FINAL TRANSCRIPT

Choice Properties & CREIT Combine to form

Canada's Largest Premier REIT

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PRESENTATION

Operator

Good day. My name is Jack, and I'll be your conference Operator today. At this time, I would like to welcome everyone to the Choice Properties and CREIT combination conference call. All lines have been placed on mute to prevent any background noise.

After the speakers' remarks, there will be a question-and-answer session. If you'd like to ask a question during this time, simply press *, then the number 1 on your telephone keypad. If you'd like to withdraw your question, press the # key. Thank you.
Kim Lee, Vice President, Investor Relations, you may begin your conference.

Kim Lee

Thank you, Jack. Good morning, everyone, and welcome to our conference call. Here with me today is Galen Weston, Chairman and CEO of Loblaw and GWL; Stephen Johnson, Chief Executive Officer, Canadian Real Estate Investment Trust; John Morrison, President and CEO, Choice Properties REIT; and Richard Dufresne, President and CFO, George Weston Limited.

Before we begin today's call, I want to remind you that this discussion will contain forward-looking statements about the proposed transaction. These forward-looking statements reflect current estimates, pro forma information, beliefs, and assumptions which are based on Choice Properties and CREIT's perception of factors management believes are appropriate in the circumstances. We can give no assurance that such estimates, pro forma information, beliefs, and assumptions will prove to be correct. Investors are cautioned that there a number of risks and uncertainties that could also cause actual results or events to differ materially from those expressed in these forward-looking statements.

For additional information regarding the forward-looking statements, please refer to the full text of the press release issued by Choice Properties and CREIT earlier today, and to the slides contained in today's presentation materials, which are available on our websites at choicereit.ca and creit.ca.

In addition, please note that throughout the presentation this morning, management may make reference to non-GAAP measures such as NOI and FFO. Management of Choice Properties and CREIT believes that these non-GAAP measures provide useful information to both management and investors in discussing the proposed transaction. These measures do not have a standard meaning prescribed by GAAP, and therefore may not be comparable to similarly titled measures presented by other publicly traded REITs.

And with that, I'll turn it over to Galen.

Galen Weston – *Chairman & CEO, George Weston Limited & Loblaw Companies Limited*

Good morning, and thank you for joining our conference call. Today we announced a transaction that will transform our group by bringing together two of Canada's preeminent REITs, and I'm pleased to be able to share some of the details with all of you now.

Less than five years ago when we created Choice Properties, we had a clear ambition to unlock the potential of Loblaw's valuable real estate assets. Through active management and strategic development, that's exactly what the team at Choice Properties has done. Today, it is Canada's third largest REIT with a portfolio of 546 properties, spanning 44.1 million square feet across the country, and an enterprise value of 9.5 billion.

Over that same period, Canada's longest-standing REIT, Canadian Real Estate Investment Trust, or CREIT, has delivered equally impressive returns as a diversified owner, developer, and manager of some of the highest-quality properties in Canada's best markets. That powerful combination has allowed CREIT to successfully increase their annual distributions to unitholders in every single one of the past 16 years.

In addition to combining two of Canada's leading REITs, this deal also represents the coming together of two of the most capable management teams in our country's real estate sector. Upon closing, John Morrison will become Vice Chairman of the Board of Trustees, staying on to help guide the combined organization. John has played a key role in leading and shaping Choice Properties since its creation and has assembled a talented team that will continue to grow the business under the leadership of Stephen Johnson, who will assume the role of President and CEO.

Stephen is currently the Chief Executive Officer of CREIT and has been with that organization since 1996, helping to build it into one of the most respected and top-performing REITs in the Canadian landscape. He will be joined by Rael Diamond as Chief Operating Officer, and Mario Barrafato as Chief Financial Officer, both of whom bring deep expertise in the real estate sector and a combined four decades of experience. Bart Munn will be stepping down as CFO. Bart has been instrumental in establishing Choice's solid foundation and driving its success over the last five years.

I'd now like to turn the call over to Stephen, who will share a bit more about each of the two organizations and the exciting opportunities that we see as a result of them coming together.

Stephen Johnson – *CEO, CREIT*

Thank you, Galen. Good morning, everyone. As the CEO of CREIT, I believe that this transaction presents CREIT and its unitholders with a wonderful opportunity. Our Board of Trustees has determined that the merger with Choice Properties is clearly in the best interests of CREIT and its unitholders, and I'm looking very forward to working with Choice on behalf of CREIT towards the successful completion of the transaction.

Having said that, I'm excited to be here this morning to discuss the strategic merits of this merger. The combined entity will be exceptionally well-positioned for future success. As you can see on Slide 10 of the presentation package, on a pro forma basis, the combined entity will be the largest REIT in Canada based on a number of key metrics, such as market capitalization, enterprise value, net operating income, and funds from operations. After the merger, we will have significant size, scale, and reach. We will have a national footprint in Canada's largest markets, and the combined portfolio will consist of 752 properties, comprising 69 million square feet of high-quality real estate.

The combination also increases diversification on several fronts. Choice will gain diversification in tenants and asset class, and CREIT will gain an improved geographic balance. This diversification provides improved stability for both CREIT and Choice unitholders. The combined entity will have a proven and established operating platform to drive the business forward with extensive experience in leasing, property management, and property development.

An important avenue for future long-term growth is the combined development pipeline. This presents attractive opportunities, including approximately 60 sites now capable of accommodating mixed-use communities. The combined entity will also benefit from the support and commitment of both Loblaw and George Weston as both investors and tenants.

Both Choice and CREIT have produced an impressive track record of earnings, income growth, and NAV over a long period of time. Together, the best of both platforms will position us well for the future, and we believe this is a wonderful opportunity for our collective investors.

I will now pass it over to John.

John Morrison

Thank you, Stephen; and welcome to Choice Properties. Choice Properties' key competitive advantage from the beginning was our strategic relationship with Canada's largest retailer, Loblaw. This alliance has provided Choice Properties with one of the most sought-after anchor stores in Canada as its principal tenant. As the largest retailer in the country, Loblaw draws incredible foot traffic to our sites, with consumers coming to shop at Loblaw food stores and Shoppers Drug Mart every day. Our long-term leases with Loblaw provide us with secure and reliable cash flows. In addition to these advantages, our relationship with Loblaw provides Choice Properties with a dedicated source of acquisition opportunities for future growth.

The key to unlocking value in the expanded portfolio is the tremendous opportunity available in Choice Properties' development pipeline. With 88 percent of our development potential in Canada's largest metropolitan areas, we believe there is meaningful value creation potential in the portfolio, which represents three active streams of development to drive future growth.

First is our retail development and intensification pipeline of 75 attractive sites. Also available to Choice Properties is the ability to leverage joint venture partnerships to access attractive sites to fuel additional development. And last but not least is the combined REITs' inevitable mixed-use development pipeline. This pipeline includes more than 60 sites, prime for creating exciting, residential-focused, mixed-use communities, many of which are in close proximity to public transportation, where people want to live, work, play, and shop.

On Slide 14 of the presentation, we highlight a few flagship examples of our mixed-use development potential. All four of these sites are in highly desirable neighbourhoods in the Greater Toronto Area with public transportation nearby. Golden Mile and 2280 Dundas are sites that we are preparing to redevelop as complete communities offering various housing forms, office, retail, and other amenities. Similarly, 390 Dufferin and 1050 Sheppard Avenue are ready to be developed.

Last but not least, infrastructure, the backbone of the business, is the backbone of our business. The combined entity will be supported by best-in-class operating platforms with proven track records of success and expertise in all aspects of real estate. With an established base foundation in place, the new management team is ready to hit the ground running, focus on execution, deliver results, and create value for the long term.

And now I'll pass it over to Richard to go over the financial details.

Richard Dufresne — *President and Chief Financial Officer, George Weston Limited*

Thank you, John. Let me start with the magnitude of this deal. This combination will result in Canada's largest diversified REIT with the financial strength and capacity to deliver pro forma NOI of approximately 890 million, FFO of 690 million, and AFFO of 570 million.

To combine the two REITs under the agreement, Choice Properties will acquire all of CREIT's assets and assume all of its liability. CREIT will then redeem all of its outstanding units for $22.50 cash, plus 2.4904 Choice Properties unit per CREIT unit, on a fully prorated basis. Based on yesterday's closing price of $12.49, this represents a

CREIT unit price of 53.61, a 23.1 percent premium to its closing price on February 14, and a 21 percent premium to the 20-day VWAP.

The total consideration of this deal will consist of approximately 58 percent in Choice Properties units and 42 percent in cash. CREIT unitholders will have the ability to choose whether to receive $53.75 in cash or 4.2835 Choice Properties units for each CREIT unit held, subject to proration.

Following the transaction, CREIT unitholders will own approximately 27 percent of the combined entity, while Choice Properties unitholders will own approximately 7 percent. Loblaw and George Weston's combined ownership will be 65 percent.

In terms of financing sources, as laid out in the press release, we intend to finance the cash portion with committed credit facilities totalling 3.6 billion, consisting of an $850 million bridge facility and a $1.25 billion term loan. We expect to refinance the bridge facility through the issuance of senior unsecured debentures. The term loan is structured in three-, four-, and five-year tranches, and is expected to be replaced with senior unsecured debentures over time.

For financial flexibility, we have arranged a new $1.5 billion committed revolving credit facility to replace the existing revolver. The deal was structured to maintain our BBB credit rating, and we have maintained a conservative leverage profile. Our leverage will move as a result of this transaction to 47 percent debt to gross book value, and 3.4 times interest coverage. The acquisition is pending all customary steps, including the approval of CREIT unitholders, which is expected to take place over in mid-April.

With that, let me turn it back to Galen for concluding remarks.

Galen Weston

Thank you, Richard. As you can sense from the team's remarks, we're energized by the transformative next step that this deal represents for both of our organizations. The combined entity will create Canada's largest REIT. It will be uniquely positioned to deliver value for unitholders through the active management of its diversified portfolio of blue chip properties across the country, while also unlocking new opportunities through a robust retail, industrial, and mixed-use development pipeline.

With 752 properties and 69 million square feet of gross leasable area, the combined REIT will generate a pro forma NOI of approximately $890 million and FFO of approximately 690 million, representing an enterprise value of $15 billion. This strong balance sheet complements the deep expertise of the team who will lead the organization and puts Choice Properties in a unique position to succeed amidst a dynamic real estate landscape. Thank you.

As we begin this next stage of our strategic growth agenda, I'd like to take the opportunity to thank all our dedicated employees at Choice Properties for their continued hard work, and welcome those at Choice—or at CREIT to our group, and to reiterate our commitment to delivering reliable, growing cash flows as we continue to drive long-term value for all of our unitholders.

With that, we'd be pleased to open the call for questions.

Q&A

Operator

Thank you. Again, I'd like to remind you, if you'd like to ask a question, please press *, 1 on your telephone keypad. We'll pause for a moment to compile the Q&A roster.

Your first question comes from the line of Mike Markidis with Desjardins. Your line is open.

Mike Markidis – *Desjardins Capital*

Hi. Thanks, and good morning, everybody. Just a quick question here on the 60 mixed-use sites that you reference. Would you be able to give us a split of roughly how many of those were within the Choice Properties portfolio and how many of those were in the CREIT portfolio?

John Morrison

Yes. Mike, it's John Morrison. There's about 48 of them in the Choice Properties portfolio and the balance are in the CREIT portfolio.

Mike Markidis

Okay. And then just taking that a step further, the benefits of the transaction in terms of size, scale are all there. I'm just trying to get a sense of, from a strategic—beyond that—from a strategic perspective on behalf of Choice, you had a lot of mixed-use already in your portfolio, so I'm just trying to get a sense of why the desire to get bigger was there. And there's no mention of the accretion metrics on the deal, so maybe if we can get a little bit more on the financial side as well, that would be great.

John Morrison

So the mixed-use—yeah, there are more opportunities for mixed-use. We're also seeing more or increased opportunities in the major markets, which was an attraction for us. And so when we looked at the combined portfolios in terms of the direction that Choice Properties was going, this transaction just adds to the pipeline of what we've got available to us with the combined company.

So as I mentioned just a bit earlier, we're adding additional sites with the CREIT portfolio for mixed-use opportunities. We believe this is a strong future of real estate development, particularly in major markets. And when you look at a lot of these locations, they're urban in nature, and so the mixed-use aspect of those is really the future of development, and as you're aware, has been in the Canadian landscape. So adding more is obviously very positive. And also, what it does is it advances the timing around the execution of the pipeline, because some of the CREIT properties are in a position to move forward a little bit faster than maybe some of the Choice Property [sic] sites are available.

Mike Markidis

Okay.

John Morrison

With respect to the accretion, I'm going to ask Richard to respond to that.

Richard Dufresne

Yeah. We expect the transaction to be mid-single digit dilutive to FFO in 2018; however, it's important to note that we did not pursue this transaction based on short-term accretion or dilution. In addition, we believe there's room for multiple expansion here due to our newfound scale, NOI diversification, growth potential, increased focus on urban centres, and our improved liquidity in our units going forward.

Mike Markidis

Okay. And then just closing it off here before I turn it back. I presume part of the strategic merits here would also be just the access to the internal development leasing expertise at CREIT. Do you expect that there would be any consolidation or rationalization now with the two combined entities? Or will it be just a straight combination of the two teams?

John Morrison

I think it's more or less a combination of the two teams. We're not deep in office and industrial as CREIT is, so and, of course, we've got two deep teams in retail, but there's lots of assets, so that combination is going to be very strong. We do have development expertise within Choice Properties, and that will obviously be an important aspect of this going forward. So I mean there may be a bit of rationalization, but I wouldn't say it would be material.

Mike Markidis

Okay, that's great. Thanks very much

Operator

Your next question comes from the line of Heather Kirk with BMO Capital Markets. Your line is open.

Heather Kirk – *BMO Capital Markets*

Just wondering how the deal came about, and whether it was shopped to other buyers.

Galen Weston

Yeah. So I'll start from—it's Galen—from a Weston-Loblaw perspective. We've always had an ambition to really establish Choice Properties as a real estate entity on its own. We always contemplated M&A as a long-term strategic option for us. And so from a Choice perspective, we conducted a strategic review and we identified potential partners, complementary sources of value creation, and ultimately we concluded that CREIT was the right fit for Choice. And fortunately we were able to engage in a constructive conversation with their management and their board, and today's announcement is the result of that.

Heather Kirk

Okay. So it was a direct conversation. In terms of the tax implications, I'm just wondering if there's withholding tax implications for the CREIT-holders as a result of the transaction, just in terms of—

Richard Dufresne

No. We don't believe so.

Heather Kirk

Okay. And just for the longer term, like how strategic are different parts of the portfolio in terms of the industrial and the office in particular?

Galen Weston

Well, I would say they're quite strategic. And one of the important aspects of this transaction for Choice Properties, Heather, is the increased diversification, not only in terms of geographic diversification and increasing the vector (phon) market exposure, but Choice is now going to be invested in the other asset classes, office and industrial. So as you probably know, Choice already owns a number of industrial-type units but they're Loblaw-occupied, so now we're increasing our exposure to industrial, which is something that we were very anxious to do, and we're also diversifying our tenant mix as well. And so we think that's a very positive aspect of this transaction.

Heather Kirk

And just from the Loblaw stake, clearly this dilutes it down somewhat. Just wondering whether there's a minimum sort of stake that Loblaw will want to retain on a go-forward basis in Choice as the REIT grows?

Galen Weston

Yeah. So no specific sort of target number from a Loblaw perspective, but I think the key takeaway should be that real estate is a core asset for the Weston-Loblaw Group, and as such we would expect to continue to own a significant portion of this new entity.

Heather Kirk

Thanks very much. I'll turn it back

Operator

Your next question comes from the line of Pammi Bir with Scotia Capital. Your line is open

Pammi Bir – *Scotia Captial*

Thanks, and good morning. Can you maybe just comment, there was a comment in terms of I guess the short-term dilution. But can you comment on what the growth profile may look like over the next few years from an AFFO standpoint? Or even how you see it kind of shaping up from an NAV standpoint beyond, just call it year one?

Richard Dufresne

Well, the growth profile beyond year one will mimic essentially the growth profile of both businesses. Essentially in the REIT transaction there aren't that many synergies, so it's going to be a blend of the future growth of both businesses.

Pammi Bir

Okay. So there's in terms of the going-in accretion, you mentioned not much in terms of synergies. Any sort of costs in the near term that you expect from a—if you can quantify them in terms of what will be eliminated

Richard Dufresne

About 10 million is the amount of synergies we'd use.

Pammi Bir

Ten million. Okay. And then just looking at the balance sheet for a second. You mentioned 45, 46 percent on, I guess, a loan-to-value basis. But how do you see that playing out over again beyond call it the first year?

Richard Dufresne

So right now, we wanted to solve for credit metrics that would allow us to be solidly BBB; however, we actually really like the philosophy that CREIT has regarding leverage. So it's definitely something that we will look closely over the next few years to see if we could not lower leverage beyond what we're at right now.

Pammi Bir

Okay. And then just lastly, just piggybacking off of the last question from Heather, when you think about the longer-term growth opportunities, do you expect to pursue transactions with—beyond the Loblaw relationship—with third parties, be it in office or industrial? Or will it be more of sort of what we've seen with Choice, which has been primarily through the Loblaw relationship?

John Morrison

Pammi, it's John. Absolutely. I think what we have here in this combined platform with the diversification of this asset class is you see a very fulsome commercial real estate entity here. So that opens the door actually to be looking at other assets, be it office, industrial, residential, et cetera, as we continue to build out the platform, and we will now have a full complement of expertise. So we're always going to look for the right strategic acquisitions that we think can add value to the portfolio, so that program will continue.

Pammi Bir

Great. Thanks very much.

Operator

Your next question comes from the line of Jenny Ma with Canaccord Genuity. Your line is open.

Jenny Ma – *Canaccord Genuity*

Thanks. Good morning, and congratulations on this deal.

John Morrison

Thanks.

Jenny Ma

Now as far as the diversification of the portfolio by asset class, it might be early days, but given that you mentioned that office and industrial do a play a role in the long term of the REIT, have you contemplated what the ideal asset mix might be, maybe just in terms of directionality as opposed to actual numbers?

John Morrison

Not specifically. I mean, we know what it looks like going in together. But imagine as a lot of the growth in this company is going to be coming from investment—capital investment and redevelopment projects, and a lot of them are going to be mixed-use. And so if you think about them today, they're 100 percent retail. But when they're fully built out, retail will be the smallest component of them and then residential will be the largest component, and in between that we'll have office, but it'll depend on the site.

So if you think about the transit-oriented sites in Toronto, for example, it's highly likely there will be an office component in those sites, but the majority will be residential. So the residential piece will grow the most, and so it'll be a good balance between all the different asset classes. But there's no specific numbers or targets that we have right now, because these developments evolve in terms of the highest and best use, and so it's best for us to build them that way based on demand and based on opportunity, rather than trying to target so much office versus so much residential, et cetera.

Jenny Ma

Right. That's fair. As far as the combined entity, given your focus on some of the urban markets, are there any assets you think within the combined portfolio, particularly in sort of secondary and tertiary assets, that you might look at disposing once this deal is closed?

John Morrison

I think as a prudent real estate company and prudent investors, we will always look at the portfolio from an investment perspective, and if we determine that there's assets that don't have a long-term—that we don't have a long-term view on or we think that we should maybe exit certain markets or certain properties, then we'll take that into consideration. But that will be part of the process going forward.

Jenny Ma

So no hard targets at this point? Or any specific clusters you're looking at?

John Morrison

No. No immediate targets at this time.

Jenny Ma

Okay great. Thank you very much.

John Morrison

You're welcome.

Operator

Your next question comes from the line of Matt Cornack with NBF. Your line is open.

Matt Kornack – *NBF*

Hi, guys. Just a quick question with regards to your free cash flow profile. I think CREIT was known for being modest on the development front and funding it entirely with free cash flow, or at least a significant component of free cash flow. Will that be the model you'll pursue in Choice? Or is it going to be sort of construction-financed and leveraged in the near term?

Richard Dufresne

The answer is yes, this is the model we'll pursue going forward.

Matt Kornack

And just in terms of the assets you're buying, it seems like it's diversification not only through office and industrial, but the retail characteristics are a bit different as well. Just interested in your thought process when you looked out across the public and private real estate ownership space as to why you would've gone after this entity, versus something that's maybe a little bit more grocery-anchored.

John Morrison

Well, I think that first of all, we're well-covered in the grocery-anchored space, and there are grocery-type retailers on some of the CREIT properties. And we looked at obviously the format of some of these retail assets, and we're quite satisfied that they're very strong, stable retail assets, they're well-designed, they're well-located, some of them still have continued intensification opportunities on these properties. And we look at the characteristics of retail today, bricks and mortar versus e-commerce, and took that into consideration, tenant mix, et cetera, and all those factors led us to a high level of comfort, not only for today but the future in terms of how these assets are going to continue to perform, and the tenants that are in these assets and how they're going to continue to perform. So we're quite comfortable with the format and the markets that they're in.

Matt Kornack

So I guess quickly on that front, the CREIT portfolio is a little bit more concentrated in Alberta. Just interested in your views on that market.

John Morrison

Yeah. Certainly. The retail is very strong, and the CREIT assets in Alberta have performed very similarly to the Choice assets in Alberta. We have not, and CREIT has not, experienced really any type of dislocation in the retail sector, and I think that speaks to the types of properties that the combined entity will own.

With respect to the Calgary office, we're quite aware of the challenges of downtown Calgary right now. We've been watching it very closely. We're quite aware of where the CREIT office assets sit within that market. And we do have some experience here with the Calgary office market, so it's not like we're going into it without a lot of knowledge, if you will. And we do have a view that the market has more or less bottomed out, and we think that it's going to get stronger going forward, and so we're—it's not a—it's a concern for us but it's not a significant concern.

Matt Kornack

Okay. Great. Thanks.

Operator

This concludes the Q&A portion of the call. I would now like to turn the call back over to Kim Lee.

Kim Lee

Thank you, Jack; and thank you, everyone, for joining our conference call this morning. Have a great day.

Operator

This concludes our conference call for today. Thank you for your participation. You may now disconnect.

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