



## **MANAGEMENT PROXY CIRCULAR**

**CHOICE PROPERTIES REAL ESTATE INVESTMENT TRUST  
ANNUAL MEETING OF UNITHOLDERS**

**APRIL 25, 2014**

**THIS DOCUMENT CONTAINS:**

NOTICE OF ANNUAL MEETING OF UNITHOLDERS  
MANAGEMENT PROXY CIRCULAR



# MANAGEMENT PROXY CIRCULAR

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March 14, 2014

**Dear Fellow Unitholder,**

It is my pleasure to invite you to our first Annual Meeting of Unitholders, which will be held on Friday, April 25, 2014, at 11:00 a.m. (local time) at the St. Andrew's Club & Conference Centre, St. Andrew's Hall, 150 King Street West, 27th Floor, Toronto, Ontario, Canada.

The Notice of Annual Meeting of Unitholders and related materials are enclosed.

This Management Proxy Circular describes the business to be conducted at the meeting and other important matters. The Circular contains information on our governance practices and our approach to executive compensation. It is important that you exercise your vote, either in person at the meeting or by completing and sending in your proxy form. Please read the enclosed materials as they contain relevant information for voting on the business to be conducted at the meeting.

We hope you will be able to join us in person or through our webcast, which will be available live at the Investor Relations section of our website at [www.choicereit.ca](http://www.choicereit.ca). This meeting is an opportunity to meet, listen to and ask questions of the people who are responsible for the performance of Choice Properties Real Estate Investment Trust. The webcast of the meeting will be archived on our website following the meeting.

We look forward to seeing you at the meeting.

Yours very truly,

A handwritten signature in black ink, appearing to read 'Galen G. Weston'.

**Galen G. Weston**  
*Chairman*



## NOTICE OF ANNUAL MEETING OF UNITHOLDERS

**NOTICE IS HEREBY GIVEN** that the Annual Meeting of Unitholders of Choice Properties Real Estate Investment Trust ("Choice Properties" or the "Trust") will be held at the St. Andrew's Club & Conference Centre, St. Andrew's Hall, 150 King Street West, 27th Floor, Toronto, Ontario, Canada, on Friday, April 25, 2014, at 11:00 a.m. (local time).

### Meeting Business

The meeting will be held for the following purposes:

- A. to receive the audited consolidated financial statements of the Trust for the operating year ended December 31, 2013, and the external auditors' report thereon;
- B. to elect members of the Board of Trustees of Choice Properties (see "Business to be Transacted at the Meeting – Nominees for Election to the Board of Trustees");
- C. to appoint the external auditors and to authorize the trustees to fix the external auditors' remuneration (see "Business to be Transacted at the Meeting – Appointment of External Auditors"); and
- D. to transact such other business as may properly be brought before the Annual Meeting or any adjournment or postponement thereof.

### Record Date

Only unitholders of record at the close of business on March 14, 2014 are entitled to receive notice of the meeting.

### Notice-and-Access

Choice Properties is using the "notice-and-access" procedure adopted by the Canadian Securities Administrators for the delivery of the Management Proxy Circular (the "Circular") and the Trust's annual report for the 2013 operating year, which includes management's discussion and analysis and annual audited consolidated financial statements of the Trust for the operating year ended December 31, 2013 (collectively, the "Meeting Materials"). Under the notice-and-access procedure, you are still entitled to receive a voting instruction form enabling you to vote at the meeting. However, instead of paper copies of the Meeting Materials, you are receiving this Notice which contains information about how to access the Meeting Materials electronically. The principal benefit of the notice-and-access procedure is that it reduces the environmental impact of producing and distributing paper copies of documents in large quantities.

The Circular and form of proxy (or voting instruction form) for the units of the Trust (the "Units") and the special voting units of the Trust issued in connection with the class B limited partnership units of Choice Properties Limited Partnership (the "Special Voting Units" and, together with the Units, the "Voting Units") provide additional information concerning the matters to be dealt with at the meeting. **You should access and review all information contained in the Circular before voting.**

Unitholders with questions about the notice-and-access procedures can call Broadridge Financial Services ("Broadridge") toll free at 1-855-887-2244.

## **Websites Where Meeting Materials are Posted**

The Meeting Materials can be viewed online on Choice Properties' website, [www.choicereit.ca](http://www.choicereit.ca), or under Choice Properties' SEDAR profile at [www.sedar.com](http://www.sedar.com).

## **Beneficial and Registered Unitholders**

If you would like paper copies of the Meeting Materials, you should first determine whether you are (i) a beneficial holder of the Voting Units, as are most of the Trust's unitholders; or (ii) a registered holder of Voting Units.

- You are a beneficial unitholder (also known as a non-registered unitholder) if you own Voting Units indirectly and your Voting Units are registered in the name of a bank, trust company, broker or other intermediary. For example, you are a beneficial unitholder if your Voting Units are held in a brokerage account of any type.
- You are a registered unitholder if you hold a paper unit certificate or certificates and your name appears directly on the unit certificate(s).

## **How to Obtain Paper Copies of the Meeting Materials**

All Voting Unitholders may request that paper copies of the Meeting Materials be mailed to them at no cost for up to one year from the date that the Circular was filed on SEDAR.

If you are a non-registered Voting Unitholder, requests may be made by going to [www.proxyvote.com](http://www.proxyvote.com) and entering the 12-digit control number located on your voting instruction form and following the instructions provided. Alternatively, you may submit a request by calling Broadridge at 1-877-907-7643. Requests should be received by April 16, 2014 (i.e., at least seven business days in advance of the date and time set out in your voting instruction form as the voting deadline) if you would like to receive the Meeting Materials in advance of the voting deadline and meeting date.

If you hold a paper unit certificate or certificates and your name appears directly on the unit certificate(s), then requests may be made by calling CST Trust Company ("CST") at 1-888-433-6443 or emailing [fulfilment@canstockta.com](mailto:fulfilment@canstockta.com). Requests should be received by April 16, 2014 (i.e., at least seven business days in advance of the date and time set out in your proxy form as the voting deadline) if you would like to receive the Meeting Materials in advance of the voting deadline and meeting date.

## **Voting**

Beneficial unitholders should exercise their right to vote by completing, signing and returning the voting instruction form in accordance with the directions on the form. Voting instruction forms will be provided by Broadridge or your intermediary. Broadridge permits the completion of the voting instruction form using the following options:

INTERNET: [www.proxyvote.com](http://www.proxyvote.com)  
TELEPHONE: 1-800-474-7493 (English) or 1-800-474-7501 (French)  
FACSIMILE: 905-507-7793  
MAIL: Data Processing Centre, P.O. Box 2800, Stn. LCD Malton, Mississauga, Ontario L5T 2T7

Broadridge must receive voting instructions at least one business day in advance of the proxy deposit date noted on your voting instruction form. If a beneficial unitholder wishes to attend and vote at the meeting in person (or have another person attend and vote on such unitholder's behalf), he or she must complete the voting instruction form in accordance with the directions provided.

Registered unitholders who are unable to be present at the meeting should exercise their right to vote by signing and returning the form of proxy in accordance with the directions on the form. CST must receive completed proxies not later than 5:00 p.m. (local time) on April 23, 2014 or, if the meeting is adjourned or postponed, 48 hours (excluding Saturdays, Sundays and statutory holidays) before any adjourned or postponed meeting.

By Order of the Board of Trustees,

A handwritten signature in cursive script, appearing to read "Pina Alberelli".

Pina Alberelli  
Secretary

March 14, 2014  
Toronto, Ontario

# VOTING INFORMATION

## ABOUT THIS CIRCULAR AND RELATED PROXY MATERIALS

We are providing you with this Management Proxy Circular (the “Circular”) and other proxy materials in connection with the 2014 Annual Meeting of Unitholders (the “Meeting”) of Choice Properties Real Estate Investment Trust (“Choice Properties” or the “Trust”) to be held on Friday, April 25, 2014, at 11:00 a.m. (local time) at the St. Andrew’s Club & Conference Centre, St. Andrew’s Hall, 150 King Street West, 27<sup>th</sup> Floor, Toronto, Ontario, Canada.

This Circular describes the items to be voted on at the Meeting as well as the voting process, and provides information about trustee and executive compensation, our governance practices and other relevant matters.

Please see the “Questions and Answers on the Voting Process” section below for an explanation of how you can vote on the matters to be considered at the Meeting, whether or not you decide to attend the Meeting.

Unless otherwise indicated, the information contained in this Circular is given as of March 14, 2014 and all dollar amounts used are in Canadian dollars.

## NOTICE AND ACCESS

Choice Properties is using the notice and access procedure that allows Choice Properties to furnish proxy materials over the internet instead of mailing paper copies to unitholders. Under the notice and access procedure, Choice Properties will deliver proxy-related materials by: (i) posting the Circular (and other proxy related materials) on a website other than SEDAR, in this case [www.choicereit.ca](http://www.choicereit.ca); and (ii) sending the Notice informing holders of units of Choice Properties (the “Units”) and holders of the special voting units of Choice Properties issued in connection with the class B limited partnership units of Choice Properties Limited Partnership (the “Special Voting Units”, and together, the Units and the Special Voting Units are the “Voting Units” and the holders of the Voting Units are the “Voting Unitholders”) that the Circular and proxy related materials have been posted on the Trust’s website and explaining how to access them.

On or about March 14, 2014, Choice Properties will send to Voting Unitholders the Notice and the relevant voting document (a form of proxy or voting instruction form). The Notice contains basic information about the Meeting and the matters to be voted on, instructions on how to access the proxy materials, and explains how to obtain a paper copy of the Circular.

## QUESTIONS AND ANSWERS ON THE VOTING PROCESS

### Q: What items of business am I voting on?

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A: You will be voting on:

- the election of trustees; and
- the appointment of the external auditors and authorization of the trustees to fix the external auditors’ remuneration.

### Q: Am I entitled to vote?

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A: You are entitled to vote if you were a Voting Unitholder of Choice Properties as at the close of business on March 14, 2014, which is the record date of the Meeting. As at March 14, 2014, Choice Properties had 87,840,700 Units outstanding and 284,074,754 Special Voting Units outstanding, each carrying the right to one vote per Unit or Special Voting Unit, as the case may be. Special Voting Units are issued only in connection with or in relation to class B limited partnership units of Choice Properties Limited Partnership (“Class B LP Units”) for the purpose of providing voting rights with respect to Choice Properties to the holders of such exchangeable securities. The Class B LP Units are, in all material respects, economically equivalent to the Units on a per Unit basis. All of the outstanding Special Voting Units are held by Loblaw Companies Limited and its subsidiaries (“Loblaw”).

**Q: How do I vote?**

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**A:** How you vote depends on whether you are a registered or a non-registered Voting Unitholder. Please read the voting instructions below that are applicable to you.

**Q: Am I a registered Voting Unitholder?**

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**A:** You are a registered Voting Unitholder if you hold Units or Special Voting Units in your own name and you have a unit certificate. As a registered Voting Unitholder, you are identified on the unit register maintained by Choice Properties' registrar and transfer agent, CST Trust Company ("CST"), as being a Voting Unitholder.

**Q: Am I a non-registered Voting Unitholder?**

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**A:** Most Voting Unitholders are non-registered Voting Unitholders. You are a non-registered Voting Unitholder if your Units are held in an account in the name of an intermediary, such as a bank, broker or trust company. As a non-registered Voting Unitholder, you do not have a unit certificate registered in your name, but your ownership interest in Units is recorded in an electronic system. As such, you are not identified on the unit register maintained by CST as being a Voting Unitholder. Instead, Choice Properties' unit register shows the holder of your Units as being the intermediary or depository through which you own your Units.

**Q: How do I vote if I am a registered Voting Unitholder?**

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**A:** If you are a registered Voting Unitholder, you may vote your Units or Special Voting Units at the Meeting or by proxy.

**1. Voting at the Meeting**

If you wish to vote your Units or Special Voting Units in person at the Meeting, do not complete or return the form of proxy sent to you. Your vote will be taken and counted at the Meeting. Please register with CST upon arrival at the Meeting.

**2. Voting by proxy**

You can vote by proxy whether or not you attend the Meeting. To vote by proxy, please complete the enclosed form of proxy and return it by any of the following means:

- by mail to CST at the address listed below;
- by hand or by courier to the address listed below; or

You may authorize the management representatives named in the enclosed proxy form to vote your Voting Units, or **you may appoint another person or company to be your proxyholder**. The names already inserted on the form of proxy are Galen G. Weston, Chairman and Pina Alberelli, Secretary, of Choice Properties. Unless you choose another person or company to be your proxyholder, you are giving these persons the authority to vote your Voting Units at the Meeting.

To appoint another person or company to be your proxyholder, you must insert the other person's or company's name in the blank space provided. That person or company must be present at the Meeting to vote your Voting Units. If you do not insert a name in the blank space, the management representatives named above are appointed to act as your proxyholder. You may also use a different form of proxy than the one included with the materials sent to you.

Please note that in order for your vote to be recorded, your proxy must be received by CST at Proxy Department, P.O. Box 721, Agincourt, ON M1S 0A1 no later than 5:00 p.m. (local time) on April 23, 2014, or two business days before any adjournment of the Meeting.



## Q: How will my Voting Units be voted?

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**A:** On the form of proxy, you can indicate how you want your proxyholder to vote your Voting Units or you can let your proxyholder decide for you. If you have specified on the form of proxy how you want your Voting Units to be voted on a particular issue (by marking FOR or WITHHOLD), then your proxyholder must vote your Voting Units accordingly. If you have not specified on the form of proxy how you want your Voting Units to be voted on a particular issue, then your proxyholder can vote your Voting Units as they see fit.

**Unless contrary instructions are provided, Voting Units represented by proxies appointing management as the proxyholder will be voted:**

- **FOR the election of the trustees; and**
- **FOR the re-appointment of KPMG LLP as the external auditors of Choice Properties and the authorization of the trustees to fix the external auditors' remuneration.**

## Q: What if my Voting Units are registered in more than one name or in the name of a company?

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**A:** If the Voting Units are registered in more than one name, all registered persons must sign the form of proxy. If the Voting Units are registered in a company's name or any name other than your own, you must provide documents showing your authorization to sign the form of proxy for that company or name.

## Q: How do I vote if I am a non-registered Voting Unitholder?

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**A:** In accordance with applicable Canadian securities laws, Choice Properties has distributed copies of the Notice and the voting instruction form to the clearing agencies and intermediaries for onward distribution to non-registered Voting Unitholders. If you are a non-registered Voting Unitholder, you may vote your Units in one of the following ways:

### 1. Through your intermediary

A voting instruction form should be included with the Notice sent to you. The purpose of this form is to instruct your intermediary on how to vote on your behalf. Please follow the instructions provided on the voting instruction form.

### 2. Attend the Meeting

If you wish to vote your Units in person at the Meeting, you should take these steps:

- Insert your name in the space provided on the voting instruction form provided by your intermediary and sign and return it in accordance with the instructions provided. By doing so, you are instructing your intermediary to appoint you as proxyholder.
- Please register with CST upon arrival at the Meeting.

### 3. Designate another person to be appointed as your proxyholder

You can choose another person (including someone who is not a Voting Unitholder) to vote for you as a proxyholder. If you appoint someone else, he or she must be present at the Meeting to vote for you. If you wish to appoint a proxyholder, you should insert that person's name in the space provided on the voting instruction form provided to you by your intermediary and sign and return it in accordance with the instructions provided. By doing so, you are instructing your intermediary to appoint that person as proxyholder. When your proxyholder arrives at the Meeting, he or she should register with CST upon arrival at the Meeting.

You should know that there are two types of non-registered unitholders – those who do not object to their name being made known to the Trust (called "Non-Objecting Beneficial Owners") and those who object (called "Objecting Beneficial Owners"). More specific instructions have been set out below for each type of non-registered unitholder.

#### **Non-Objecting Beneficial Owners**

If you are a Non-Objecting Beneficial Owner, you will receive the Notice and the voting instruction form from Broadridge or your intermediary. You may attend the Meeting and vote in person or you may appoint another person to represent you as a proxyholder to vote your Units at the Meeting. To vote in person at the Meeting or to have another person represent you as a proxyholder at the Meeting, please follow the instructions provided on the voting instruction form. You are encouraged to complete and return the voting instruction form to ensure that your vote is counted should your plans to attend change. Please register with CST upon arrival at the Meeting.

### **Objecting Beneficial Owners**

Objecting Beneficial Owners can exercise their rights as beneficial owners of Units only through CDS Clearing and Depository Services Inc. ("CDS") or a participant in the CDS depository service. That means that in order for Objecting Beneficial Owners to exercise their right to vote their Voting Units at the Meeting, they must carefully review and follow the voting instructions provided by their broker or other intermediary.

Voting Units held by brokers or their nominees for an Objecting Beneficial Owner can be voted or otherwise represented only upon the instructions of the Objecting Beneficial Owner. Without specific instructions, the broker or intermediary is prohibited from voting or otherwise representing Voting Units for their clients. Applicable regulatory policy requires a broker or intermediary to seek voting instructions from Objecting Beneficial Owners in advance of securityholder meetings. Every broker or intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by Objecting Beneficial Owners to ensure that their Voting Units are voted or otherwise represented at the Meeting. Often, the form of proxy supplied to an Objecting Beneficial Owner by its broker or intermediary is identical to the form of proxy provided to registered Voting Unitholders. However, its purpose is limited to instructing the broker or intermediary on how to vote on behalf of or otherwise represent the Objecting Beneficial Owner.

Choice Properties will pay for your broker or intermediary to forward to Objecting Beneficial Owners the Notice and voting instructing form.

The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge. Broadridge typically applies a special sticker to the proxy forms, mails those forms to the Objecting Beneficial Owners and asks Objecting Beneficial Owners to return the completed proxy forms to Broadridge. Broadridge will tabulate the results of all instructions respecting the Voting Units to be represented at the Meeting. Objecting Beneficial Owners receiving a proxy with a Broadridge sticker on it cannot use that proxy to vote or otherwise represent Voting Units in person at the Meeting as the proxy must be returned as directed to Broadridge well in advance of the Meeting in order to have their Voting Units voted or otherwise represented. Accordingly, it is strongly suggested that Objecting Beneficial Owners return their completed proxies as directed by Broadridge well in advance of the Meeting.

An Objecting Beneficial Owner who receives a form of proxy or a voting instruction form and wishes to vote in person at the Meeting should strike out the names of the persons designated in the form of proxy and insert the Objecting Beneficial Owner's name in the blank space provided or, in the case of a voting instruction form, follow the corresponding directions on the form. In either case, Objecting Beneficial Owners should carefully follow the instructions of their broker or intermediary, including those regarding when and where the proxy or proxy authorization form is to be delivered. If you are an Objecting Beneficial Owner and wish to vote in person at the Meeting, we recommend that you contact your broker or intermediary well in advance of the Meeting to confirm how you can do so.

### **Q: Can I revoke my proxy or voting instruction?**

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**A:** If you are a **registered Voting Unitholder**, you may revoke your proxy by taking one of the following steps:

- you may submit a new proxy to CST before 5:00 p.m. (local time) on April 23, 2014, or two business days before any adjournment of the Meeting;
- you (or your attorney, if authorized in writing) may sign a written notice of revocation addressed to the Secretary of Choice Properties and deposited at the registered office of CST at any time up to and including the last business day preceding the day of the Meeting or any adjournment of the Meeting, at which the proxy is to be used; or
- you (or your attorney, if authorized in writing) may sign a written notice of revocation and deliver it to the Chair of the Meeting on the day of the Meeting, or any adjournment of the Meeting, at which the proxy is to be used.

If you are a **non-registered Voting Unitholder**, you should contact your intermediary through which you hold Units and obtain instructions regarding the procedure for the revocation of any voting or proxyholder instructions that you have previously provided to your intermediary.

**Q: What if there are amendments or if other matters are brought before the Meeting?**

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**A:** Your proxyholder has discretionary authority to vote in respect of amendments that are made to matters identified in the Notice and other matters that may properly come before the Meeting or any adjournment of the Meeting. As of the date of this Circular, management of the Trust is not aware of any such amendments or other matters to be presented at the Meeting; however, if any such matter is presented, your Voting Units will be voted in accordance with the best judgment of the proxyholder named in the form. If you have not specifically appointed a person as proxyholder, a management representative named in the enclosed proxy form will be your proxyholder, and your Voting Units will be voted in accordance with the best judgment of the management representative.

**GENERAL INFORMATION****Q: How many Voting Units are entitled to be voted?**

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**A:** The board of trustees of Choice Properties (the “Board” or “Board of Trustees”) has fixed March 14, 2014 as the record date for the purpose of determining which Voting Unitholders are entitled to vote at the Meeting. On March 14, 2014, there were 87,840,700 Units and 284,074,754 Special Voting Units outstanding. Each Unit and Special Voting Unit is entitled to one vote on each matter to be voted upon at the Meeting.

**Q: Who counts the vote?**

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**A:** For any matter for which a vote is taken at the Meeting by ballot, the votes, including those cast by way of proxies, will be counted by the scrutineers appointed at the Meeting. Representatives of CST will act as scrutineers at the Meeting.

**Q: Who is soliciting my proxy?**

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**A:** Management of the Trust is soliciting your proxy. Proxies will be solicited primarily by mail, but employees and agents of the Trust may also use electronic means. Intermediaries will be reimbursed for their reasonable charges and expenses in forwarding the Notice and voting instruction form to non-registered Voting Unitholders. The Trust will bear the cost of all proxy solicitations on behalf of management of the Trust.

**Q: Who do I contact if I have questions?**

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**A:** If you have any questions, you may call CST at 1-800-387-0825 for further information.

**UNIT CAPITAL AND PRINCIPAL UNITHOLDER**

As of March 14, 2014, there were 87,840,700 Units outstanding. Loblaw beneficially owned, directly and indirectly, 21,500,000 Units and 284,074,754 Special Voting Units, representing an 82.16% effective interest in the Trust. In addition, George Weston Limited (“Weston”), the parent of Loblaw, through its subsidiaries other than Loblaw, held a total of 20,320,979 Units, representing a 5.46% effective interest in the Trust.

As of March 14, 2014, Weston beneficially owned, directly and indirectly, a total of 177,299,889 Loblaw common shares, representing approximately 62.74% of Loblaw’s outstanding common shares. As of March 14, 2014, Mr. W. Galen Weston also beneficially owned 3,753,789 Loblaw common shares, representing approximately 1.33% of Loblaw’s outstanding common shares.

As of March 14, 2014, Mr. W. Galen Weston beneficially owned, directly and indirectly through companies which he controls, including Wittington Investments, Limited (“Wittington”), a total of 80,724,599 Weston common shares, representing approximately 63.12% of Weston’s outstanding common shares.

To the knowledge of the Trust, no other person beneficially owns, directly or indirectly, or exercises control or direction over, 10% or more of the outstanding Units or Special Voting Units.

# BUSINESS TO BE TRANSACTED AT THE MEETING

The following business will be transacted at the Meeting:

## **1. RECEIVING THE FINANCIAL STATEMENTS**

- Management will present the annual consolidated financial results at the Meeting and Voting Unitholders and proxyholders will be given an opportunity to discuss these results with management.

## **2. ELECTION OF THE BOARD OF TRUSTEES**

- Nine trustee nominees are proposed for election to the Board. Voting Unitholders and proxyholders may vote on the election of the trustees.

## **3. APPOINTMENT OF THE EXTERNAL AUDITORS**

- The Board recommends the re-appointment of KPMG LLP as the Trust's external auditors. Voting Unitholders and proxyholders may vote on the re-appointment of the external auditors and the authorization of the Board to fix such auditors' compensation.

## **RECEIVING THE FINANCIAL STATEMENTS**

Choice Properties' annual consolidated financial statements and management's discussion and analysis for the operating year ended December 31, 2013 and the external auditors' report thereon will be placed before the Voting Unitholders at the Meeting. These documents are included in Choice Properties' 2013 Annual Report. Copies of the 2013 Annual Report in English or French may be obtained from the Secretary of Choice Properties upon request and will be available at the Meeting. The 2013 Annual Report in English or French is also available on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Trust's website at [www.choicereit.ca](http://www.choicereit.ca).

## **ELECTION OF THE BOARD OF TRUSTEES**

### ***Introduction***

The Board, directly and through its committees, supervises and oversees the management of the business and affairs of the Trust. The Board has two standing committees: the Audit Committee; and the Governance, Compensation and Nominating Committee (the "Governance Committee").

### ***Board Responsibilities and Duties***

The Board reviews the Trust's strategic direction, assigns responsibility to management for the achievement of that direction, approves major policy decisions and significant transactions, delegates to management the authority and responsibility in managing day-to-day affairs and reviews management's performance and effectiveness. The Board's expectations of management are communicated to them directly and through committees of the Board. The Board approves the Trust's goals, objectives, operating budgets and strategies, which take into account the opportunities and risks of the business. The Board also regularly receives reports on the operating and financial results of the Trust and enterprise risk management ("ERM") matters, as well as reports on certain non-operational matters, including treasury, insurance, environmental, corporate governance and legal matters. Risk identification and assessment are important elements of the Trust's ERM framework. An annual ERM assessment will be completed to assist in the identification of significant internal and external risks, which are both strategic and operational in nature. Key risks affecting the Trust have been prioritized under four categories: financial; operational; regulatory; and compliance risks. The annual ERM assessment will be carried out through interviews, surveys and facilitated workshops with management and the Board. Risks will be assessed and evaluated based on the Trust's vulnerability to the risk and the potential impact that the underlying risks would have on the Trust's ability to execute its strategies and achieve its objectives. Risk owners will be assigned relevant risks and key risk indicators are developed. At least semi-annually, management will provide an update to the Audit Committee on the status of the top risks based on significant changes from the prior update, anticipated impacts in future quarters and significant changes in key risk indicators. In addition, the long term risk level will be assessed to monitor potential long term risk impacts, which may assist in risk mitigation planning activities. Accountability for oversight of the management of each risk is allocated by the Board either to the full Board or to a committee of the Board.

The Board, through the Governance Committee, also closely monitors any potential conflicts of interest between the Trust and its affiliates, including Loblaw and Weston, and reviews and approves any material related party transactions. The Governance Committee worked with management to ensure that a robust process is followed in reviewing and approving related party transactions. This is particularly relevant for Choice Properties as Loblaw is the Trust’s largest tenant, lender and its controlling unitholder. Choice Properties has considered the relevant legal and governance considerations associated with related party transactions and has implemented a sound governance framework to address them when they arise. A copy of the Board’s mandate is attached as Schedule “A” to this Circular.

**Position on Majority Voting**

A majority voting policy generally requires that any nominee for trustee of a public issuer who receives a greater number of votes “withheld” than “for” his or her election must tender his or her resignation for consideration by the Board. The Toronto Stock Exchange (“TSX”) Company Manual currently requires all public issuers to disclose whether they have adopted a majority voting policy and, if not, to explain their rationale for not adopting majority voting. The TSX recently amended the Company Manual to mandate that effective June 30, 2014, all public issuers, excluding controlled entities, will be required to adopt a majority voting policy.

The Trust is a “controlled entity” by virtue of Loblaw holding an approximate 82% effective interest in the Trust. Controlled entities have unique considerations in relation to corporate governance. This uniqueness and the prevalence of controlled entities in Canada have been noted by regulators, including market participants and organizations such as the Canadian Coalition for Good Governance, and most recently, the TSX in its above mentioned amendment to the Company Manual. In a controlled entity, the controlling unitholder has the ability to control the outcome of the election of trustees, making it virtually impossible that more votes for an individual trustee will be “withheld” than voted “for”. For this reason, the Board does not believe it is necessary to implement a majority voting policy. At the Meeting, the nominees will be voted on individually and in accordance with applicable Canadian securities legislation, the voting results for each nominee will be publicly disclosed. The Governance Committee will review and consider the voting results for each individual nominee.

**Trustee Nominees**

The Board has determined that the number of nominees proposed for election at the Meeting will be nine. The nominees proposed for election as trustees were recommended to the Board by the Governance Committee. The proposed nominees to the Board are listed below:


<b>Kerry D. Adams</b>	<b>Michelle Felman</b>	<b>Daniel F. Sullivan</b>
<b>Christie J.B. Clark</b>	<b>Michael P. Kitt</b>	<b>Paul R. Weiss</b>
<b>Graeme M. Eadie</b>	<b>John R. Morrison</b>	<b>Galen G. Weston</b>


All nominees have established their eligibility and willingness to serve as trustees. Seven of the nine nominees are independent. All nine nominees are currently trustees of the Trust. Management does not believe that any of the nominees will be unable to serve as a trustee, but if that should occur for any reason prior to the Meeting, the persons named in the accompanying form of proxy may vote for another nominee at their discretion. Each trustee shall hold office until the next annual meeting of unitholders or until the trustee resigns or a successor is elected or appointed.

The following pages provide information about the trustee nominees, including their background, experience, year first elected or appointed as a trustee, age, meeting attendance, boards on which they sit and the number of securities of the Trust held. The equity ownership of each trustee nominee in the Trust is current as of February 28, 2014 and consists of Unit and DUs holdings as indicated below.

The persons named in the accompanying form of proxy intend to vote **FOR** the election as trustees of the proposed nominees whose profiles are set forth in the following section.

**Nominees for Election to the Board of Trustees**

		<p><b>Kerry D. Adams<sup>(1)</sup></b> F.C.A., F.C.P.A., 61 Toronto, Ontario, Canada</p> <p><b>Trust Board Details:</b></p> <ul style="list-style-type: none"> <li>Trustee since 2013</li> <li>Independent</li> </ul>		<p>Ms. Adams serves as President of K. Adams &amp; Associates Limited. She is a member of the Bank of Nova Scotia's Master Trust and Pension Investment and Administration Committees.</p> <p>Ms. Adams is a Fellow Chartered Accountant and a Fellow Chartered Professional Accountant and holds a B.A. (Honours Economics) from Queen's University. Ms. Adams is an Institute-certified Director of the Institute of Corporate Directors.</p> <p>Ms. Adams serves as a member of Fidelity Investments Canada ULC's Independent Review Committee. In addition to her public board experience, Ms. Adams has served as a Commissioner and Director of the Ontario Securities Commission, and Chair of its Investor Education Fund and was a member of the board and governance committee of the Investment Industry Regulatory Organization of Canada. Ms. Adams has also served as Director of Walmart Canada Bank, President of Widcor Limited and Widcor Financial and was a Partner of KPMG Peat Marwick.</p>			
<b>Board/Committee Membership</b>		<b>Attendance</b>		<b>Attendance (Total)</b>		<b>Trustee Fees Received<sup>(2)</sup></b>	
Board		7/7		11/11		100%	
Audit Committee		2/2				2013	
Governance Committee		2/2				\$86,638	
<b>Equity Ownership</b>							
<b>Year</b>	<b>Units</b>	<b>DUs</b>	<b>Total Units and DUs</b>	<b>Total Market Value of Units and DUs<sup>(3)</sup></b>		<b>Minimum Equity Ownership</b>	<b>In Process / Meets Unit Ownership Guidelines</b>
2013	25,000	4,889	29,889	\$313,536		\$360,000	Yes <sup>(4)</sup>
<b>Current Public Board Memberships</b>				<b>Public Board Interlocks</b>			
				<b>Director</b>		<b>Board</b>	
—				—		—	
<b>Public Board Memberships During Last Five Years</b>							
Indigo Books & Music Inc.			2006 to 2009				
Primaris Real Estate Investment Trust			2007 to 2013				

		<p><b>Christie J.B. Clark<sup>(1)</sup></b> F.C.A., F.C.P.A., 60 Toronto, Ontario, Canada</p> <p><b>Trust Board Details:</b></p> <ul style="list-style-type: none"> <li>Trustee since 2013</li> <li>Independent</li> </ul>		<p>Mr. Clark, a corporate director, is a former Chief Executive Officer and senior partner of PricewaterhouseCoopers LLP. Prior to being elected as its Chief Executive Officer, Mr. Clark was a National Managing Partner and a member of the firm's Executive Committee from 2001 to 2006.</p> <p>Mr. Clark graduated from Queen's University with a B.Comm. and the University of Toronto with an M.B.A. He is a Fellow Chartered Accountant and a Fellow Chartered Professional Accountant.</p> <p>In addition to his public company board memberships listed below, Mr. Clark is Chair of the board of the Canadian Partnership Against Cancer Corporation, Chair of the Finance Committee of Alpine Canada and a member of the Advisory Council of Queen's University School of Business.</p>			
<b>Board/Committee Membership</b>		<b>Attendance</b>		<b>Attendance (Total)</b>		<b>Trustee Fees Received<sup>(2)</sup></b>	
Board		7/7		9/9		100%	
Governance Committee		2/2				2013	
						\$79,575	
<b>Equity Ownership</b>							
<b>Year</b>	<b>Units</b>	<b>DUs</b>	<b>Total Units and DUs</b>	<b>Total Market Value of Units and DUs<sup>(3)</sup></b>		<b>Minimum Equity Ownership</b>	<b>In Process / Meets Unit Ownership Guidelines</b>
2013	14,800	—	14,800	\$822,326 <sup>(5)</sup>		\$360,000	Yes
<b>Current Public Board Memberships</b>				<b>Public Board Interlocks</b>			
				<b>Director</b>		<b>Board</b>	
Loblaw Companies Limited			2011 to present				
Brookfield Office Properties Inc.			2012 to present				
IGM Financial Inc.			2012 to present				
Air Canada			2013 to present				
<b>Public Board Memberships During Last Five Years</b>							
—				—			



**Graeme M. Eadie<sup>(1)</sup>** 61

Toronto, Ontario, Canada

**Trust Board Details:**

- Trustee since 2013
- Independent

Mr. Eadie is the Senior Vice President, Head of Real Estate Investments for Canada Pension Plan Investment Board. Prior to joining the Canada Pension Plan Investment Board, Mr. Eadie held multiple positions at Cadillac Fairview, including Chief Financial Officer, Chief Operating Officer and President.

Mr. Eadie graduated from the University of British Columbia with a B.Comm. and Master of Science in Business Administration.

In addition to his public company board membership listed below, Mr. Eadie previously served as a trustee of Morguard Real Estate Investment Trust and was a Director of the Ontario Realty Corporation.

Board/Committee Membership		Attendance	Attendance (Total)		Trustee Fees Received <sup>(2)</sup>	
Board		7/7	9/9	100%	Year	Amount
Audit Committee		2/2			2013	\$80,188
Equity Ownership						
Year	Units	DUs	Total Units and DUs	Total Market Value of Units and DUs <sup>(3)</sup>	Minimum Equity Ownership	In Process / Meets Unit Ownership Guidelines
2013	10,000	—	10,000	\$104,900	\$360,000	Yes <sup>(4)</sup>
Current Public Board Memberships				Public Board Interlocks		
				Director	Board	
Alliance Shopping Centers S.A.			2013 to present	—	—	
Public Board Memberships During Last Five Years						
—				—		



**Michelle Felman<sup>(1)</sup>** 51

Westport, Connecticut, United States

**Trust Board Details:**

- Trustee since 2013
- Independent

Ms. Felman, a corporate director, is a former Executive Vice President, Acquisitions of Vornado Realty Trust. Prior to joining Vornado, Ms. Felman held the positions of Managing Director, Portfolio Acquisitions and Business Ventures and Managing Director, Business Development at GE Capital, Real Estate Division.

Ms. Felman graduated from the University of California, Berkeley with a B.A. (Honours) and from The Wharton School at the University of Pennsylvania with a M.B.A., where she is currently an adjunct professor.

Ms. Felman serves on the Executive Committee of The Zell-Lurie Center at the University of Pennsylvania, formerly served on the Fisher Center Policy Advisory Board at the University of California and was formerly a Trustee of Big Brothers Big Sisters of New York. Ms. Felman is also a former director of LNR Property LLC.

Board/Committee Membership		Attendance	Attendance (Total)		Trustee Fees Received <sup>(2)</sup>	
Board		7/7	9/9	100%	Year	Amount
Governance Committee		2/2			2013	\$79,575
Equity Ownership						
Year	Units	DUs	Total Units and DUs	Total Market Value of Units and DUs <sup>(3)</sup>	Minimum Equity Ownership	In Process / Meets Unit Ownership Guidelines
2013	25,000	5,838	30,838	\$323,491	\$360,000	Yes <sup>(4)</sup>
Current Public Board Memberships				Public Board Interlocks		
				Director	Board	
—			—	—	—	
Public Board Memberships During Last Five Years						
—				—		

**NOMINEES FOR ELECTION TO THE BOARD OF TRUSTEES**



**Michael P. Kitt<sup>(1)</sup>** 48

Toronto, Ontario, Canada

**Trust Board Details:**

- Trustee since 2013
- Independent

Mr. Kitt is Executive Vice President, Canada of Oxford Properties Group. Prior to joining Oxford Properties, Mr. Kitt held various senior roles at Cadillac Fairview, leading both its Investment and Development Groups.

Mr. Kitt graduated from the University of Manitoba with a B.Comm. and holds a Chartered Financial Analyst designation.

Mr. Kitt is a member of Building Owners and Managers Association of Canada's National Advisory Council.

Board/Committee Membership		Attendance	Attendance (Total)		Trustee Fees Received <sup>(2)</sup>	
Board		7/7	11/11	100%	<b>Year</b>	<b>Amount</b>
Audit Committee		2/2			2013	\$86,638
Governance Committee		2/2				
Equity Ownership						
Year	Units	DUs	Total Units and DUs	Total Market Value of Units and DUs <sup>(3)</sup>	Minimum Equity Ownership	In Process / Meets Unit Ownership Guidelines
2013	50,000	6,480	56,480	\$592,475	\$360,000	Yes
Current Public Board Memberships				Public Board Interlocks		
—				—		
Public Board Memberships During Last Five Years				Director	Board	
InnVest Real Estate Investment Trust				—	—	
InnVest Operations Trust						



**John R. Morrison<sup>(1)</sup>** 57

Toronto, Ontario, Canada

**Trust Board Details:**

- Trustee since 2013
- Non-Independent

Mr. Morrison is the President and Chief Executive Officer of the Trust. Prior to joining the Trust, Mr. Morrison was President and Chief Executive Officer of Primaris Real Estate Investment Trust. Prior to serving in that role, Mr. Morrison was President, Real Estate Management, at Oxford Properties Group. He is also former Vice Chairman of the Urban Land Institute Toronto District Council.

Mr. Morrison is on the Board of Trustees for the International Council of Shopping Centres and serves on the Executive Committee as Divisional Vice President for Canada.

Board/Committee Membership		Attendance	Attendance (Total)		Trustee Fees Received <sup>(2)</sup>	
Board		7/7	7/7	100%	<b>Year</b>	<b>Amount</b>
					2013	—
Equity Ownership						
Year	Units	DUs	Total Units and DUs	The value of Mr. Morrison's current eligible holdings is \$1,049,000. Mr. Morrison is in the process of satisfying the unit ownership level as set out under the Executive Unit Ownership Guidelines. For details relating to his equity-based unit ownership as an executive, please see the table on page 34.		
2013	100,000	—	100,000			
Current Public Board Memberships				Public Board Interlocks		
—				—		
Public Board Memberships During Last Five Years				Director	Board	
Primaris Real Estate Investment Trust				—	—	





**Daniel F. Sullivan<sup>(1)</sup>** 71

Toronto, Ontario, Canada

**Trust Board Details:**

- Trustee since 2013
- Independent
- Lead Trustee

Mr. Sullivan, a corporate director, held the position of Consul General for Canada in New York City from 2006 to 2011. Prior to Mr. Sullivan's appointment as Consul General for Canada, he spent a majority of his career in the financial services sector with a focus on real estate, including serving as Deputy Chairman of Scotia Capital Inc., the corporate and investment banking division of Scotiabank.

Mr. Sullivan graduated from Columbia University with a B.A. and a M.B.A. and also holds a M.B.A. from the University of Toronto.

In addition to his public company board memberships listed below, Mr. Sullivan is a director of the Ontario Teachers' Pension Plan and IMP Group International Inc. Mr. Sullivan is a former Chairman and director of The Toronto Stock Exchange and former Chairman of the Investment Dealers Association of Canada. Mr. Sullivan is also a former director of Allstream Inc., Cadillac Fairview Corporation, Camco Inc., Monarch Development Corporation and Schneider Corporation. Mr. Sullivan has served on advisory boards or committees of Canada Post Corporation, Canada Deposit Insurance Corporation, the Canadian Securities Administrators and the Ontario Securities Commission.

Board/Committee Membership		Attendance		Attendance (Total)		Trustee Fees Received <sup>(2)</sup>	
Board		7/7		9/9	100%	<b>Year</b>	<b>Amount</b>
Governance Committee (Chair)		2/2				2013	\$95,500
Equity Ownership							
Year	Units	DUs	Total Units and DUs	Total Market Value of Units and DUs <sup>(3)</sup>		Minimum Equity Ownership	In Process / Meets Unit Ownership Guidelines
2013	10,000	3,704	13,704	\$143,755		\$360,000	Yes <sup>(4)</sup>
Current Public Board Memberships				Public Board Interlocks			
Allied Properties Real Estate Investment Trust Crius Energy Trust				2004 to present 2012 to present		—	
				—		—	
Public Board Memberships During Last Five Years				—			



**Paul R. Weiss<sup>(1)</sup>** F.C.A., F.C.P.A., 66

Niagara-on-the-Lake, Ontario, Canada

**Trust Board Details:**

- Trustee since 2013
- Independent


Mr. Weiss, a corporate director, spent his career with KPMG LLP Canada serving as a member of the Management Committee and as a member of the International Global Audit Steering Group, and is also the former Managing Partner for KPMG LLP Canada's Canadian Audit Practice. Earlier in his career, Mr. Weiss was responsible for KPMG LLP Canada's real estate practice.

Mr. Weiss graduated from Carleton University with a B.Comm. and is a Fellow Chartered Accountant and a Fellow Chartered Professional Accountant.

In addition to his public board memberships listed below, Mr. Weiss is a director of Empire Life Insurance Company. Mr. Weiss is a former director of ING Bank of Canada. Mr. Weiss is past Chairman and director of Soulepper Theatre Company and past Chairman of Toronto Rehab Foundation.

Board/Committee Membership		Attendance		Attendance (Total)		Trustee Fees Received <sup>(2)</sup>	
Board		7/7		9/9	100%	<b>Year</b>	<b>Amount</b>
Audit Committee (Chair)		2/2				2013	\$89,375
Equity Ownership							
Year	Units	DUs	Total Units and DUs	Total Market Value of Units and DUs <sup>(3)</sup>		Minimum Equity Ownership	In Process / Meets Unit Ownership Guidelines
2013	5,000	4,549	9,549	\$100,169		\$360,000	Yes <sup>(4)</sup>
Current Public Board Memberships				Public Board Interlocks			
Bell Canada BCE Inc. Torstar Corporation				2009 to present 2009 to present 2009 to present		—	
				—		—	
Public Board Memberships During Last Five Years				—			

## NOMINEES FOR ELECTION TO THE BOARD OF TRUSTEES

		<b>Galen G. Weston<sup>(1)</sup></b> 41 Toronto, Ontario, Canada <b>Trust Board Details:</b> <ul style="list-style-type: none"> <li>Trustee since 2013</li> <li>Non-Independent</li> </ul>		Mr. Weston is Chair of the Board of the Trust and the Executive Chairman of Loblaw. He previously held several senior executive positions with Loblaw and its subsidiaries. Prior to joining Loblaw, he was an investment banking analyst for Salomon Brothers in the U.K.  Mr. Weston graduated from Harvard University with a B.A. and from Columbia University with a M.B.A.  In addition to his public board membership listed below, Mr. Weston is a director of Wittington Investments, Limited.			
<b>Board/Committee Membership</b>		<b>Attendance</b>		<b>Attendance (Total)</b>		<b>Trustee Fees Received<sup>(2)</sup></b>	
Board (Chair)		7/7		7/7	100%	<b>Year</b>	<b>Amount</b>
						2013	\$91,500
<b>Equity Ownership</b>							
<b>Year</b>	<b>Units</b>	<b>DUs</b>	<b>Total Units and DUs</b>	<b>Total Market Value of Units and DUs<sup>(3)</sup></b>		<b>Minimum Equity Ownership</b>	<b>In Process / Meets Unit Ownership Guidelines</b>
2013	50,000	6,727	56,727	\$595,066		\$360,000	Yes
<b>Current Public Board Memberships</b>				<b>Public Board Interlocks</b>			
Loblaw Companies Limited				2006 to present		Christie J.B. Clark	
<b>Public Board Memberships During Last Five Years</b>				<b>Board</b>			
—				Loblaw Companies Limited			

- (1) None of the trustees of Choice Properties, as at the date of this Circular, is or has been within the 10 years before the date of this Circular, (a) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued while the existing or proposed director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the existing or proposed director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, or (c) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. For the purposes of this paragraph, "order" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.
- No nominee has, within 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement or compromised with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the trustee, executive officer or shareholder.
- No nominee has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.
- (2) "Trustee Fees Received" includes compensation received as a trustee of the Trust. Mr. Morrison, who is a member of the Trust's management, does not receive any remuneration for his role as a trustee of the Trust.
- (3) "Total Market Value of Units and DUs" for non-management trustees is calculated for 2013 based on the closing price of the Units on the TSX on February 28, 2014, which was \$10.49.
- (4) Pursuant to the Unit Ownership Guidelines, the trustees have three more years to satisfy the minimum level of equity ownership required.
- (5) Mr. Clark holds 14,800 Units in the Trust and 14,600 Loblaw common shares indirectly through his spouse as permitted under the Trust's Unit Ownership Guidelines. The value of these holdings on February 28, 2014 was \$822,326 based on the February 28, 2014 closing price for the Units on the TSX which was \$10.49 and the closing price of the Loblaw common shares on the TSX which was \$45.69.

### Board and Committee Attendance

The following table provides a summary of each trustee's attendance at Board and committee meetings in 2013:

Name	Board (7 meetings)	Audit Committee (2 meetings)	Governance Committee (2 meetings)	Overall Attendance	
Kerry D. Adams	7/7	2/2	2/2	11/11	100%
Christie J.B. Clark	7/7	—	2/2	9/9	100%
Graeme M. Eadie	7/7	2/2	—	9/9	100%
Michelle Felman	7/7	—	2/2	9/9	100%
Michael P. Kitt	7/7	2/2	2/2	11/11	100%
John R. Morrison	7/7	—	—	7/7	100%
Daniel F. Sullivan	7/7	—	2/2	9/9	100%
Paul R. Weiss	7/7	2/2	—	9/9	100%
Galen G. Weston	7/7	—	—	7/7	100%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	

**TRUSTEE COMPENSATION**

The compensation of the members of the Board is designed to attract and retain committed and qualified trustees and to align their compensation with the long-term interests of the unitholders of the Trust. Trustee compensation is structured to compensate trustees appropriately for their time and effort in overseeing the effective management and operation of Choice Properties. The Board, through the Governance Committee, is responsible for reviewing and approving any changes to the trustees' compensation arrangements.

Mr. Morrison is the President and Chief Executive Officer of Choice Properties and does not receive any remuneration for his role as a trustee of the Trust. The details of his executive compensation are set out in the Compensation Discussion and Analysis.

**Trustee Compensation Review**

In 2013, the Governance Committee approved the compensation structure and amounts to be paid to the Trust's non-management trustees which was set referencing the compensation paid to the Weston and Loblaw directors and the compensation arrangements of board members at other real estate investment trusts ("REITs") and real estate companies listed in the below table. The Governance Committee did not engage or perform any formal benchmarking analysis of trustee compensation. Rather, board compensation at a select group of real estate entities was reviewed to confirm the appropriateness of the trustees' compensation, which would largely mirror the compensation structure and amounts paid to the Loblaw and Weston directors. As such, the Governance Committee did not identify a median or percentile as a target for the total compensation paid to the trustees.

Comparator Group		
H&R REIT	Crombie REIT	RioCan REIT
Boardwalk REIT	Calloway REIT	CREIT
First Capital Realty Inc.	Retrocom REIT	Morguard REIT
Partners REIT	Primaris REIT	

These compensation amounts are set forth in the following table:

Type of Fee	Amount (\$)
<b>Annual Fees</b>	
- Board Retainer cash	40,000 <sup>(1)</sup>
- Board Retainer Deferred Units ("DUs")	50,000
Total Board Retainer	90,000
<b>Chair and Committee Fees</b>	
Board Chair	30,000
Governance Committee Chair	30,000 <sup>(2)</sup>
Governance Committee member	4,000
Audit Committee Chair	20,000 <sup>(2)</sup>
Audit Committee member	5,000
<b>Attendance Fees</b>	
Board or committee meeting	2,000

(1) Trustees may elect to receive up to 100% of their fees in the form of DUs.

(2) Includes fee received as a committee member. The Chair of the Governance Committee is also the Lead Trustee.

**Trustee Compensation for 2013**

The following table sets out the compensation elements and total compensation earned by each non-management trustee in 2013 and the manner in which the compensation was paid:

Name	Fee Breakdown					Total Trustee Fees Earned (\$)	All Other Compensation (\$)	Allocation of Total Trustee Fees			
	Board Retainer (\$) <sup>(1)</sup>	Board & Committee Chair Retainers (\$) <sup>(2)</sup>	Committee Member Retainers (\$) <sup>(3)</sup>	Attendance Fees (\$) <sup>(4)</sup>	Total Compensation (\$)			Cash (\$)	DUs (\$) <sup>(5)</sup>	Allocation of Fees between Cash and DUs (%)	
Kerry D. Adams	55,125	–	5,513	26,000	86,638	–	86,638	37,138	49,500	57% DUs	
Christie J.B. Clark	55,125	–	2,450	22,000	79,575	–	79,575	79,575	–	0% DUs	
Graeme M. Eadie	55,125	–	3,063	22,000	80,188	–	80,188	80,188	–	0% DUs	
Michelle Felman	55,125	–	2,450	22,000	79,575	–	79,575	20,575	59,000	74% DUs	
Michael P. Kitt	55,125	–	5,513	26,000	86,638	–	86,638	21,138	65,500	76% DUs	
Daniel F. Sullivan	55,125	18,375	–	22,000	95,500	–	95,500	58,000	37,500	39% DUs	
Paul R. Weiss	55,125	12,250	–	22,000	89,375	–	89,375	43,375	46,000	52% DUs	
Galen G. Weston	55,125	18,375	–	18,000	91,500	–	91,500	23,500	68,000	74% DUs	
<b>Total (\$)</b>	<b>441,000</b>	<b>49,000</b>	<b>18,989</b>	<b>180,000</b>	<b>688,989</b>	<b>–</b>	<b>688,989</b>	<b>363,489</b>	<b>325,500</b>		

(1) The 2013 pro-rated Board Retainer was \$55,125 based on an effective commencement date of May 21, 2013.

(2) The 2013 pro-rated Board Chair and Governance Committee Chair Retainer was \$18,375 and the 2013 pro-rated Audit Committee Chair Retainer was \$12,250.

(3) The pro-rated Governance Committee Member Retainer was \$2,450, and the pro-rated Audit Committee Member Retainer was \$3,063.

(4) Each trustee received a \$2,000 fee for each Board or committee meeting attended. In 2013, the trustees also received \$4,000 in attendance fees for participating in two orientation sessions.

(5) Amounts reflect the grant date fair value of DUs based on the volume weighted average trading price of the Units on the TSX for the five trading days prior to the date of the grant in accordance with the DU Plan. As well, additional DUs were accumulated based on notional equivalents of distributions paid on Units throughout the year. These notional equivalents of distributions are not included in the table.

**Trustee Deferred Unit Plan**

A Deferred Unit (“DU”) is a right to receive an amount from the Trust equal to the value of one Unit. Trustees receive \$50,000 of their annual retainer in the form of DUs and have the option to receive up to 100% of all fees that are otherwise payable in cash in DUs pursuant to the Deferred Unit Plan (“DU Plan”). The number of DUs to be awarded to a trustee is equal to the value of the compensation that the trustee elects or is required to receive in the form of DUs divided by the volume-weighted average trading price of a Unit on the TSX for the five trading days prior to the date of the award (rounded down to the nearest whole DU). Trustees must complete an election form to receive DUs in lieu of the cash component of their fees no later than December 31 of the year preceding the applicable grant year. New trustees must complete the form within 30 days after their appointment to the Board. Elections are irrevocable for the year in respect of which they are made. DUs do not entitle a trustee to any voting or other unitholder rights.

Distribution equivalents in the form of additional DUs that are equal in value to distributions paid on Units are credited to the trustee’s account on each distribution payment date based on the number of DUs in such account on the distribution record date. The number of notional equivalents of distributions (rounded down to the nearest whole DU) are credited to the trustee’s account on the first business day following the applicable cash distribution payment date by multiplying the aggregate number of DUs held by the trustee on the relevant distribution record date by the amount of cash distributions paid on each Unit, and dividing the result by the volume-weighted average trading price of a Unit on the TSX for the five trading days prior to such record date.

The maximum number of Units issuable pursuant to the DU Plan at any time cannot exceed 4,075,000 Units. The aggregate number of Units issued to insiders of the Trust within any 12-month period, or issuable to insiders of the Trust at any time, under the DU Plan and any other security-based compensation arrangement of the Trust, may not exceed 10% of the total number of issued and outstanding Units of the Trust during such period or at such time, as applicable.

A trustee’s DUs vest immediately as at each applicable award date. DUs are non-transferable and non-assignable other than by operation of law. DUs will not be paid out until the trustee ceases to serve on the Board, thereby providing an equity stake in the Trust throughout the trustee’s term as a Board member. Following cessation of Board service, settlement of DUs will be made either in Units or in cash. Generally, a trustee may elect to defer this exercise until

December 15<sup>th</sup> of the calendar year following the date when he or she ceases to be a trustee. If the trustee (or the trustee’s beneficiary) fails to exercise by such date, they will be deemed to have elected to receive Units as of that date. In the event of any consolidation, subdivision or reclassification of the Units or any other relevant changes in the capital structure of the Trust, the number of outstanding DUs will be appropriately adjusted by the Governance Committee to ensure that such DUs represent a benefit substantially similar to the benefit they represented before such event.

The Governance Committee reviews and confirms the terms of the DU Plan from time to time and may, subject to applicable stock exchange rules, amend or suspend the DU Plan in whole or in part as well as terminate the DU Plan without prior notice as it deems appropriate; provided, however, that any amendment to the DU Plan that would: (a) result in any increase in the number of Units issuable under the DU Plan; (b) extend eligibility to participate in the DU Plan to persons other than non-employee trustees of Choice Properties; (c) permit awards other than DUs; (d) extend the term of DUs; (e) increase the insider participation limits; or (f) amend the amendment provision, will be subject to the approval of Voting Unitholders.

Without limitation, the Governance Committee may, without obtaining the approval of Voting Unitholders: (a) make minor changes of a “house-keeping” nature; (b) make amendments which are necessary or desirable to remove conflicts or inconsistencies in the DU Plan; (c) make amendments as necessary or desirable as a result of changes in tax laws; and (d) make a change to or the addition of any vesting provisions for DUs. Notwithstanding the foregoing, and subject to the terms of the DU Plan, no amendment may be made that may adversely affect the DUs previously granted under the DU Plan without the written consent of the affected trustee.

**Unit Ownership Guidelines**

Pursuant to the Unit Ownership Guidelines of the Trust, non-management trustees are expected to hold Units and/or DUs with a value of not less than four times the amount of the trustees’ annual retainer. Based on this multiple, the ownership requirement was \$360,000 in 2013. For purposes of the Guidelines, securities are valued at their market value. Trustees are expected to meet the required level of Unit ownership within four years of initially being elected or appointed to the Board.

The market value of the Units and DUs held by each trustee as at February 28, 2014 can be found under “Nominees for Election to the Board of Trustees” on pages 8 to 12. All trustees currently either meet the required level of unit ownership or are in the process of accumulating securities as required under the Guidelines. Management trustees are subject to the Executive Unit Ownership Guidelines described on pages 33 and 34.

**Outstanding Unit-Based Awards**

The following table sets forth the number and value of all Unit-based awards granted to non-management trustees that were outstanding as at December 31, 2013:

Name of Participant	Number of Units That Have Not Vested (#)	Market or Payout Value of Unit-Based Awards That Have Not Vested (\$)	Market or Payout Value of Vested Unit-Based Awards Not Paid Out or Distributed (\$) <sup>(1)</sup>
Kerry D. Adams	—	—	51,033
Christie J.B. Clark	—	—	—
Graeme M. Eadie	—	—	—
Michelle Felman	—	—	60,932
Michael P. Kitt	—	—	67,633
Daniel F. Sullivan	—	—	38,661
Paul R. Weiss	—	—	47,477
Galen G. Weston	—	—	70,210

(1) The value of outstanding DUs held by the trustees is based on the closing price of the Units on the TSX on December 31, 2013, which was \$10.52, multiplied by the number of outstanding DUs.

### Review of Trustees' Skills

Each year, the Board will assess the skills and experiences of each trustee. The information will be used to assess the Board's overall strengths. The trustees' 2013 skills matrix is set out below:

Skills	Adams	Clark	Eadie	Felman	Kitt	Morrison	Sullivan	Weiss	Weston
Real Estate Industry	✓	✓	✓	✓	✓	✓	✓	✓	✓
Executive Leadership	✓	✓	✓	✓	✓	✓	✓	✓	✓
Real Estate Construction, Planning and Development			✓	✓	✓	✓	✓		✓
Strategic Planning	✓	✓	✓	✓	✓	✓	✓	✓	✓
Accounting	✓	✓	✓		✓			✓	
Risk Management		✓	✓		✓	✓		✓	✓
HR / Compensation				✓	✓	✓	✓		✓
Finance/Capital Markets	✓	✓	✓	✓	✓	✓	✓	✓	✓
M&A	✓	✓		✓		✓	✓	✓	✓

Further information regarding this assessment process is more fully set out in the section "Statement of Governance Practices - Assessment of the Board and its Committees".

### APPOINTMENT OF THE EXTERNAL AUDITORS

#### Audit Committee

The Audit Committee is responsible for the review of the Trust's consolidated financial statements and recommending the appointment of the external auditors to the Board. It is also responsible for supporting the Board in overseeing the integrity of the Trust's financial reporting and internal control over financial reporting, disclosure controls, internal audit function and compliance with legal and regulatory requirements.

Responsibility for governance of the Trust's risk portfolio resides with the Board. The Board has delegated to the Audit Committee the role of reviewing the design, and assessing the effectiveness, of the ERM program. The Audit Committee also has responsibility for overseeing specific risks delegated to it by the Board and satisfying itself that management has taken appropriate actions to ensure the effective management of such risks.

The Audit Committee evaluates the qualifications, performance and independence of the external auditors and oversees procedures for the receipt, retention and follow-up of any complaints regarding the Trust's accounting, internal controls and auditing matters.

The Audit Committee also receives a report on any *de minimis* related party transactions approved by management, as part of the normal quarterly reporting process. Material related party transactions require the prior approval of the full Board.

The members of the Audit Committee are Messrs. Paul R. Weiss (Chair), Graeme M. Eadie, Michael P. Kitt and Ms. Kerry D. Adams. All members of the Audit Committee are independent and financially literate as required under applicable Canadian securities legislation.

#### Audit and Other Service Fees

KPMG LLP was appointed the independent external auditors of Choice Properties on July 3, 2013. The following table sets forth the aggregate fees billed for professional services rendered by KPMG LLP for the 2013 operating year:

	2013 \$
Audit fees <sup>(1)</sup>	624,750
Audit-related fees <sup>(2)</sup>	38,850
Tax-related fees	—
All other fees <sup>(3)</sup>	—
<b>Total Fees</b>	<b>\$663,600</b>

(1) Audit fees include fees for services related to the audit of the Trust's consolidated financial statements, review of quarterly reports, auditor involvement with offering documents including comfort letters, and the interpretation of accounting and financial reporting standards.

(2) Audit-related fees include fees for French translation services associated with the Trust's financial and regulatory filings.

(3) All other fees are for services related to legislative and/or regulatory compliance.

As part of the Trust's governance practices, the Audit Committee has adopted a policy prohibiting the external auditors from providing non-audit services to the Trust or its subsidiaries unless the services are approved in advance by the Audit Committee. The external auditors are required to report directly to the Audit Committee.

**Audit Committee Report**

The Audit Committee reviewed and discussed with management the Trust's annual consolidated financial statements and management's discussion and analysis for the operating year ended December 31, 2013 and the external auditors' report thereon. The Audit Committee recommended to the Board that the Trust's audited consolidated financial statements be approved and released on February 18, 2014.

The Audit Committee has concluded that KPMG LLP is independent from the Trust and from management and recommended to the Board that KPMG LLP be proposed for re-appointment as the external auditors of the Trust at the Meeting.

Throughout the year, the Chair of the Audit Committee met periodically with the external auditors, representatives of the internal audit services group and senior members of the Trust's financial reporting group.

In 2013, the Audit Committee reviewed and approved a report on internal control compliance for Choice Properties. The Audit Committee also approved Choice Properties' ERM framework, including its risk management processes, and Choice Properties' ERM Policy.

Respectfully submitted,

**Audit Committee**

Paul R. Weiss (Chair)

Kerry D. Adams

Graeme M. Eadie

Michael P. Kitt

**Appointment of the External Auditors**

The Board, on the recommendation of the Audit Committee, is proposing that KPMG LLP be re-appointed as the external auditors of the Trust until the next annual meeting of unitholders of Choice Properties and that the trustees be authorized to fix the external auditors' remuneration. The persons named in the accompanying form of proxy intend to vote **FOR** this proposal.

# GOVERNANCE

## GOVERNANCE COMMITTEE

### *Role of Governance Committee*

The Governance Committee is responsible for developing, maintaining and monitoring governance principles and practices consistent with high standards of governance. As part of its mandate, the Governance Committee, together with the Chairman, identifies and recommends candidates for nomination to the Board as trustees and reviews the composition of the Board committees. The Governance Committee monitors the orientation program for new trustees and oversees a process for assessing the performance of the Board and its committees as well as the performance of individual trustees. The Governance Committee is also responsible for overseeing the compensation of trustees and recommending any changes to trustee compensation arrangements. The Governance Committee oversees succession planning for the Trust's senior management positions and is responsible for overseeing the design and structure of the Trust's incentive programs and the individual compensation of the named executive officers (the "NEOs") identified on page 23.

The members of the Governance Committee are Messrs. Daniel F. Sullivan (Chair), Christie J.B. Clark and Michael P. Kitt and Mses. Kerry D. Adams and Michelle Felman. All members of the Governance Committee are independent trustees.

The trustees believe that the members of the Governance Committee individually and collectively have the requisite knowledge, skill and experience in governance and compensation matters, including human resource management, executive compensation matters and general business leadership, to fulfill the Governance Committee's mandate. All members of the Governance Committee have substantial knowledge and experience as current and former senior executives of large and complex organizations and as board members of other publicly traded entities, including real estate investment trusts.

The chart below sets out the relevant experience of each member of the Governance Committee. For additional information regarding each member of the Governance Committee, please see pages 8 through 12. For additional information regarding the activities of the Governance Committee, see the Governance Committee's Report to Unitholders on page 20, as well as the Trust's Statement of Governance Practices on pages 41 through 46.

### **Governance Committee Members - Skills Matrix**

Name of Member	Experience in Governance and Executive Compensation
<b>Kerry D. Adams</b>	<ul style="list-style-type: none"> <li>• Member of the Bank of Nova Scotia's Master Trust and Pension Investment and Administration Committees</li> <li>• Member of Fidelity Investments Canada ULC's Independent Review Committee</li> <li>• Public company board experience as former trustee of Primaris Real Estate Investment Trust and former director of Indigo Books &amp; Music Inc.</li> <li>• Former Chair of Primaris Real Estate Investment Trust's Governance Committee and former member of Investment Industry Regulatory Organization of Canada's Governance Committee</li> <li>• Knowledge of governance and executive compensation issues as a former Commissioner and director of the Ontario Securities Commission</li> <li>• Obtained the Institute of Corporate Directors ICD.D certificate</li> </ul>
<b>Christie J.B. Clark</b>	<ul style="list-style-type: none"> <li>• Governance and executive compensation experience as former Chief Executive Officer and senior partner of PricewaterhouseCoopers LLP</li> <li>• Public company board experience as director of Loblaw, Brookfield Office Properties Inc. IGM Financial Inc. and Air Canada</li> <li>• Governance Committee experience as former Chair of the Governance Committee of Alpine Canada and Chair of the Board of Canadian Partnership Against Cancer Corporation</li> </ul>
<b>Michelle Felman</b>	<ul style="list-style-type: none"> <li>• Experience in real estate industry governance and executive compensation matters as former Executive Vice President, Acquisitions of Vornado Realty Trust</li> <li>• Executive compensation and governance experience as a former director of LNR Property LLC.</li> </ul>



Name of Member	Experience in Governance and Executive Compensation
<b>Michael P. Kitt</b>	<ul style="list-style-type: none"> <li>• Experience in real estate industry governance and executive compensation matters as Executive Vice President, Canada at Oxford Properties Group and through various senior roles at Cadillac Fairview, leading both Investment and Development Groups</li> <li>• Public company board experience as former trustee of InnVest Real Estate Investment Trust</li> <li>• Governance Committee experience as a former member of InnVest Real Estate Investment Trust's Governance Committee</li> </ul>
<b>Daniel F. Sullivan</b>	<ul style="list-style-type: none"> <li>• Executive compensation and governance experience as former Deputy Chairman of Scotia Capital Inc., former Chairman of the Toronto Stock Exchange; and former Chairman of the Investment Dealers Association of Canada</li> <li>• Considerable experience in executive compensation and governance matters as a current director of the Ontario Teachers' Pension Plan, IMP Group International Inc., Crius Energy Trust and Allied Properties Real Estate Investment Trust</li> <li>• Former director of Allstream Inc., Cadillac Fairview Corporation, Camco Inc., Monarch Development Corporation and Schneider Corporation</li> </ul>

**GOVERNANCE COMMITTEE REPORT TO UNITHOLDERS****Dear Unitholder:**

This report provides a brief overview of our Committee's compensation philosophy and our approach to certain other governance matters at Choice Properties. This year, all of our trustees participated in meetings and discussions designed to establish the governance framework and processes at Choice Properties prior to our initial public offering ("IPO") on July 5, 2013. At these meetings, we engaged with management on a number of topics including trustee and executive compensation design, board tenure, succession planning and other governance issues currently facing Choice Properties and other public issuers.

**EXECUTIVE COMPENSATION PHILOSOPHY**

A core responsibility of the Governance Committee is to review and approve the Trust's compensation philosophy and programs for executive officers, including its NEOs. Upon the creation of Choice Properties and before the IPO, the Governance Committee worked with management to develop Choice Properties' executive compensation program in accordance with the Committee's general philosophy, which is described below.

**We believe that the compensation structure must be designed to continue to attract, retain and motivate the best candidates for the challenging roles that Choice Properties' executive officers fulfill.** To this end, we will ensure that our executive compensation programs are competitive with market and industry practices to enable Choice Properties to attract, retain and motivate executives with the talent and experience to ensure that the Trust meets its strategic and operational objectives.

**Pay for performance is a cornerstone of Choice Properties' compensation philosophy.** A significant portion of executive compensation should be in the form of at-risk pay. This creates a performance-based culture that rewards individual and team-based contributions to the achievement of the Trust's strategic and operational objectives. These objectives will be achieved through the design of our short and long-term incentive plans ("STIP" and "LTIP", respectively). The Trust's 2013 STIP and LTIP plans include a number of performance measures including Unit price appreciation, net operating income, funds from operations per Voting Unit, strategic growth, and general and administrative ("G&A") expense management. These metrics are the key drivers of the Trust's business and will focus executives on Choice Properties' operating financial goals.

**Executive compensation should align with the long-term interests of Unitholders.** Choice Properties has structured its executive compensation program to align the interests of executives with unitholder interests, with a significant portion of executive compensation taking the form of long-term equity-based awards. In addition, executives are subject to Unit Ownership Guidelines.

**HIGHLIGHTS OF 2013 NEO COMPENSATION****Executive Compensation Mix**

We developed NEO compensation to be comprised principally of base salary, short-term cash incentives and long-term incentives. We implemented compensation programs to provide an appropriate balance of risk and reward in relation to Choice Properties' overall business strategies. The metrics of the short and long-term incentives align with Choice Properties' strategic objectives and are the drivers of maximizing Unitholder value. These metrics are also designed to focus senior executives on the achievement of long-term strategic objectives in addition to meeting the short-term business and financial objectives contained in Choice Properties' annual business plan.

**Executive Unit Ownership Guidelines**

We believe that the Unit Ownership Guidelines are an important tool in aligning executive interests with those of Unitholders. The Guidelines require executives to develop a significant equity stake in the business. Units and the in-the-money value of vested Unit options are the only eligible securities that count towards an executive's target Unit ownership level. The Unit Ownership Guidelines apply to all executives at Choice Properties.

**RELATED PARTY TRANSACTIONS**

We worked with management to ensure that a robust process is adhered to for reviewing and approving related party transactions. This is particularly relevant for Choice Properties given that Loblaw is the Trust's largest tenant, lender and

controlling unitholder. We are confident that Choice Properties has considered the relevant legal and governance considerations associated with related party transactions and has implemented a sound governance framework to address them when they arise.

### **BOARD TENURE**

Our Committee believes that it will be important for the Board to be in a process of ongoing renewal and improvement while balancing the need for experience and knowledge of Choice Properties' business and affairs. To that end, our Board adopted a Board Tenure Policy which anticipates that trustees will typically serve on the Board until the earlier of the completion of a five year term or upon reaching the age of 72, following which the Chairman and the Governance Committee will undertake an assessment of that trustee's continued participation on the Board. In addition, we have established three-year terms for trustee committee chairs, subject to renewal.

### **SUCCESSION PLANNING**

The Governance Committee is entrusted with the responsibility of overseeing the Trust's succession planning for senior executive roles. The succession planning process will include an annual review with management of each executive position and an assessment of the performance of the incumbents. We also receive reports on the performance evaluation process, designed to improve individual leadership and management skills, and updates on the talent management plans across the organization.

### **BOARD LEADERSHIP**

Our Committee is also responsible for the identification of individuals qualified to become Board members. We will assess and evaluate the effectiveness of the Board and identify areas where the Board may benefit from additional skills and experience on an annual basis. Our Committee appreciates the need to maintain a strong, vibrant and engaged Board that understands the Trust's dynamic business needs and the real estate industry generally.

We will also continue to monitor developments in the area of diversity for senior executives and board composition. Our Board is committed to ensuring that it attracts and retains the most highly qualified and experienced trustees and recognizes that board diversity is a very important consideration in maintaining effective boards. We recognize that board diversity mitigates against the risk that board members will approach issues too narrowly or fail to adequately consider alternative ideas or options on issues affecting the organization. In our on-going review of prospective trustee nominees, the Governance Committee aims for a board with diversity, including diversity of gender, perspectives and experiences.

### **GOVERNANCE MATTERS**

During the balance of 2014, we are confident that we have strong and practical governance systems in place and well-designed and administered executive compensation programs to appropriately incent and reward our executives for performance while not taking on unacceptable risk. At the same time, we are not complacent. You can be confident that we will continue to closely monitor industry trends and regulatory developments and adjust our governance practices and compensation programs accordingly.

Respectfully submitted,

#### **Governance Committee**

Daniel F. Sullivan (Chair)

Kerry D. Adams

Christie J.B. Clark

Michelle Felman

Michael P. Kitt

# COMPENSATION DISCUSSION AND ANALYSIS

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## INTRODUCTION

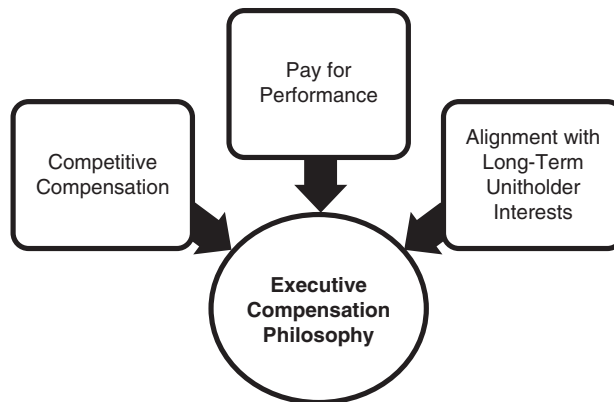
This Compensation Discussion and Analysis describes the compensation programs of the NEOs.

For 2013, the NEOs were:

Name	Position
John R. Morrison	President and Chief Executive Officer
Bart Munn	Executive Vice President, Chief Financial Officer
Jane Marshall	Executive Vice President, Chief Operating Officer

## EXECUTIVE COMPENSATION PHILOSOPHY

The objectives of the executive compensation programs are to attract, retain and motivate outstanding executives who are committed to improving Choice Properties’ performance and creating long-term value for its Unitholders. Three core principles underlie Choice Properties’ executive compensation programs as set out below:



### 1. Competitive Compensation

Competitive compensation is important as it enables Choice Properties to attract and retain talented and qualified individuals to lead the business. Choice Properties will ensure that its executive compensation programs are competitive with market and industry practices and support the attraction and retention of high quality executives.

### 2. Pay for Performance

Choice Properties structures its executive compensation programs to align with the financial performance of Choice Properties, including the performance of its Units. A significant portion of executive compensation is in the form of at-risk pay, namely STIP and LTIP compensation. This will create a performance-based culture that rewards individual and team based contributions to the achievement of the Trust’s goals and increases in unitholder value. The at-risk components (the STIP and LTIP awards) for the three NEOs in 2013 ranged from 58% to 71% of the NEOs’ total compensation.

### 3. Alignment of Executive Compensation Programs with Long-Term Unitholder Interests

Choice Properties structures its executive compensation programs to align the interests of its executives with those of its unitholders. A significant portion of executive compensation takes the form of long-term equity-based awards. Structuring executive compensation in this manner ensures that executives are properly motivated to increase long-term unitholder value.

## RISK AND EXECUTIVE COMPENSATION

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### **RISK MITIGATION PRACTICES**

The Trust has designed its compensation programs to provide an appropriate balance of risk and reward in relation to its overall business strategy. The Governance Committee believes that the compensation programs do not encourage executives to take undue risks. The Governance Committee, in its review of risk mitigation practices, believes that having a compensation program that comprises a mix of compensation elements, with a significant portion of compensation in the form of long-term equity based awards, acts as a deterrent to executives taking excessive risks. Additionally, the Trust has risk mitigation practices that include: designing balanced incentive plans that are not focused on a single financial measure, a clawback policy for short and long-term compensation, unit ownership requirements for the NEOs and trading restrictions. Going forward, the Governance Committee will assess the design of each compensation plan on a regular basis and has the discretion to make adjustments to incentive awards, as appropriate.

#### **1. Incentive Plan Design**

Choice Properties' 2013 long and short-term incentive plans included a variety of performance measures, including Unit price appreciation, net operating income ("NOI"), funds from operations per Voting Unit ("FFO per Voting Unit"), strategic growth and G&A expense management. The inclusion of multiple performance measures means that in order for executives to achieve the maximum compensation award, the operating results of the Trust must outperform in all key metrics. This balanced approach reduces the risk of a disproportionate focus by executives on any single aspect of the business for the sole purpose of increasing their compensation.

For example, Choice Properties' STIP is a balanced program comprised of different performance measures that are designed to focus executives on the key drivers of value creation over both the short and long-term and, as such, minimize the likelihood of inappropriate or excessive risk-taking. The Trust's STIP has a maximum payout level that limits the amount that an executive can be paid.

A significant portion of executive compensation is allocated to long-term incentives to focus executives on sustainable value creation. The Trust's objective is to design incentive plans that do not motivate executives to take undue short-term risks given the potential negative impacts on the long-term equity components of compensation.

#### **2. Clawback Policy**

The Trust has a clawback policy on STIP and LTIP payments for senior executives including the NEOs when (i) an executive engages in conduct that results in the need for the correction or restatement of financial results, (ii) the executive receives an award calculated on the achievement of those financial results, and (iii) the award received would have been lower had the financial results been properly reported. The clawback policy also provides that a clawback may be triggered if an executive commits a material breach of the Trust's Code of Conduct. The policy requires that when the clawback is triggered, the executive must repay all of the incentive payments received over the two-year period preceding the triggering event.

#### **3. Unit Ownership Requirements**

All executives are required to maintain a significant equity investment in the Trust to align their interests with those of the Trust's unitholders, and to mitigate the likelihood of undue risk taking. The Unit Ownership Guidelines establish minimum Unit ownership levels for executives, which based on their position, are set at a multiple of base salary.

#### **4. Trading and Hedging Restrictions**

All trustees and employees, including the NEOs, are also subject to the Trust's Securities Trading Policy, which prohibits trading in the securities of the Trust, Loblaw or Weston while in possession of material undisclosed information about these companies. These individuals are also prohibited from entering into certain types of hedging transactions involving the securities of the Trust, Loblaw or Weston, such as short sales, puts and calls. Furthermore, the Trust permits executives (including the NEOs) to trade in the Trust's securities, including the exercise of Unit options, only during prescribed trading windows.

## ROLE OF MANAGEMENT AND COMPENSATION CONSULTANTS

### ROLE OF MANAGEMENT IN DETERMINING COMPENSATION AND EVALUATING PERFORMANCE

The Chairman and the President and CEO participate in the compensation design process, evaluate the performance of key senior executives and make recommendations to the Governance Committee with respect to the compensation of the other NEOs and the specific business goals to be used as performance targets for the various incentive programs. The views of the Chairman and the President and CEO are valued because of their involvement with key senior executives. As a result, they are in the best position to effectively assess the performance of the other NEOs and how their efforts have contributed to the achievement of the Trust’s strategic objectives and operational targets. The Chairman makes recommendations to the Governance Committee with respect to the compensation of the President and CEO.

These evaluations are based on the achievement of objectives and targets related to both the individual and the Trust and include an assessment of leadership capabilities and team development. The results of these evaluations are presented to the Governance Committee. The Chief Financial Officer, Loblaw’s Chief Legal Officer and Loblaw’s Executive Vice President, Human Resources and Labour Relations assist the Chairman and the President and CEO in developing and presenting management’s recommendations and supporting materials to the Governance Committee regarding the design of the incentive plans and the compensation of the other senior executives.

### COMPARATIVE MARKET DATA

Comparative market data is one factor used in setting the compensation of each NEO. Other factors include personal performance, leadership ability, internal equity among executives and the operating results of the business or area for which the NEO has responsibility. The Governance Committee reviewed base salary, annual and long-term incentive arrangements for comparable NEO positions at other REITs and non-REIT entities as listed below, to ensure that Choice Properties’ programs were generally competitive within the real estate industry. The Governance Committee did not engage or perform any formal benchmarking analysis, although select comparator information was used on an informal basis in reviewing the NEOs’ executive compensation arrangements. As part of this review, the Governance Committee received select compensation information set out in the Real Property Association of Canada’s (REALpac) 2013 *Canadian Real Estate Compensation Survey*. The Governance Committee did not identify a median or percentile as a target for the total compensation of the NEOs.

Comparator Group		
Allied Properties REIT	Cominar REIT	Morguard REIT
Boardwalk REIT	Crombie REIT	Partners REIT
Brookfield Canada Office Properties	CREIT	Primaris Retail REIT
Calloway REIT	Dundee REIT	Retrocom REIT
Canadian Apartments Properties REIT	H&R REIT	RioCan REIT
Chartwell Retirement Residences	First Capital Realty Inc.	

### ROLE OF COMPENSATION CONSULTANTS

The Governance Committee did not retain any compensation advisors in 2013 to perform services, nor did the Trust’s management retain any compensation advisors in 2013. In 2014, the Governance Committee expects to retain an independent compensation advisor to assess the design of Choice Properties’ executive compensation programs, evaluate any recommendations put forward by management and advise on any other items requested by the Governance Committee.

### COMPONENTS OF COMPENSATION

The 2013 NEO compensation was comprised principally of base salary, short-term cash incentives and long-term incentives (restricted units and Unit options) as described in the table that follows. Benefits, pensions and perquisites generally comprise a relatively small part of an NEO’s total annual compensation.

OVERVIEW OF COMPONENTS

Components	Form	Period	Program Objectives and Details	
<b>Fixed Compensation</b>	Base Salary	Cash	Annual	<ul style="list-style-type: none"> <li>Reflects the executive's level of responsibility and experience, internal equity among executives and the executive's overall performance.</li> </ul>
<b>Variable Compensation</b>	Short-Term Incentive Plan ("STIP")	Cash	Annual	<ul style="list-style-type: none"> <li>Incentive program is linked to the achievement of specific financial and/or operating performance targets in the fiscal year.</li> <li>Each executive has a target annual bonus (% of base salary).</li> <li>Actual payout is determined by the achievement of predetermined financial and/or operating performance objectives and individual performance objectives.</li> </ul>
	Long-Term Incentive Plan ("LTIP")	Restricted Units ("RUs")	Typically a 3 year vesting period	<ul style="list-style-type: none"> <li>Motivates and rewards executives for increasing unitholder value.</li> <li>RU grants are generally made once per year.</li> <li>Individual awards are differentiated based on role and expected future performance.</li> <li>RUs comprise 50% of the total value of LTIP grants to executives.</li> <li>RUs settled in cash or Units acquired in the open market.</li> <li>RU Plan provides for the crediting of additional RUs in respect of distributions paid on Units for the period when an RU is outstanding.</li> </ul>
		Unit Options	4 year vesting period (25% per year); 7 year term	<ul style="list-style-type: none"> <li>Motivates and rewards executives for increasing Unit price.</li> <li>Unit option grants are generally made once per year.</li> <li>Individual awards are differentiated based on role and expected future performance.</li> <li>Unit options comprise 50% of the total value of LTIP grants to executives.</li> </ul>
<b>Other Elements of Compensation</b>				
<b>Benefits</b>	Group health, dental and insurance benefits		Employment and post-employment	<ul style="list-style-type: none"> <li>Executive benefit plans, paid for by the Trust, provide health, dental, disability and insurance coverage.</li> </ul>
<b>Pensions</b>	Defined Benefit Pension Plan/ Defined Contribution Pension Plan/ Supplemental Executive Retirement Plan		Post-employment	<ul style="list-style-type: none"> <li>Plans are designed to provide a reasonable level of retirement income to executives to reward them for their service to the Trust.</li> <li>In 2013, senior executives participated in either the executive defined benefit registered pension plan or the executive defined contribution registered pension plan and in a supplemental executive retirement plan.</li> <li>New executives participate in the executive defined contribution registered pension plan.</li> </ul>
<b>Perquisites</b>	Cash allowance/reimbursement for professional services		Annual	<ul style="list-style-type: none"> <li>A limited number of personal benefits are provided, including a car allowance, an annual medical examination, a discretionary health care spending account and the ability to participate in the employee unit purchase plan.</li> </ul>



## 2013 NAMED EXECUTIVE OFFICER COMPENSATION

### BASE SALARY

Base salaries for the NEOs are set on an individual basis and not within formalized salary ranges. Base salaries are set taking into account the level of responsibility and experience, internal equity among executives and, where appropriate, the executive’s base salary at the executive’s previous employer. Each year the Governance Committee will review the base salary of the NEOs. The Governance Committee may make adjustments to an NEO’s salary as a result of a change in the NEO’s duties and responsibilities, or in the performance and contribution of the NEO.

The following table sets out the base salary for each NEO for 2013:

Name	2013 Base Salary (\$)
John R. Morrison	630,000 <sup>(1)</sup>
Bart Munn	400,000 <sup>(2)</sup>
Jane Marshall	475,000 <sup>(3)</sup>

(1) Mr. Morrison’s prorated salary for 2013 was \$446,250 based on a start date of April 15, 2013.

(2) Mr. Munn’s prorated salary for 2013 was \$262,308 based on a start date of May 6, 2013.

(3) Ms. Marshall’s prorated salary for 2013 was \$230,497 based on a start date of July 5, 2013.

### SHORT-TERM INCENTIVE PLAN

The Trust’s STIP is designed to incent executives, including the NEOs, to meet the Trust’s annual business and financial objectives. The STIP objectives include financial performance targets and pre-set goals for individual NEOs as determined annually by the Governance Committee. All participating executives have STIP award targets that are expressed as a percentage of their base salary determined by the executive’s position and level within the organization. Depending on actual performance relative to the performance targets, payouts for performance targets range from zero to a maximum of 100% of target for each of the business components and zero to a maximum of 200% of target for the individual component. The STIP award payments are made in cash.

The Governance Committee believes that the STIP program is balanced as it is comprised of different performance measures that are designed to focus executives on the key drivers of the business and value creation over both the short and long-term and, as such, reduces the risk of inappropriate or excessive risk-taking behaviour.

#### Plan Design

The Governance Committee believes that the STIP should be designed to properly incent the NEOs to achieve the Trust’s business plan and strategic objectives. Prior to the beginning of each fiscal year, the Governance Committee will establish the STIP design, including specific business performance measures, weightings and targets, and present it to the Board for approval. In determining the performance measures, weightings, targets and payout ranges for each fiscal year, the Governance Committee will take into account the key components of the Trust’s business plan, budget and strategic objectives. Following year-end, the Governance Committee will review the financial results of the Trust against the performance targets and will consider whether any adjustments are required to account for unexpected events during the year.

The 2013 STIP incorporated the following performance measures and weightings: 30% based on NOI, 30% based on FFO per Voting Unit, 10% based on strategic growth in square feet, 5% based on G&A expense management and 25% based on individual objectives. STIP payouts are determined separately for each performance measure and then aggregated to determine the final amount.

Business Objectives 75%	Net Operating Income 30%
	Funds From Operations 30%
	Strategic Growth 10%
	G&A Expense Management 5%
Individual Objectives 25%	Individual Objectives 25%

## COMPENSATION DISCUSSION AND ANALYSIS

The following table sets forth the performance measures and weightings that were used in determining the STIP awards for each NEO for 2013:

Name	Base Salary <sup>(1)</sup>	STIP Target as Percentage of Base Salary <sup>(1)</sup> (%)	STIP Target (\$)	Maximum STIP Award (\$)	2013 STIP Award						Total (\$)
					NOI Component (\$)	FFO Component (\$)	Strategic Growth Component (\$)	G&A Expense Management Component (\$)	Individual Component (\$)		
John R. Morrison	446,250	100	446,250	557,813	133,875	133,875	44,625	22,313	184,077	518,765	
Bart Munn	262,308	60	157,385	196,731	47,216	47,216	15,738	7,869	64,921	182,960	
Jane Marshall	230,497	80	184,398	230,497	55,319	55,319	18,440	9,220	76,065	214,363	

(1) STIP awards are calculated using an NEO's prorated base salary amount, based on the NEO's respective start date in 2013.

In 2013, the STIP payout amounts for the NEOs, which account for each performance measure and its respective weighting, was 100% of target for the business objectives and 165% of target for each NEO's individual objectives, as set out below. A description of each performance measure and the actual achievements against these measures are also set forth below.

### NOI Performance

Choice Properties' target NOI is based on rental revenue from properties less property operating expenses pursuant to the Trust's annual business plan. NOI excludes certain expenses included in the determination of net income such as interest expense, general and administrative expenses, fair value adjustments and amortization. For 2013, the NOI target for Choice Properties' STIP was \$240.8 million.

The NOI component was designed so that:

- 100% of the bonus amount awarded for the NOI component (which is also the maximum payout for the NOI component) would be paid if Choice Properties' actual NOI was \$240.8 million or greater;
- Every \$1.2 million decline in NOI relative to the target would have a corresponding 3% decrease in the bonus amount awarded for NOI; and
- no 2013 bonus amount would be awarded for the NOI component if Choice Properties' actual NOI was equal to or less than \$228.8 million, which is 95% of target.

Early in 2014, the Governance Committee reviewed the 2013 financial results of Choice Properties and calculated NOI for STIP purposes in accordance with the plan, excluding adjustments for certain events such as the change in the operational start date to July 5, 2013 from July 1, 2013. Choice Properties NOI for 2013, calculated in accordance with the STIP, was \$240.9 million, resulting in a payout of 100% of target for this component of the STIP. Choice Properties' NOI performance was slightly above target due to higher than expected operating cost recoveries.

### FFO per Voting Unit Performance

Choice Properties' target FFO per Voting Unit is calculated as net income in accordance with Canadian GAAP, adjusted by removing the impact of (i) fair value adjustments on investment properties; (ii) other fair value adjustments including fair value adjustments on redeemable or exchangeable units; (iii) gains and losses on the sale of investment properties; (iv) amortization of tenant incentives; and (v) distributions on redeemable or exchangeable units treated as interest expense, divided by the weighted average of Voting Units outstanding. For 2013, the STIP FFO per Voting Unit target for Choice Properties' STIP was \$0.4438.

The FFO per Voting Unit component was designed so that:

- 100% of the bonus amount awarded for the FFO per Voting Unit component (which is also the maximum payout for the FFO per Voting Unit component) would be paid out if Choice Properties' actual FFO per Voting Unit was \$0.4438 or greater;
- a negative change of \$0.0013 in FFO per Voting Unit relative to the target would have a corresponding 10% decrease in the bonus amount awarded for the FFO per Voting Unit component; and
- no 2013 bonus amount would be awarded for the FFO per Voting Unit component if Choice Properties' actual FFO per Voting Unit was equal to or less than \$0.4305, which is 97% of target.

Early in 2014, the Governance Committee reviewed the 2013 financial results of Choice Properties and calculated FFO per Voting Unit for STIP purposes in accordance with the plan, excluding adjustments for certain events such as the change in the operational start date to July 5, 2013 from July 1, 2013. Choice Properties FFO per Voting Unit for 2013, calculated in accordance with the STIP, was \$0.4439 per unit, resulting in a payout of 100% of target for this component of the STIP. A key factor contributing to Choice Properties' FFO per Voting Unit performance relative to the STIP target was savings in G&A expenses.

### **Strategic Growth Performance**

Choice Properties' strategic growth plan is designed to focus executives on specific milestones to support long term growth. For 2013, the strategic growth plan target for Choice Properties' STIP was 885,000 square feet of gross leasable area ("GLA"), a 5% increase on an annualized basis since the IPO.

The strategic growth plan component was designed so that:

- 100% of the bonus amount awarded for the strategic growth plan component (which is also the maximum payout for the strategic growth plan component) would be paid out if Choice Properties' actual strategic growth was 885,000 square feet of GLA or greater;
- a negative change of 0.5% of square feet relative to the target would have a corresponding 10% decrease in the bonus amount awarded for the strategic growth plan; and
- no 2013 bonus amount would be awarded for the strategic growth plan component if Choice Properties' actual strategic growth was equal to or less than 841,000 square feet of GLA, which is 95% of target.

Early in 2014, the Governance Committee reviewed Choice Properties' strategic growth for 2013 which was 978,039 square feet of GLA, resulting in a payout of 100% of target for this component of the STIP.

### **G&A Expense Management Performance**

Choice Properties' target G&A expense management costs is calculated as the operational costs of the business against the budget established at the IPO, less initial startup costs. For 2013, the STIP G&A expense management costs target for Choice Properties' was \$13.7 million.

The G&A expense management component was designed so that:

- 100% of the bonus amount awarded for the G&A expense management component (which is also the maximum payout for the G&A expense management component) would be paid out if Choice Properties' actual G&A expense management costs were \$13.7 million or less;
- an increase of 0.3% in G&A expense management costs relative to the target would have a corresponding 10% decrease in the bonus amount awarded for the G&A expense management component; and
- no 2013 bonus amount would be awarded for the G&A expense management component if Choice Properties' actual G&A expense management costs were equal to or more than 3% above target, which is \$14.1 million.

Early in 2014, the Governance Committee reviewed the 2013 financial results of Choice Properties and calculated G&A expense management costs for STIP purposes in accordance with the plan. Choice Properties' G&A expense management costs for 2013, calculated in accordance with the STIP, were \$9.7 million, resulting in a payout of 100% of target for this component of the STIP. A key factor contributing to the Trust's G&A expense management performance relative to the STIP target was its lower than anticipated management costs.

### **Individual Component**

The Governance Committee considered the overall performance of each NEO to determine the discretionary individual component of the executive's STIP award. The individual component of Choice Properties' STIP was weighted at 25% of the total STIP target amount and the payout for this component was capped at 200% of each NEO's targeted amount.

#### **John R. Morrison, President and CEO**

The individual component of the STIP amount awarded to the President and Chief Executive Officer for 2013 was determined at the discretion of the Governance Committee based on certain key factors relating to Mr. Morrison's leadership and his development of strategy, relationship management, process and controls, and people and culture at Choice Properties.

These qualitative factors were used by the Governance Committee in its assessment of Mr. Morrison's contribution to the Trust's major strategic objectives in 2013, including the successful launch of the IPO and the establishment of a high performing organizational culture within Choice Properties. In evaluating Mr. Morrison's overall leadership of Choice Properties, the Governance Committee took into account the financial performance and the significant strategic actions at Choice Properties. The Governance Committee assessed the President and CEO's overall performance to be strong. Mr. Morrison's individual component is targeted at 25% of his targeted STIP award, which based on his prorated salary for 2013 is \$111,562. Based on Mr. Morrison's achievement of his individual objectives, the Governance Committee awarded Mr. Morrison \$184,077 for this component of his STIP award, representing 165% of target.

*Bart Munn, Executive Vice President, Chief Financial Officer*

The individual component of the STIP amount awarded to the CFO was determined based on Mr. Munn's achievement of his personal leadership and strategic objectives established upon his appointment as CFO. These objectives included developing a strategic agenda for Choice Properties, building a strong capital structure, implementing sound financial reporting controls, and completing several important business initiatives. The Governance Committee concluded that, in his first year as CFO, Mr. Munn demonstrated strong leadership and performance in delivering on his 2013 objectives. Mr. Munn's individual component is 25% of his targeted STIP award, which based on his prorated salary for 2013 was \$39,346. Based on Mr. Munn's achievement of his individual objectives, the Governance Committee awarded Mr. Munn \$64,921 for this component of his STIP award, representing 165% of target.

*Jane Marshall, Executive Vice President, Chief Operations Officer*

The individual component of the STIP amount awarded to the COO was determined based on an assessment of Ms. Marshall's performance since joining Choice Properties in 2013 and her achievement of the strategic objectives established upon her appointment as COO. These objectives included setting a strategic development agenda for Choice Properties, managing key service provider relationships, working with the CFO to establish internal processes and procedures to enhance business activities, working with the President and CEO to build a high performing organizational culture and completing several important business and development initiatives. The Governance Committee considered Ms. Marshall's leadership in developing and implementing a number of key initiatives during the year, including her role and contribution in the creation of Choice Properties and her continued work on the development of Choice Properties' real estate portfolio, including the vend-ins of properties from Loblaw following the IPO. Ms. Marshall's individual component is 25% of her targeted STIP award, which based on her prorated salary for 2013, was \$46,100. In light of Ms. Marshall's performance and leadership in 2013, the Governance Committee awarded Ms. Marshall \$76,065 for this component of her STIP award, representing 165% of target.

### **LONG-TERM INCENTIVE PLAN**

The Trust's equity-based LTIP is designed to motivate executives to increase unitholder value. Under the LTIP, the Trust awards executives long-term incentives in the form of Unit options and RUs, the values of which are directly linked to the market value of the Units, and to the distributions in the case of RUs. Executives eligible for LTIP grants generally receive them on an annual basis. One-half of the grant value is delivered through RUs, and the other half is delivered through Unit options valued using the Black-Scholes-Merton methodology.

The LTIP balances the use of Unit options, which align an executive's interest with unitholders in Unit price accretion, and RUs, which serve as a key component in retaining executives. The value of an LTIP grant to a participating executive is generally based on a percentage of the executive's base salary. All grants are reviewed and approved by the Governance Committee as part of its regular review of compensation.

Annual LTIP awards will typically be granted in the first quarter during the open trading window following the announcement of the Trust's year-end financial results in accordance with the Trust's Securities Trading Policy. "Off-cycle" grants may be made to newly hired executives, and to executives promoted part way through a year, during open trading windows following the release of quarterly financial results.

Following the IPO in 2013, the Governance Committee approved annual LTIP awards to the NEOs as follows:

Name	Base Salary <sup>(1)</sup> (\$)	Annual LTIP Grant as a Percentage of Base Salary <sup>(1)</sup> (%)	Grant Date Fair Value (\$)	Type of LTIP Grant
John R. Morrison	446,250	150	675,746	Unit options, RUs <sup>(2)</sup>
Bart Munn	262,308	75	597,268 <sup>(3)</sup>	Unit options, RUs <sup>(2)</sup>
Jane Marshall	230,497	95	472,540 <sup>(4)</sup>	Unit options, RUs <sup>(2)</sup>

(1) LTIP awards are calculated using the NEO's prorated base salary amount, as applicable.

(2) Unit options and RUs each comprise 50% of the annual LTIP grant.

(3) Mr. Munn's 2013 annual LTIP grant had a grant date fair value of \$197,264. He also received a special one-time grant of RUs with a grant date fair value of \$400,004.

(4) Ms. Marshall's 2013 annual LTIP grant had a grant date fair value of \$222,540. She also received a special one-time grant of options with a grant date fair value of \$250,000.

The key features of the Trust's Employee Unit Option Plan (the "Option Plan") and RU plan are described below.

**Employee Unit Option Plan**

Under the Trust's Option Plan, the size of the annual option award an executive receives is determined as part of the executive's total LTIP award. The Governance Committee administers the Option Plan, approves the participants, makes grants of options and establishes any limitations, restrictions and conditions on any grants, including vesting. Any employee of the Trust or any of its affiliates (including officers, whether or not trustees), as determined by the Governance Committee, may participate in the Option Plan.

As of March 14, 2014, options to purchase 1,164,889 Units were outstanding. The Trust had 2,910,111 Units available for future option grants, which represents approximately 5% of the issued and outstanding Units. The Option Plan provides that Units issuable pursuant to outstanding options that are cancelled, expired, forfeited or terminated for any reason without having been exercised will again be available for grant under the Option Plan. Options are not transferable or assignable otherwise than by will or by laws of descent and distribution, and during the lifetime of a participant will be exercisable only by him or her.

The exercise price for options may not be less than the fair market value of a Unit, which is defined as the greater of: (i) the volume-weighted average of the trading price of a Unit for the five trading days prior to the grant date; or (ii) the volume-weighted average of the trading price of a Unit on the trading day immediately preceding the grant date.

Options may not be exercised prior to the first anniversary of the date of the grant. The vesting of options is otherwise determined on the grant of the option. Generally, options vest over a four-year period at a rate of 25% per year and expire at the end of seven years. Under the Option Plan, each option has a term of not less than five and not more than 10 years.

Unvested options immediately expire upon termination of employment. No vested option is exercisable after the earlier of: (i) the date of death or retirement; (ii) the time of notice of resignation or receipt of notice of termination (with or without cause); or (iii) the occurrence of any other cessation of employment event, except as set forth below:

- (a) If a participant is terminated without cause, vested options may be exercised within 30 days following the earlier of the date of termination or the date of the termination notice.
- (b) If a participant retires, vested options may be exercised within 90 days following the date of retirement.
- (c) If a participant dies while employed or during the 30-day or 90-day window in (a) or (b) above, then the participant's beneficiary may exercise vested options within 180 days following the date of death.

Nothing in (a), (b) or (c) above extends the expiry date of any option.

In the event of a change of control or potential change of control (as determined by the Board), the Board has the power to accelerate vesting and make other changes to the terms of options as it considers fair and appropriate in the circumstances, including modifying the terms of options to allow participants to tender into a take-over bid or other transaction leading to a change of control and terminating any unexercised options following the completion of the bid or transaction.

If the expiry date of an option occurs during a blackout period or other period during which an insider is prohibited from trading in securities of the Trust pursuant to the Securities Trading Policy, the expiry date will automatically be extended for 10 business days after the blackout period ends.

The aggregate number of Units issued to insiders of the Trust within any 12 month period, or issuable to insiders of the Trust at any time, under the Option Plan and any other security based compensation arrangement of the Trust, may not exceed 10% of the total number of issued and outstanding Units during such period of time, as applicable.

In the event of a consolidation, subdivision or reclassification of the Units, or any other relevant changes in the capital structure of the Trust, the Board or the Governance Committee will make appropriate adjustments to the number of Units subject to any options then outstanding and the exercise price thereof. The Option Plan provides that unitholder approval is not required for any amendments to the Option Plan or an option granted under the Option Plan, except for any amendment or modification that:

1. increases the number of Units that can be issued under the Option Plan;
2. reduces the exercise price of an option (including, without limitation, a cancellation and re-grant of an option, constituting a reduction of the exercise price of such option), except in connection with a change in the number of the Trust’s outstanding Units by reason of a consolidation, subdivision or reclassification of Units, or another relevant change in the capital structure of the Trust affecting Units;
3. extends the term of an option beyond its original expiry date, except where the expiry date would have occurred during a blackout period or at any other time when the holder may be prohibited from trading in securities of the Trust pursuant to the Trust’s Securities Trading Policy;
4. changes the provisions relating to the transferability of an option other than for normal estate settlement purposes;
5. permits awards, other than options, to be made under the Option Plan;
6. extends eligibility to participate in the Option Plan to a non-employee trustee;
7. requires unitholder approval under applicable laws, regulations or stock exchange rules; or
8. affects the amending provisions of the Option Plan.

Subject to any required regulatory review or approval, the Board may make all other amendments to the Option Plan without unitholder approval. These amendments include, but are not limited to: the termination of the Option Plan; amendments designed to comply with applicable laws or regulatory requirements; and “house-keeping” administrative changes (such as correcting an immaterial inconsistency or curing any ambiguity).

In 2013, the NEOs received Unit option grants from the Trust as described in the table below:

<b>Name</b>	<b>Options Granted</b>	<b>Exercise Price (\$)</b>	<b>Grant Date Fair Value (\$)</b>	<b>Vesting Schedule</b>	<b>Term of Grant</b>
John R. Morrison	442,586	10.04	337,870	25% per year	7 years
Bart Munn	129,199	10.04	98,631	25% per year	7 years
Jane Marshall	473,234 <sup>(1)</sup>	10.04	361,267 <sup>(1)</sup>	25% per year	7 years

(1) Ms. Marshall’s award was comprised of an annual grant of 145,752 options with a grant date fair value of \$111,267 and a special one-time grant of 327,482 options with a grant date fair value of \$250,000.

**Restricted Unit Plan**

The Trust’s Restricted Unit Plan (“RU Plan”) entitles a participant to receive the value of the RU award in cash or Units at the end of the applicable vesting period, which is usually three years in length. A participant receives either a cash payment or the number of Units (acquired on the open market) equal to the number of RUs granted, with the ultimate award value determined by the Unit price at the end of the applicable vesting period. The RU Plan provides for the payment of additional RUs in respect of distributions paid on Units for the period when an RU is outstanding.

If a participant is either terminated for cause or voluntarily resigns prior to the end of the applicable vesting period, all RUs are cancelled on the date of cessation of employment and no payments are made in respect of such RUs.

If a participant’s employment is terminated: (i) due to death; (ii) retirement; or (iii) by the Trust without cause, then the RUs vest on a pro-rata basis for the period of time the participant was actively employed. All other RUs are cancelled. Settlement of vested RUs is made as soon as practicable following the last day of active employment.

In 2013, the NEOs were awarded RUs as follows:

Name	RUs Granted	Grant Value Per Unit (\$)	Grant Date Fair Value (\$)	Vesting Date
John R. Morrison	33,653	10.04	337,876	July 12, 2016
Bart Munn	49,665 <sup>(1)</sup>	10.04	498,637 <sup>(1)</sup>	July 12, 2016
Jane Marshall	11,083	10.04	111,273	July 12, 2016

(1) Mr. Munn’s award was comprised of an annual grant of 9,824 RUs with a grant date fair value of \$98,633 and a special one-time grant of 39,841 RUs with a grant date fair value of \$400,004.

**Long-Term Incentive Plan Clawback**

All LTIP grants include a clawback provision stating that if an executive accepts employment with a competitor of the Trust within six months after leaving the employment of the Trust, the gross dollar value of all Unit option and RU payments received in the 12 months of employment immediately prior to the date of cessation of employment must be repaid to the Trust.

**Securities Authorized for Issuance under Equity Compensation Plans as of December 31, 2013**

The following table shows the number of securities authorized for issuance under equity compensation plans of the Trust:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity Compensation Plans Approved by Securityholders			
• Unit Option Plan	1,196,866	10.04	2,878,134
• Deferred Unit Plan	17,047 <sup>(1)</sup>	N/A	4,057,953
Equity Compensation Plans not Approved by Securityholders	N/A	N/A	N/A
<b>Total</b>	<b>1,213,913</b>		<b>6,936,265</b>

(1) As at January 2, 2014, the Trust had 31,936 DUs outstanding. DUs were granted to trustees on January 2, 2014 in relation to their 2013 fourth quarter fees.

**RETIREMENT AND PENSION ARRANGEMENTS**

The Trust’s retirement and pension arrangements are designed to provide a reasonable level of retirement income to executives. The Trust is a participating employer in the Loblaw and/or Weston retirement arrangements and, accordingly, senior executives participate in either a Loblaw and/or Weston executive defined benefit registered pension plan (the “Executive DB Plan”) or the executive defined contribution registered pension plan (the “Executive DC Plan”). All new executives join the Executive DC Plan. In addition, senior executives of the Trust whose pensionable earnings exceed prescribed levels, including the NEOs, participate in a non-contributory supplemental executive retirement plan (the “SERP”). All of the costs of the NEOs’ participation in the Loblaw and/or Weston plans are paid by the Trust.

**EXECUTIVE BENEFIT PLANS**

The Trust provides the NEOs, as a participating employer in Loblaw’s and/or Weston’s executive benefit program, with designated health, dental, disability and insurance coverage through executive benefit plans paid for by the Trust.

**PERQUISITES**

NEOs receive a limited number of perquisites. These include a car allowance, an annual medical examination, a discretionary health care spending account and the ability to participate in the employee unit purchase plan.

**EXECUTIVE UNIT OWNERSHIP GUIDELINES**

The Trust maintains Executive Unit Ownership Guidelines to further align the interests of executives with those of the Trust’s unitholders. The Executive Unit Ownership Guidelines establish minimum Unit ownership levels for executives, which based on their position, are set at a multiple of base salary.

Under the Executive Unit Ownership Guidelines, Units and the in-the-money value of vested Unit options of the Trust are the eligible holdings included in determining an executive’s ownership value. The value of RUs is not included. The Executive Unit Ownership Guidelines include every executive at the vice president level and higher.

Under the Executive Unit Ownership Guidelines, executives are expected to own eligible equity-based holdings with a value equal to a multiple of their base salary as determined by their position:

- President and Chief Executive Officer – 3 times base salary
- Executive Vice Presidents – 2 times base salary
- Vice Presidents – 0.5 times base salary

Executives are expected to attain the required ownership level by July 2017 within four years of their appointment to the Trust. Executives who transfer from Loblaw to the Trust may also include holdings of Loblaw common shares and the in-the-money value of unexercised Loblaw options acquired prior to their transfer to the Trust in determining whether he or she meets the relevant target ownership level.

The dollar values of each NEO’s eligible equity-based holdings, based on the market value on February 28, 2014 of \$10.49, are set forth in the following table:

Name	Units (\$)	Value of Equity-Based Holdings		Ownership Requirement	
		Vested In-The-Money Unit Options (\$)	Total (\$)	(\$)	Multiple of Salary
John R. Morrison	1,049,000	—	1,049,000	1,890,000	3
Bart Munn	526,598	—	526,598	800,000	2
Jane Marshall	264,747	—	1,588,430 <sup>(1)</sup>	950,000	2

(1) Ms. Marshall holds common shares and vested in-the-money stock options of Loblaw. The value of the holdings was \$1,323,683 based on the February 28, 2014 closing price for the common shares of Loblaw which was \$45.69.

**2013 COMPENSATION DECISIONS REGARDING THE NAMED EXECUTIVE OFFICERS**

The following outlines the rationale underlying the compensation decisions for each of the NEOs for 2013, which were set as part of the IPO process. Additional detail regarding Choice Properties’ IPO can be found in the IPO Equity Prospectus available at [www.sedar.com](http://www.sedar.com).

**John R. Morrison, President and CEO**

Mr. Morrison serves as the Trust’s President and Chief Executive Officer and is responsible for managerial and executive oversight of the Trust. Mr. Morrison’s annual base salary is \$630,000 and his STIP target is 100% of his base salary amount, which was prorated for 2013. Mr. Morrison received an LTIP grant on July 12, 2013 with a grant date fair value of approximately 150% of his prorated salary for 2013. This grant was comprised (by grant value) of 50% Unit options and 50% RUs.

**Bart Munn, Executive Vice President, Chief Financial Officer**

Mr. Munn serves as the Trust’s Chief Financial Officer. Mr. Munn’s annual base salary is \$400,000 and his STIP target is 60% of his base salary amount, which was prorated for 2013. Mr. Munn received an LTIP grant on July 12, 2013 with a grant date fair value of approximately 75% of his prorated salary for 2013, comprised (by grant date fair value) of 50% Unit options and 50% RUs. In addition, in order to compensate Mr. Munn for amounts forfeited upon his resignation from his former employer, Mr. Munn received: (i) a one-time, lump sum cash payment of \$250,000; and (ii) RUs with a grant date fair value of approximately \$400,000.

**Jane Marshall, Executive Vice President, Chief Operations Officer**

Ms. Marshall serves as the Trust’s Chief Operating Officer. Her annual base salary is \$475,000, and her STIP target is 80% of her base salary amount, which was prorated for 2013. Ms. Marshall received an LTIP grant on July 12, 2013 with a grant date fair value of approximately 95% of her prorated salary for 2013, comprised (by grant date fair value) of 50% Unit options and 50% RUs. In addition, in recognition of Ms. Marshall’s contribution to the development of the Trust’s portfolio of initial properties and her extraordinary efforts in connection with the establishment of the Trust and related preparations for its IPO, the Board authorized a special option grant to Ms. Marshall on July 12, 2013 with a grant date fair value of \$250,000.



## TERMINATION AND CHANGE OF CONTROL BENEFITS

None of the NEOs’ employment agreements provide for change of control benefits, however, the Trust’s compensation plans have termination and change of control provisions. The table below summarizes the termination and change of control benefits provided under each plan in situations that result in cessation of employment.

Type of Compensation	Separation Event				
	Resignation	Termination without Cause	Termination with Cause	Retirement	Change of Control
<b>Short-Term Incentive Plan</b>	No payment	Bonus for the applicable year is prorated to the termination date	No payment	Bonus for the applicable year is prorated to the retirement date	Governance Committee discretion to grant or adjust bonus
<b>Unit Option Plan</b>	Options forfeited at time of notice of resignation	30 days from notice of termination to exercise vested options	All outstanding options cancelled at time of notice of termination	90 days to exercise vested options	Board discretion to accelerate vesting of options
<b>Restricted Unit Plan</b>	RUs forfeited at time of notice of resignation	Value of RUs paid out on a prorated basis provided termination date is more than 12 months after the grant date	All outstanding RUs forfeited at time of notice of termination	Value of outstanding RUs paid out on a prorated basis	Governance Committee discretion to adjust grant
<b>Severance</b>	No payment	12 to 18 months of base salary and bonus (in accordance with applicable employment agreement)	No payment	No payment	No payment

The Governance Committee has discretion to make adjustments to the general plan provisions for a particular executive if considered appropriate in the circumstances. The following summarizes the termination benefits described above as they relate to the specific arrangements under each NEO’s employment agreement.

### *John R. Morrison, President and CEO*

If Mr. Morrison’s employment is terminated without cause, he will be entitled to receive (a) his salary for up to 18 months, (b) his STIP bonus for up to 18 months up to a maximum of his target bonus amount, and (c) applicable incentive and unit based payments as provided for under the terms of the LTIP. Upon termination, Mr. Morrison will be subject to confidentiality covenants and certain restrictive covenants that will continue to apply following the termination of his employment agreement, including non-competition and non-solicitation covenants for a period of 12 months following the cessation of his employment.

### *Bart Munn, Executive Vice President, Chief Financial Officer*

If Mr. Munn’s employment is terminated without cause, he will be entitled to receive (a) his salary for up to 12 months, (b) his STIP bonus for up to 12 months up to a maximum of his target bonus amount, and (c) applicable incentive and unit based payments as provided for under the terms of the LTIP. Mr. Munn’s RUs with a grant date fair value of approximately \$400,000 will immediately vest and be paid out in the event that he is terminated without cause. If Mr. Munn resigns or is terminated with cause prior to the second anniversary of his start date, his one-time, lump sum cash payment of \$250,000 will be subject to prorated repayment. Upon termination, Mr. Munn will be subject to confidentiality covenants and certain restrictive covenants that will continue to apply following the termination of his employment agreement, including non-competition and non-solicitation covenants for a period of 12 months following the cessation of his employment.

*Jane Marshall, Executive Vice President, Chief Operations Officer*

If Ms. Marshall is terminated without cause, she will be entitled to receive (a) her salary for up to 12 months, (b) her STIP bonus for up to 12 months up to a maximum of her target bonus amount, and (c) applicable incentive and unit based payments as provided for under the terms of the LTIP. Upon termination, Ms. Marshall will be subject to confidentiality covenants and certain restrictive covenants that will continue to apply following the termination of her employment agreement, including non-competition and non-solicitation covenants for a period of 12 months following the cessation of her employment.

**POTENTIAL AMOUNTS PAID ON TERMINATION**

The following table sets forth the estimated incremental payments or benefits that the NEOs would have received upon termination of employment on December 31, 2013 for the various reasons described below.

Name	Event	Amounts Due on Termination					Total (\$)
		Contractual Severance		Benefits (\$)	Long-Term Incentive Plans		
		Salary <sup>(1)</sup> (\$)	Annual Bonus <sup>(1)</sup> (\$)		Unit Options <sup>(2)</sup> (\$)	RUs <sup>(3)</sup> (\$)	
<b>John R. Morrison</b> President and CEO	Termination with cause	—	—	—	—	—	—
	Termination without cause	945,000	945,000	—	—	—	1,890,000
	Resignation	—	—	—	—	—	—
	Retirement	—	—	—	—	—	—
	Change of Control	—	—	—	—	—	—
<b>Bart Munn</b> Executive Vice President, Chief Financial Officer	Termination with cause	—	—	—	—	—	—
	Termination without cause	650,000 <sup>(4)</sup>	240,000	—	—	419,127 <sup>(5)</sup>	1,309,127
	Resignation	—	—	—	—	—	—
	Retirement	—	—	—	—	—	—
	Change of Control	—	—	—	—	—	—
<b>Jane Marshall</b> Executive Vice President, Chief Operations Officer	Termination with cause	—	—	—	—	—	—
	Termination without cause	475,000	380,000	—	—	—	855,000
	Resignation	—	—	—	—	—	—
	Retirement	—	—	—	—	—	—
	Change of Control	—	—	—	—	—	—

(1) The Salary and Annual Bonus figures reflect contractual entitlements and may be paid by salary continuance, subject to mitigation obligations.

(2) The NEOs are entitled to exercise vested options following termination without cause in accordance with the Option Plan.

(3) RUs are paid out on a prorated basis where the NEO retires or is terminated without cause in accordance with the RU Plan.

(4) Mr. Munn also received a one-time lump sum cash payment which he would be entitled to receive in full had he been terminated on December 31, 2013.

(5) Mr. Munn's special grant of 39,841 RUs would immediately vest and be paid out had he been terminated without cause on December 31, 2013. The value is based on the closing price of the Units on the TSX on December 31, 2013, which was \$10.52, multiplied by the number of RUs awarded pursuant to the special grant.

**COMPENSATION DECISIONS FOR 2014**

**2014 SHORT-TERM INCENTIVE PLAN AMENDMENTS**

Choice Properties' 2013 STIP design had two performance components: (i) 75% weighed on business objectives capped at 100% of target and (ii) 25% weighed on individual objectives capped at 200% of target. The Governance Committee approved a change to the 2014 STIP design to adjust the cap on the business performance measures from 100% to 200% of target.

**2014 LONG-TERM INCENTIVE PLAN GRANTS**

In February 2014, the Governance Committee approved LTIP awards to the Trust’ NEOs as set out below. These annual LTIP grants will be comprised of equal grants (by grant value) of Unit options and RUs and will be awarded during an open trading window in March 2014.

Name	Grant Date Fair Value (\$) <sup>(1)</sup>
<b>John R. Morrison</b> President and CEO	945,000
<b>Bart Munn</b> Executive Vice President, Chief Financial Officer	300,000
<b>Jane Marshall</b> Executive Vice President, Chief Operations Officer	451,250

**SUMMARY COMPENSATION TABLE**

The following table sets forth the compensation earned by the NEOs during 2013.

Name and Principal Position	Year	Salary (\$) <sup>(1)</sup>	Unit-Based Awards (\$) <sup>(2)</sup>	Option-Based Awards (\$) <sup>(3)</sup>	Non-Equity Incentive Plan Compensation		Pension Value (\$)	All Other Compensation (\$) <sup>(4)</sup>	Total Compensation (\$)
					Annual Incentive Plans (\$)	Long-Term Incentive Plans (\$)			
<b>John R. Morrison</b> President and CEO	2013	446,250	337,876	337,870	518,765	—	25,000	25,865	1,691,626
<b>Bart Munn</b> Executive Vice President, Chief Financial Officer	2013	262,308	498,637 <sup>(5)</sup>	98,631	182,960	—	22,000	273,764	1,338,300
<b>Jane Marshall</b> Executive Vice President, Chief Operations Officer	2013	230,497	111,273	361,267 <sup>(6)</sup>	214,363	—	72,000	31,871	1,021,271

- (1) Base salary amounts have been prorated to each NEO’s start date which was April 15, 2013 for Mr. Morrison; May 6, 2013 for Mr. Munn; and July 5, 2013 for Ms. Marshall.
- (2) Amounts represent the grant date fair value of RUs awarded to the NEOs, calculated as Number of RUs Granted x the greater of the volume-weighted average unit price for the one or five trading days preceding the grant date. The grant date fair value of an RU award is the same as the accounting fair value of such award on the applicable grant date.
- (3) These amounts reflect the grant date fair value of the options when granted. The grant date fair value of Unit options is calculated in the following manner: Unit Option Value = Number of Unit Options Granted x Black-Scholes-Merton Value. The Trust has chosen to use Black-Scholes-Merton model as the methodology for calculating the fair value of the options granted as this methodology is commonly used by issuers. To determine the fair value of options granted using the Black-Scholes-Merton model an expected life of 7 years is used, which is based on the contractual term of the options. The other assumptions used in the model are based on relevant market data on the day of the valuation. The Trust also uses the Black-Scholes-Merton model for accounting purposes. However, the accounting value ascribed at the grant date for the Unit options is based on an expected life that reflects historical exercise patterns, as opposed to the contractual term of the option which is used for compensation reporting purposes (see Notes 2 and 12 to the Trust’s annual audited consolidated financial statements for the year ended December 31, 2013, for the other assumptions and estimates used for this calculation). As a result when using the Black-Scholes-Merton value method, there is a difference between the fair value per option for compensation reporting purposes, and the accounting value per option as follows: For Messrs. Morrison’s and Munn’s and Ms. Marshall’s 2013 grant, the accounting value per option is higher by \$0.46.
- (4) Amounts under All Other Compensation include the value of perquisites. For Mr. Munn, the amount also includes a lump sum cash payment of \$250,000 to compensate him for the forfeiture of certain entitlements from his former employer.
- (5) The amount for Mr. Munn includes RUs with a grant date fair value of approximately \$400,000 at July 12, 2013 to compensate him for the forfeiture of deferred units from his former employer.
- (6) This amount includes a special option grant to Ms. Marshall made on July 12, 2013 with a grant date fair value of \$250,000 in recognition of Ms. Marshall’s contribution to the development of the portfolio of initial properties and her extraordinary efforts in connection with the establishment of the Trust and related preparations for its IPO.

## INCENTIVE PLAN AWARDS

### INCENTIVE PLAN AWARDS – OUTSTANDING OPTION-BASED AWARDS AND UNIT-BASED AWARDS

The following table sets forth the number and value of all unexercised option-based and Unit-based awards granted to NEOs that are outstanding at December 31, 2013:

Name of Participant	Option-Based Awards				Unit-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-The-Money Options (\$) <sup>(1)</sup>	Number of Units That Have Not Vested (#)	Market or Payout Value of Unit-Based Awards That Have Not Vested (\$) <sup>(2)</sup>	Market or Payout Value of Vested Unit-Based Awards Not Paid Out or Distributed (\$)
<b>John R. Morrison</b> President and CEO	442,586	10.04	July 12, 2020	212,441	34,541	363,378	—
<b>Bart Munn</b> Executive Vice President, Chief Financial Officer	129,199	10.04	July 12, 2020	62,016	50,976	536,272	—
<b>Jane Marshall</b> Executive Vice President, Chief Operations Officer	473,234	10.04	July 12, 2020	227,152	11,375	119,672	—

(1) The value of outstanding vested and unvested option-based awards is calculated based on the closing price for the Units on the TSX on December 31, 2013, which was \$10.52.

(2) The value of RUs awarded to the NEOs is based on the closing price of the Units on the TSX on December 31, 2013, which was \$10.52, multiplied by the number of RUs awarded. Additional RUs were accumulated based on notional equivalents of distributions paid on Units throughout the year and have been included in this table.

### INCENTIVE PLAN AWARDS – VALUE VESTED OR EARNED DURING THE YEAR

The following table sets forth the value of option-based and Unit-based awards of the NEOs that vested during 2013, as well as the value of non-equity incentive plan compensation that the NEOs earned during 2013. The dollar value of the option-based and Unit-based awards is calculated using the number of units vested/earned multiplied by the closing price of the Units on the TSX on the applicable vesting date.

Name of Participant	Option-Based Awards – Value Vested During The Year (\$)	Unit-Based Awards – Value Vested During The Year (\$)	Non-Equity Incentive Plan Compensation – Value Earned During The Year <sup>(1)</sup> (\$)
<b>John R. Morrison</b> President and CEO	—	—	518,765
<b>Bart Munn</b> Executive Vice President, Chief Financial Officer	—	—	182,960
<b>Jane Marshall</b> Executive Vice President, Chief Operations Officer	—	—	214,363

(1) Payments made in accordance with the Trust's STIP.

## PENSION PLAN AND LONG SERVICE EXECUTIVE ARRANGEMENTS

Executives of the Trust, including the NEOs, participate in either of Executive DB Plan or Executive DC Plan. Ms. Marshall participates in the Executive DB Plan while Messrs. Morrison and Munn participate in the Executive DC Plan.

### EXECUTIVE DEFINED BENEFIT PENSION PLAN AND SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

For certain senior executives of the Trust, including Ms. Marshall, who participate on a non-contributory basis in the Executive DB Plan, annual pension benefits were capped at \$2,696 per year of service. The Trust provides SERP allowances to executives who participate in Loblaw's Executive DB Plan including Ms. Marshall. The SERP is an

unfunded obligation of the Trust and executives who participate in this plan must comply with certain eligibility provisions in order to receive payment, most notably, former executives are not eligible to receive SERP payments while employed by a competitor of the Trust.

Pension entitlements for an executive in the Executive DB Plan and the SERP are based on the executive's length of service and his or her highest three-year average rate of base salary during his or her years of service with the Trust. For senior executives, the total annual benefits payable under the Executive DB Plan and the SERP are capped at \$125,000.

The cost of the estimated future Executive DB Plan benefits and SERP benefits for each NEO participating in the Executive DB Plan is calculated each year by the Trust's independent actuaries, based on the same method and assumptions used to determine year-end pension plan obligations as disclosed in Note 27 to Loblaw's 2013 financial statements.

The following table sets forth details regarding the only NEO who participates in the Executive DB Plan:

Name	Number of Years Credited Service (#)	Annual Benefits Payable (\$)		Opening Present Value of Defined Benefit Obligation (\$) <sup>(1)</sup>	Compensatory Change (\$)	Non-Compensatory Change (\$)	Closing Present Value of Defined Benefit Obligation (\$) <sup>(2)</sup>
		At Year End	At Age 65				
<b>Jane Marshall</b> Executive Vice President, Chief Operations Officer	21	103,333	117,100	1,424,000	72,000	(54,000)	1,442,000

(1) Discount rate is 4.00%.

(2) Discount rate is 4.75%.

**EXECUTIVE DEFINED CONTRIBUTION PENSION PLAN AND SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**

Certain senior executives of the Trust, including Messrs. Morrison and Munn, participate on a non-contributory basis in the Executive DC Plan. During 2013, contributions were set as a percentage of base salary (maximum of \$250,000) and were capped at \$24,270 per year, as set forth in the following table:

Age + Years of Service	Employer Contributions as a Percentage of Base Salary
< 50	13%
50-60	15%
61 +	17%

The Trust has entered into retirement agreements with certain executives who participate in the Executive DC Plan to provide SERP benefits to those executives with allocations for contributions in excess of the annual \$24,270 registered plan limit. As noted above, the SERP is an unfunded obligation of the Trust and executives who participate in this plan must comply with certain eligibility provisions in order to receive payment, most notably, executives are not eligible to receive SERP payments while employed by a competitor of the Trust.

The following table sets forth details regarding the NEOs who participated in the Executive DC Plan and SERP during 2013:

Name of Participant	Accumulated Value at Start of Year (\$)	Compensatory (\$)	Accumulated Value at Year End (\$)
<b>John R. Morrison</b> President and CEO	0	25,000	27,000
<b>Bart Munn</b> Executive Vice President, Chief Financial Officer	0	22,000	24,000

## **INDEBTEDNESS OF TRUSTEES, EXECUTIVE OFFICERS AND EMPLOYEES**

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As at March 14, 2014, there was no indebtedness (other than “routine indebtedness” under applicable Canadian securities laws) owing to the Trust or any of its subsidiaries by any trustees, executive officers, employees or former trustees, executive officers or employees of the Trust or any of its subsidiaries.

## **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

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Other than as set forth below, management is not aware of any material interest, direct or indirect, in any material transaction of (i) any trustee or executive officer of the Trust, (ii) any director or executive officer of Loblaw, (iii) any director or executive officer of Weston, or (iv) any person beneficially owning or controlling, directly or indirectly, more than 10% of the Trust’s outstanding Voting Units since the Trust was established on May 21, 2013. In conjunction with the closing of the IPO, Choice Properties completed a number of transactions with Loblaw whereby, among other things, it acquired a portfolio of 425 properties for aggregate consideration of approximately \$7 billion. The acquired real estate portfolio included approximately 35.3 million square feet of gross leasable area and was comprised of 415 retail properties, one office complex and nine warehouse properties. In the fourth quarter of 2013, the Trust acquired investment properties from Loblaw which added approximately 1 million square feet to GLA for aggregate consideration of approximately \$184 million, funded by the issuance of 11,576,883 Class B LP Units with a then-value of approximately \$116 million and approximately \$68 million of cash to Loblaw. For further details of the IPO and any subsequent transactions with Loblaw and Weston completed in conjunction therewith, please refer to each of the Trust’s long form prospectuses dated June 26, 2013 and the Trust’s annual information form dated February 18, 2014.

As of March 14, 2014, (i) Loblaw beneficially owned, directly and indirectly, 21,500,000 Units and 284,074,754 Special Voting Units, representing an 82.16% effective interest in the Trust, and (ii) Weston beneficially owned, directly and indirectly, 20,320,979 Units, representing a 5.46% effective interest in the Trust. Additional information relating to Choice Properties is available on its website at [www.choicereit.ca](http://www.choicereit.ca) and under the Trust’s issuer profile at [www.sedar.com](http://www.sedar.com).

# STATEMENT OF GOVERNANCE PRACTICES

## INTRODUCTION

The Trust's Board and management believe that sound governance practices contribute to the effective management of the Trust and its achievement of strategic and operational plans, goals and objectives. The Trust's approach to governance is generally consistent with the Canadian Securities Administrators' Corporate Governance Guidelines (the "Governance Guidelines"). The Governance Committee regularly reviews the Trust's governance practices and considers any changes necessary to maintain the Trust's high standards of governance in a rapidly changing environment.

The Trust's website, [www.choicereit.ca](http://www.choicereit.ca), sets out additional governance information, including the Trust's Code of Conduct, Disclosure Policy and mandates of the Board and of its committees.

### ***Board Responsibilities and Duties***

The Board, directly and through its committees, supervises and oversees the management of the business and affairs of the Trust. A copy of the Board's mandate is attached as Schedule "A" of this Circular. The Board reviews the Trust's direction, assigns responsibility to management for achievement of that direction, approves major policy decisions, delegates to management the authority and responsibility in day-to-day affairs and reviews management's performance and effectiveness. The Board's expectations of management are communicated to management directly and through committees of the Board.

The Board approves the Trust's goals, objectives, operating budgets and strategies, which take into account the opportunities and risks of the business. Members of the Board attend an annual all-day strategy session with management to discuss and review the Trust's strategic plans and opportunities. The Board oversees the Trust's risk management framework and assesses and evaluates the integrity of the Trust's internal controls over financial reporting and information systems and delegates certain risks to be overseen by the Audit Committee. As part of its risk management oversight, the Board receives reports on management's approach to risk management. Through the Governance Committee, the Board oversees succession planning and compensation for senior management and members of the Board.

The Board reviews and approves:

- strategic direction and the setting of performance objectives;
- multi-year and annual business, capital and operating plans and budgets;
- material capital expenditures, acquisitions, divestitures and restructurings;
- investments outside of the ordinary course of business;
- governance matters including related party transactions; and
- management's approach to enterprise risk management.

These matters are in addition to those matters that are required by law or organizational policy to receive Board consideration and approval. The Board regularly receives reports on the operating results of the Trust, as well as reports on certain non-operational matters, including treasury, insurance, governance, and legal matters. The Board, through the Governance Committee, also closely monitors any potential conflicts of interest between the Trust and its affiliates, including Loblaw and Weston. Individual trustees may, with the approval of the Lead Trustee, retain an outside advisor at the expense of the Trust.

### ***Board Leadership***

Mr. Galen G. Weston is the Chairman of the Board. The Board maintains a position description for the Chairman that is reviewed annually and approved by the Governance Committee and the Board.

The Chairman directs the operations of the Board. He chairs each meeting of the Board and is responsible for the management and effective functioning of the Board generally and provides leadership to the Board in all matters. More specifically, the Chairman works in consultation with the members of senior management to, among other things, set the agenda for each Board meeting; ensure that the Board has all the information it needs to discuss the matters brought before the Board; and ensures that all of the Board's responsibilities, as set out in the Board mandate, are being fulfilled. The Chairman also monitors the reports from the committees of the Board to ensure the committees are fulfilling the responsibilities delegated to them by the Board. The Chairman also chairs meetings of Voting Unitholders and facilitates the response by management to Voting Unitholder concerns. The Chairman ensures that strategic plans are communicated to the Board and that such plans are evaluated as to their success.

The Board has also appointed an independent trustee, Mr. Daniel F. Sullivan, to serve as Lead Trustee. The Lead Trustee provides leadership to the Board and particularly to the independent trustees. He ensures that the Board operates independently of management and that trustees have an independent leadership contact. The Lead Trustee chairs meetings of the independent trustees following each Board meeting and on other occasions as required or desirable. The Board maintains a position description for the Lead Trustee. The Lead Trustee meets periodically with the other independent trustees to obtain insight as to areas where the Board and its committees can operate more effectively and to ensure that the Board is able to discharge its responsibilities independent of management.

### ***Trustee Independence***

The mandate of the Board provides that the Board shall be comprised of a majority of independent trustees. The independence of each trustee is assessed by the Governance Committee with reference to the Governance Guidelines and the requirements set by the Canadian Securities Administrators in National Instrument 52-110 –*Audit Committees*. In determining independence, the Governance Committee determines whether a trustee has any material relationship with the Trust or its affiliates that could reasonably be expected to interfere with the exercise of such trustee's independent judgment. Trustees who have a material relationship with the Trust, including management trustees, are not considered independent. This determination is conducted through a due diligence process that includes the following:

- each trustee's responses to a detailed annual questionnaire about their individual circumstances;
- biographical reviews;
- internal records and documents on relationships between a trustee and any entity affiliated with such trustee on one hand, and the Trust and its subsidiaries on the other hand; and
- discussions with the trustee as may be required.

When assessing materiality, the Governance Committee considers all relevant factors and circumstances including, without limitation, transactions between the Trust and the trustee directly, immediate family members of the trustee, or organizations with which the trustee is affiliated, and the frequency and dollar amounts associated with any such transactions. The Governance Committee has reviewed each existing and proposed trustee's factual circumstances and relationships with the Trust to determine whether he or she is independent within the meaning of the Governance Guidelines. The Governance Committee determined that seven of the nine nominees are independent.

The following trustee nominees were determined to be independent: Kerry D. Adams, Christie J.B. Clark, Graeme M. Eadie, Michelle Felman, Michael P. Kitt, Daniel F. Sullivan and Paul R. Weiss. The following trustee nominees were determined not to be independent because they have a material relationship with the Trust or its affiliates, as described below:

- Galen G. Weston, who is the Executive Chairman of Loblaw and a relative of Mr. W. Galen Weston, the Trust's ultimate controlling unitholder; and
- John R. Morrison, who is an executive officer of the Trust.

The Trust has taken steps to ensure that adequate structures and processes are in place to permit the Board to function independently of management of the Trust. The Chair of the Board and of each committee meet separately with the Board or committee members after each meeting without management's presence. The independent trustees typically meet separately following each Board meeting and may meet on other occasions as required or desirable without the non-independent trustees or management's presence. There were no separately scheduled meetings of the independent trustees in 2013. Additional information relating to the trustees standing for election, including other public company boards on which they serve as well as their attendance record for all Board and committee meetings during 2013, can be found on pages 8 through 12 of this Circular.

The Board has determined that the current leadership structure, in which an independent trustee acts as Lead Trustee, ensures the appropriate level of oversight, independence and responsibility is applied to Board decisions. The Chair of the Governance Committee serves as the Lead Trustee. The Lead Trustee facilitates communication with the Board and presides over sessions where the independent trustees meet without the non-independent trustees, or where sessions when the Chairman is not present. The Lead Trustee, and each of the other trustees, communicates regularly with the Chairman regarding appropriate agenda topics and other Board related matters.



The Board is of the view that having a Chairman related to the controlling Unitholder and a Lead Trustee that is independent works well in addressing any potential conflicts of interest between the Trust and the controlling Unitholder. The role of an independent Lead Trustee is needed to ensure that the interests of the Trust and of the minority Unitholders and other relevant stakeholders are protected.

Individual trustees may, with the approval of the Lead Trustee, retain an outside advisor at the expense of the Trust as necessary.

### **Board Committees**

There are two committees of the Board: Audit and Governance.

The Audit Committee is comprised solely of independent trustees. At least once a year, the Governance Committee will review committee composition and committee Chairs and table its recommendations to the Board for approval. The Board believes that the composition of its committees allows them to operate independently from management such that Unitholders' interests are protected. All committees may engage outside advisors or consultants as necessary, and have the authority to approve fees for any such engagements.

Each committee has a formal mandate and a position description for its Chair established by the Board. Each committee reviews its mandate and the position description annually to ensure they reflect best practices and address applicable regulatory requirements. The results of those reviews are presented to the Board for approval. Copies of the committees' mandates are available on the Trust's website at [www.choicereit.ca](http://www.choicereit.ca).

### **Position Descriptions for the Chair of each Committee**

The Chair of each committee is responsible for the leadership and effective functioning of the committee. Specifically, the Chair is responsible for the following: maintaining a productive and effective relationship between the committee and management of the Trust; ensuring the proper flow of information from the committee to the Board regarding the matters discussed and decisions taken at each committee meeting; reviewing the agenda for each meeting of the committee to ensure that all appropriate matters are brought forward for discussion at the committee meeting; ensuring that the committee meets as frequently as is necessary and ensuring, with the assistance of management, that all proper materials and information are before the committee in connection with matters to be discussed at each meeting of the committee.

The following is a brief summary of some of the responsibilities of each committee.

### **Governance, Compensation and Nominating Committee**

The Governance Committee oversees succession planning and compensation for trustees and senior management. The Governance Committee's specific responsibilities include:

- assessing the effectiveness of the Board, each of its committees and individual trustees;
- overseeing the recruitment and selection of candidates as trustees of the Trust, other than the candidates nominated by Loblaw;
- organizing an orientation and education program for new trustees;
- overseeing the process of reviewing related party transactions;
- considering and approving proposals by the trustees to engage outside advisors on behalf of the Board as a whole or on behalf of the independent trustees;
- reviewing and making recommendations to the Board concerning any change in the number of trustees composing the Board;
- considering questions of management succession;
- administering the Option Plan, the employee unit purchase plan of the Trust, the DU Plan, the RU Plan and any other compensation incentive programs;
- assessing the performance of management of the Trust;
- reviewing and approving the compensation paid by the Trust to the officers of the Trust; and
- reviewing and making recommendations to the Board concerning the level and nature of the compensation payable to the trustees of the Trust.

The Governance Committee, whose members are Daniel F. Sullivan (Chair), Kerry D. Adams, Christie J.B. Clark, Michelle Felman and Michael P. Kitt, had two meetings in 2013.

### **Audit Committee**

The Audit Committee assesses and evaluates the integrity of the Trust's internal control over financial reporting and information systems. Although the Board oversees the Trust's ERM Program, it delegates the oversight of certain risks to the Audit Committee. The Audit Committee periodically reports to the Board on the oversight of such risks and on management's overall effectiveness in managing the ERM Program. The Audit Committee is responsible for:

- reviewing the Trust's procedures for internal control with the Trust's auditors and Chief Financial Officer;
- reviewing and approving the engagement of the auditors;
- reviewing annual and quarterly consolidated financial statements and all other material continuous disclosure documents, including the Trust's annual information form and management's discussion and analysis;
- assessing the Trust's financial and accounting personnel;
- assessing the Trust's accounting policies;
- reviewing the Trust's risk management procedures;
- reviewing any significant transactions outside the Trust's ordinary course of business and any legal matters that may significantly affect the Trust's consolidated financial statements;
- overseeing the work and confirming the independence of the external auditors; and
- reviewing, evaluating and approving the internal control procedures that are implemented and maintained by management.

The Audit Committee, whose members are Paul R. Weiss (Chair), Kerry D. Adams, Graeme M. Eadie and Michael P. Kitt, had two meetings in 2013.

### **Ethical Business Conduct**

The Trust's Code of Conduct (the "Code") reflects the Trust's commitment to high standards of ethical conduct and business practices. The Code will be reviewed annually to ensure it is current and reflects best practices in the area of ethical business conduct and includes a strong "tone from the top" message. The Code addresses several compliance issues including compliance with laws, rules and regulations, confidentiality and fair dealing with the Trust's Unitholders, customers, suppliers and competitors. All trustees, officers and employees of the Trust are required to comply with the Code and must acknowledge their commitment to abide by the Code on a periodic basis. The Audit Committee receives periodic reports on any compliance issues. In 2013, there were no material violations of the Code. The Code is available on the Trust's website at [www.choicereit.ca](http://www.choicereit.ca).

Senior management, which reviews all material breaches of the Code, oversees the implementation of the Code and the education of employees regarding the Code. Senior management also reviews the Code annually to determine if it requires revision.

The Code also deals with conflicts of interest. Should a trustee, officer or employee have a conflict of interest with respect to any matter, that individual is required to bring the conflict to the attention of senior management and, if a trustee has a conflict with respect to any matter, he or she may not participate in any discussion and will abstain from voting on the matter. The Code also addresses such matters as the protection of confidential information and the protection and proper use of the Trust's assets.

The Trust encourages the reporting of violations and potential violations of the Code and has established an Integrity Action Line (or "whistleblower" line), a toll-free number that any employee or trustee may use to report conduct which he or she feels violates the Code or otherwise constitutes fraud or unethical conduct. A fraud reporting protocol has also been implemented to ensure that fraud is reported to senior management in a timely manner. In addition, the Audit Committee has endorsed procedures for the anonymous receipt, retention and handling of complaints regarding accounting, internal controls and auditing matters. Reports are received periodically by the Audit Committee regarding any concerns reported through any of these procedures. These procedures are available at [www.choicereit.ca](http://www.choicereit.ca). The Secretary will report regularly to the Audit Committee regarding complaints received through the whistleblower procedures so that the Audit Committee can ensure that any complaints are handled appropriately.

### **Orientation and Continuing Education**

The Governance Committee will be responsible for overseeing the orientation of new trustees and the continuing education of current trustees about the business of the Trust. The Governance Committee will coordinate in-depth orientation sessions for new trustees. These sessions will include an overview of the Trust's history and operations, a review of industry conditions and an introduction to the Trust's senior management team. New trustees will be provided

with a trustees' guide containing details of the Trust's operations, the structure and role of the Board and its committees, the Board's mandate, compliance requirements for trustees, organizational policies, as well as agendas and minutes for recent Board and committee meetings. New trustees will be provided with additional historical financial information, opportunities to visit the Trust's properties and site locations and opportunities for one-on-one meetings and discussions with the executive leadership team and other trustees. Prior to the IPO, the trustees had two orientation sessions. The goal of the orientation sessions held in 2013 was to ensure that the new trustees fully understood the nature and operation of the Trust's businesses. These orientation sessions provided a comprehensive review of the Trust's proposed governance structure and a process for dealing with related party transactions. On an ongoing basis, as part of regular Board meetings, trustees are given presentations on various aspects of the Trust's operations and development opportunities.

All Board members participate in separate strategic meetings, including an annual off-site session with management. At this session, senior executives present a review of its activities and its outlook and strategies for the long-term. Such meetings may also include visits to the Trust's properties and development sites. Members of the Board may also participate periodically in senior executive meetings. The Governance Committee also receives periodic reports on regulatory developments and matters of general interest in the area of governance and executive compensation. As well, trustees are canvassed on specific topics relevant to the Board or to a specific committee that they would like to learn more about. These topics are included as part of the agenda for regularly scheduled Board and committee meetings.

### ***Assessment of the Board and its Committees***

Each year, the Governance Committee will undertake a review process to assess the performance and effectiveness of the Board and its committees. This process will include a confidential questionnaire completed by each of the trustees soliciting feedback from trustees on matters including the operation of the Board and its committees, the adequacy of information provided to trustees, Board structure and agenda planning for Board meetings. The survey results will be reviewed by the Governance Committee and then presented to the full Board.

Each year, the Governance Committee will review committee composition, recommend committee Chairs and take recommendations to the Board for approval.

Each year, in addition to the assessment that the Governance Committee will perform in connection with compensation matters, the Governance Committee will assess, with the participation of the entire Board, the performance of the Chairman of the Board and the President and Chief Executive Officer and review the results with the Board.

### ***Board and Committee Tenure Policy***

Choice Properties anticipates that trustees will typically serve on the Board until the earlier of the completion of a five year term or upon reaching the age of 72. Following completion of the five year term or upon reaching age 72, each trustee will meet with the Chairman to discuss whether or not the trustee will stand for re-election at the next Annual Meeting of Unitholders. The outcome of that decision will be put forward to the Governance Committee for its consideration. In addition, a trustee who serves as a Committee Chair will hold such position for a term of three years. The Governance Committee, upon the advice and recommendation of the Chairman, may extend the term of any individual trustee or a trustee's term as Committee Chair, if it is considered in the best interests of Choice Properties to do so.

### ***Nomination of Trustees***

The Governance Committee is responsible for the nomination of trustees. The Governance Committee reviews the experience and performance of nominees for election to the Board and the appointment of trustees to committees.

The Governance Committee meets on an annual basis, or when required, to assess the appropriate size of the Board and whether any vacancies are expected due to retirement or otherwise. As part of this assessment, the Governance Committee will review the skill set of current Board members to determine skills and experience to be considered when recruiting new trustee nominees. In the event that vacancies are anticipated or otherwise arise, the Governance Committee will consider candidates for Board membership. The members of the Board will be canvassed with respect to potential candidates and each candidate will be evaluated with respect to his or her experience and expertise, with particular attention paid to those areas of expertise that could best complement the current Board. As part of this evaluation process, the Board is mindful of diversity considerations in terms of gender, experiences and perspectives, and recognizes the benefits of promoting diverse candidates to its Board. The Governance Committee also assesses

any concerns relating to potential conflicts, independence or time commitments that the candidate may present. The Chair of the Board, the Chair of the Governance Committee, as well as other members of the Governance Committee will meet with the potential candidates to determine their interest, availability and suitability. The Governance Committee will then present its list of potential candidates and recommendations to the Board. A continuous list of potential candidates will be kept with the records of the Governance Committee.

***Composition of the Governance Committee***

Each member of the Governance Committee is an independent trustee. The Board believes that the presence of independent trustees on the Governance Committee and the alignment of interests described above ensure that objective compensation and nominating processes are in the interests of all Unitholders.

**GOVERNANCE MATTERS*****Disclosure Policy***

The Board has adopted a Disclosure Policy to deal with the timely dissemination of all material information. The Disclosure Policy, which is reviewed annually, establishes consistent guidance for determining what information is material and how it is to be disclosed to avoid selective disclosure and to ensure wide dissemination. The Board, directly and through its committees, reviews and approves the contents of major disclosure documents, including annual and interim consolidated financial statements, prospectuses and supplements, the Annual Report, the Annual Information Form, Management's Discussion and Analysis and the Management Proxy Circular. The Trust seeks to communicate to its Unitholders through these documents as well as by means of news releases, its website and investor relations calls and meetings.

***Disclosure Committee***

A Disclosure Committee comprised of senior management of the Trust oversees the Trust's disclosure process as outlined in the Disclosure Policy. The Disclosure Committee's mandate includes ensuring that effective controls and procedures are in place to allow the Trust to satisfy all of its continuous disclosure obligations, including certification requirements. The Disclosure Committee is also responsible for ensuring that the policies and procedures contained in the Disclosure Policy are in compliance with regulatory requirements.

The Trust's website, [www.choicereit.ca](http://www.choicereit.ca), sets out governance information, including the Trust's Code of Conduct, Disclosure Policy and mandates of the Board and of its committees.

## OTHER INFORMATION

### TRUSTEE AND OFFICER LIABILITY INSURANCE

The Trust maintains insurance for the benefit of its trustees and officers, and the directors and officers of its subsidiaries, in respect of the performance by them of their duties. The Trust's annualized insurance premium in 2013 was \$153,733. The insurance limit is \$50 million per year on an aggregate basis or per occurrence basis. There is no deductible in the case of trustees and officers and a deductible of up to a maximum of \$250,000 for the Trust.

### ADDITIONAL INFORMATION

The Trust is a reporting issuer under the applicable legislation of all of the provinces and territories of Canada and is required to file financial statements and information circulars with the various securities commissions. The Trust has filed its Annual Information Form with those securities commissions which, among other things, contained all of the disclosure required by Form 52-110F1 under National Instrument 52-110 – *Audit Committees*.

Additional copies of the Trust's latest Annual Information Form, the Trust's 2013 Annual Report and this Circular can be obtained upon request from the Vice President, Investor Relations of the Trust at 1 President's Choice Circle, Brampton, Ontario, L6Y 5S5.

Financial information is provided in the Trust's audited consolidated financial statements and management's discussion and analysis for its most recently completed financial year. Additional information about or relating to the Trust can also be found at [www.choicereit.ca](http://www.choicereit.ca) and [www.sedar.com](http://www.sedar.com) or by dialing in for regularly scheduled conference calls.

### CONTACTING THE BOARD OF TRUSTEES

Unitholders, employees and other interested parties may communicate directly with the Board through the Lead Trustee by writing to:

Lead Trustee  
Choice Properties Real Estate Investment Trust  
1 President's Choice Circle  
Brampton, Ontario, L6Y 5S5

### BOARD APPROVAL

The contents and sending of this Circular to Voting Unitholders entitled to receive notice of the Meeting, to each trustee, to the external auditors of the Trust and to the appropriate government agencies have been approved by the Board.



Pina Alberelli  
Secretary

Dated in Toronto, Ontario  
March 14, 2014

# SCHEDULE A

## MANDATE OF THE BOARD OF TRUSTEES

### 1. ROLE

The role of the Board is to provide governance and stewardship to the Trust. Its role is to review strategy, assign responsibility to management for achievement of that strategy, establish limitations on the authority delegated to management and monitor performance against approved objectives. In fulfilling this role, the Board regularly reviews management's strategic plans so that they continue to be responsive to the changing business environment in which the Trust operates. The Board oversees the Trust's approach to governance, succession planning, risk management activities, internal control over financial reporting, disclosure controls and procedures, and information systems. Through its oversight, the Board ensures that the Trust accurately and fairly reports financial and other information to unitholders, other stakeholders and the public. The Board is required to appoint officers. The Board satisfies itself as to the integrity of senior management, that the Trust engages in ethical and legal conduct and that senior management maintains a culture of integrity throughout the Trust.

### 2. RESPONSIBILITIES

To ensure that it fulfills its role, the Board will:

#### (a) Ensure Compliance with the Declaration of Trust

- Exercise its powers and take whatever actions as may be necessary or desirable in order to carry out the provisions of the Declaration of Trust.
- Ensure that the exercise of such powers or the taking of such actions is not inconsistent with the provisions of the Declaration of Trust.

#### (b) Define Unitholder Expectations and Monitor Performance

- Determine, from time to time, the appropriate criteria against which to evaluate performance, and set strategic goals and objectives within this context.
- Monitor performance against both strategic goals and objectives of the Trust.

#### (c) Approve Strategic Goals, Performance Objectives and Operational Policies

The Board will review and approve broad strategic objectives and values against which the performance of the Trust will be measured. In this regard, the Board will:

- Approve long-term strategies.
- Review and approve management's strategic and operational plans so that they are consistent with long-term goals.
- Approve strategic and operational policies within which management will operate.
- Approve significant acquisitions, sales of assets or units, and material financing arrangements.
- Review and approve the Trust's distribution policy and approve the timing and payment of distributions.
- Set targets and budgets against which to measure executive performance and the performance of the Trust.
- Satisfy itself of the appropriateness of all executive and colleague compensation matters and that a portion of executive compensation is linked appropriately to the performance of the Trust.
- Satisfy itself that a process is in place with respect to the appointment, development, evaluation and succession of senior management.

#### (d) Delegate Management Authority to the President and Chief Executive Officer

- Delegate to the President and Chief Executive Officer the authority to manage and supervise the business of the Trust, including making any decisions regarding the Trust's ordinary course of business and operations that are not specifically reserved to the Board under the terms of that delegation of authority.
- Determine what, if any, executive limitations may be required in the exercise of the authority delegated to management.

**(e) Monitor Financial Disclosure**

- Oversee the Trust's financial reporting and disclosure obligations in accordance with applicable law.
- Approve the Trust's consolidated financial statements, management's discussion and analysis and related releases.
- Oversee the Trust's compliance with applicable audit, accounting and reporting requirements, including in the areas of internal control over financial reporting and disclosure controls and procedures.

**(f) Monitor Enterprise Risk Management Program**

- Approve management's approach to enterprise risk management, including the identification and assessment of the principal risks with a view to the long-term viability of the Trust and achieving a proper balance between the risks incurred and the potential return for unitholders.
- Satisfy itself as to the effective oversight of risk management of individual risks by the Board or by a committee delegated by the Board, through the receipt of periodic reports from the committee Chairs or management, as appropriate.

**(g) Approve Related Party Transactions**

- Approve all proposed material related party transactions and any related party transactions that are not dealt with by a "special committee" of independent trustees pursuant to applicable securities legislation.

**(h) Oversee Effective External Communications**

- Satisfy itself that there is effective communication between the Board and the Trust's unitholders, other stakeholders and the public.
- At least annually, with the assistance of the Audit Committee, review and approve any material changes to the Trust's disclosure policy.

**(i) Monitor Governance of the Trust**

- Develop, and monitor compliance with, a set of governance principles and guidelines.
- Appoint a Lead Trustee who is independent to provide leadership to the Board and the independent trustees, including presiding over meetings or sessions of the non-management trustees and consulting with the Chairman of the Board on any matters arising out of such sessions.
- Ensure that independent trustees hold regular meetings without the attendance of management or non-independent trustees.
- Review the Board's mandate on an annual basis and make appropriate revisions.
- Develop, adopt and regularly review position descriptions for the Chairman of the Board, the Lead Trustee and the Chair of each committee of the Board.
- Assess the effectiveness and performance of the Board and its committees as well as their individual members.

**(j) Monitor Social Responsibility, Integrity and Ethics of the Trust**

- Ensure that senior executives maintain a culture of integrity throughout the Trust.
- Adopt a written code of conduct which is applicable to employees, officers and trustees of the Trust, and monitor compliance with the code.
- Monitor and receive periodic reports on policies and practices related to social responsibility of the Trust.

**3. COMPOSITION**

The Board shall be comprised of a majority of independent trustees. For this purpose, a trustee is independent if he or she would be Independent within the meaning of National Instrument 58-101 – *Disclosure of Corporate Governance Practices*, as the same may be amended from time to time. The Board is responsible for the composition and organization of the Board, including: the number, qualifications and remuneration of trustees; the number of Board meetings; quorum requirements; and meeting procedures. The Board shall ensure that due notice of meetings is provided as required by applicable law and the Declaration of Trust, subject to any exemptions or relief that may be granted from such requirements.

**4. COMMITTEES**

The Board may establish committees of the Board where required or prudent. The Board may delegate to such committees matters for which the Board is responsible, including the approval of Board and management compensation, the conduct of performance evaluations and oversight of internal controls, but the Board retains its oversight function and ultimate responsibility for these matters and all other delegated responsibilities. The Board has established the following committees:

- the Audit Committee (comprised entirely of independent trustees); and
- the Governance Committee (comprised entirely of independent trustees).

Circumstances may warrant the establishment of new committees, the disbanding of current committees or the reassignment of authority and responsibilities amongst committees. The authority and responsibilities of each committee are set out in a written mandate approved by the Board. At least annually, each mandate shall be reviewed and, on the recommendation of the Governance Committee, approved by the Board. Each committee Chair shall provide a report to the Board on material matters considered by the committee at the next regular Board meeting following such committee's meeting.

**5. ORIENTATION AND CONTINUING EDUCATION**

With the Governance Committee, the Board shall ensure that all trustees receive a comprehensive orientation program and continuing education in connection with their role, responsibilities, the business of the Trust, and the skills they must use in their roles as trustees.

**6. EQUITY OWNERSHIP BY TRUSTEES**

The Board shall oversee trustees' compliance with the Trust's Equity Ownership Policy.



**Choice**  
**Properties**<sup>REIT</sup>