

December 22, 2011

Mr. Joseph P. Pennachetti
City Manager,
City of Toronto
100 Queen Street West, 11th Floor, East Tower
Toronto, ON, M5H 3C2

Dear Mr. Pennachetti: **Re: 2010 Salary Disclosure, Build Toronto**

In response to the shareholder request, **Build Toronto** attaches the Compensation Discussion and Analysis (CD&A) document for the 2010 Calendar Year as approved by the **Build Toronto** Board of Directors. This document outlines the **Build Toronto** Board's compensation policy for the Executive Team and the Named Executive Officers (NEOs) for **Build Toronto** and also provides an overview of the performance metrics and total compensation of the NEOs. This information is provided for 2010 only, as we commenced operations in the latter part of 2009 so all compensation in that year is pro-rated and not comparable. Our Board has asked that we provide this information on an annual basis as part of our Annual Report submission.

Build Toronto is agreeable to have the City Manager transmit the corporate disclosure of senior management compensation packages for 2010 to the Executive Committee on the public agenda. **Build Toronto** have considered the privacy impacts of the disclosure under the *Municipal Freedom of Information and Protection of Privacy Act (MFIPPA)* and can provide assurance to the City Manager and City Council, as shareholder, that there is no unauthorized release of personal information protected under the legislation. The consent of all individuals listed in the report was obtained prior to disclosure.

Information about former NEOs, no longer employed with the corporation, is provided to the City Manager in a separate attachment labeled 'confidential' with the understanding that the document will be transmitted to Council as an in-camera item. This information should not be publically disclosed in order to protect the personal information of the individual as they have not provided consent to the disclosure of their compensation packages for 2010, and we are bound by a Confidentiality Agreement that governs the release of this information.

Please let me know if you have any questions.

Yours truly

J. Lorne Braithwaite, CEO

Copy: Blake Hutcheson, Chair, Build Toronto Board of Directors
Councillor Doug Ford, Vice-Chair, Build Toronto Board of Directors

2010 COMPENSATION DISCLOSURE AND ANALYSIS (CD&A)

Build Toronto – 2010

The following document provides disclosure in Board-based executive compensation delivery for 2010. There has been no CD&A prepared for 2009 as it was a partial year of operation during the start-up period with formal HR policies under development. This document supports Build Toronto's Human Resource and Corporate Governance (HRCG) Committee.

At the beginning of 2010, Build Toronto's sole shareholder was *City of Toronto*. The elected HRCG committee consisted of Mayor David Miller, Mr. Blake Hutcheson, Mr. Paul Finkbeiner, and Mr. Ucal Powel. In November 2010, this board representation was changed following the Municipal election. Councillor Doug Ford was appointed by City Council as the Mayor's designate and in keeping with the Shareholder Direction, assumed the role as Chair of the HRCG committee.

This document supports the direction the Build Toronto Board of Directors approved in 2010 and into 2011 on executive compensation. This Compensation Disclosure and Analysis (CD&A) document outlines the Board's position and strategy on Executive Compensation and outlines the HRCG Work Plan that has been done since the formation of Build Toronto, including:

- (i) Review of all components of pay documented.
- (ii) Identify, evaluate and review all components of performance pay versus the "Hybrid" peer group.
- (iii) Develop an integrated pay delivery system to enable employees to see the personal and corporate value of performance.
- (iv) Develop the construct for a LTIP (long-term incentive plan) plan within Build Toronto.
- (v) Develop and design a performance-based STIP (short-term incentive plan).
- (vi) Develop a segregated but paralleled performance management system for base salary audit.
- (vii) Implement the performance management system and STIP design.

About our Board

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.

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.

The Role of the Board

The Shareholder, through the Shareholder Direction, has set the number of directors at 12 directors in order to meet this governance commitment.

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 directors are responsible to oversee Build Toronto's strategy, risk process and Executive succession and remuneration.

These directors are chosen to meet our goal and to assemble a Board that operates cohesively, challenges and questions management in a constructive way. When assessing directors for the Board, the Shareholder looks at:

1. The overall mix of their skills and experience
2. How active they are in understanding our business and participating in meetings
3. Their character, integrity, judgment and record of achievement
4. Diversity (including gender, ethnicity, age and geographic representation)

The Shareholder also looks at a director's ability to contribute to the Build Toronto Board, the time they have available and their other directorships as these are important factors that enhance the quality of the board's decision-making and its oversight of management and our business affairs overall.

Board Committees

The BT Board carries out its responsibilities directly and through its committees, which make recommendations to the board for approval. The BT 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)

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 executive. 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

Executive Pay and Direction

This 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 (Executive Management Team)
3. The corporate goals and objectives relating to the compensation for the CEO and Executive Management Team (EMT)
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 senior vice-presidents (EMT) based on the CEO's evaluations
7. Employment contracts with EMT
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 September 2011.

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.

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 where they can interact with directors more informally.

Independent Advisor

The committee retained 3XCD Inc, a Board Compensation Governance firm to assist in review practices and competitive design. 3XCD was selected as Build Toronto's primary independent compensation consultant throughout 2010. 3XCD was engaged mid-year 2010 to assist Build Toronto in moving more quickly towards a "hybrid" real estate company. 3XCD Inc services in 2010 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.

Compensation Philosophy

Our 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 specific 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 long term plan
 - b. ensuring that total compensation of all of our executives includes a significant component that is at risk, reflecting their ability to influence 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 as we currently pay at approximately the 35th percentile of our peer group.

Our executive compensation program includes a base salary, short-term and proposed long-term incentive, pension and other benefits. The short and long-term incentives are *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 total most senior people in our organization have the highest amount and proportion of total compensation that is *at risk*.

2010 highlights

The committee carried out the following activities as part of its 2010 work plan:

1. Identified all compensation components and structured them as "individual delivery" from Build Toronto.
2. Implemented the changes to the executive compensation plan approved for 2010
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 EMT
7. Reviewed and recommended changes to base salary, and determined of the short term and proposed long-term incentive plan
8. Determine awards for the CEO and EMT.
9. Reviewed the compensation discussion and analysis.
10. Discussed various governance issues and industry development on (i) say on pay (ii) clawbacks and (iii) hold periods
11. Looked at the alignment of Build Toronto's compensation with the executive compensation principles of the Canadian Coalition for Good Governance (CCGG)

This committee met seven times in 2010. It met *in camera* without management present at every meeting.

How We Compensate Our Executives

We compensate our directors and executives in a way that is hopefully fair, competitive and is linked to the financial performance measures the HRCG committee views growing value. We understand we have a CEO that is well versed in all these areas and is undercompensated.

The following section is a report by the Board of Directors on the recommendation of the Human Resources and Corporate Governance Committee. It gives you insight into our compensation process and discusses the different components of our program. We have also provided information that is not required by regulators, to give you a more complete understanding of our decisions.

Executive Summary

Corporate performance is based on City interest 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 2010 (our *named executive officers or NEOs*):

1. J. Lorne Braithwaite, Chief Executive Officer (CEO)
2. Winston Young, Senior Vice-President and Chief Financial Officer (CFO)
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

2010, proved a very positive year for Build Toronto. After merely two years in business, Build Toronto was in a position to return a significant dividend back to the City of Toronto. This was achieved by sales of "value add" assets and Joint Venture partnership development of certain assets. While still a relatively small amount in size, Build Toronto, as a start up organization turned out solid financial performance and an excellent launch.

Our strong start up financial performance across several key areas, encourages us to expect it to continue to develop in 2011. 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.

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 an un-balanced scorecard to assess performance. This avoids excessive risk-taking or extreme payouts to our most senior people. This approach helps us include:

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. Allows setting a plan design with levels of threshold performance just 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

Against this backdrop, the board of directors approved the following executive compensation decisions for 2010:

The 2010 Executive Peer Group – “Hybrid” Peer Group

In 2010, Build Toronto employed a Hybrid peer group. A Hybrid peer group is one that exists of public and private companies. As Build Toronto is a private company, other pay aspects do come into effect, and are cumulative. At the same time, Build Toronto is a competitive company and will need to hire executives 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 use of a hybrid peer group also enables some flexibility to the Board in making appropriate incentives – up or down.

When engaged at Build Toronto, the following was determined as the “Hybrid” peer group. This will be changed in 2011 for 2012 as Build Toronto grows its balance sheet and achieves positive results in terms of its annual income statement.

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

Private Peer Companies
1. ALLIED PPTYS 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
8. GENESIS LAND DEVELOPMENT CP
9. RETROCOM MID-MARKET REIT

As a private, city-supported business, at this time Build Toronto needs a “hybrid peer group” to determine competitive compensation and competitive and comparative incentive payouts.

Target compensation and mix

We target 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. We currently are at the 35th percentile in compensation related to the peer group.

We review the results of 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.

The historic performance peer group of 14 public companies included similar companies. In all cases, we compared industry sector, revenues, invested capital, total assets and market capital.

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. This is our typical approach, although the HRCG committee has the discretion to adjust the target up or down, depending on our corporate performance and other factors like market conditions. 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.

Base Salary for our EMT

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

Incumbent	Job Role	2010 Base Salary
J. Lorne Braithwaite,	Chief Executive Officer (CEO)	\$306,000
Winston Young,	SVP and Chief Financial Officer (CFO)	\$189,784
Derek Ballantyne,	EVP Operations and Chief Operating Officer (COO)	Not Reported
Don Logie,	SVP, Development	\$212,230
John Macintyre,	SVP, Corporate Affairs	\$179,846

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

Type of Incentive Pay for Build Toronto Executives

With both short-run and long-run performance wanting to be assessed and rewarded, the nature and design of the both types of incentives was critical. This year both the short-term incentive plan (STIP) and the creation of a possible long-term incentive plan (LTIP) were reviewed.

STIP (Short-term Incentive Plan)

Those Executives within the plan did not provide sufficient pay at risk in the current STIP plan in 2010. This plan, with the nature, design and multiples from within the plan were difficult to work through then plan paid a very small amount of an upside (120% of bonus) for over-achievement. This initiative was against the notion of Build Toronto's process to drive performance, not to hinder it. Subsequent to 2010, the Committee approved a new plan to drive performance in 2011.

The presumed payout under the new STIP will be within the current target matrix (as shown below). As Build Toronto is a city owned company, the components within the design will be:

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

Within the payout target, payout leverage extended to 175% of current target and capped. This percentage payout has been “forward tested” under all financial scenarios and is competitive and reasonable payout to this group.

We rely on an independent advisor who has all the most pertinent information we need to set job levels and component payouts by job sector. The proposed payouts for the incoming year have been determined and are shown below.

Participants within this plan include:

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

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	35% - 50%	50%	30%	10%	10%

Perquisites

The CEO and the NEOs each receive a car allowance of \$6,000 and TTC Pass of \$1,446. Mr. Braithwaite received medical expenses of \$1,990, Mr. Macintyre and Logie - \$1,895 and Mr. Young \$1,795. Mr. Braithwaite - \$2,600 and Mr. Macintyre - \$2378; were the only users of Club Membership.

Payouts Under our Short-term Incentive Plan

Our solid 2010 performance across our key performance measures in 2010 resulted in a corporate performance payout average of 100% to plan for the EMT (35 to 50% target level against base salary). 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.

2011 HRCG Work Plan – Outstanding Item - LTCRP (Long-term Cash Retention Plan)

The premise behind a LTCRP is largely corporate based. The intent is for the company to hold value together for several years (typically time and performance). Unlike a one-year STIP plan, an LTCRP typically pays out somewhere in the three to four year

timeframe. This is typically a much easier way to time performance and assess value creation based on longer-term business cycles.

As Build Toronto is a real estate company, the plan design should include some form of LTCRP. The LTCRP makes sense to both the recipient and the corporation. Two preliminary designs were developed and tested. Both designs had functionality; however, both were on hold before being submitted into Build Toronto's Compensation Philosophy. The two proposed designs included (i) a design reserved on partial property sales and partial development joint venture net asset value creation, and (ii) a portioned STIP banking with payout after three or four years. Both designs will be completed and assessed in 2011 and considered by the Board of Directors in the future.

Board Assessment of Program

The HRCG committee reviews all of our policies and programs relating to executive compensation and makes recommendations to the board. This process involves:

1. Reviewing and establishing the annual corporate objectives to measure performance
2. Evaluating performance – absolute and comparative.
3. Determining the proposed base salaries, short-term incentive awards, and other remuneration issues.
4. Committee review and recommendation to the board
5. Board approval

If the HRCG committee is satisfied that the current executive compensation policies and programs and our compensation levels are aligned with our corporate performance, reflect competitive market practices, and allow us to attract, retain and motivate talented executives.

Total compensation

Total compensation for our executives includes five elements:

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

Type of compensation/Performance period/How it is determined

The following components cover our pay delivery philosophy:

1. Base salary
 - Cash one year
 - Based on market competitiveness among the compensation peer group, individual performance, fairness and internal equity

Build Toronto Compensation Disclosure and Analysis, 2010 Named Executive Officers (NEO) Disclosure

Position Title	Build Toronto NEO	STIP (Short Term)				Total Compensation
		Base Salary	Incentive Program	Total Cash Compensation	Perquisites	
CEO	J. Lorne Braithwaite	\$299,999.98	\$153,000.00	\$452,999.98	\$12,036.00	\$465,035.98
SVP - Corporate Affairs	John Macintyre	\$179,846.21	\$63,000.00	\$242,846.21	\$11,719.00	\$254,565.21
SVP - Development	Don Logie	\$212,230.85	\$106,250.00	\$318,480.85	\$9,341.00	\$327,821.85
SVP & CFO	Winston Young - secondment **	\$189,784.00	\$50,000.00	\$239,784.00	\$9,241.00	\$249,025.00

** please note that \$54,145.64 of this was allocated to TPLC and Invest Toronto (\$40,609.23 to TPLC and \$13,536.41 to Invest Toronto) less secondment allocation