

ENTERTAINMENT PROPERTIES TRUST

Form DEF 14A

April 06, 2007

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

ENTERTAINMENT PROPERTIES TRUST

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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ENTERTAINMENT PROPERTIES TRUST
30 W. Pershing Road, Suite 201
Kansas City, Missouri 64108
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 9, 2007

To our shareholders:

The 2007 annual meeting of shareholders of Entertainment Properties Trust will be held at the Leawood Town Centre Theatre, Leawood, Kansas, on May 9, 2007 at 10:00 a.m. (local time). At the meeting, our shareholders will vote upon

Proposal 1: The election of one Class I trustee for a three year term,

Proposal 2: The approval of our 2007 Equity Incentive Plan,

Proposal 3: The approval of our Annual Performance-Based Incentive Plan, and

Proposal 4: The ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2007,

and transact any other business that may properly come before the meeting.

All holders of record of our common shares at the close of business on February 15, 2007 are entitled to vote at the meeting or any postponement or adjournment of the meeting.

You are cordially invited to attend the meeting. Whether or not you intend to be present at the meeting, our Board of Trustees asks that you sign, date and return the enclosed proxy card promptly. A prepaid return envelope is provided for your convenience. Your vote is important and all shareholders are encouraged to attend and vote in person or vote by proxy.

Thank you for your support and continued interest in our Company.

**BY ORDER OF THE BOARD OF
TRUSTEES**

Gregory K. Silvers
*Vice President, Chief Operating Officer,
General
Counsel and Secretary*

Kansas City, Missouri
April 9, 2007

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**ENTERTAINMENT PROPERTIES TRUST
30 W. Pershing Road, Suite 201
Kansas City, Missouri 64108**

PROXY STATEMENT

This proxy statement provides information about the annual meeting of shareholders of Entertainment Properties Trust (we, us or the Company) to be held at the Leawood Town Centre Theatre, Leawood, Kansas, on May 9, 2007, beginning at 10:00 a.m. (local time), and at any postponement or adjournment of the meeting.

This proxy statement and the enclosed proxy card were first mailed to shareholders on or about April 9, 2007.

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ABOUT THE MEETING

What am I voting on?

The Board of Trustees (also referred to herein as the Board) is soliciting your vote for:

The election of one Class I trustee for a three year term,

The approval of our 2007 Equity Incentive Plan,

The approval of our Annual Performance-Based Incentive Plan, and

The ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2007.

Our management will report on the performance of the Company during 2006 and respond to questions from shareholders.

Who is entitled to vote at the meeting?

Holders of record of our common shares at the close of business on February 15, 2007, are entitled to receive notice of the annual meeting and to vote their common shares held on that date at the meeting or any postponement or adjournment of the meeting.

How many votes do I have?

Each common share has one vote. The enclosed proxy card shows the number of common shares you are entitled to vote.

What constitutes a quorum?

The presence at the meeting, in person or by proxy, of the holders of a majority of our common shares outstanding on the record date will constitute a quorum, permitting the meeting to proceed. On the record date, 26,458,875 common shares of the Company were outstanding. Proxies received but marked as abstentions and broker non-votes will be included in calculating the number of common shares present at the meeting for the purpose of establishing a quorum.

How do I vote?

If you complete and properly sign the enclosed proxy card and return it to us before the meeting, your common shares will be voted as you direct. If you are a shareholder of record and attend the meeting in person, you may deliver your completed proxy card at the meeting. You are also invited to vote in person at the meeting. You may request a ballot when you arrive.

If your shares are held in the name of a bank, broker or other nominee and you wish to vote at the meeting, you must obtain a proxy form from the institution that holds your shares.

If you are a participant in our dividend reinvestment and direct share purchase plan, your plan shares will be voted as you instruct on your proxy card.

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Does EPR have a policy for confidential voting?

We have a confidential voting policy. Your proxy will be kept confidential and will not be disclosed to third parties, other than our inspector of election and personnel involved in processing the proxy cards and tabulating the vote.

Can I change my vote after I return my proxy card?

Yes. Even after you have submitted your proxy, you may change your vote or revoke your proxy at any time before the meeting by sending a written notice of revocation or a duly executed proxy with a later date to the Secretary of the Company. Your proxy will also be revoked if you attend the meeting and vote in person. If you merely attend the meeting but do not vote in person, your previously granted proxy will not be revoked.

What are the Board's recommendations?

Unless you give other instructions on your proxy card, the persons named as proxy holders on the proxy card will vote your common shares in accordance with the recommendations of the Board of Trustees. The Board recommends you vote:

For the election of the person nominated as Class I trustee,

For the approval of our 2007 Equity Incentive Plan,

For the approval of our Annual Performance-Based Incentive Plan,

For the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2007.

If any other matter properly comes before the meeting, the proxy holders will vote as recommended by the Board of Trustees or, if no recommendation is given, in their own discretion.

How many votes are needed to approve each item?

Election of Trustee. The affirmative vote of a plurality of the common shares voted at the meeting is required for the election of the Class I trustee. This means the nominee in Class I receiving the greatest number of votes will be elected. We will not count abstentions in the election of the trustee. If you check **WITHHOLD AUTHORITY** under the nominee's name on your proxy card, your shares will be voted against the nominee. You may also vote against the nominee by striking through his name on your proxy card.

Approval of 2007 Equity Incentive Plan and the Annual Performance-Based Incentive Plan and ratification of appointment of independent registered public accounting firm. The affirmative vote of a majority of the common shares voted at the meeting is required to approve the 2007 Equity Incentive Plan and the Annual Performance-Based Incentive Plan and to ratify the appointment of KPMG LLP as our independent registered public accounting firm for 2007. We will not count abstentions in the approval of the 2007 Equity Incentive Plan and the Annual Performance-Based Incentive Plan and the ratification of KPMG LLP as our independent registered public accounting firm for 2007.

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How will broker non-votes be counted?

Broker non-votes (which occur when a broker or other nominee has not received directions from its customers and does not have discretionary authority to vote the customers' shares) will not have the effect of a vote against any proposal.

What does it mean if I receive more than one proxy card?

Some of your shares may be held in more than one account. Please date, sign and return all of your proxy cards to ensure all your common shares are voted.

What if I receive only one set of proxy materials although there are multiple shareholders at my address?

If you and other residents at your mailing address own common shares in street name, your broker, bank or other nominee may have sent you a notice that your household will receive only one annual report and proxy statement for each company in which you hold shares through that broker, bank or nominee. This practice is called "householding." If you did not respond that you did not want to participate in householding, you are deemed to have consented to that process. If these procedures apply to you, your nominee will have sent one copy of our annual report and proxy statement to your address. You may revoke your consent to householding at any time by contacting us at 30 W. Pershing Road, Suite 201, Kansas City, Missouri 64108, (816) 472-1700, Attention: Secretary. If you did not receive an individual copy of our annual report and proxy statement, we will send copies to you if you contact us at the above address or telephone number. If you and other residents at your address have been receiving multiple copies of our annual report and proxy statement and desire to receive only a single copy of these materials, you may contact your broker, bank or other nominee or contact us at the above address or telephone number.

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**PROPOSAL 1:
ELECTION OF TRUSTEE**

The Board of Trustees consists of five members and is divided into three classes having three-year terms that expire in successive years. The nominating/company governance committee of the Board of Trustees has nominated Barrett Brady to serve as our Class I trustee for a term expiring at the 2010 annual meeting or until his successor is duly elected and qualified. Unless you withhold authority to vote for the nominee or you mark through the nominee's name on your proxy card, the common shares represented by your properly executed proxy will be voted for the election of the nominee for trustee.

Here is a brief description of the backgrounds and principal occupations of the person nominated for election as trustee and each trustee whose term of office will continue after the annual meeting.

Class I Trustee (nominated for a term expiring at the 2010 annual meeting)

Barrett Brady

Trustee since 2004

Barrett Brady, 60, is Senior Vice President of Highwoods Properties, Inc., a REIT listed on the New York Stock Exchange (NYSE). Mr. Brady served as President and Chief Executive Officer of J.C. Nichols Company, a real estate company headquartered in Kansas City, Missouri, until its acquisition by Highwoods in 1998. Before joining J.C. Nichols Company in 1995, Mr. Brady was President and Chief Executive Officer of Dunn Industries, Inc., a major construction contractor. Mr. Brady received a BSBA from Southern Methodist University and an MBA from The University of Missouri. Mr. Brady serves on the Boards of Directors of Midwest Research Institute and Dunn Industries, Inc., and the Board of Trustees of The University of Missouri at Kansas City. Mr. Brady also serves on the Board of Directors of North American Savings Bank, FSB and its publicly held parent NASB Financial, Inc., and is Chairman of the audit committee of NASB Financial, Inc.

Class II Trustees (serving for a term expiring at the 2008 annual meeting)

Robert J. Druten

Trustee since 1997

Robert J. Druten, 59, is Chairman of our Board of Trustees. In August 2006, Mr. Druten retired as Executive Vice President and Chief Financial Officer and a Corporate Officer of Hallmark Cards Incorporated. Mr. Druten serves on the Boards of Directors of Alliance GP, LLC, the managing general partner of Alliance Holdings GP, L.P., a NASDAQ-listed company indirectly engaged in the production and marketing of coal to utilities and industrial users, and Kansas City Southern, an NYSE-listed transportation company. Mr. Druten also serves as the Chairman of the audit committee and finance committee of Kansas City Southern and serves on the audit committee and conflicts committee of Alliance GP, LLC. Mr. Druten received a BS in Accounting from The University of Kansas and an MBA from Rockhurst University.

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David M. Brain
Trustee since 1999

David M. Brain, 51, has served as our President and Chief Executive Officer and as a trustee since October 1999. He served as our Chief Financial Officer from 1997 to 1999 and as our Chief Operating Officer from 1998 to 1999. Mr. Brain acted as a consultant to AMC Entertainment, Inc. in the formation of the Company in 1997. From 1996 until that time he was a Senior Vice President in the investment banking and corporate finance department of George K. Baum & Company, an investment banking firm headquartered in Kansas City, Missouri. Before joining George K. Baum & Company, Mr. Brain was Managing Director of the Corporate Finance Group of KPMG LLP, a practice unit he organized and managed for over 12 years. He received a BA in Economics and an MBA from Tulane University, where he was awarded an academic fellowship.

Class III Trustees (serving for a term expiring at the 2009 annual meeting)

Morgan G. Earnest II
Trustee since 2003

Morgan G. (Jerry) Earnest II, 51, is Executive Vice President of Capmark Financial Group, Inc. (formerly GMAC Commercial Mortgage Corporation, or GMACCM) and is responsible for the co-management of Lending and Originations for both North America and Europe. Previously, Mr. Earnest was responsible for the GMACCM s Specialty Lending Groups, which consisted of the Healthcare, Hospitality and Construction Lending Divisions. Prior to joining GMACCM, Mr. Earnest was a principal of Lexington Mortgage Company which was acquired by GMACCM in March 1996. Mr. Earnest has an MBA from the Colgate Darden Graduate School of Business Administration, University of Virginia and is a graduate of Tulane University.

James A. Olson
Trustee since 2003

James A. Olson, 64, is a member of Plaza Belmont Management Group, LLC, manager of the Plaza Belmont private equity funds, which acquire and operate companies in the food manufacturing industry. Prior to joining Plaza Belmont in 1999, Mr. Olson was a partner with Ernst & Young LLP. During his 32 years with Ernst & Young, including six years in Europe, Mr. Olson served as managing director of two of their offices and worked with a number of multinational and domestic clients in a variety of industries. In addition to providing his client companies with the traditional audit services of Ernst & Young, Mr. Olson advised them on their securities offerings, mergers and acquisitions and corporate tax strategies. He is a past president of the Missouri State Board of Accountancy and a member of the American Institute of Certified Public Accountants. Mr. Olson received his BS and MS degrees from St. Louis University. Mr. Olson serves on the Board of Directors and is Chairman of the audit committee of SAIA, Inc., a NASDAQ-listed transportation company, and is an Advisory Director of American Century Mutual Funds, a fund complex of registered investment companies.

Mr. Brady has consented to serve on the Board of Trustees for the applicable term. If Mr. Brady should become unavailable to serve as a trustee (which is not expected), the nominating/company governance committee may designate a substitute nominee. In that case, the persons named as proxies will vote for the substitute nominee designated by the nominating/company governance committee.

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Each non-employee trustee receives:

An annual retainer of \$30,000, which must be taken in common shares, valued at the closing price on the date of the annual meeting

\$1,500 in cash for each Board meeting he attends

\$1,000 in cash for each committee meeting he attends

Reimbursement for any out-of-town travel expenses incurred in attending Board or committee meetings and other expenses incurred on behalf of the Company

The Chairman of the Board and the Chairmen of the audit, compensation and nominating/company governance committees receive additional annual retainers of \$10,000, \$10,000, \$7,500 and \$5,000, respectively, which may be taken in cash or in common shares valued at 125% of the cash retainer amount.

Employees of the Company or its affiliates who are trustees are not paid any additional compensation for their service on the Board.

Robert J. Druten received options to purchase 10,000 common shares on the effective date of our initial public offering in 1997. Options to purchase 3,333 common shares were granted to each non-employee trustee on the date of each annual meeting from 1998 to 2003. Options to purchase 5,000 common shares have been granted to each non-employee trustee on the date of each annual meeting since 2004. The options vest after one year and expire after ten years unless terminated earlier because of a trustee's termination from the Board. All of the options were issued under our 1997 Share Incentive Plan (the "Share Incentive Plan").

The following table contains information regarding the compensation earned by non-executive members of the Board of Trustees during 2006:

Name	Fees Earned or Paid in Cash	Stock Awards (1)	Option Awards (1)	Change in Pension Value and		All Other Compensa- tion	Total
				Non-Equity Incentive Plan Compensa- tion	Nonqualified Deferred Compensation Earnings		
Barrett Brady	\$ 26,000	\$36,250	\$19,287	\$	\$	\$	\$81,537
Robert J. Druten	26,000	42,500	19,287				87,787
Morgan G. Earnest II	24,500	39,375	19,287				83,162
James A. Olson	26,000	42,500	19,287		2,830		90,617

(1) Represents the amount recognized by the Company for financial statement reporting purposes in accordance with

SFAS 123(R) as
the result of
vesting of
restricted
common share
grants or
common share
options during
2006.

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COMPANY GOVERNANCE

Our Board of Trustees is committed to effective company governance. We have adopted Company Governance Guidelines, Independence Standards for Trustees and a Code of Business Conduct and Ethics for all officers, employees and trustees. Those documents and the amended and restated charters of our audit committee, nominating/company governance committee and compensation committee may be found at the Company Governance section of our website at www.eprkc.com and are available in print to any shareholder who requests them.

Company Governance Guidelines

Our Company Governance Guidelines address a number of topics, including the role and responsibilities of our Board, the qualifications of independent trustees, the ability of shareholders to communicate directly with the independent trustees, Board committees, separation of the offices of Chairman and Chief Executive Officer, trustee compensation, and management succession. Our nominating/company governance committee reviews our Company Governance Guidelines on a periodic basis to ensure their continued effectiveness.

Who are our independent trustees and how was that determined?

Our Company Governance Guidelines and the NYSE's governance rules require that a majority of our trustees be independent. To qualify as independent, our Board must affirmatively determine that a trustee has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). To assist our Board in making this determination, the Board has used our Independence Standards for Trustees as categorical standards to evaluate the independence of our independent trustees. Using those standards, the Board reviewed the independence of Messrs. Druten, Earnest, Olson and Brady. Based upon that review, the Board has affirmatively determined that Messrs. Druten, Earnest, Olson and Brady, who constitute a majority of our Board of Trustees and who serve on our audit, nominating/company governance and compensation committees, have no material relationship with the Company and are thus independent in accordance with our Company governance guidelines and NYSE rules.

The following is a summary of our Independence Standards for Trustees. For a complete description of those standards, please review our Independence Standards for Trustees at the Company Governance section of our website at www.eprkc.com.

A trustee is not independent if:

- o The trustee is, or has been within the last 3 years, an employee of the Company, or an immediate family member of the trustee is, or has been within the last 3 years, an executive officer of the Company,

- o The trustee has received, or has an immediate family member who has received, during any 12-month period within the last 3 years, more than \$100,000 in direct compensation from the Company, other than trustee and committee fees and pensions or other forms of deferred compensation (provided such compensation is not contingent on future service),

- o (A) The trustee or an immediate family member is a current partner of the firm that is our internal or external auditor, (B) the trustee is a current employee of the firm,

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(C) the trustee has an immediate family member who is a current employee of the firm and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice, or (D) the trustee or an immediate family member was within the last 3 years (but is no longer) a partner or employee of the firm and personally worked on the Company's audit within that time,

- o The trustee or an immediate family member is, or has been within the last 3 years, employed as an executive officer of another company where any of the Company's present executive officers at the same time serves on that company's compensation committee, or
- o The trustee is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last 3 years, exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues.

A person who is an executive officer or affiliate of an entity that provides non-advisory financial services such as lending, check clearing, maintaining customer accounts, stock brokerage services or custodial and cash management services to the Company or its affiliates may be determined by the Board of Trustees to be independent if the following conditions are satisfied:

- o The entity does not provide financial advisory services to the Company,
- o The annual interest and/or fees payable to the entity by the Company do not exceed the numerical limitation described above,
- o Any loan provided by the entity is made in the ordinary course of business of the Company and the lender and does not represent the Company's principal source of credit or liquidity,
- o The trustee has no involvement in presenting, negotiating, underwriting, documenting or closing any such non-advisory financial services and is not compensated by the Company, the entity or any of its affiliates in connection with those services,
- o The Board affirmatively determines that the terms of the non-advisory financial services are fair and reasonable and advantageous to the Company and no more favorable to the provider than generally available from other providers,
- o The provider is a recognized financial institution, non-bank commercial lender or securities broker,
- o The trustee abstains from voting as a trustee to approve the transaction, and
- o All material facts related to the transaction and the relationship of the person to the provider are disclosed by the Company in its reports under the Securities Exchange Act of 1934, as amended (the Exchange Act) and proxy statement.

No person who serves, or whose immediate family member serves, as a partner, member, executive officer or in a comparable position of any firm providing accounting,

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consulting, legal, investment banking or financial advisory services to the Company, or as a securities analyst covering the Company, shall be considered independent until after the end of that relationship.

No person who is, or who has an immediate family member who is, an officer, director, more than 5% shareholder, partner, member, attorney, consultant or affiliate of any tenant of the Company or any affiliate of such tenant shall be considered independent until three years after the end of the tenancy or such relationship.

How often did the Board meet during 2006?

The Board of Trustees met ten times in 2006. No trustee attended less than 90% of the meetings of the Board and committees on which he served. Our trustees discharge their responsibilities throughout the year, not only at Board of Trustee and committee meetings, but also through personal meetings, actions by unanimous written consent and communications with members of management and others regarding matters of interest and concern to the Company.

Do the independent trustees hold regular executive sessions?

The independent trustees meet regularly in separate executive sessions without management. Mr. Druten serves as the presiding trustee at those meetings.

How can shareholders communicate directly with the Board?

Any shareholder is welcome to send a written communication to the non-management trustees about any matter of interest related to the Company. You may communicate with the non-management trustees by either sending a letter to our address listed on the cover page of this proxy statement, or by visiting the Company Governance section of our website at www.eprkc.com, clicking on Procedures for Confidential Anonymous Submissions, and following the instructions for making a confidential submission. Your written or electronic communication will be forwarded directly to the non-management trustees and will not be screened by management. Shareholders may also make proposals and nominate candidates for trustee for consideration at any annual meeting in accordance with the procedures described in Submission of Shareholder Proposals and Nominations below.

What committees has the Board established?

The Board of Trustees has established an audit committee, a nominating/company governance committee and a compensation committee. All of our non-management trustees serve on all three committees. The Board believes this promotes access to a variety of views on all three committees and helps ensure that all of the committees have a broad perspective on the Company's operations as a whole. The Board has affirmatively determined that all of the committee members are independent, as described above in Who are our independent trustees and how was that determined? The members of our audit committee also meet the additional independence standards prescribed by Exchange Act Rule 10A-3. Each committee has adopted a written charter that governs its duties and responsibilities. Copies of the committee charters may be obtained at the Company Governance section of our website at www.eprkc.com.

Audit Committee. The audit committee oversees the accounting, auditing and financial reporting policies and practices of the Company. The committee is directly responsible for assisting the Board of Trustees in its oversight of the integrity of our financial statements, our compliance with legal and regulatory requirements, the qualifications and independence of our independent registered public

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accounting firm, and the performance of management's internal audit function and internal control over financial reporting.

The Board of Trustees has appointed an audit committee consisting of all the independent trustees. The committee members also meet the additional independence standards of Exchange Act Rule 10A-3. The Board of Trustees has determined that all members of the audit committee are audit committee financial experts, as defined by SEC rules, by virtue of their experience and positions held as described elsewhere in this proxy statement. Mr. Olson serves as the Chairman of the audit committee. The committee met four times in 2006.

The primary responsibility of the audit committee is to assist the Board's oversight of the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the qualifications and independence of the Company's independent registered public accounting firm, and the performance of the Company's internal audit function and internal control over financial reporting. The independent registered public accounting firm is responsible for auditing the Company's annual financial statements and expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles. The independent registered public accounting firm is also responsible for auditing the effectiveness of management's internal control over financial reporting and expressing an opinion on management's evaluation of the effectiveness of its internal control over financial reporting.

The audit committee has sole authority to engage the independent registered public accounting firm to perform audit services (subject to shareholder ratification), audit-related services, tax services and permitted non-audit services and the authorization of the payment of fees therefor. The independent registered public accounting firm reports directly to the committee and is accountable to the committee.

The audit committee has adopted policies and procedures for the pre-approval of the performance of services by the independent registered public accounting firm on behalf of the Company. Those policies generally provide that: the performance by the firm of any audit services, audit-related services, tax services or other permitted non-audit services, and the fees therefor, must be specifically pre-approved by the committee or, in the absence of one or more of the committee members, a designated member of the committee

pre-approvals must take into consideration, and be conducted in a manner that promotes, the effectiveness and independence of the firm

each particular service to be approved must be described in detail and be supported by detailed back-up documentation

The audit committee has engaged KPMG LLP as the Company's independent registered public accounting firm to audit the 2007 financial statements and management's internal control over financial reporting for 2007, subject to shareholder ratification, and has engaged KPMG to perform specific tax return preparation and compliance, tax consulting and tax planning services during 2007. See Ratification of Appointment of Independent Registered Public Accounting Firm.

The audit committee does not itself prepare financial statements or perform audits, and its members are not auditors or certifiers of the Company's financial statements. The members of the audit committee are not professionally engaged in the practice of accounting and, notwithstanding the designation of the audit committee members as audit committee financial experts pursuant to SEC

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rules, are not experts in the field of accounting or auditing, including auditor independence. Members of the audit committee rely without independent verification on the information provided to them and the representations made to them by management and the independent registered public accounting firm, and look to management to provide full and timely disclosure of all material facts affecting the Company. Accordingly, the audit committee's oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting policies, appropriate internal controls and procedures to ensure compliance with accounting standards and applicable laws and regulations, appropriate disclosure controls and procedures, appropriate internal control over financial reporting, or an appropriate internal audit function, or that the Company's reports and information provided under the Exchange Act are accurate and complete. Furthermore, the audit committee's considerations and discussions referred to above and in its charter do not assure that the audit of the Company's financial statements has been carried out in accordance with Public Company Accounting Oversight Board rules, that the financial statements are free of material misstatement or presented in accordance with generally accepted accounting principles, that there were no significant deficiencies or material weaknesses in the Company's internal control over financial reporting, that the Company's independent registered public accounting firm is in fact independent, or that the matters required to be certified by the Company's Chief Executive Officer and Chief Financial Officer in the Company's annual reports on Form 10-K and quarterly reports on Form 10-Q under the Sarbanes-Oxley Act and related SEC rules have been properly and accurately certified.

Nominating/Company Governance Committee. The Board of Trustees has appointed a nominating/company governance committee consisting of all of the independent trustees. The nominating/company governance committee evaluates and nominates candidates for election to the Board of Trustees and assists the Board in ensuring the effectiveness of our governance policies and practices. Candidates for nomination to the Board are evaluated and recommended on the basis of the value they would add to the Board in light of their integrity, experience, training and judgment, their financial literacy and sophistication and knowledge of corporate and real estate finance, their knowledge of the real estate and/or entertainment industry, their independence from Company management and other factors. The committee will consider nominations made by shareholders in compliance with the procedures described in *Submission of Shareholder Proposals and Nominations* below. The committee will use the same criteria to evaluate nominees recommended in good faith by shareholders as it uses to evaluate its own nominees, but may give greater weight to nominees recommended by holders of more than 5% of our outstanding common shares. Mr. Brady serves as Chairman of the nominating/company governance committee. The committee met three times in 2006.

Compensation Committee. The Board of Trustees has appointed a compensation committee consisting of all of the independent trustees. The primary responsibilities of the compensation committee are to (1) review and approve Company goals and objectives relevant to the Chief Executive Officer's compensation, evaluate the Chief Executive Officer's performance in light of those goals and objectives, and determine and approve the Chief Executive Officer's compensation level based on that evaluation, and (2) make recommendations to the Board regarding the compensation of the Company's other executive officers and the independent trustees, as well as incentive compensation and equity-based plans that are subject to Board approval. Mr. Earnest serves as Chairman of the compensation committee. The committee met four times in 2006.

What is our policy regarding trustee attendance at annual meetings?

Our trustees are expected to attend each annual meeting of shareholders, although conflict situations can arise from time to time. All of our trustees attended the 2006 annual meeting.

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Family relationships.

No family relationships exist between any of our trustees or executive officers.

EXECUTIVE OFFICERS

Here are our executive officers and some brief information about their backgrounds.

David M. Brain, 51, is our President and Chief Executive Officer and a member of our Board. His background is described in Election of Trustee.

Gregory K. Silvers, 43, was appointed our Chief Operating Officer in 2006 and has served as our Vice President, Secretary and General Counsel since 1998 and as Chief Development Officer since 2001. From 1994 to 1998, he practiced with the law firm of Stinson Morrison Hecker L.L.P. specializing in real estate law. Mr. Silvers received his JD in 1994 from The University of Kansas.

Mark A. Peterson, 43, was appointed our Chief Financial Officer and Treasurer in 2006 and has been a Vice President since 2004. From 1998 to 2004, Mr. Peterson was with American Italian Pasta Company, a publicly traded manufacturing company, most recently serving as Vice President-Accounting and Finance. Mr. Peterson was Chief Financial Officer of JC Nichols Company, a real estate company headquartered in Kansas City, Missouri, from 1995 until its acquisition by Highwoods Properties, Inc. in 1998. Mr. Peterson received a BS in Accounting, with highest honors, from University of Illinois in 1986.

Michael L. Hiron, 36, was appointed our Vice President-Finance in 2006. From 2004 to 2006 Mr. Hiron was a co-founder and principal with Preferred Finance Partners, Inc., a firm that provides corporate financial consulting services. From 2000 to 2004, Mr. Hiron was with American Italian Pasta Company, a publicly traded manufacturing company, most recently serving as Director of Strategic Business Unit Finance. Mr. Hiron is a CPA and received two bachelor's degrees, with highest distinction, from the University of Kansas in 1993.

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EXECUTIVE COMPENSATION
Compensation Discussion and Analysis

General

All of our compensation programs for our principal executive officer, principal financial officer and two other executive officers (the Named Executive Officers) are designed to attract and retain quality executives, motivating them to achieve and rewarding them for superior performance. Our executive compensation programs are administered by the compensation committee, which is authorized to select from among our eligible executives the individuals to whom awards will be granted and to establish the terms and conditions of those awards. No member of the compensation committee is eligible to participate in any compensation program other than as a non-employee trustee of the Company.

Overview of our compensation philosophy and principles

Elements of our compensation for our Named Executive Officers include base salary, annual incentive awards, long-term equity incentive awards, health, disability and life insurance and perquisites. We have adopted these various elements of compensation to attract and retain quality executives, to provide incentives to maximize our funds from operations (FFO), and to provide executives with long-term incentives that align their interests with value creation for our shareholders.

The Company s compensation philosophy has several key objectives:

create a well-balanced and competitive compensation program utilizing base salary, annual incentives and long-term equity-based incentive compensation,

emphasize variable performance-based compensation,

reward executives for performance on measures designed to increase shareholder value,

use restricted share awards to ensure that executives are focused on providing appropriate dividend levels and building shareholder value, and

create alignment between the Company s executives and its shareholders by granting equity based incentives.

The compensation committee has generally attempted to set base salary compensation at or slightly below the median of competitive market practices, and emphasize performance-based incentive compensation payable under the Annual Incentive Program and Long-Term Incentive Plan as discussed below in Compensation program design.

Compensation setting process

Historically, it has been the practice of our compensation committee at the beginning of each year, to meet and make decisions regarding our Named Executive Officers compensation. When making these decisions, the compensation committee considers the performance of the Company and each Named Executive Officer, current industry-based compensation practice information and the history of all the elements of each Named Executive Officer s total compensation over each of the last three fiscal years. Based upon the review of this information, along with recommendations provided by our Chief Executive Officer, Mr. Brain, the compensation committee sets, for each of the Named Executive Officers, the base

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salary for the new fiscal year, the annual incentive awards for the most recently completed year and the level of long-term incentive awards under our Share Incentive Plan. In addition to the input of the Chief Executive Officer, other Named Executive Officers attend meetings of the compensation committee from time to time and provide historical and prospective breakdowns of primary compensation components for each executive officer, and additional context with respect to Company performance. The compensation committee retains the right to make final determinations on all Named Executive Officer compensation.

The compensation committee does not establish fixed or formulaic performance targets with respect to incentive compensation under either the Annual Incentive Program or the Long-Term Incentive Plan. The compensation committee determined that incentive amounts paid for 2006 would be based upon an assessment of a combination of the personal performance of the executive and the Company's overall performance as measured by a variety of goals and metrics, such as FFO per share, return on equity, cash available for distribution, total shareholder return, dividend growth and share performance as compared to comparable companies and REIT indices.

The compensation committee determines performance bonuses awarded under the Annual Incentive Program as a percentage of annual base salary. Relevant performance factors are set at the beginning of each year which are then reviewed at the beginning of the following year at which time the actual bonus amount is determined. Similarly, awards under the Long-Term Incentive Plan are calculated as a percentage of annual base salary plus the bonus under the Annual Incentive Program, with relevant performance factors being set at the beginning of each year, which are reviewed at the beginning of the following year when the actual award under the Long-Term Incentive Plan is determined.

The compensation committee retained as its compensation consultant, FPL Associates L.P., to advise the committee with respect to its review of compensation levels and programs for our Named Executive Officers. FPL Associates prepared a benchmarking analysis comparing our senior executive compensation practices to the compensation practices of other comparable publicly traded REITs. The peer group used for benchmarking purposes included:

Acadia Realty Trust

Capital Lease Funding, Inc.

Cousins Properties Inc.

Inland Real Estate Corporation

Lexington Properties Trust

National Retail Properties, Inc.

Realty Income Corporation

Spirit Finance Corporation

Trustreet Properties, Inc.

Washington Real Estate Investment Trust

The benchmarking analysis generally indicated that, consistent with the compensation philosophy, the base salaries of the Named Executive Officers were at or below the median base salaries for comparable positions within the peer group organizations. In addition, our compensation practices emphasized variable performance-based incentives.

In determining and analyzing performance factors, the compensation committee utilizes benchmarks provided by management and the committee's compensation consultant, including the following:

Company operations, including revenue, expense control, FFO per share performance, access to capital, debt levels, vacancy levels and resolution, credit quality, acquisition levels, yields and internal rates of return, asset diversification, trading multiples, dividend yields and increases, executive peer evaluations and new initiatives suggested and implemented,

Shareholder returns, including absolute returns and comparative returns versus other REITs and other stock indices and a subjective analysis of the relative risk taken by peer companies, and

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REIT compensation levels, including what peer companies are paying for comparable positions, other alternatives for the executive officer, the executive officer's value to the Company, future prospects for the executive officer, how difficult it would be to replace the executive officer and how the executive officer performed versus other years.

FPL Associates also assisted the compensation committee with its review of the employment agreements the Company has with each of the Named Executive Officers. Because the Named Executive Officers have joined the Company over a period spanning almost ten years, the structure and terms of their employment agreements varied significantly. The compensation committee undertook a process to redesign the employment agreements for the Named Executive Officers with the purpose of establishing a single form of agreement. This process, which involved the renegotiation of existing employment agreements, was concluded in February 2007, and each of our Named Executive Officers entered into new replacement employment agreements.

In addition to the annual awards under the Annual Incentive Program and the Long-Term Incentive Plan, it has been the practice of the compensation committee to make one-time discretionary equity grants to Named Executive Officers when they receive a promotion. During 2006, Mr. Silvers was promoted to Chief Operating Officer and Mr. Peterson was promoted to Chief Financial Officer. In recognition of these promotions and the changes in the terms of the employment agreements with each of the Named Executive Officers, on February 28, 2007, the compensation committee authorized the grant of restricted shares under our Share Incentive Plan to Mr. Brain for 20,000 common shares, Mr. Silvers for 30,000 common shares and to Mr. Peterson for 10,000 common shares. These restricted shares vest over a period of five years and were issued pursuant to our Share Incentive Plan discussed below.

Compensation program design

The compensation committee uses the following programs to meet its compensation objectives for executive officers:

Base Salary. Annual base salaries for the executive officers for 2006 were set by the compensation committee at \$481,000 for Mr. Brain, \$316,000 for Mr. Silvers, \$227,000 for Mr. Peterson and \$145,000 for Mr. Hirons. Mr. Hirons joined the Company on May 1, 2006. In early 2007, the compensation committee established annual base salaries of \$505,000 for Mr. Brain, \$365,000 for Mr. Silvers, \$275,000 for Mr. Peterson and \$175,000 for Mr. Hirons for 2007. The salary levels were intended to provide a level of base salary compensation at or slightly below the median of competitive market practices, to permit the emphasis of performance-based incentive compensation payable under the Annual Incentive Program and Long-Term Incentive Plan.

Annual Incentive Program. The compensation committee establishes relevant performance factors with respect to incentive compensation under the Annual Incentive Program. For 2006, the compensation committee determined incentive amounts based upon an assessment of a combination of the personal performance of the executive and the Company's overall performance as measured by a variety of goals and metrics, such as FFO per share, return on equity, cash available for distribution, total shareholder return, dividend growth and share performance as compared to comparable companies and REIT indices. After the conclusion of each fiscal year, the compensation committee considers the performance of the Company and each Named Executive Officer, the achievement of these performance measures and the recommendations of our Chief Executive Officer.

In February 2007, the Chief Executive Officer provided the compensation committee with recommendations for bonuses under the Annual Incentive Program, based on the Company's overall performance as measured against the Company's overall performance metrics for 2006 and individual

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performance for each executive. After considering the recommendations and the performance criteria and results, on February 28, 2007, the compensation committee approved the following bonuses under the Annual Incentive Program for our Named Executive Officers for 2006:

	Percent of Base	
	Salary	Amount
David M. Brain	120%	\$577,200
Gregory K. Silvers	100%	316,000
Mark A. Peterson	90%	204,300
Michael L. Hirons	50%	72,500

Performance bonuses awarded under the Annual Incentive Program are payable in cash, restricted common shares or a combination of cash and restricted common shares, at the election of the executive. The compensation committee believes that allowing executives to receive all, or a portion of their annual incentive in the form of restricted common shares provides an additional opportunity to align executives' long-term interests with value creation for shareholders. Executives electing to receive restricted common shares as payment of their annual incentive receive an award with a value equal to 125% (150% for Mr. Hirons) of the cash amount. For 2006, each of the Named Executive Officers elected to receive 100% of their performance bonuses in the form of restricted common shares. Restricted common shares issued as payment of annual incentive awards vest at the rate of 33 1/3% per year during a three-year period.

For 2007, the compensation committee identified several performance factors that it intends to consider in its determination of the performance bonus under the Annual Incentive Program. In establishing performance factors, the compensation committee strives to ensure that: incentives are aligned with the strategic goals set by the Board; targets are sufficiently ambitious so as to provide a meaningful incentive; and bonus payments, assuming target levels of performance are attained, will be consistent with the overall compensation program established by the compensation committee. Under this approach, the compensation committee selected three primary quantitative performance factors:

FFO per share growth,

Return on invested capital (ROIC), and

Return on average common equity (ROACE).

The Board tracks FFO per share growth on a regular basis, and, like many other REITs, considers FFO per share growth to be the most important measure of Company performance. However, ROIC and ROACE are also considered important factors for Company performance that, together with FFO per share growth, provide a balanced quantitative approach to the analysis. The compensation committee intends to consider each year a variety of other factors, some of which are more qualitative in nature, to determine the performance bonuses that will be awarded pursuant to the Annual Incentive Program. Included in the factors the committee intends to consider when exercising this discretion is their evaluation of the individual performance of each Named Executive Officer and overall Company performance, including the evaluation of performance factors such as capital formation, debt ratios, expense management, total shareholder returns and dividend rates.

The compensation committee has established for 2007 a minimum and maximum level of performance bonuses that may be paid to each Named Executive Officer under the Annual Incentive Program. The compensation committee intends to meet in early 2008 to review each Named Executive Officer's personal performance and the Company's performance, particularly as it relates to the foregoing

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performance factors. Based upon this determination, the executive officers have the opportunity to realize performance bonuses (stated as a percentage of annual base salary) under the Annual Incentive Program for 2007, which the committee has targeted to be between the minimum and the maximum stated below, subject to the discretion of the committee:

	Minimum	Maximum
David M. Brain	50%	150%
Gregory K. Silvers	40%	125%
Mark A. Peterson	40%	125%
Michael L. Hirons	25%	90%

Long-Term Incentive Plan. The compensation committee may award incentive compensation to our executive officers pursuant to the Long-Term Incentive Plan. It is the compensation committee's practice to award long-term incentives annually with 75% of the value granted in the form of restricted common shares and 25% in the form of either share options or payment of the difference between the annual premium payable by the Company on term life insurance for the benefit of the executive and the annual premium for the same amount of whole life insurance for that executive plus related income tax, or a combination of options and premium differential payment plus related tax, at the election of the executive. These awards are made in the first quarter of each fiscal year at the same time as bonuses under the Annual Incentive Program are determined. The compensation committee made the following awards to the executive officers of the Company in February 2006:

	Percentage of Base Salary and Bonus under Annual Incentive Program	Total Value of Award	Restricted Shares Awarded (1)	Options Awarded (2)	Insurance Premium and Tax Benefit
David M. Brain	177%	\$1,352,000	24,516	49,144	\$152,236
Gregory K. Silvers	138%	613,000	11,116	10,914	111,994
Mark A. Peterson	85%	231,413	4,196	367	56,466
Michael L. Hirons					
Fred K. Kennon (3)	114%	507,000	9,194	3,280	114,353

(1) For purposes of determining the total number of restricted shares awarded under the Long-Term Incentive Plan, restricted shares are valued on the date the award is granted.

(2)

For purposes of determining the number of options awarded under the Long-Term Incentive Plan, each option to purchase a common share is given the value determined by the Company in its financial statements prepared for the most recently completed fiscal year and the exercise price of the option is the closing price of the Company's common shares on the New York Stock Exchange on the date the award is granted.

- (3) Mr. Kennon retired as Chief Financial Officer of the Company on June 30, 2006.

The compensation committee made the following awards under the Long-Term Incentive Plan to the executive officers of the Company in February 2007:

	Percentage of Base Salary and Bonus under Annual Incentive Program	Total Value of Award	Restricted Shares Awarded (1)	Options Awarded (2)	Insurance Premium and Tax Benefit
David M. Brain	146%	\$1,550,000	17,749	45,543	\$151,130
Gregory K. Silvers	143%	900,600	10,313	21,820	111,904

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Mark A. Peterson	122%	525,000	6,012	9,803	80,373
Michael L. Hirons	50%	108,750	1,246		27,188
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- (1) For purposes of determining the total number of restricted shares awarded under the Long-Term Incentive Plan, restricted shares are valued on the date the award is granted.

- (2) For purposes of determining the number of options awarded under the Long-Term Incentive Plan, each option to purchase a common share is given the value determined by the Company in its financial statements prepared for the most recently completed fiscal year and the exercise price of the option is the closing price of the Company's common shares on the New York Stock Exchange on the date the award is granted.

For awards to be made in 2008, which will be made pursuant to the 2007 Equity Incentive Plan, the compensation committee will grant long-term incentive awards based on an approach similar to that used with the Annual Incentive Program, considering the same performance factors. The Named Executive Officers have the opportunity to realize awards (stated as a percentage of annual base salary plus the cash performance bonus under the Annual Incentive Program) under the Long-Term Incentive Plan in 2008, which the committee has targeted to be between the minimum

and the maximum stated below, subject to the discretion of the committee:

	Minimum	Maximum
David M. Brain	75%	175%
Gregory K. Silvers	65%	150%
Mark A. Peterson	65%	150%
Michael L. Hirons	40%	100%

Share Incentive Plan. We encourage our executive officers to own common shares in the Company. Under our Share Incentive Plan, a maximum of 3,000,000 common shares, subject to adjustment upon significant Company events, are reserved for issuance under the Plan. There is no limit on the number of total options or restricted common shares an individual may receive under the Plan. The maximum number of shares or options which may be awarded to an employee subject to the deductibility limitation of Section 162(m) of the Internal Revenue Code is 250,000 for each twelve-month performance period (or, to the extent the award is paid in cash, the maximum dollar amount equal to the cash value of that number of shares). Restricted common shares and options granted under the Annual Incentive Program and the Long-Term Incentive Plan have been issued pursuant to the Share Incentive Plan, and future grants will be made under the 2007 Equity Incentive Plan, subject to shareholder approval.

To assist executives with this goal, we provide officers the opportunity to acquire shares through various programs:

Share Purchase Program. From time to time, we may allow executives to purchase common shares from us at fair market value. The shares may be subject to transfer restrictions and other conditions imposed by the compensation committee.

Restricted Share Program. We may award restricted common shares to executives, subject to conditions adopted by the compensation committee. In general, restricted shares may not be sold until the restrictions expire or are removed by the compensation committee. Restricted shares have full voting and dividend rights from the date of issuance. All restrictions on restricted shares lapse upon a change in control of the Company.

Share Option Program. We may grant options to our officers and employees to purchase common shares subject to conditions and vesting schedules imposed by the compensation committee. All options vest and become exercisable upon a change in control of the Company.

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During 2006, Mr. Silvers was promoted to Chief Operating Officer and Mr. Peterson was promoted to Chief Financial Officer. In recognition of these promotions and the changes in the terms of the employment agreements with each of the Named Executive Officers, on February 28, 2007, the compensation committee authorized the grant of restricted shares under our Share Incentive Plan to Mr. Brain for 20,000 common shares, Mr. Silvers for 30,000 common shares and to Mr. Peterson for 10,000 common shares. These restricted shares vest over a period of five years.

Personal Benefits and other Perquisites. We have acquired vehicles that three of the Named Executive Officers are entitled to use. Each of those three Named Executive Officers is taxed for personal use of the vehicles.

How was the Company's President and Chief Executive Officer compensated?

The Company's President and Chief Executive Officer, David M. Brain, was compensated in 2006 pursuant to an employment agreement entered into in 2000. In establishing Mr. Brain's compensation, the compensation committee took into account the compensation of similar officers of REITs with comparable market capitalizations, Mr. Brain's contributions to the Company's financial performance and its increase in FFO per share and dividends per common share during 2006, the successful execution of the Company's acquisition and financing strategies during 2006, and Mr. Brain's success in meeting the performance metrics established by the compensation committee.

Mr. Brain received a base salary of \$481,000 in 2006 and a bonus under the Annual Incentive Program of \$577,200 for 2006. The incentive award paid to Mr. Brain was based on the Company's achievement of certain financial results and shareholder returns, including FFO per share growth and dividends per common share, as well as an evaluation of Mr. Brain's personal performance during 2006. Mr. Brain elected to take payment of the bonus in the form of restricted common shares valued at 125% of the bonus. An award under the Long-Term Incentive Plan was made of \$1,550,000 in 2007, payable as described above. Based upon its review of the various factors described above, the committee believes Mr. Brain's compensation is reasonable and not excessive.

How is EPR addressing Internal Revenue Code limits on deductibility of compensation?

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public companies for compensation in excess of \$1,000,000 paid for any fiscal year to the Company's Chief Executive Officer and the four other most highly compensated executive officers. The statute exempts qualifying performance-based compensation from the deduction limit if stated requirements are met.

Although the compensation committee intends the Company's compensation to be deductible under Section 162(m), at some future time it may not be possible or practicable or in the Company's best interests to qualify an executive officer's compensation under Section 162(m). Accordingly, the compensation committee and the Board of Trustees reserve the authority to award non-deductible compensation in circumstances they consider appropriate.

Table of Contents**Summary Compensation Table**

The following table contains information on the compensation earned by our Chief Executive Officer and Chief Financial Officer and each of our other most highly compensated executive officers whose compensation exceeded \$100,000 in 2006.

Name and Principal Position	Year	Salary	Bonus (2)	Share Awards (3)(4)	Option Awards (4)	Change in Pension Value		Non-Equity Incentive Compensation	Non-qualified Deferred Compensation	All Other Compensation (5)	Total
						Non-Equity Incentive Compensation	Non-qualified Deferred Compensation				
David M. Brain, President and Chief Executive Officer	2006	\$481,000	\$577,200	\$708,909	\$116,439	\$	\$	\$167,236			\$2,050,784
Gregory K. Silvers, Vice President, Chief Operating Officer, Secretary and General Counsel	2006	316,000	316,000	294,957	36,724				126,994		1,090,675
Mark A. Peterson, Vice President, Chief Financial Officer and Treasurer	2006	227,000	204,300	66,131	6,337				71,466		575,234
Michael L. Hirons, Vice President Finance (6)	2006	100,969	72,500		11,220				14,639		199,328
	2006	126,500		979,295	521,978				129,353		1,757,126

**Fred L.
Kennon (7)**

- (1) Pursuant to the transition rules regarding disclosures required in the Summary Compensation Table under the rules adopted by the Securities and Exchange Commission, disclosure of this information is not required for years prior to 2006.

- (2) Performance bonuses are payable in cash, restricted common shares (valued at 125% of the cash bonus amount, except for Mr. Hirons, in which case it is valued at 150% of the cash bonus amount) or a combination of cash and restricted common shares, at the election of the executive. Restricted common shares issued as payment of annual incentive awards under the Annual Incentive Program vest at

the rate of 33
1/3% per year
during a
three-year
period. Each of
the executive
officers elected
to receive their
performance
bonuses in the
form of
restricted
common shares.

(3) The executive
officers receive
dividends on
restricted
common shares
from the date of
issuance at the
same rate paid
to other
common
shareholders.

(4) Represents the
amount
recognized by
the Company
for financial
statement
reporting
purposes in
accordance with
SFAS 123(R) as
the result of
vesting of
restricted
common share
grants or
common share
options during
2006.

(5) Consists of the
Company's
matching
contributions
under the
Company's

401(k) plan and amounts payable by the Company pursuant to the Company's Section 79 life insurance plan. See Long-Term Incentive Plan.

(6) Mr. Hirons was hired as our Vice President Finance on May 1, 2006, and his annual salary for 2006 was \$145,000.

(7) Mr. Kennon retired as Chief Financial Officer of the Company on June 30, 2006. In exchange for a consulting and non-compete agreement with a term of five years, the Company agreed to allow Mr. Kennon to continue to vest in his unvested share options and restricted shares as of June 30, 2006 in accordance with the original vesting schedules. In accordance with SFAS 123(R), the fair values of such unvested awards were fully

expensed in
2006 and are
included above.

Table of Contents**Grants of Plan-Based Awards**

The following table provides information about grants of plan-based awards under equity incentive plans to the Named Executive Officers in 2006. These grants were made under the Share Incentive Plan pursuant to the Annual Incentive Program and the Long-Term Incentive Plan. Grants were in the form of restricted common share awards and common share options.

Name	Grant Date	Estimated Future Payouts		Estimated Future Payouts Under Equity Incentive Plan Awards	Estimated Future Payouts Under Equity Incentive Plan Awards	All Other Shares or Units (1)	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards (2)	Grant date Fair Value of Stock and Option Awards
		Thres-hold Target	Maxi-mum						
David M. Brain	3/30/2006						49,144	\$42.46	\$ 5.00
	2/24/2006					35,522			41.36
Mark A. Peterson	3/30/2006						367	42.46	5.00
	2/24/2006					6,963			41.36
Gregory K. Silvers	3/30/2006						10,914	42.46	5.00
	2/24/2006					16,909			41.36
Michael L. Hirons	5/1/2006						15,000	40.55	5.61
Fred L. Kennon	3/30/2006						3,280	42.46	5.00
	2/24/2006					14,987			41.36

(1) The restricted common shares issued pursuant to the Annual Incentive Program vest at the rate of 33 1/3% per year for three years, and the restricted

common shares
issued pursuant
to the
Long-Term
Incentive Plan
vest at the rate
of 20% per year
for five years.

- (2) The options vest
at the rate of
20% per year
for five years
and are
exercisable
during a 10-year
period.

Table of ContentsOutstanding Equity Awards at Fiscal Year-End

The following table provides information regarding outstanding awards to the Named Executive Officers that have been granted but not vested or exercised as of December 31, 2006.

Name	Option Awards				Stock Awards				
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested	Market Value of Shares or Units of Stock that Have Not Vested	Equity Incentive Plan Awards: Number of Payouts of Value of Unearned Shares, Units or Other Rights that Have Not Vested	Equity Incentive Plan Awards: or Payout Value of Unearned Shares, Units or Other Rights that Have Not Vested
David M. Brain	100,928						\$		\$
	87,778			\$14.13	1/13/2010				
	54,667	13,667		16.05	5/9/2011				
	101,797	67,864		22.90	4/9/2012				
	17,165	25,748		24.86	3/11/2013				
	10,186	40,745		39.80	3/30/2014				
		49,144		42.01	11/16/2015				
				42.46	1/1/2016	2,470	144,347		
						5,476	320,029		
						9,271	541,809		
						14,668	857,198		
						24,516	1,432,715		
						5,417	316,569		
						9,094	531,453		
						11,006	643,191		
TOTAL	372,521	197,168				81,918	4,787,311		
Mark A. Peterson	5,022	12,000							
	722	2,889		33.58	6/14/2014				
		367		42.01	11/16/2015				
				42.46	1/1/2016	1,040	60,778		
						4,196	245,214		

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					1,134	66,251
					2,767	161,703
TOTAL	5,744	15,256			9,137	533,947
Gregory K. Silvers	3,272					
	6,000	6,000	16.05	5/9/2011		
	12,089	24,178	22.90	4/9/2012		
	6,333	9,498	24.86	3/11/2013		
	3,918	15,671	39.80	3/30/2014		
		10,914	42.01	11/16/2015		
			42.46	1/1/2016	1,084	63,349
					1,952	114,052
					3,421	199,935
					5,640	329,602
					11,116	649,619
					2,314	135,230
					4,275	249,850
					5,793	338,543
TOTAL	31,612	66,261			35,595	2,080,180
Michael L. Hirons		15,000	40.55	5/1/2016		
Fred L. Kennon	7,500					
	5,625	5,625	16.05	5/9/2011		
	13,518	27,036	22.90	4/9/2012		
	7,012	10,521	24.86	3/11/2013		
	4,162	16,647	39.80	3/30/2014		
		3,280	42.01	11/16/2015		
			42.46	1/1/2016	1,016	59,375
					2,182	127,516
					3,788	221,371
					5,992	350,172
					9,194	537,297
					5,793	338,543
TOTAL	37,817	63,109			27,965	1,634,275

Table of Contents**Option Exercises and Stock Vested**

The following table provides information regarding option exercises by our Named Executive Officers and restricted stock held by our Named Executive Officers which vested during 2006.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
David M. Brain			32,054	\$ 1,301,392
Mark A. Peterson			828	33,617
Gregory K. Silvers			12,440	505,064
Michael L. Hirons				
Fred L. Kennon			6,223	252,654

Table of Contents**Potential Payments Upon Termination or Change of Control**

The following table provides information regarding potential payments upon termination of our Named Executive Officers or a change of control. These payments are provided for in the employment agreements the Company has entered into with each Named Executive Officer, which are described below.

Name	Benefit	Voluntary		Disability	Before	After Change in Control
		Termination	Death		Change in Control Termination w/o Cause or for Good Reason	No Termination
David M. Brain	Cash Severance	\$	\$ 7,663,500	\$ 7,663,500	\$ 7,663,500	\$ 7,663,500
	Health Benefits Continuation ⁽¹⁾		41,111	41,111	41,111	41,111
	Accelerated Vesting of Options ⁽²⁾		4,699,302	4,699,302	4,699,302	4,699,302
	Accelerated Vesting of Restricted Stock ⁽²⁾		4,787,288	4,787,288	4,787,288	4,787,288
	Excise Tax Gross-up					4,446,033
Mark A. Peterson	Cash Severance		2,141,364	2,141,364	2,141,364	2,141,364
	Health Benefits Continuation ⁽¹⁾		34,783	34,783	34,783	34,783
	Accelerated Vesting of Options ⁽²⁾		351,620	351,620	351,620	351,620
	Accelerated Vesting of Restricted Stock ⁽²⁾		533,966	533,966	533,966	533,966
	Excise Tax Gross-up					1,192,948
Gregory K. Silvers	Cash Severance		3,972,000	3,972,000	3,972,000	3,972,000
	Health Benefits Continuation ⁽¹⁾		30,844	30,844	30,844	30,844
	Accelerated Vesting of Options ⁽²⁾		1,634,060	1,634,060	1,634,060	1,634,060
	Accelerated Vesting of Restricted Stock ⁽²⁾		2,080,172	2,080,172	2,080,172	2,080,172
	Excise Tax Gross-up					1,966,168
Michael L. Hirons	Cash Severance		616,250	616,250	616,250	616,250
	Health Benefits Continuation ⁽¹⁾		17,629	17,629	17,629	17,629
	Accelerated Vesting of Options ⁽²⁾		268,350	268,350	268,350	268,350

Accelerated Vesting of
Restricted Stock⁽²⁾
Excise Tax Gross-up

306,143

(1) Represents
present value of
benefits
continuation
assuming 6.09%
discount rate.

(2) Based on
year-end
common share
price of \$58.44.

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Employment Agreements

On February 28, 2007, we entered into employment agreements with each of our Named Executive Officers: David M. Brain, Gregory K. Silvers, Mark A. Peterson and Michael L. Hirons. The compensation committee of the Board of Trustees initiated this process to address its concerns that the existing employment agreements lacked consistency among executives. The new agreements replaced prior employment agreements between us and these executives.

Each of the employment agreements has a three year term, with automatic one-year extensions on each anniversary date. The employment agreements generally provide for:

An original annual base salary of \$505,000 for Mr. Brain, \$365,000 for Mr. Silvers, \$275,000 for Mr. Peterson, and \$175,000 for Mr. Hirons, subject to any increases awarded by the compensation committee. These amounts correspond to the 2007 base salaries approved for Messrs. Brain, Silvers, Peterson and Hirons by the compensation committee;

An annual incentive bonus in an amount established by the compensation committee pursuant to our Annual Incentive Program;

A long-term incentive award pursuant to our Long-Term Incentive Plan in an amount established by the compensation committee;

Severance benefits triggered in the event of death, termination due to disability, termination by the Company without cause, or termination by the executive for good reason. The severance benefits consist of:

- o the sum of the executive's base salary in effect on the date of termination, the value of the annual incentive bonus under the Annual Incentive Program for the most recently completed year, and the value of the most recent long-term incentive award made under our Long-Term Incentive Plan, times a severance multiple (which is three for Messrs. Brain, Silvers and Peterson and two for Mr. Hirons),
- o continuation of certain health plan benefits for a period of years equal to the severance multiple, and
- o vesting of all unvested equity awards.

Good reason is defined as a good faith determination by the employee within 30 days after the Company's receipt of written notice that one of the following events constitutes good reason:

the assignment of duties materially and adversely inconsistent with the executive's position under the agreement or a material reduction in the executive's office, status, position, title or responsibilities not agreed to by the executive,

any material reduction in the executive's base compensation or eligibility under the Annual Incentive Program, eligibility for long-term incentive awards under the Long-Term Incentive Plan, or eligibility under employee benefit plans which is not agreed to by the executive, or after the occurrence of a change in control, a diminution of the executive's target opportunity under the Annual Incentive Program, the Long-Term Incentive Plan or any successor plan, or a failure to evaluate executive's performance relative to the target opportunity based upon the same metrics as peer management at the surviving or acquiring company,

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a material breach of the employment agreement by the Company, its successors or assigns, including any failure to pay executive on a timely basis any amounts to which he is entitled under the agreement, or

any requirement that executive be based at an office outside of a 35-mile radius of the current offices of the Company.

A change of control is deemed to have occurred if:

incumbent trustees (defined as the trustees of the Company on the effective date of the agreement, plus trustees who are subsequently elected or nominated with the approval of two-thirds of the incumbent trustees then on the board) cease for any reason to constitute a majority of the board,

any person becomes the beneficial owner of 25% or more of our voting securities, other than an acquisition by an underwriter in an offering of shares by the Company, or a transaction in which 50% of the voting securities of the surviving corporation is represented by the holders of our voting securities prior to the transaction, no person is the beneficial owner of 25% of the surviving corporation, and at least a majority of the directors of the surviving corporation were incumbent trustees of the Company (a non-qualifying transaction), or the acquisition of shares directly from the Company in a transaction approved by a majority of the incumbent trustees,

the shareholders approve a merger, consolidation, acquisition, sale of all or substantially all of the Company's assets or properties or similar transaction that requires the approval of our shareholders, other than a non-qualifying transaction,

the shareholders approve a complete plan of liquidation or dissolution of the Company,

the acquisition of control of the Company by any person, or

any transaction or series of transactions resulting in the Company being closely held within the meaning of the REIT provisions of the Internal Revenue Code and with respect to which the board has either waived or failed to enforce the excess share provisions of our amended and restated declaration of trust.

Compensation committee interlocks and insider participation

No member of the compensation committee is or has been at any time an officer or employee of the Company or any of its subsidiaries. No member of the compensation committee had any contractual or other relationship with the Company during 2006. No executive officer of the Company serves or has served as a director or as a member of the compensation committee of any entity of which any member of the Company's compensation committee or any independent trustee serves as an executive officer.

As we have previously reported, Morgan G. Earnest II, who serves as Chairman of our compensation committee, is Executive Vice President of Capmark Financial Group, Inc., whose Canadian affiliate GMAC Commercial Mortgage of Canada provided U.S. \$97 million in mortgage financing in 2004 secured by our Canadian properties. The Canadian loan meets the conditions for institutions providing non-advisory financial services to the Company described in *Who are our independent trustees and how was that determined?* Mr. Earnest received no direct or indirect compensation from any party in connection with the loan. The loan was approved by our independent trustees other than Mr. Earnest. The independent trustees other than Mr. Earnest have determined that the loan does not constitute a material relationship between Mr. Earnest and the Company and that Mr. Earnest is thus independent and

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qualified to serve as an independent trustee and a member of the audit, nominating/company governance and compensation committees.

EQUITY COMPENSATION PLAN INFORMATION

The Equity Compensation Plan table provides information as of December 31, 2006 with respect to common shares that may be issued under our existing Share Incentive Plan.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance
Equity compensation plans approved by security holders (1)	981,673	\$ 28.33	1,241,675
Equity compensation plans not approved by security holders			
Total	981,673	\$ 28.33	1,241,675

(1) All restricted common shares and options have been awarded under the Share Incentive Plan. The Share Incentive Plan does not separately quantify the number of options or number of restricted shares which may be awarded under the Plan. This table excludes the 1,500,000 common shares that may be awarded under the 2007 Equity Incentive Plan.

See Approval of
our 2007 Equity
Incentive Plan.

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COMPENSATION COMMITTEE REPORT

The compensation committee of the Board of Trustees has reviewed and discussed the information provided in Compensation Discussion and Analysis with management and, based on the review and discussions, the compensation committee recommended to the Board of Trustees that the Compensation Discussion and Analysis be included in this proxy statement.

By the compensation committee:

Morgan G. Earnest II

Robert J. Druten

James A. Olson

Barrett Brady

This compensation committee report is not deemed soliciting material and is not deemed filed with the SEC or subject to Regulation 14A or the liabilities under Section 18 of the Exchange Act.

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AUDIT COMMITTEE REPORT

In fulfilling its oversight responsibilities, the audit committee reviewed the Company's 2006 audited financial statements with management and the independent registered public accounting firm. The committee discussed with the firm the matters required to be discussed in Statement of Auditing Standards No. 61, Communications with Audit Committees, and the rules of the SEC and NYSE. This included a discussion of the firm's judgments regarding the quality, not just the acceptability, of the Company's accounting principles and the other matters required to be discussed with the committee under the rules of the NYSE and the Public Company Accounting Oversight Board. In addition, the committee received from the firm the written disclosures and letter required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees. The committee also discussed with the firm its independence from management and the Company, including the matters covered by the written disclosures and letter provided by the firm.

The committee discussed with management and the firm the overall scope and plans for the audit of the financial statements. The committee meets periodically with management and the independent registered public accounting firm to discuss the results of their examinations, their evaluations of the Company, the Company's disclosure controls and procedures, internal control over financial reporting and internal audit function, and the overall quality of the Company's financial reporting.

The audit committee discussed with management and the independent registered public accounting firm the critical accounting policies of the Company, the impact of those policies on the 2006 financial statements, the impact of known trends, uncertainties, commitments and contingencies on the application of those policies, and the probable impact on the 2006 financial statements if different accounting policies had been applied.

The audit committee charter is available on the Company's website at www.eprkc.com.

Based on the reviews and discussions referred to above, the audit committee recommended to the Board of Trustees, and the Board approved, that the audited financial statements be included in the Company's annual report on Form 10-K for the year ended December 31, 2006 for filing with the SEC.

By the audit committee:

James A. Olson

Robert J. Druten

Morgan G. Earnest II

Barrett Brady

This audit committee report is not deemed soliciting material and is not deemed filed with the SEC or subject to Regulation 14A or the liabilities under Section 18 of the Exchange Act.

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**TRANSACTIONS BETWEEN THE COMPANY AND
TRUSTEES, OFFICERS OR THEIR AFFILIATES**

Pursuant to their 2000 employment agreements, Messrs. Brain and Silvers are indebted to the Company in the principal amounts of \$1,470,645 and \$281,250, respectively, for the purchase of 80,000 and 20,000 common shares, respectively. Each loan is represented by a 10-year recourse note with principal and interest at 6.24% per annum payable at maturity. The new employment agreements between us and Messrs. Brain and Silvers, entered into on February 28, 2007, expressly do not award or modify the loans in any way. For information regarding the independence of trustees and executive officers, please see Who are our independent trustees and how was that determined? and Compensation committee interlocks and insider participation.

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**PROPOSAL 2:
APPROVAL OF OUR 2007 EQUITY INCENTIVE PLAN**

The Entertainment Properties Trust 2007 Equity Incentive Plan, referred to in this proxy statement as the Plan, was approved by our Board of Trustees on April 2, 2007. Shareholder approval of an equity-based compensation plan or arrangement such as the Plan is necessary:

- o to enable the Plan to comply with the shareholder approval requirements for equity-based plans under the NYSE listing standards;
- o to enable equity-based awards under the Plan to be exempt from the short-swing profit disgorgement provisions of Exchange Act Rule 16b-3;
- o for certain types of options granted under the Plan, known as incentive share options, to be made eligible for the favorable income tax treatment afforded to optionees under Section 421 of the Internal Revenue Code; and
- o for certain forms of equity-based compensation under the Plan to be made eligible for the performance-based compensation exception to the \$1 million compensation deduction limitation imposed under Section 162(m) of the Internal Revenue Code.

The following description of the Plan is necessarily general in nature and does not purport to reflect all of the terms of the Plan. A copy of the Plan is set forth in Appendix A to this proxy statement. The description of the Plan contained herein is qualified in its entirety by reference to Appendix A.

Plan Purpose

The purpose of the Plan is to encourage employees of our Company, its affiliates and subsidiaries, and non-employee trustees of our Company, to acquire a proprietary and vested interest in the growth and performance of our Company. The Plan also is designed to assist our Company in attracting and retaining employees and non-employee trustees by providing them with the opportunity to participate in the success and profitability of our Company. Equity-based awards also are intended to further align the interests of award recipients with the interests of our shareholders.

Eligible Participants

The eligible participants in the Plan are all key employees of our Company, its affiliates and its subsidiaries whose judgment, initiative and efforts is important to the successful conduct of our business, including employees who are officers or members of our Board of Trustees, and members of our Board of Trustees who are not employees of our Company. Currently, there are 14 officers and employees of our Company, its affiliates and its subsidiaries. Since all members of our Board of Trustees are eligible for awards under the Plan, each member of our Board has a personal interest in the approval of the Plan.

Plan Administration

The Plan may be administered by our Board of Trustees or a committee consisting of two or more directors, as our Board may determine, referred to in this proxy statement as the Committee. The compensation committee of our Board of Trustees currently administers the Plan and serves as the Committee. All members of the Committee are outside directors as defined under Section 162(m) of the Internal Revenue Code of 1986, and non-employee directors as defined by the Securities and Exchange Commission rules under the Securities Act of 1934. The Committee has the sole discretion to

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administer and interpret the Plan and determine who will be granted awards under the Plan, the size and types of such awards and the terms and conditions of such awards.

Shares Subject to the Plan

The Plan permits the issuance of up to 1,500,000 of our common shares pursuant to awards granted under the Plan such as share options, restricted share awards, restricted share units and performance share awards, as well as awards such as share appreciation rights, and performance unit and performance share awards payable in the form of common shares or cash. Common Shares are currently publicly traded on the NYSE, and on March 30, 2007, the closing price was \$60.25 per share.

Share Options. A share option is the right to purchase common shares at a future date at a specified price per share, which we refer to as the option price. An option may either be an incentive share option or a nonqualified share option. Incentive share options are taxed differently from nonqualified share options, and are subject to more restrictive terms. Incentive share options may only be granted to employees of our Company or a subsidiary. Both incentive share options and nonqualified share options may be granted under the Plan. The per-share exercise price of an option is set by the Committee and generally may not be less than the fair market value of a share of our common shares on the date of grant. Certain incentive share options granted to individuals owning more than 10% of our Company will be required to have a higher option price equal to at least 110% of the value of our common shares on the date of grant. Options granted under the Plan are exercisable at the times and on the terms established by the Committee. The maximum term of an option is ten years from the date of grant. The grant and the terms of incentive share options will be restricted to the extent required by the Internal Revenue Code. The option price must be paid in full in cash, by the tender of previously acquired common shares or the Committee may permit a net reduction in the number of shares issued upon exercise.

Share Appreciation Rights. A share appreciation right or SAR is the right to receive payment of an amount equal to the excess of the fair market value of a share of common shares on the date of exercise of the share appreciation right over the grant price of the share appreciation right. When a Plan participant exercises a SAR, that participant will receive an amount equal to the value of the share appreciation for the number of SARs exercised, payable in cash, common shares or combination thereof, in the discretion of the Committee. The Plan permits the grant of two types of SARs: freestanding SARs, tandem SARs, or any combination of the two. A freestanding SAR is a SAR that is granted independently of any share option. A tandem SAR is a SAR that is granted in connection with a related share option, the exercise of which requires a forfeiture of the right to purchase a share under the related option (and when a share is purchased under the option, the SAR is similarly canceled). The Committee has complete discretion to determine the number of SARs granted to any participant and the terms and conditions pertaining to such SARs. The grant price will be at least equal to the exercise price of the related option in the case of a tandem SAR, or in the case of a freestanding SAR, the fair market value of a share of our common shares on the date of grant. The maximum term of a share appreciation right will be determined by the Committee on the date of grant and may be determined by reference to the participant's death, disability, voluntary resignation, cessation as a director, or termination of employment.

Restricted Shares and Restricted Share Unit Grants. The Plan permits the grant of restricted shares or restricted share unit awards. Restricted shares and restricted share units may be issued or transferred for consideration or for no consideration, as determined by the Committee. The Committee may establish conditions under which restrictions on restricted shares or restricted share units lapse over a period of time or according to such other criteria as the Committee deems appropriate, including the achievement of specific performance goals. Unless the Committee determines otherwise, during the

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period of time in which the restricted shares or restricted share units are restricted, the participant to whom the shares have been granted will not have the right to vote the shares but will have the right to receive any dividends or other distributions paid on such shares, subject to any restrictions deemed appropriate by the Committee.

Performance Unit and Performance Shares. The Plan permits the grant of performance units and performance share awards which are bonuses payable in cash, common shares or a combination thereof. Each performance unit and performance share will represent the right of the participant to receive an amount based on the value of the performance unit/share, if performance goals established by the Committee are met. A performance unit will have a value based on such measurements or criteria as the Committee determines. A performance share will have a value equal to the fair market value of a share of our Company common shares. When an award of these are granted, the Committee will establish a performance period during which performance will be measured. At the end of each performance period, the Committee will determine to what extent the performance goals and other conditions of the performance units/shares are met. If the holder of a performance unit/share ceases to be an employee after a performance period for any reason other than having been terminated for cause, such holder will be entitled to receive the full amount payable as soon as practicable after the award amount has been determined by the Committee. If the holder of a performance unit/share ceases to be an employee before the end of a performance period by reason of death or disability, such holder will be eligible to receive the amount of any award prorated to reflect the shortened performance period. If the holder of a performance unit/share is terminated for cause at any time before or after the end of a performance period, but before an award has been paid, such holder's participation in the Plan will cease, and any performance units/shares and right to receive payment for any awards will be canceled.

Transfer Restrictions

Awards under the Plan generally are not transferable by the recipient other than by will or the laws of descent and distribution and generally are exercisable, during the recipient's lifetime, only by the recipient. Any amounts payable or shares issuable pursuant to an award generally will be paid only to the recipient or the recipient's beneficiary or representative. The Committee may permit awards to be transferred to certain persons or entities, including members of the recipient's immediate family and charitable institutions.

Changes in Capital or Corporate Structure

If, without the receipt of consideration by our Company, there is any change in the number or kind of our common shares outstanding by reason of a share dividend or any other distribution upon the shares payable in shares, or through a share split, subdivision, consolidation, combination, reclassification or recapitalization, the maximum number of our common shares available for grants, the maximum number of our common shares that any individual participating in the Plan may be granted in any year, and the number of shares covered by outstanding grants shall be appropriately adjusted by the Committee to reflect any increase or decrease in the number of issued our common shares to preclude, to the extent practicable, the enlargement or dilution of rights and benefits under such grants. Any fractional shares resulting from such adjustment will be eliminated. Adjustments determined by the Committee are final, binding and conclusive.

If our Company undergoes a change of control, each option, share of restricted shares and other grant held by a non-employee trustee will, without regard to any vesting schedule, restriction or performance target, automatically become fully exercisable or payable, as the case may be, as of the date of the change of control. Under the Plan, a change of control is deemed to have occurred if:

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incumbent trustees (defined as the trustees of the Company on the effective date of the Plan, plus trustees who are subsequently elected or nominated with the approval of two-thirds of the incumbent trustees then on the Board) cease for any reason to constitute a majority of the board,

any person becomes the beneficial owner of 25% or more of our voting securities, other than an acquisition by an underwriter in an offering of shares by the Company, or a transaction in which 50% of the voting securities of the surviving corporation is represented by the holders of our voting securities prior to the transaction, no person is the beneficial owner of 25% of the surviving corporation, and at least a majority of the directors of the surviving corporation were incumbent trustees of the Company (a non-qualifying transaction), or the acquisition of shares directly from the Company in a transaction approved by a majority of the incumbent trustees,

the shareholders approve a merger, consolidation, acquisition, sale of all or substantially all of the Company's assets or properties or similar transaction that requires the approval of our shareholders, other than a non-qualifying transaction,

the shareholders approve a complete plan of liquidation or dissolution of the Company,

the acquisition of control of the Company by any person, or

any transaction or series of transactions resulting in the Company being closely held within the meaning of the REIT provisions of the Internal Revenue Code and with respect to which the board has either waived or failed to enforce the excess share provisions of our amended and restated declaration of trust.

Employee Retirement Income Security Act of 1974

The Plan is not subject to any provisions of the Employee Retirement Income Security Act of 1974.

Amendment, Modification and Termination

Except as specifically provided for in the Plan, the Committee or our Board of Trustees may amend or terminate the Plan at any time without obtaining the approval of our shareholders, unless shareholder approval is required to enable the Plan to satisfy any applicable statutory or regulatory requirements or to comply with the requirements for listing on any exchange where our Company's shares are listed. The Plan will expire on April 2, 2017 unless the Plan is extended with the approval of the shareholders and our board of directors. Our Company reserves the right to amend, change or terminate the Plan, in whole or in part, as permitted under the Plan, at any time for any reason.

Federal Income Tax Consequences

The grant of an option or SAR will create no tax consequences for an award recipient or our Company. In general, the award recipient will have no taxable income upon exercising an incentive share option if the applicable holding period is satisfied (except that the alternative minimum tax may apply), and our Company will receive no income tax deduction when an incentive share option is exercised. Upon exercising a nonqualified option or a SAR, the award recipient must recognize ordinary income equal to the difference between the exercise price and the fair market value of common shares on the date of the exercise; our Company will be entitled to an income tax deduction for the same amount, subject to the possible applicability of the compensation deductibility limit of Section 162(m) of the Internal Revenue Code. Generally, there will be no tax consequence to our Company in connection with a

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disposition of shares acquired by an award recipient upon exercise of an option, except that our Company may be entitled to a tax deduction in the case of a disposition of shares acquired by exercise of an incentive share option before the applicable holding periods have been satisfied.

With respect to other awards made under the Plan that are settled either in cash or in shares or other property that is either transferable or not subject to substantial risk of forfeiture, the award recipient generally must recognize ordinary income equal to the cash or the fair market value of shares or other property received, and our Company will be entitled to a deduction for the same amount. With respect to awards that are settled in shares or other property that is restricted as to transferability and subject to substantial risk of forfeiture, the award recipient generally must recognize ordinary income equal to the fair market value of the shares or other property received at the first time the shares or other property become transferable or not subject to a substantial risk of forfeiture, whichever occurs earlier, and our Company will be entitled to a deduction for the same amount, subject to possible limitation under Section 162(m) of the Internal Revenue Code. Section 162(m) of the Internal Revenue Code limits our Company's deduction for compensation paid to certain executive officers to \$1 million per year unless such compensation is performance-based.

THE FEDERAL INCOME TAX CONSEQUENCES DESCRIBED ABOVE ARE FOR GENERAL INFORMATION ONLY. NO INFORMATION IS PROVIDED AS TO THE STATE, LOCAL OR FOREIGN TAX CONSEQUENCES OF THE ACQUISITION OR EXERCISE OF OPTIONS GRANTED UNDER THE PLAN OR THE SALE OF COMMON SHARES ACQUIRED UPON SUCH EXERCISE. EACH AWARD RECIPIENT SHOULD CONSULT HIS OR HER OWN TAX ADVISOR AS TO THE SPECIFIC FEDERAL INCOME TAX CONSEQUENCES AND AS TO THE SPECIFIC CONSEQUENCES UNDER STATE, LOCAL AND FOREIGN TAX LAWS.

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PROPOSAL 3:

APPROVAL OF OUR ANNUAL PERFORMANCE-BASED INCENTIVE PLAN

The Board has recently approved the Company's Annual Performance-Based Incentive Plan (the "Incentive Plan"), which may be used in conjunction with the Company's Annual Incentive Program discussed in Compensation Discussion and Analysis. The Board recommends approval of the Incentive Plan for purposes of preserving our ability to deduct the compensation of certain executive officers under Section 162(m) of the Internal Revenue Code. The federal tax law requires certain plans, like our Incentive Plan, to be approved or re-approved by shareholders at least once every five years in order to ensure that amounts paid under such plans are tax-deductible.

The Board has determined that it is appropriate and in the best interests of the Company and the shareholders to ensure that amounts payable under the Incentive Plan are tax-deductible to the Company. The Board has determined, by resolution adopted on April 2, 2007, to submit the plan to shareholders for their approval at this year's annual meeting. If the shareholders approve the Incentive Plan, amounts paid to employees and executive officers pursuant to the Incentive Plan in forthcoming periods which comply with the requirements of Section 162(m) of the Internal Revenue Code will be tax-deductible to the Company.

General Description of the Incentive Plan

The following is only a brief summary of the significant provisions of the Incentive Plan and is qualified in its entirety by reference to the full text of the Incentive Plan, a copy of which is attached as Appendix B to this proxy statement.

Purpose. The purpose of the Incentive Plan is to attract and retain highly-qualified executives by providing appropriate performance-based incentive awards. Individual payments made under the Incentive Plan will vary, depending upon Company achievements and individual performance. The Incentive Plan is administered by the compensation committee, which makes all determinations, including establishment of yearly performance targets, the employees/officers eligible for awards, and the size of individual awards. In making determinations, the compensation committee evaluates management's input and other relevant information.

Operation of Incentive Plan. Under the Incentive Plan, the compensation committee establishes performance goals for the year, and if such goals are achieved, the Company will pay bonuses to the eligible participants. The performance goals established by the compensation committee may vary from participant to participant and may include targets based on one or more of the following:

Earnings (either in the aggregate or on a per-share basis);

Growth or rate of growth in earnings (either in the aggregate or on a per-share basis);

Funds from operations (either in the aggregate or on a per-share basis);

Growth or rate of growth in funds from operations (either in the aggregate or on a per-share basis);

Net income or loss (either in the aggregate or on a per-share basis);

Cash Available for distribution per share;

Cash flow provided by operations (either in the aggregate or on a per-share basis);

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Growth or rate of growth in cash flow (either in the aggregate or on a per-share basis);

Free cash flow (either in the aggregate or on a per-share basis);

Reductions in expense levels, determined either on a Company-wide basis or in respect of any one or more business units;

Operating cost management and employee productivity;

Return measures (including return on assets, equity or invested capital, whether at the shareholder level, a subsidiary level or an operating unit or division level);

Growth or rate of growth in return measures (including return on assets, equity or invested capital);

Share price (including attainment of a specified per-share price during the Incentive Plan year; growth measures and total shareholder return or attainment by the shares of a specified price for a specified period of time);

Strategic business criteria, consisting of one or more objectives based on meeting specified revenue, market share, market penetration, geographic business expansion goals, objectively identified project milestones, cost targets, and goals relating to acquisitions or divestitures;

EBITDA measures; and/or

Achievement of business or operational goals such as market share and/or business development.

The compensation committee may, when the applicable performance goals are established, provide that the formula for such goals may include or exclude items to measure specific objectives, such as losses from discontinued operations, extraordinary gains or losses, the cumulative effect of accounting changes, acquisitions or divestitures, and any unusual, nonrecurring gain or loss, regardless of whether excludable or otherwise dealt with under GAAP. With respect to corporate and individual performance goals, the compensation committee will specify a minimum level of performance below which no award will be paid for attainment of corporate or individual objectives. The compensation committee will also specify the levels of corporate performance at which the target and maximum awards will be earned for attainment of corporate and individual objectives.

Upon the conclusion of each fiscal year, the compensation committee will make a determination of the amounts to be paid to each participant under the Incentive Plan. The compensation committee may make adjustments based upon subjective evaluations.

Payment of Awards. Unless an equity form of payment is elected by the participant in the Incentive Plan, payment of each participant's award shall be made in cash, less the appropriate withholding taxes.

In lieu of being paid in cash, if authorized by the compensation committee, a participant may elect to receive his or her award in common shares having a fair market value equal to that of the award, less, if applicable, the appropriate withholding taxes. Any common shares issued in settlement of an

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award will be in the form of bonus shares issued under our 2007 Equity Incentive Plan, subject to shareholder approval.

In lieu of being paid in cash or being paid in common shares on a current basis as described in the preceding paragraph, a participant may elect to receive his or her award in common shares in the form of restricted shares or deferred shares issued under our 2007 Equity Incentive Plan, subject to shareholder approval. If the participant is eligible to receive an award of common shares in the form of restricted shares or deferred shares, and the award is for materially greater value than the cash award that would otherwise have been payable, the participant's election to receive the restricted share or deferred share award may be made at any time 30 days before the award would have been paid in cash. If the participant is eligible to receive an award of common shares in the form of restricted shares or deferred shares, and the award is for less than a materially greater value than the cash award that otherwise would have been payable, the participant's election to receive the restricted share or deferred share award may be made no later than six months before the end of the Incentive Plan year for which the award relates in accordance with the performance-based compensation initial deferral election rules under Section 409A of the Code. For these purposes, whether an award of restricted shares or deferred shares is of materially greater value than the original cash award that otherwise would have been payable, will be determined in good faith by the committee or its delegate based on all available guidance, formal and informal, relating to Section 409A of the Internal Revenue Code from the Internal Revenue Service, the United States Treasury Department and any of their respective representatives.

Tax Law Requiring Shareholder Approval

Section 162(m) of the Internal Revenue Code provides that a publicly-traded company will not be able to deduct for federal income tax purposes any compensation in excess of \$1 million paid by it in any one year to any covered employee of the Company, subject to certain exemptions. Covered employees are essentially the Named Executive Officers listed in the Summary Compensation Table in this Proxy Statement. The annual compensation that is counted under the statute for purposes of the \$1 million limit includes, among other things, base salary and cash bonuses. However, various forms of compensation are exempt from Section 162(m)'s general limitation on deductible compensation, including performance-based compensation paid under shareholder-approved plans that meet certain criteria. The features of the Company's Incentive Plan applicable to the Named Executive Officers meet these criteria. To remain compliant with the performance-based compensation exemption, such performance-based plans are required to be re-approved every fifth year by the Company's shareholders. Provided shareholder approval is obtained at this annual meeting, bonuses paid under the Incentive Plan which comply with the requirements of Section 162(m) of the Internal Revenue Code will be tax-deductible to the Company regardless of the executive's total compensation.

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**PROPOSAL 4:
RATIFICATION OF APPOINTMENT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The audit committee has engaged the registered public accounting firm of KPMG LLP as our independent registered public accounting firm to audit our financial statements for the year ending December 31, 2007 and to audit management's internal control over financial reporting as of December 31, 2007. KPMG audited our financial statements for the years ended December 31, 2006, 2005 and 2004 and audited management's internal control over financial reporting as of December 31, 2006, 2005 and 2004.

Representatives of KPMG are expected to be present at the annual meeting and will be available to make a statement and respond to appropriate questions about their services.

Audit Fees

KPMG billed the Company an aggregate of \$263,500 for professional services rendered in the audit of our financial statements for the year ended December 31, 2006, the audit of certain of our subsidiaries and joint ventures, the audit of management's internal control over financial reporting as of December 31, 2006, the review of the quarterly financial statements included in our Form 10-Q reports filed with the SEC during 2006, the review of other filings we made with the SEC during 2006, and the provision of comfort letters and performance of related procedures in connection with the public offering of our common shares and Series C preferred shares in 2006.

KPMG billed the Company an aggregate of \$228,500 for professional services rendered in the audit of our financial statements for the year ended December 31, 2005, the audit of certain of our subsidiaries and joint ventures, the audit of management's internal control over financial reporting as of December 31, 2005, the review of the quarterly financial statements included in our Form 10-Q reports filed with the SEC during 2005, the review of other filings we made with the SEC during 2005, and the provision of comfort letters and performance of related procedures in connection with the public offering of our common shares and Series B preferred shares in 2005.

Audit-Related Fees

KPMG did not bill the Company for any audit-related services in 2006 and 2005.

Tax Fees

KPMG billed the Company an aggregate of \$153,750 in 2006 and \$156,321 in 2005 for professional services rendered in the areas of tax return preparation and compliance, tax consulting and advice and tax planning, including REIT tax compliance, U.S. and Canadian tax compliance and the determination of the portion of our dividends representing a return of capital. Of the \$153,750 and \$156,321 in tax fees billed for 2006 and 2005, respectively, a total of \$140,860 and \$126,750, respectively, was for tax return preparation and compliance and \$12,890 and \$29,571, respectively, was for tax consulting and advice and tax planning.

All Other Fees

KPMG billed the Company an aggregate of \$70,000 for other services in 2006 in connection with certain due diligence related services. KPMG did not bill the Company for any other services during 2005.

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The audit committee has adopted policies which require that the provision of services by the independent registered public accounting firm, and the fees therefor, be pre-approved by the audit committee. The policies are more particularly described in the audit committee report included elsewhere in this proxy statement. The services provided by KPMG in 2006 and 2005 were pre-approved by the audit committee in accordance with those policies.

The audit committee considered whether KPMG's provision of tax services in 2006 and 2005 was compatible with maintaining its independence from management and the Company, and determined that the provision of those services was compatible with its independence.

Table of Contents**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires our trustees, executive officers and holders of more than 10% of our common shares to file reports with the SEC regarding their ownership and changes in ownership of our shares.

We believe that, during 2006, our trustees and executive officers complied with all Section 16(a) filing requirements. In making this statement, we have relied upon an examination of the copies of Forms 3 and 4 and amendments thereto furnished to us under Exchange Act Rule 16a-3(e) during our most recent fiscal year and Forms 5 and amendments thereto furnished to us with respect to our most recent fiscal year and the written representations of our trustees and executive officers.

SHARE OWNERSHIP***Who are the largest owners of our common shares?***

Except as stated below, we know of no single person or group that is the beneficial owner of more than 5% of our common shares.

Name and address of beneficial owner	Amount and nature of beneficial ownership	Percent of shares outstanding
The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355	1,536,101(1)	5.8%
Barclays Global Investors, N.A. 45 Fremont Street, 17 th Floor San Francisco, CA 94105	2,456,499(2)	9.3%

(1) Based solely on disclosures made by The Vanguard Group, Inc., filing as an investment adviser, in a report on Schedule 13G filed with the Securities and Exchange Commission.

(2) Based solely on disclosures made by Barclays Global Investors, N.A. and its affiliates, filing on behalf of trust accounts for the

economic benefit
of the
beneficiaries of
such accounts, in
a report on
Schedule 13G/A
filed with the
Securities and
Exchange
Commission.
Includes shares
held by affiliates
of Barclays
Global Investors,
N.A. Certain
affiliates of
Barclays Global
Investors, N.A.
have shared
voting or
investment
power over some
of the shares.

How many shares do our trustees and executive officers own?

The following table shows as of December 31, 2006, the number of our common shares beneficially owned by each of our trustees, the nominees for trustee and our executive officers, and by all of the trustees and executive officers as a group. All information regarding beneficial ownership was furnished by the trustees, nominees and officers listed below.

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Name of beneficial owners	Amount and nature of beneficial ownership ⁽¹⁾	Percent of shares outstanding ⁽¹⁾
David M. Brain	697,117	2.7%
Robert J. Druten	48,502	*
James A. Olson	25,804	*
Morgan G. Earnest II	26,566	*
Barrett Brady	20,419	*
Gregory K. Silvers	158,811	*
Mark A. Peterson	18,761	&n