

Attachment 3

Build Toronto 2011 COMPENSATION DISCLOSURE AND ANALYSIS (CD&A)

The following document provides disclosure and analysis in Board approved executive compensation for 2011 for the Named Executive Officers (NEO's) of Build Toronto. This is the second CD&A prepared by Build Toronto, the first being for 2010. This document supports Build Toronto's Human Resource and Corporate Governance (HRCG) Committee.

Build Toronto is an arm's length Corporation with their sole shareholder being the City of Toronto. Build Toronto is overseen by a 12 member Board of Directors who are appointed by the City Council of the Shareholder. Executive Compensation is overseen by the Human Resources and Corporate Governance (HRCG) Committee of the Board of Directors. Throughout 2011, the HRCG committee was Chaired by Councillor Doug Ford as the Mayor's designate to the Board of Directors. Other members consisted of Mr. Blake Hutcheson, Mr. Paul Finkbeiner, and Mr. Ucal Powel. The composition and functional responsibilities of the HRCG is consistent with our Shareholder Direction

This Compensation Disclosure and Analysis (CD&A) document outlines the strategy and direction the HRCG Committee and the Build Toronto Board of Directors has approved on executive compensation and outlines the HRCG Work Plan for 2011.

1.0 Build Toronto Board of Directors

Our Board of Directors is responsible for overseeing management and Build Toronto's business affairs. Its goal is to ensure we continue to operate as a successful business, optimizing financial returns to increase our value over time while effectively managing the risks we face in our business. The Build Toronto Board spends considerable time in reviewing our overall business strategy to ensure that we provide value for our shareholder, both in financial terms, and in bringing significant "City-Building" value to the City in terms of creating employment opportunities, building assessment values, developing different affordable housing options and ensuring our developments represent the best in environmental and urban design objectives.

Our Board works within a climate of respect, trust and candor, fostering a culture of open dialogue. It fulfills its duties by:

1. Maintaining a governance framework that sets broad areas of responsibility and includes appropriate checks and balances for effective decision-making and approvals;
2. Making decisions that set the tone, character and strategic direction for the company and approving the vision, mission, values and guiding principles developed by management;
3. Regularly monitoring management's effectiveness, including its leadership, recommendations, decisions and execution of strategies to ensure that the CEO and senior management carry out their responsibilities in an organized, efficient and professional way.

The Board reviews our corporate governance framework and practices and revises them as regulations change, and as industry and shareholder expectations and corporate best practices continue to evolve within the context of our Shareholder Direction.

1.1 About the Directors

Our Board of Directors is responsible for overseeing management. Their role is to assist growth in Build Toronto's business activities and the value of Build Toronto to the City of Toronto. As the Board of Directors, these 12 directors are responsible to oversee Build Toronto's strategy, risk process and Executive succession and remuneration. The composition of our Board has been determined by the Shareholder with the objective of providing a balance between strong expertise in real estate, property valuation, deal structure and prudent asset management coupled with the oversight and political acumen from the shareholder. This results in a healthy balance on the Board of Directors between Directors that have strong City-Building and Shareholder perspectives and those Directors with a strong market perspective.

1.2 Board Committees

The Build Toronto Board carries out its responsibilities directly and through its committees, which make recommendations to the Board for approval. The Build Toronto Board has three standing committees:

1. Human Resources and Corporate Governance committee (HRCG)
2. Audit and Risk Management Committee (ARM)
3. Real Estate Investment and Development committee (REID)

1.3 Human Resources and Corporate Governance Committee

As part of the *Compensation Discussion & Disclosure (CD&A)*, this document explains the rationale used by the HRCG committee to support its pay-based decisions for the NEOs. This committee has four members:

1. Councillor Doug Ford (Chair)
2. Blake Hutcheson
3. Paul Finkbeiner
4. Ucal Powell

In addition to its Corporate Governance role, the HRCG committee is responsible for assisting the board in overseeing:

1. Human resource policies
2. Executive compensation
3. Succession planning
4. Total remuneration

The committee carried out the following activities as part of its 2011 work plan:

1. Identified and approved a comparator peer group to provide the basis of comparison for Executive Compensation. This peer group is outlined in the section that follows;
2. Implemented the changes to the executive compensation plan approved for 2011;
3. Reviewed the executive compensation market data to ensure that our compensation levels remain competitive;
4. Reviewed the performance measures under the short-term incentive plan;
5. Reviewed the CEO's performance;
6. Reviewed the CEO's annual performance assessments of the NEOs;
7. Reviewed and recommended changes to base salary of the NEOs;
8. Reviewed and developed the framework for a proposed retention incentive plan which has not been implemented;
9. Based on specific performance outcomes, determine the STIP awards for the CEO and NEOs;
10. Reviewed the compensation discussion and analysis;
11. Looked at the alignment of Build Toronto's compensation with the executive compensation principles of the Canadian Coalition for Good Governance (CCGG);
12. Undertook a competitive procurement process to retain a new Compensation advisor for 2012 to 2015.

This committee met six times in 2011. It met *in camera* without management present at every meeting.

1.4 Executive Pay and Direction

The HRCG Committee is responsible for:

1. Consulting with management to develop our general philosophy on compensation and performance-based pay at risk;
2. Reviewing and recommending to the board for approval all compensation policies and programs for our top executives (the Named Executive Officers or NEOs);
3. The corporate goals and objectives relating to the compensation for the CEO and the NEOs;
4. Evaluating the CEOs performance against those goals and objectives;
5. The compensation for the CEO based on the committee's evaluation;
6. The compensation for our other NEOs based on the CEO's evaluations;
7. Employment contracts with the NEOs;
8. Overseeing the development and implementation of compensation programs, including establishing any incentive or retention based compensation plans.

The committee believes in the fundamental importance of aligning the interests of executives and shareholders and paying for performance. It is also responsible for

reviewing all executive compensation disclosure before we disclose it publicly. This CD&A explains our philosophy and objectives, policies and guidelines, the different components that make up our executive compensation program, what we base executive compensation on, and how we evaluate performance and approve compensation. This report was prepared by management, reviewed, and approved by the HRCG Committee and the Build Toronto Board of Directors at its meeting in May 2012.

1.5 Succession Planning

We have developed a succession plan for our entire executive team. We also have a leadership development program to instill our leadership competencies throughout Build Toronto and to prepare certain senior level employees to take on executive positions in the future.

In the area of Succession Management, the HRCG committee is responsible for:

1. Reviewing our executive talent pool and the succession plan twice a year. The audit committee is also responsible for reviewing the succession plan for the CFO and making related recommendations to the HRCG;
2. Ensuring the succession plan is presented to the board each year. The board must ensure there is opportunity for directors to get to know the employees who have been identified as potential executives. They make presentations to the board and are invited to company functions and planning sessions where they can interact with directors more informally.

1.6 Independent Advisor

The HRCG committee retained 3XCD Inc, a Board Compensation Governance firm to advise the HRCG in review practices and competitive compensation system design. 3XCD was selected as Build Toronto's primary independent compensation consultant throughout 2010 and 2011. 3XCD Inc services in 2011 included:

1. Advisory services on performance, compensation peer groups, and payout and plan objectives;
2. Advisory services on compensation risk assessment and governance issues;
3. Attending six HRCG committee meetings;
4. Consultation and advisory services on compensation-related governance matters.

3XCD were engaged to review and update our pay delivery services. 3XCD did not provide any services to management. The committee reviews and pre-approves all fees and the terms of service for consulting services provided by its compensation consultant. The committee is ultimately responsible for its own decisions, which may take into consideration more than the information and recommendations provided by its compensation consultant or management.

The HRCG is now finalizing its selection of a new Compensation advisor for the period of 2012 to 2015 following a competitive procurement process.

2.0 Compensation Philosophy

Build Toronto's compensation policies and programs are designed to accomplish four specific goals:

1. Attract, retain and motivate executives operating in a highly demanding, complex and competitive industry and an uncertain business environment;
2. Link executive compensation to corporate performance;
3. Motivate executives to create shareholder value by:
 - a. rewarding them when they successfully achieve corporate and individual performance objectives over the short and medium term plan;
 - b. ensuring that total compensation of all of our senior executives minimizes entitlement and includes a significant component of pay that is at risk, reflecting their ability to influence strategy, business outcomes and financial performance;
4. Work towards the direction of positioning our total direct executive compensation at the median of our compensation peer group. This means that half of the companies in our peer group pay more than we do and half pay less. This goal will not be accomplished until 2013 or 2014 as we currently pay at approximately the 37th percentile of our peer group.

Our executive compensation program includes a base salary, short-term incentive, pension and other benefits. The short-term incentives plan is *at-risk* compensation, which is awarded according to how well we perform as a company (corporate performance), and how well the executive performs in his or her role (individual performance). The most senior people in our organization have the highest amount and proportion of total compensation that is *at risk*.

2.1 The Relationship between Compensation and Build Toronto's Corporate Performance

The Executive Compensation system is directly linked to Build Toronto's performance targets. These targets are approved by the Board of Directors through the consideration and adoption of an Annual Business Plan and a Five-Year Strategic Plan. In addition to the financial targets as laid out in the Business Plan, Build Toronto NEO's are evaluated on the performance of their business unit, and on City Building and Personal objectives.

We compensate our executives in a way that is fair, competitive and is linked to the financial performance measures that the HRCG committee considers important in terms of growing shareholder value. We understand we have a CEO that is well versed in all these areas and yet accepts that the BT CEO salary is at the 25th percentile of the peer group.

Corporate performance is based on City earned equity interest in the BT Corporation and investment return. Both issues remain the largest factors affecting our decision on executive pay. This section discusses our executive compensation program and the decisions we made affecting the compensation of our most senior people in 2011 (our *named executive officers or NEOs*):

Our strong start up financial performance across several key areas, encourages us to expect it to continue to develop in 2012. A focus on key City objectives to ensure a balance of good returns with a safe and rewarding workplace, developing an improved clean environment, and supporting communities with an appropriate property development cycle. We believe these measures will continue to play a strong role in determining our future growth and long-term success.

The HRCG is responsible to evaluate the performance of the CEO and the NEO's on an annual basis. This annual cycle begins with the formal approval of an annual business plan which is approved by the Board of Directors, usually at the last Board meeting of the previous year. At the January meeting of the HRCG, the Committee reviews the specific performance objectives of the CEO and NEO's that are an integral part of the Short Term Incentive Plan (STIP). The performance objectives of the CEO and NEO's are directly linked to the compensation under the STIP plan and are based on four different performance metrics as outlined in the chart below.

2.2 2011 STIP Components are Positioned by Job Level in Build Toronto

Job Level	Total STIP % as Target	Corporate Performance based on (ANOI)	Business Unit Performance	Personal Performance	City based Performance
CEO	50%	80%	0%	10%	10%
EMT/NEO's	35% - 50%	50%	30%	10%	10%

At year end, a performance assessment is conducted and each performance metric is evaluated. The CEO assessment is conducted by the Chair of the Board of Directors and is approved by the HRCG and the Board of Directors. The NEO's assessments are conducted by the CEO and approved by the HRCG and the Board of Directors. The

final payouts under the STIP program are approved by the HRCG and the Board of Directors and are paid out in the first quarter of the subsequent year. Normal statutory deductions are made from these payments.

Depending on the performance levels of the CEO and NEO's, the overall STIP program is structured to pay out from 0% to 175% of target.

On the strategy-pay-risk assessment, our conservative approach to risk management, and compensation risk in particular, encourages the right management behaviours are used to drive performance using a matrix scorecard to assess performance. This avoids excessive risk-taking or extreme payouts to our most senior people. This approach helps us in:

1. Maintaining a multi-year strategic plan;
2. Considering risk when we set our annual corporate objectives;
3. Establishing absolute as well as relative measures of performance;
4. Allowing us to set a plan design with a threshold level of performance that is 5% under our incentive plan target;
5. Using appropriate payout curves to cap performance incentive payouts;
6. Reviewing our total remuneration including benefits, retirement and holidays;
7. Committing to full and open disclosure.

2.3 Our Named Executive Officers (NEOs)

In 2011, our NEOs consisted of:

1. J. Lorne Braithwaite, Chief Executive Officer (CEO)
2. Winston Young, Senior Vice-President and Chief Financial Officer (CFO) *Note, Mr. Young was on secondment from the Toronto Port Lands Company and he returned to TPLC in November 2011.*
3. Derek Ballantyne, EVP Operations and Chief Operating Officer (COO) *(Note, at the time of filing, Mr. Ballantyne was no longer employed with Build Toronto.)*
4. Don Logie, Senior Vice-President, Development
5. John Macintyre, Senior Vice-President, Corporate Affairs

The NEOs changed at the end of 2011 with the reorganization of the Executive Team following the departure of the EVP Operations and the Chief Operating Officer, Mr. Ballantyne, and the conclusion of the secondment of Mr. Young as CFO. In 2012, the list of NEOs will include the new Executive Team.

3.0 Compensation Hybrid Peer Group

In 2010, Build Toronto established a Hybrid peer group that consists of both public and private companies. Build Toronto is a competitive company and competes for executive talent from the open market – and is subject to the market forces in the potential loss of our Executives to competitors. The notion of using a hybrid peer group enables inclusion of the concept of incentive pay for comparatively high results or less incentive for below market performance.

The following comparator group was researched and recommended by the Board's Compensation Advisors and was approved by the HRCG and the Board. This comparator group will be reviewed and approved by the HRCG each calendar year, but is unlikely to change in a significant way until there is further growth in our balance sheet.

The private sector companies in the peer group are shown below:

Private Peer Companies
1. ALLIED PTYS REAL ESTATE INV
2. ARTIS REIT
3. CONSOL HCI HOLDINGS -CL B
4. GENESIS LAND DEVELOPMENT CP
5. HOLLOWAY LODGING REIT
6. INTERRENT REAL ESTATE INV TR
7. KILLAM PROPERTIES INC
8. LAKEVIEW HOTEL REIT
9. LANESBOROUGH REIT
10. MAINSTREET EQUITY CORP
11. MELCOR DEVELOPMENT LTD
12. NORTHERN PROPERTY RE INV TR
13. RETROCOM MID-MARKET REIT
14. WHITEROCK REAL ESTATE INV TR

The disclosed public sector companies in the peer group are shown below:

Public Peer Group
1. WATERFRONT TORONTO
2. ONTARIO REALTY CORPORATION
3. CANADA LANDS CORPORATION
4. ONT. PENSION BOARD
5. ONT. MUNICIPAL RETIREMENT SYSTEM
6. BCIMC
7. ALTUS GROUP INCOME FUND

This Hybrid peer group is used to determine competitive compensation and competitive and comparative incentive payouts.

3.1 Target compensation and mix

Build Toronto has targeted our overall executive compensation at the median (50%) of our compensation peer group and we benchmark base salaries at the median. The review on performance pay is also reviewed with “City objectives” to ensure they are appropriate. Performance in those areas is factored in when determining the STIP awards. Build Toronto is currently at the 37th percentile in compensation related to the peer group.

The HRCG reviews the results of our Compensation Advisor, 3XCD’s real data and benchmark our executive compensation program to our compensation peer group as part of our analysis and assessment to make sure our compensation is fair and competitive. We also benchmark our compensation internally to make sure we are balanced in our decision-making. This assessment is completed strictly in Canada with appropriate Canadian/Ontario/Toronto based companies.

In order to target this peer group we typically target the median of this peer group for absolute financial data then compare absolute and comparative performance to total direct compensation. We compare the compensation of our executives against comparable executive positions from the compensation peer group when we determine the compensation for our executive officers.

4.0 Board Approved Executive Compensation Program for 2011

Total compensation for our executives includes four elements:

1. Base salary
2. Short-term incentive plan (STIP)
3. Pension
4. Benefits and perquisites

4.1 Base Salary for our NEOs

Our base salary was determined in combination with our appropriate peer group:

Incumbent	Job Role	2011 Base Salary
J. Lorne Braithwaite	Chief Executive Officer (CEO)	\$312,000
Winston Young	SVP and Chief Financial Officer (CFO) (On secondment to Build Toronto—Salary allocated 66% to Build Toronto and pro-rated to Oct 31, 2011)	\$125,400
Derek Ballantyne	EVP Operations and Chief Operating Officer (COO)	Reported under Confidential Cover
Don Logie	SVP, Development	\$225,000
John A. Macintyre	SVP, Corporate Affairs (Note; Salary does not include an interim \$ 25,000 Acting Allowance due to Reorganization and allocation of additional responsibilities)	\$185,000

The overall 2011 compensation for each Executive is outlined in the attachment.

4.2 Incentive Pay for Build Toronto Executives--STIP (Short-term Incentive Plan)

The NEO's participate in the STIP program as approved by our Board of Directors.

Participants within this plan include:

1. CEO (Mr. Braithwaite)
2. Four NEOs (Mr. Ballantyne, Mr. Logie, Mr. Young and Mr. Macintyre)

The payout under the STIP is within the current target matrix for the NEOs level within the organization as outlined in section 2.2. The specific performance areas are as follows:

- (i) Corporate Performance (EBIT, NOI, EBITA, AROA, ROIC)
- (ii) Business Unit Performance
- (iii) Personal Performance
- (iv) City-based Performance

Under the approved STIP Program, depending on corporate and individual performance, the NEOs can earn a payment under the STIP plan of between 0 to 175% of their individual target. Our solid 2011 performance across our key performance measures in 2011 resulted in a corporate performance payout average of 131% to plan for the NEOs as outlined in the total compensation chart. The board acknowledged the CEO's outstanding performance in leadership effectiveness and his impact on strategic initiatives, and strong performance by the other named executives.

The 2011 payments under the STIP plan are outlined on the attachment.

4.3 Benefits and Perquisites

The CEO and the NEOs are provided a standard company package of Health, Dental and Insurance Benefits which is the same program in place for all of Build Toronto.

In addition, the CEO and the NEOs each receive menu package of perquisites which are capped at a total of \$ 12,500.00. The HRCG is currently reviewing this package of perquisites with the objective of adjusting it and containing costs by reducing the package for the 2013 calendar year.

4.4 Pension

Build Toronto is a member of the OMERS Multi-employer pension plan. Contributions to OMERS are shared equally between the employer and the employee.

5.0 Summary

This CD&A outlines the compensation strategy for Build Toronto. The salient points in this document are:

- There is a strong process in place to manage Executive Compensation at Build Toronto that is the responsibility of the Human Resources and Corporate Governance Committee
- The HRCG has retained an independent advisor who assists the Committee in gathering data and providing analysis. The HRCG has approved a hybrid comparator group of 21 private sector companies and publicly owned corporations in order to benchmark our compensation.
- Build Toronto competes for Executive talent in a highly competitive marketplace where total compensation for comparable executives is much higher and includes a significant long term incentive plan. Build Toronto is currently at the 37th percentile amongst its benchmarked comparator group;
- The STIP Program is “at-risk” compensation—if the individual NEO or the company as a whole does not reach its performance objectives then this component of compensation is forfeited or significantly reduced. If performance objectives are substantially exceeded, then the incentive payout is capped at 175 % of target.

Build Toronto 2011 Executive Compensation Disclosure

Position Title	Name	Year	Base Salary	STIP Program Payments	Total Cash Compensation	Perquisites (Note 1)	Total Compensation
CEO	J. Lorne Braithwaite	2010	\$300,000	\$153,000	\$453,000	\$12,036	\$465,036
		2011	\$312,000	\$267,500	\$579,500	\$5,622	\$585,122
SVP - Development	Don Logie	2010	\$212,231	\$106,250	\$318,481	\$9,341	\$327,822
		2011	\$225,000	\$127,700	\$352,700	\$9,247	\$361,947
SVP - Corporate Affairs	John Macintyre (Note 2)	2010	\$179,846	\$63,000	\$242,846	\$11,719	\$254,565
		2011	\$210,000	\$105,200	\$315,200	\$9,627	\$324,827
SVP & CFO	Winston Young - secondment (Note 3)	2010	\$189,784	\$50,000	\$239,784	\$9,241	\$249,025
		2011	\$125,400	\$30,558	\$155,958	\$4,918	\$160,876
COO and EVP	Derek Ballantyne (Note 4)	2010	Disclosed under Confidential Cover to the Shareholder				
		2011	Disclosed under Confidential Cover to the Shareholder				

Note 1: Perquisites are annual cost for the year outlined and are capped at \$ 12,500 per year

Note 2: 2011 Base salary line for Mr. Macintyre includes Acting Allowance of \$ 25,000 due to reorganization and significant increase in responsibility

Note 3: Mr. Young was on secondment to Build Toronto and this represents 66% allocation of his 2011 compensation prorated to October 31, 2011.

Note 4: Mr. Ballantyne's salary and compensation is covered by a legally binding confidentiality agreement and has been disclosed to the Shareholder. Mr. Ballantyne left the employ of Build Toronto in March 2011.