulatory policies. Any such purchase will constitute an "issuer bid" under Canadian provincial securities legislation and must be conducted in accordance with the applicable requirements thereof.

Takeover Bids

The Declaration of Trust contains provisions to the effect that if a takeover bid or issuer bid is made for Trust Units and not less than 90% of the Trust Units (other than Trust Units held at the date of the takeover 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 Trust Units held by unitholders who do not accept the offer either, at the election of each unitholder, on the terms offered by the offeror, or at the fair value of such unitholder's Trust Units determined in accordance with the procedures set out in the Declaration of Trust.

Issuance of Trust Units and Special Voting Units

The Trust may issue new Trust Units from time to time, in such manner, for such consideration and to such person or persons as the Trustees shall determine. Unitholders will not have any pre-emptive rights whereby additional units proposed to be issued would be first offered to existing unitholders. If the Trustees determine that the Trust does not have cash in an amount sufficient to make payment of the full amount of any distribution, the payment may include the issuance of additional Trust Units having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Trustees to be available for the payment of such distribution.

The Trust may also issue new Trust Units (i) as consideration for the acquisition of new properties or assets by it, at a price or for the consideration determined by the Trustees, or (ii) pursuant to any incentive or option plan established by the Trust from time to time, including pursuant to the DRIP.

The Declaration of Trust also provides that immediately after any pro rata distribution of Trust Units to all unitholders in satisfaction of any non-cash distribution, the number of outstanding Trust Units will be consolidated so that each unitholder will hold, after the consolidation, the same number of Trust Units as the unitholder held before the non-cash distribution. In this case, each certificate representing a number of Trust Units prior to the non-cash distribution is deemed to represent the same number of Trust Units after the non-cash distribution and the consolidation. Non-Resident holders may be subject to withholding tax, and if so, then the consolidation will not result in such Non-Resident unitholders holding the same number of Trust Units. Such Non-Resident unitholders will be required to surrender the certificates (if any) representing their original Trust Units in exchange for a certificate representing post-consolidation Trust Units.

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Right of Redemption

Each unitholder is entitled to require Killam to redeem at any time or from time to time at the demand of the unitholder all or any part of the Trust Units registered in the name of the unitholder at the prices determined and payable in accordance with the conditions provided in the Declaration of Trust.

Limitation on Non-Resident Ownership

In order for the Trust to maintain its status as a "mutual fund trust" under the Tax Act, the Trust must not be established or maintained primarily for the benefit of Non-Residents. Accordingly, at no time may Non-Residents be the beneficial owners of more than 49% of the Trust Units, and the Trustees are responsible for informing the transfer agent and registrar of this restriction. The Trustees may require declarations as to the jurisdictions in which beneficial owners of Trust Units are resident. If the Trustees become aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 49% of the Trust Units then outstanding are, or may be, Non-Residents or that such a situation is imminent, the Trustees may make a public announcement thereof and will not accept a subscription for Trust Units from or issue Trust Units to a person unless the person provides a declaration that the person is not a Non-Resident. If, notwithstanding the foregoing, the Trustees determine that more than 49% of the Trust Units are held by Non-Residents, the Trustees may send a notice to Non-Resident holders of Trust Units, chosen in inverse order to the order of acquisition or registration or in such manner as the Trustees may consider equitable and practicable, requiring them to sell their Trust Units or a portion thereof within a specified period of not less than 60 days. If the unitholders receiving such notice have not sold the specified number of Trust Units or provided the Trustees with satisfactory evidence that they are not Non-Residents within such period, the Trustees may, on behalf of such unitholders, sell such Trust Units and, in the interim, must suspend the voting and distribution rights attached to such Trust Units. Upon such sale, the affected holders will cease to be holders of Trust Units and their rights will be limited to receiving the net proceeds of sale, subject to the right to receive payment of any distribution declared by the Trustees which is unpaid and owing to such unitholders. The Trustees will have no liability for the amount received, provided that they act in good faith.

Information and Reports

The Trust will make available to unitholders such financial statements (including quarterly and annual financial statements) and other reports as are from time to time required by applicable law. Prior to each meeting of unitholders, the Trustees will make available to unitholders (along with notice of such meeting) information as required by applicable tax and securities laws.

Amendments to the Declaration of Trust

The Declaration of Trust may be amended or altered from time to time. Certain amendments require approval by at least two-thirds of the votes cast at a meeting of unitholders called for such purpose. Other amendments to the Declaration of Trust require approval by a majority of the votes cast at a meeting of unitholders called for such purpose.

Except as described below, the following amendments, among others, require the approval of two-thirds of the votes cast by all unitholders at a meeting:

- (a) an amendment to the amendment provisions;
- (b) an exchange, reclassification or cancellation of all or part of the Trust Units;
- (c) the addition, change or removal of the rights, privileges, restrictions or conditions attached to the Trust Units;
- (d) any constraint on the issue, transfer or ownership of the Trust Units or the change or removal of such constraint;
- (e) the sale or transfer of the assets of the Trust as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the Trust approved by the Trustees and not prejudicial to unitholders);
- (f) the termination of the Trust (other than as part of an internal reorganization of the assets of the Trust approved by the Trustees and not prejudicial to unitholders);
- (g) the combination, amalgamation or arrangement of any of the Trust or its subsidiaries with any other entity (other than as part of an internal reorganization of the assets of the Trust approved by the Trustees and not prejudicial to unitholders); and
- (h) the amendment of the investment guidelines and operating policies of the Trust.

Notwithstanding the foregoing, the Trustees may, without the approval of the unitholders, make certain amendments to the Declaration of Trust.

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Investment Guidelines and Operating Policies

Investment Guidelines

The Declaration of Trust provides certain guidelines on investments that may be made directly or indirectly by the Trust. The assets of the Trust may be invested only in accordance with the following restrictions:

(a) the Trust will invest primarily, directly or indirectly, in the acquisition, holding, developing, maintaining, improving, leasing or management of income-producing real property and assets ancillary thereto necessary for the operation of such real property and such other activities as are consistent with the other investment guidelines of the Trust;

(b) notwithstanding anything else contained in the Declaration of Trust, the Trust shall not make or hold any investment, take any action or omit to take any action or permit a Subsidiary to make or hold any investment or take any action or omit to take any action that would result in:

(i) the Trust not qualifying as a "mutual fund trust" or a "unit trust" both within the meaning of the Tax Act;

(ii) Trust Units not qualifying as qualified investments for Plans;

(iii) the Trust not qualifying as a "real estate investment trust" within the meaning of the Tax Act if, as a consequence of the Trust not so qualifying, the Trust or any of its Subsidiaries would be liable to pay a tax imposed under either paragraph 122(1)(b) or subsection 197(2) of the Tax Act; or

(iv) the Trust being liable to pay a tax under Part XII.2 of the Tax Act;

(c) the Trust and/or its Subsidiaries may make its investments and conduct its activities, directly or indirectly, through an investment in one or more persons, on such terms as the Trustees may from time to time determine, including by way of joint ventures, partnerships (general or limited), and limited liability companies;

(d) except for temporary investments held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province or territory of Canada, deposits with a savings institution, trust company, credit union or similar financial institution that is organized or chartered under the laws of a state or of the United States, short-term government debt securities or money market instruments maturing prior to one year from the date of issue and except as permitted pursuant to these investment guidelines and operating policies of the Trust, the Trust and/or its Subsidiaries may not hold securities of a person other than to the extent such securities would constitute an investment in real property and provided further that, notwithstanding anything contained in the Declaration of Trust to the contrary, but in all events subject to paragraph (b) above, the Trust and/or its Subsidiaries may hold securities of a person (including securities of a reporting issuer or equivalent concept): (i) acquired in connection with the carrying on, directly or indirectly, of the Trust's activities or the holding of its assets; or (ii) which focuses its activities primarily on the activities described in paragraph (a) above;

(e) the Trust and/or its Subsidiaries 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;

(f) the Subsidiaries of the Trust may invest in mortgages and mortgage bonds (including participating or convertible mortgages) and similar instruments where the real property which is security therefore is real property which otherwise meets the other investment guidelines of the Trust;

(g) subject to paragraph (b) above, the Trust and/or its Subsidiaries may invest in raw land or other real property for development, provided such investment wholly or jointly is for the purpose of (i) the renovation or expansion of existing projects that are capital property of the Trust or a Subsidiary of the Trust, (ii) the development of new projects which will be capital property of the Trust or a Subsidiary of the Trust; or (iii) otherwise consistent with the activities described in paragraph (a) above; and

(h) unless otherwise specifically prohibited by the Declaration of Trust, the Trust and/or its Subsidiaries may invest in fee simple, leasehold, or other interests in property (real, personal, moveable or immovable).

Operating Policies

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

(a) the Trust and/or its Subsidiaries shall not purchase or sell currency or interest rate futures contracts otherwise than for hedging purposes where, for this purpose, the term "hedging" has the meaning given by National Instrument 81-102 - Mutual Funds, as replaced or amended from time to time and, in all events, subject to paragraph (b) of the Trust "Investment Guidelines" as described above;

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(b) (i) any written instrument creating indebtedness or an obligation which is or includes the granting by the Trust of a mortgage; and (ii) to the extent the Trustees determine to be practicable and consistent with their fiduciary duties to act in the best interest of the unitholders, any written instrument which is, in the judgment of the 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 must not be had to, nor will recourse or satisfaction be sought from, by lawsuit or otherwise the private property of any of the Trustees, unitholders, annuitants or beneficiaries under a plan of which a unitholder acts as a trustee or carrier, or officers, employees or agents of the Trust, but that only property of the Trust or a specific portion thereof is bound;

(c) title to real property shall be held by and registered in the name of the Trust, a Subsidiary of the Trust, one or more of the Trustees or any other person or persons in such manner as the Trustees consider appropriate, taking into account advice of legal counsel;

(d) the Trust shall not incur or assume any indebtedness if, after giving effect to the incurrence or assumption of such indebtedness, the total indebtedness of the Trust would be more than 70% of Gross Book Value;

(e) the Trust shall not directly or indirectly guarantee any indebtedness or liabilities of any person unless such guarantee: (i) is given in connection with or incidental to an investment that is otherwise permitted by the Trust's investment guidelines and operating policies; and (ii) (A) would not disqualify the Trust as a "mutual fund trust" within the meaning of the Tax Act, and (B) would not result in the Trust losing any status under the Tax Act that is otherwise beneficial to the Trust and its unitholders; and

(f) the Trust and/or its Subsidiaries shall directly or indirectly obtain and maintain at all times property insurance coverage in respect of potential liabilities of the Trust or its Subsidiaries and the accidental loss of value of the assets of the Trust or its Subsidiaries from risks, in amounts, with such insurers, and on such terms as the Trustees consider appropriate, taking into account all relevant factors, including the practice of owners of comparable properties.

Amendments to Investment Guidelines and Operating Policies

Pursuant to the Declaration of Trust, the investment guidelines and the operating policies may be amended only with the approval of not less than two-thirds of the votes cast at a meeting of unitholders called for such purposes (or a written resolution signed by unitholders representing at least two-thirds of the outstanding Trust Units). The remaining operating policies may be amended with the approval of a majority of the votes cast at a meeting of unitholders called for such purposes (or a written resolution signed by unitholders representing at least a majority of the outstanding Trust Units).

Market for Trust Units

Trust Units

Killam's Trust Units are listed and posted for trading on the TSX under the trading symbol "KMP.UN". The following table summarizes the trading activity for the Trust Units for 2022:

Month	High (\$)	Low (\$)	Close (\$)	Volume
December	17.23	15.89	16.21	3,228,051
November	17.05	15.39	17.00	4,888,938
October	16.29	14.62	15.79	5,382,632
September	17.73	14.78	15.25	4,912,280
August	18.36	16.80	16.86	3,680,894
July	18.03	16.38	17.99	4,218,324
June	19.38	16.48	17.15	6,406,610
May	20.17	17.85	19.20	5,747,234
April	21.60	20.19	20.21	5,317,308
March	22.39	20.95	21.42	5,442,978
February	22.28	20.70	21.33	4,163,975
January	24.15	20.96	21.87	5,456,452

As at December 31, 2022, Killam had 116,800,552 Trust Units outstanding.

Exchangeable Units

As at December 31, 2022, Killam had 3,898,020 Exchangeable Units outstanding.

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Normal Course Issuer Bid

In May 2022, Killam announced that the TSX had accepted Killam's notice of intention to make a NCIB for its Trust Units. Under the NCIB, Killam may acquire up to 3,000,000 Trust Units commencing on June 2, 2022, and ending on June 1, 2023. All purchases of Trust Units are made through the facilities of the TSX at the market price of the Trust Units at the time of acquisition. Daily repurchases by Killam are limited to 53,703 Trust Units, other than block purchase exemptions. Any Trust Units acquired through the NCIB will be cancelled.

Trustees and Officers

Trustees

The name, municipality of residence and principal occupation of each of the Trustees of Killam, as of March 28, 2023, are as set forth in the table below. The term of office of each of the Trustees of the Trust noted below will expire at the next annual meeting of the Trust's unitholders, scheduled for May 5, 2023.

Trustees of Killam (Name and municipality of residence)	Director/ Trustee Since	Principal Occupation
Philip D. Fraser <i>Halifax, Nova Scotia</i>	2000	President and Chief Executive Officer, Killam Apartment REIT
Robert G. Kay <i>Moncton, New Brunswick</i>	2002	Chair of the Board, Killam Apartment REIT Chair, Springwall Group International and Springwall Sleep Products Inc. (mattress manufacturing company)
James C. Lawley <i>Halifax, Nova Scotia</i>	2000	President, Salter's Gate Developments Limited (private investment company)
Aldéa Landry ⁽¹⁾⁽²⁾ <i>Moncton, NB</i>	2017	President, Landal, Inc. (consulting firm)
Laurie MacKeigan ⁽¹⁾⁽³⁾ <i>Halifax, Nova Scotia</i>	2020	President, Backman Vidcom Ltd. (audiovisual technology company)
Karine L. MacIndoe ⁽¹⁾⁽³⁾ <i>Toronto, Ontario</i>	2014	Trustee/ Corporate Director
Doug McGregor ⁽²⁾ <i>Toronto, Ontario</i>	2021	Trustee/ Corporate Director
Robert G. Richardson <i>Halifax, Nova Scotia</i>	2000	Executive Vice President, Killam Apartment REIT
Manfred J. Walt ⁽²⁾⁽³⁾ <i>Toronto, Ontario</i>	2007	President and Chief Executive Officer, Walt & Co. Inc. (private investment and management company)

⁽¹⁾ Member of the Compensation and Human Resources (HR) Committee during 2022.

⁽²⁾ Member of the Governance and ESG Committee during 2022.

⁽³⁾ Member of the Audit Committee during 2022.

All of the Trustees of Killam have held the principal occupations described above, or other positions with the same, predecessor or associated firms, for the past five years, with the exception of Mr. Lawley and Mr. McGregor.

Mr. Lawley relinquished his role as General Manager of Scotia Fuels in 2018. Mr. McGregor was the Group Head, RBC Capital Markets, as well as RBC Investor and Treasury Services Chair and CEO of RBC Capital Markets, prior to his retirement in 2020.

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Executive Officers

The name, municipality of residence and principal occupation of each of the officers of Killam, as of March 28, 2023, are as set forth in the table below:

Executives of Killam (Name and municipality of residence)	Killam Employee Since	Position Held
Ruth Buckle <i>Halifax, Nova Scotia</i>	2003	Senior Vice President, Property Management
Erin Cleveland <i>Halifax, Nova Scotia</i>	2012	Senior Vice President, Finance
Carrie Curtis <i>Waterloo, Ontario</i>	2019	Vice President, Ontario and Alberta
Philip Fraser <i>Halifax, Nova Scotia</i>	2000	President and Chief Executive Officer
Jeremy Jackson <i>Halifax, Nova Scotia</i>	2005	Vice President, Marketing and Program Development
Brian Jessop <i>Halifax, Nova Scotia</i>	2019	Vice President, Operations
Colleen McCarville <i>Halifax, Nova Scotia</i>	2005	Vice President, Human Resources
Michael McLean <i>Halifax, Nova Scotia</i>	2003	Senior Vice President, Development
Dale Noseworthy <i>Halifax, Nova Scotia</i>	2006	Chief Financial Officer
Robert Richardson <i>Halifax, Nova Scotia</i>	2000	Executive Vice President

All of the executive officers have held their present positions during the past five years, with the exceptions of Mr. Jessop and Ms. Curtis.

Prior to their promotions in November 2019: (i) Mr. Jessop held the position of Director of Operations since joining Killam in March 2019 and Vice President of Administration at Mount Saint Vincent University for ten years prior to joining Killam; and (ii) Ms. Curtis held the position of Senior Project Manager, Developments since joining Killam in March 2019 and Sector Lead of Community Development at Stantec for four years prior to joining Killam.

Mr. Ron Barron, a partner with Bennett Jones LLP in Calgary, Alberta, is Killam's Secretary. Mr. Barron has held this position since 2000.

Ownership

The Trustees and executive officers of Killam as a group beneficially own, directly or indirectly, or exercise control or direction over 4,516,974 Trust Units and Exchangeable Units, representing approximately 3.7% of the total Trust Units and Exchangeable Units as of March 28, 2023.

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Conflicts of Interest

Except as otherwise disclosed in this AIF, there are no material conflicts of interest between the Trust and Trustees or officers of the Trust. The Declaration of Trust contains provisions, similar to those contained in the CBCA, that require each Trustee to disclose to the Trust any interest in a material contract or transaction, or proposed material contract or transaction, with the Trust, 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 the Trust. Such disclosure is required to be made at the first meeting at which a proposed contract or transaction is considered. 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 to: (i) his or her direct remuneration as a Trustee, officer, employee or agent of the Trust; or (ii) indemnity of himself or herself as a Trustee or the purchase or maintenance of liability insurance.

Committees of Trustees

Audit Committee

The Trustees have appointed an Audit Committee consisting of three Trustees, all of whom are Independent Trustees within the meaning of National Instrument 52-110 - Audit Committees ("NI 52-110").

Pursuant to its Mandate, a copy of which is attached hereto as "Appendix A", the Audit Committee is responsible for monitoring the management of the principal risks that could impact the financial reporting of the Trust, monitoring the integrity of the Trust's financial reporting process and system of internal controls regarding financial reporting and accounting compliance, monitoring the independence and performance of the Trust's external auditors, and providing an avenue of communication among the external auditors, Management, and the Trustees.

During 2022, the Audit Committee consisted of three members, including Karine MacIndoe, Laurie MacKeigan and Manfred Walt. Karine MacIndoe served as Chair of the Audit Committee. All members of the Audit Committee were 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 Committee, including any education or experience that has provided the member with an understanding of the accounting principles used by Killam to prepare its annual and quarterly consolidated financial statements.

Karine MacIndoe

Karine MacIndoe has over 25 years of professional experience, mostly in real estate and capital markets, and 9 years of public board experience. She is currently also on the boards of DREAM Office REIT (TSX: D.un) and DREAM Impact Trust (TSX: MPCT.un). Prior to being on these boards, Ms. MacIndoe was a top-ranked Managing Director and Senior Equity Research Analyst at BMO Capital Markets, covering Real Estate & REITs across all property types (retail, office, industrial, multi-residential, seniors housing and hotels). Ms. MacIndoe has an MBA from the Richard Ivey School of Business (graduated an Ivey Scholar) and a Bachelor of Commerce from the University of Calgary (graduated Honor Society).

Laurie MacKeigan

Laurie MacKeigan is the President of Backman Vidcom Ltd., a commercial audio-visual integrator located in Halifax, NS. Prior to purchasing Backman Vidcom in 2014, Ms. MacKeigan had a career in public accounting, banking and investments. She has experience in public financial reporting for banking and real estate. She spent 11 years in Bermuda and was appointed Vice-President, Finance of the Bank of Bermuda. Ms. MacKeigan has a BBA from Acadia University and is a CPA in both Canada and the United States.

Manfred Walt

Manfred Walt is President and Chief Executive Officer of Walt & Co. Inc., a private investment and management company. Mr. Walt was associated with the Bronfman family (Brookfield Asset Management) from 1980 – 1998 and the Reichman family (Retirement Residences REIT) from 1998–2020, and served in various executive roles in the above-mentioned families' private and public companies over these years. Mr. Walt holds a Bachelor of Commerce and a Certificate in the Theory of Accountancy from the University of Cape Town and is a Chartered Professional Accountant.

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Dollar amounts in thousands of Canadian dollars (except as noted)

Governance and ESG Committee

The Trustees have appointed a Governance and ESG Committee which currently consists of three Trustees. The Governance and ESG Committee is responsible for developing and monitoring the Trust's approach to matters of governance and ESG and manages, tracks and evaluates leadership development and succession. The members of the Governance and ESG Committee during 2022 included Manfred Walt, Aldéa Landry and Doug McGregor, with Mr. Walt serving as the Chair.

Compensation and HR Committee

The Trustees have appointed a Compensation and HR Committee consisting of three Trustees. The Compensation and HR Committee is responsible for developing and monitoring the Trust's approach to matters of compensation of Trustees, officers and employees of the Trust. During 2022, the members of the Compensation and HR Committee were Aldéa Landry, Laurie MacKeigan and Karine MacIndoe, with Ms. MacIndoe serving as Chair.

Transfer Agent and Registrar

Killam's registrar and transfer agent is Computershare Investor Services Inc., located at 1500 Robert-Bourassa Boulevard, 7th floor, Montreal, Québec, H3A 3S8.

Interests of Experts

Ernst & Young LLP has prepared the independent auditor's report on the consolidated financial statements of Killam for the year ended December 31, 2022. Ernst & Young LLP reports that it is independent in the context of the CPA Code of Professional Conduct of the Chartered Professional Accountants of Nova Scotia.

Interest of Management and Others in Material Transactions

The remuneration of directors and other key management personnel, which include the Board of Trustees, President & Chief Executive Officer, Executive Vice President, Chief Financial Officer and other Vice-Presidents of Killam, is as follows:

For the years ended December 31,	2022	2021
Salaries, board compensation and incentives	\$5,978	\$6,162
Deferred unit-based compensation	2,191	2,078
Total	\$8,169	\$8,240

Legal Proceedings and Regulatory Actions

Neither Killam nor any of its subsidiaries are currently party to any material legal proceedings, nor is Management aware of any legal proceedings contemplated against Killam.

During the year ended December 31, 2022, no penalties or sanctions were imposed against Killam 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 Killam that would likely be considered important to a reasonable investor in making an investment decision, and Killam entered into no settlement agreements before a court relating to securities legislation or with a securities regulatory authority.

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Material Contracts

The following are the material contracts, other than contracts entered into in the ordinary course of business, that were either entered into by Killam in 2022 or were still in effect on December 31, 2022:

- The Declaration of Trust;
- The Limited Partnership Agreement in respect of the Limited Partnership dated October 28, 2015; and
- The Exchange and Support Agreement among Killam, the Limited Partnership, the General Partner and the other persons named therein dated January 1, 2016.

Copies of these agreements are available for review on SEDAR at www.sedar.com.

External Auditor Fees

Ernst & Young LLP has served as Killam's external auditor since its formation in 2000.

The following table lists the fees paid to Ernst & Young LLP, by category, for the last two fiscal years.

For the year ended December 31,

	2022 ⁽¹⁾	2021 ⁽¹⁾
Audit Fees ⁽²⁾	\$275,000	\$320,000
Audit-Related Fees ⁽³⁾	53,000	36,000
Tax Fees ⁽⁴⁾	39,500	39,500
All Other Fees ⁽⁵⁾	28,250	21,552
	\$395,750	\$417,052

Notes:

(1) HST is not included in the fees below.

(2) Audit fees generally relate to the statutory audit and review of financial statements, as well as services associated with prospectuses or other documents issued in connection with securities offerings.

(3) Audit-related fees include the aggregate fees paid to the external auditors for services related to the audit services, including consultations regarding financial reporting and accounting standards.

(4) Tax fees outside of the audit scope include the aggregate fees paid to the external auditors for tax compliance, including preparation of tax returns and tax audits and appeals. Of the tax fees in 2022, the full amount of \$39,500 relates to tax compliance (2021 - \$39,500).

(5) All other fees include the aggregate fees paid to the external auditors for all services other than those presented in the categories of audit fees, audit-related fees and tax fees.

Additional Information

Additional information, including Trustees' and officers' remuneration and indebtedness, principal holders of Killam securities, and securities authorized for issuance under equity compensation plans, is contained in the Trust's Information and Proxy Circular mailed to unitholders in connection with the May 5, 2023, Annual General Meeting of Unitholders. Information in connection with the May 5, 2023, Annual General Meeting of Unitholders is expected to be released in March 2023. Additional financial information is contained in Killam's Comparative Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2022. Additional information relating to Killam may be found on SEDAR at www.sedar.com.

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Appendix "A" – Audit Committee Mandate

Audit Committee Mandate

Purpose

The Audit Committee is appointed by the Board of Trustees of Killam Apartment REIT to assist the Board in fulfilling its oversight of:

- i. the quality and integrity of Killam's financial statements and related disclosures;
- ii. the independence and performance of Killam's external auditors;
- iii. the effectiveness of Killam's internal control systems over financial reporting;
- iv. the principal risks that could impact Killam's financial reporting;
- v. the effectiveness of internal controls regarding financial reporting; and
- vi. compliance with legal requirements and securities regulations in respect of financial statements and financial reporting.

Composition & Operation

- i. The Committee shall consist of three or more Trustees as determined by the Board on the recommendation from the Governance and ESG Committee, all of whom shall be "independent" as determined in accordance with National Instrument 52-110 – Audit Committees.
- ii. All members of the Committee shall be financially literate, being defined as able to read and understand a set of financial statements which 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 Killam's financial statements, and at least one member of the Committee shall have accounting or related financial management expertise.
- iii. Committee members are encouraged to enhance their familiarity with finance and accounting by participating in seminars, conferences, roundtables and other educational programs conducted by Killam or outside organizations.
- iv. The members of the Committee shall be appointed or re-appointed at the organizational meeting of the Board immediately following each annual meeting of the unitholders of Killam and shall continue as members of the Committee until their successors are appointed. The Board may fill any vacancy in the membership of the Committee at any time.
- v. The Board shall appoint a Committee Chair among the members of the Committee. If a Committee Chair is not designated or present, the members of the Committee may designate a Chair by majority vote of the Committee membership.
- vi. The Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Committee Chair shall prepare and/or approve an agenda in advance of each meeting.
- vii. The Committee shall meet privately at least annually with Killam's management ("Management") and the external auditors to discuss any matters that the Committee or each of these groups believes should be discussed.
- viii. The Committee and the external auditors will review Killam's interim financial statements.

Responsibilities

In fulfilling its purpose, the Committee shall:

Section 1 Financial Reporting

- a. review Killam's financial statements, management's discussion and analysis and earnings press releases prior to filing or distribution, and make appropriate recommendation to the Board. Review shall include discussion with Management and external auditors of significant issues regarding accounting principles, practices and significant Management estimates and judgements;
- b. review Killam's additional regulatory filings, including any Annual Information Form, Information Circular, Annual Report, prospectuses and business acquisition report;

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Section 2 External Auditors

- a. review the independence and performance of the auditors and annually recommend to the Board the appointment of the external auditors or approve the discharge of auditors when circumstances warrant;
- b. approve fees and other significant compensation to be paid to the external auditors;
- c. on an annual basis, review and discuss with the external auditors all significant relationships they have with Killam that could impair the auditors' independence;
- d. review the external auditors' audit plan and discuss and approve audit scope, staffing, reliance upon Management and general audit approach;
- e. prior to releasing the year-end results, discuss the results of the audit with the external auditors, including certain matters required to be communicated to audit committees in accordance with the standards established by the Chartered Professional Accountants of Canada;
- f. consider the external auditors' judgments about the quality and appropriateness of Killam's accounting principles as applied in Killam's financial reporting;

Section 3 Non-Audit Services

- a. be responsible for reviewing and pre-approving all non-audit services and fees to be provided by the external auditor;
- b. be permitted to establish specific policies and procedures concerning the performance of non-audit services which are to be reviewed annually;

Section 4 Internal Controls and Risk Management

- a. oversee the adequacy and effectiveness of Killam's internal accounting and financial controls, and the recommendations of Management and the external auditor for the improvement of accounting practices and internal controls;
- b. discuss significant financial risk exposures and the steps Management has taken to monitor, control, and report such exposures and review significant findings prepared by the external auditors together with internal audit and/or Management responses;
- c. review the effectiveness of the overall process for identifying the principal risks affecting financial reporting and provide the Committee's view to the Board;
- d. review and discuss with the Chief Executive Officer and the Chief Financial Officer the procedures undertaken in connection with the Chief Executive Officer and Chief Financial Officer certifications for the annual and interim filings with applicable securities regulatory authorities;

Section 5 Other Audit Committee Responsibilities

- a. ensure that procedures are in place relating to the receipt, retention and treatment of complaints which may be received concerning accounting, internal controls or auditing matters (see the Whistleblower Policy) and ensure procedures are in place concerning the confidential, anonymous submissions of concerns by Killam's employees relating to these matters;
- b. on at least an annual basis, review with Killam's legal counsel any legal matters that could have a significant impact on Killam's financial statements, compliance with applicable laws and regulations and inquiries received from regulators or government agencies;
- c. review and assess the adequacy of this mandate at least annually and submit the mandate to the Board for approval;
- d. annually assess the effectiveness of the Committee against its mandate and report the results to the Board;
- e. review policies and practices concerning officers' expenses and perquisites;
- f. prepare and disclose a summary of this mandate to Killam's unitholders; and
- g. conduct an annual review of this mandate and the performance evaluation of the Committee and each of its members.

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Authority

The Committee has the authority to:

- a. conduct any investigation appropriate to fulfilling its responsibilities,
- b. engage independent counsel and other advisors as it determines necessary to carry out its duties and to set the compensation for any such counsel and other advisors, such engagement to be at Killam's expense. Killam shall be responsible for all other expenses of the Committee that are deemed necessary or appropriate by the Committee in order to carry out its duties; and
- c. communicate direct access to the external auditors as well as anyone in the organization.

Administrative Matters

- a. A notice of time and place of every meeting of the Committee shall be given in writing to each member of the Committee and to the external auditor at least two business days prior to the time fixed for such meeting, unless waived by all members entitled to attend. Attendance of a member of the Committee at a meeting shall constitute waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not lawfully called.
- b. The external auditor shall be entitled to attend and be heard at each Committee meeting. The external auditors must attend every meeting of the Committee at which it is specially requested to attend. Upon the request of the external auditor or any member of the Committee, the Committee shall convene a meeting of the Audit Committee to consider any matters that should be brought to the attention of the Board of Trustees.
- c. A quorum of the Committee shall be a majority of its members present in person or by telephone, and decisions of the Committee shall be determined by a majority of the votes cast where a quorum is present or by a resolution in writing signed by all the members of the Committee. If the Chair of the Committee is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting will be chosen to preside by the members of the Committee present at that meeting.
- d. Any member of the Committee may be removed or replaced at any time by resolution of the Board of Trustees. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all of its powers so long as a quorum remains. Subject to the foregoing, each member of the Committee shall hold such office until the close of the annual meeting of the unitholders next following the date of appointment as a member of the Committee or until a successor is duly appointed.
- e. The Committee may invite such officers, Trustees and employees of Killam or affiliates as it may see fit from time to time to attend at meetings of the Committee and to assist thereat in the discussion of matters being considered by the Committee. Notwithstanding the foregoing, the Chair of the Committee shall hold in camera sessions, without management present, at every meeting of the Committee. The external auditors are to appear before the Committee when requested to do so by the Committee.
- f. The members of the Committee shall, for the purpose of performing their duties, have the right to inspect all books and records of Killam and its affiliates, and to discuss such books and records that are in any way related to the financial position of Killam with its officers, employees and external auditor and its affiliates.
- g. Minutes of Committee meetings shall be recorded and maintained. The Committee shall appoint a member of the Committee, other officer of Killam, or legal counsel to act as secretary at each meeting for the purpose of recording the minutes of each meeting.
- h. The Chair of the Committee shall report to the Board on the activities of the Committee, and the minutes of Committee meetings will be promptly circulated to the Trustees who are not members of the Committee upon request. The Committee shall report to the Board on such matters and questions relating to the financial position of Killam, as the Board may from time to time refer to the Committee.