

**KILLAM APARTMENT REIT
DISTRIBUTION REINVESTMENT PLAN**

FREQUENTLY ASKED QUESTIONS:

1. What is the Distribution Reinvestment Plan (the "DRIP Plan")?

The Distribution Reinvestment Plan, commonly referred to as the "DRIP Plan", provides eligible unitholders of Killam Apartment REIT (the "**REIT**") an efficient, convenient and cost-effective way to acquire additional REIT units ("**REIT Units**") of the REIT at a discount to the market price of the REIT Units and without incurring commissions, service charges or brokerage fees.

Eligible unitholders are not required to participate in the DRIP Plan and participation in the DRIP plan must be initiated by the unitholder. If you do not participate, then you will continue to receive your cash Distributions in the normal manner.

Distribution Reinvestment under the DRIP Plan

An eligible unitholder may, by enrolling in the DRIP Plan, acquire additional REIT Units at the Average Market Price (as defined under the DRIP Plan) through the reinvestment of cash distributions payable in respect of their REIT Units. Eligible unitholders who enroll in the DRIP Plan will also be entitled to receive a "bonus" distribution of additional REIT Units representing 3% of the amount of the cash distribution reinvested pursuant to the DRIP Plan, based on the Average Market Price. Eligible registered unitholders may enroll in the DRIP Plan directly. Beneficial owners of REIT Units held through a broker, investment dealer, financial institution or other nominee must arrange for their nominee to enroll in the DRIP Plan on their behalf.

2. What are the advantages of the DRIP Plan?

- ▶ Eligible unitholders under the DRIP Plan may elect to reinvest their cash distributions in additional REIT Units, on the distribution date, at the Average Market Price, which is defined as the volume weighted average trading price of the REIT Units for the ten trading days immediately preceding a distribution payment date, subject to certain adjustments. Eligible unitholders who enroll in the DRIP Plan will also be entitled to receive "bonus" REIT Units equal to 3% of the amount of the cash distribution reinvested pursuant to the DRIP Plan.
- ▶ No commissions, service charges or brokerage fees are payable by eligible unitholders in connection with the purchase of additional REIT Units under the DRIP Plan.
- ▶ Full investment of cash distributions is possible because the DRIP Plan permits fractional interests in whole REIT Units (to four decimal places) as well as whole REIT Units to be credited to the accounts of eligible unitholders.
- ▶ Distributions on REIT Units purchased with reinvested distributions will be automatically reinvested in further REIT Units.

3. Am I eligible to participate in the DRIP Plan?

At present, all Canadian resident unitholders may participate in the DRIP Plan regardless of the number of REIT Units or Exchangeable Units held.

Unless otherwise announced by the REIT, unitholders resident in a jurisdiction outside of Canada are **not entitled** to enroll, directly or indirectly, in the DRIP Plan.

4. How do I participate in the DRIP Plan?

The manner in which you may participate in the DRIP Plan depends on how you hold your REIT Units. If you are an eligible registered unitholder (*i.e.*, you are recorded in the REIT's register of unitholders as a holder of REIT Units registered in your own name), you may directly enroll in the DRIP Plan. If you are an eligible beneficial unitholder (*i.e.*, you beneficially own REIT Units, but registered title is maintained in the name of your broker, investment dealer, financial institution or other nominee), you must make arrangements for the broker or other nominee who holds your REIT Units to enroll in the DRIP Plan on your behalf.

For eligible registered unitholders:

Eligible registered unitholders may enroll in the DRIP Plan by delivering a duly completed and signed Authorization Form, by mail or facsimile, to Computershare Investor Services Inc., which acts as Plan Agent under the DRIP Plan, as follows:

Computershare Investor Services Inc.
2008 – 1969 Upper Water Street
Halifax, Nova Scotia B3J 3R7

Attention: Distribution Reinvestment
Telephone: 1-800-564-6253

Unitholders may obtain an Authorization Form from the Plan Agent or the REIT, at any time upon request, or from the REIT's website at www.killamreit.com. **Eligible beneficial unitholders whose REIT Units are registered in the name of The Canadian Depository for Securities Limited ("CDS") or another nominee cannot directly enroll in the Plan using this form.**

Note: If you are an eligible registered unitholder and participate directly in the DRIP Plan, all of the cash distributions payable in respect of REIT Units registered directly in your name will be reinvested under the DRIP Plan. In order for you to reinvest only a portion of your overall cash distribution entitlement, some of your REIT Units must be registered in the name of a person that is not enrolled in the DRIP Plan, or through a broker, investment dealer, financial institution or other nominee who can accommodate partial participation arrangements.

For eligible beneficial unitholders:

Eligible beneficial unitholders may participate in the DRIP Plan by arranging for the broker, investment dealer, financial institution or other nominee who holds their REIT Units to enroll in the DRIP Plan on their behalf, and should contact such nominee to provide instructions in this regard.

Deadline for Delivery of Authorization Forms by registered unitholders:

An Authorization Form must be received by the Plan Agent not later than 3:00 p.m. (Halifax time) on the business day prior to a distribution record date in order to take effect on the distribution payment date to which that record date relates. An Authorization Form received after that time will not take effect until the next following and subsequent distribution payment dates.

5. What will be the price of the additional REIT Units purchased under the DRIP Plan?

Additional REIT Units will be purchased under the DRIP Plan at a price equal to the Average Market Price, which is defined in the DRIP Plan as the volume weighted average trading price of the REIT Units on the Toronto Stock Exchange for the ten trading days immediately preceding a distribution payment date on which at least one board lot of REIT Units is traded, appropriately adjusted for certain events as set forth in the DRIP Plan. Eligible unitholders who enroll in the DRIP Plan will also be entitled to receive a "bonus" distribution of additional REIT Units representing 3% of the amount of the cash distribution reinvested pursuant to the DRIP Plan, based on the Average Market Price.

6. Are there restrictions on the purchase of REIT Units under the DRIP Plan?

The REIT reserves the right to determine, for each distribution payment date, the maximum amount of unitholders' equity, if any, that will be made available under the DRIP Plan on that date. No assurances can be made that additional equity will be made available on a regular basis, or at all, and participating unitholders will receive their regular cash distributions to the extent that they cannot be reinvested in additional REIT Units under the DRIP Plan.

7. Can I enroll in the DRIP Plan with respect to less than all of the REIT Units that I own?

If you are the registered holder of your REIT Units or Exchangeable Units and enroll in the DRIP Plan, the cash distributions payable in respect of all of your REIT Units or Exchangeable Units bearing the same registration will be reinvested under the DRIP Plan.

The REIT understands that a number of brokers and financial institutions can accommodate elections for partial participation from their clients. Registered unitholders who wish to participate in the DRIP Plan with respect to less than all of their REIT Units may therefore wish to consider transferring registration of REIT Units to a broker, investment dealer, financial institution or other nominee who can accommodate partial participation. Unitholders should contact their broker or financial advisor for direction in this regard.

8. How are REIT Units purchased under the DRIP Plan and who will hold them?

REIT Units acquired on the reinvestment of distributions are purchased directly from the treasury of the REIT by the Plan Agent, who acts on behalf of participating unitholders. The REIT Units will be held by the Plan Agent under the DRIP Plan for the account of participants or, in the case of CDS, credited by the Plan Agent to CDS, which will in turn credit the accounts of the appropriate CDS participants through the CDS depository system.

9. How will I know how many REIT Units I own under the DRIP Plan?

For registered unitholders, accounts will be maintained by the Plan Agent with respect to purchases of REIT Units made under the DRIP Plan for their account, and unaudited statements of account will be mailed on a quarterly basis.

Beneficial unitholders who participate indirectly in the DRIP Plan through their broker, investment dealer, financial institution or other nominee will not receive any such reports directly from the REIT or the Plan Agent, and should check with such nominee to determine what reports, if any, they can expect to receive from the nominee.

10. Will certificates be issued for new REIT Units purchased?

REIT Units purchased and held under the DRIP Plan will be registered in the name of the Plan Agent or its nominee, or recorded in accounts designated by it, for the account of participating registered unitholders. Certificates for whole REIT Units so registered or recorded will only be issued if the DRIP Plan is terminated, if the participant's enrollment is terminated, or if a participant withdraws all or some of the whole REIT Units held by the Plan Agent for its account under the DRIP Plan.

A participating registered unitholder may withdraw all or some of the whole REIT Units held by the Plan Agent for the participant's account and have a certificate issued for the REIT Units that are withdrawn by duly completing the withdrawal portion of the voucher located on the reverse side of the statement of account delivered to such registered unitholder by the Plan Agent and delivering such executed voucher to the Plan Agent. Certificates will normally be issued within three weeks of receipt by the Plan Agent of the participant's withdrawal request.

11. How can I terminate my participation in the DRIP Plan?

A participating registered unitholder may voluntarily terminate its participation in the DRIP Plan by duly completing and sending to the Plan Agent the termination portion of the voucher located on the reverse side of the statement of account that is mailed to participants. On the termination becoming effective, the Plan Agent will, within three weeks thereafter, send a certificate for all whole REIT Units held for the participant's account under the DRIP Plan and a cheque in payment for the value of any fractional interest remaining in the participant's account, based on the last Average Market Price. No termination request will be processed between the distribution record date and the end of investment period, which is typically the distribution payment date or shortly thereafter.

If a notice of termination is not received by the Plan Agent before 4:00 p.m. (Toronto time) on the fifth business day prior to a distribution record date, the participant's account will not be closed, and enrollment will not be terminated, until after the distribution payment date to which such distribution record date relates.

12. What are the Canadian federal income tax consequences of participation in the DRIP Plan?

The following is a summary only of certain Canadian federal income tax considerations relevant to participation in the Plan by residents of Canada for purposes of the Income Tax Act (Canada) (the "Tax Act") who hold REIT Units as capital property. The information provided is current as of the effective date of the Plan. This summary is not intended to be legal or tax advice to any

particular unitholder and participants are urged to consult their tax advisors as to their particular tax position.

The fact that distributions are reinvested under the terms of the Plan does not relieve unitholders of any liability for taxes that may be payable on such distributions. To the extent that a distribution from the REIT would be included in the income of unitholders for the purposes of the Tax Act, such amount will be included in the income of unitholders who elect to reinvest such amount in new REIT Units under the Plan.

The Canada Revenue Agency (the "**CRA**") generally takes the position that the amount, if any, by which the fair market value of any REIT Units acquired pursuant to the Plan on the date of purchase of such REIT Units exceeds the purchase price therefor must be included in the income of the unitholder.

The cost to a unitholder of REIT Units acquired under the Plan will be equal to the amount of the distribution paid by the Plan Agent on behalf of the participant to the REIT. If the REIT Units acquired pursuant to the Plan are capital property to the unitholder, the amount included in the unitholders' income (as described above) will be added in computing the cost to the unitholder of such REIT Units for purposes of determining the adjusted cost base of such REIT Units. The cost of such REIT Units held as capital property by the unitholder must be averaged with the cost of all other REIT Units held by the unitholder for the purpose of determining the adjusted cost base of all REIT Units held by the unitholder pursuant to the averaging provisions of the Tax Act.

If a unitholder disposes or is deemed to dispose of REIT Units acquired under the Plan, the unitholder will recognize a capital gain (or a capital loss) to the extent that the proceeds of disposition exceed (or are less than) the adjusted cost base of the REIT Units held by the unitholder immediately before the disposition. One-half of the capital gain (the "**taxable capital gain**") must be included in the income of the unitholder for the year in which the disposition occurs and one-half of a capital loss (the "**allowable capital loss**") must generally be deducted by the unitholder against taxable gains for the year of disposition, and any excess allowable capital loss may be deducted against taxable capital gains in any of the three preceding years, or in any subsequent year, subject to the detailed provisions of the Tax Act.

The statements of account mailed to registered participating unitholders are a continuing record of purchases of REIT Units made for such participants' account under the DRIP Plan and should be retained for income tax purposes. The Plan Agent will also send annually to each such registered participant certain tax forms for tax reporting purposes. Adjusted cost base calculations for tax reporting purposes are the responsibility of each participant, as certain averaging rules may apply and such calculations may depend on the cost of other REIT Units held by the participant, among other things.

13. Where can I get Authorization Forms or further information about the DRIP Plan?

Enrollment Forms may be obtained from the Plan Agent or Killam Apartment REIT, at any time upon request, or from the REIT's website at www.killamreit.com.

Note: Enrollment can be completed securely and conveniently online from the Agent's website at www.computershare.com from the Investor Centre.

14. Where can I get additional forms and information on the Plan and can I access my own Plan account information?

Additional forms and/or plan information may be obtained at any time from the Investor Centre on the Agent's website at www.computershare.com or by calling Computershare's dedicated BCE toll-free line at 1-800-561-0934.

Your entire portfolio and Plan account information can be accessed securely and conveniently from the Investor Centre. By setting up a free personal login account, you will be able to:

- 1) View account balances
- 2) Update account details
- 3) Check payment information
- 4) Transfer shares
- 5) Change your address
- 6) Access statements online
- 7) Access/print tax forms online

Contact information for the Plan Agent is as follows:

Computershare Investor Services Inc.
2008 – 1969 Upper Water Street
Halifax, Nova Scotia B3J 3R7

Attention: Relationship Manager, Client Services
Toll Free: (902) 420-3557
Fax: (902) 420-2764

Contact information for Killam Apartment REIT is as follows:

Killam Apartment REIT
3700 Kempt Road
Suite 100
Halifax, NS B3K 4X8

Attention: Dale Noseworthy, VP, Investor Relations and Corporate Planning
Telephone: (902) 442-0388
Email: dnoseworthy@killamreit.com

A beneficial unitholder whose REIT Units are held through a broker, investment dealer, financial institution or other nominee should contact their representative directly.

ADDITIONAL INFORMATION:

The above information is in summary form and does not address all terms and conditions of the DRIP Plan. Readers are referred to the complete text of the DRIP Plan for further information, a copy of which is available from the REIT's website at www.killamreit.com.