

Exhibition Place Hotel X Development - Phase 2 Lands

Date: November 19, 2021

To: General Government & Licencing Committee

From: Deputy City Manager, Corporate Services & Chief Executive Officer, Exhibition Place

Wards: All

REASON FOR CONFIDENTIAL INFORMATION

This report deals with a proposed or pending acquisition or disposition of land by the City of Toronto and the Board of Governors of Exhibition Place.

SUMMARY

Following the completion of a successful Request for Proposal process held in 2007, the City of Toronto and the Board of Governors of Exhibition Place (the "Board"), collectively as landlord, executed a 49-year lease agreement with two options, each to renew for a 25-year term (the "Phase 1 Lease") with Princes Gate Hotel Limited Partnership (the "Phase 1 Tenant") for the development of a new hotel on the Exhibition Place grounds. The first phase of Hotel X opened for operations on March 20, 2018, with the hotel development consisting generally of a 750,000 square foot podium and 29-floor tower that includes 404 rooms, and at least 350 underground parking spots.

Under the Phase 1 Lease, the Phase 1 Tenant had an option to lease certain additional lands to the west of the Phase 1 Lease lands for the development of second hotel tower. The Phase 1 Tenant exercised the option by written notice to the Board dated July 31, 2021. The proposed Phase 2 Hotel is permitted based on the approval of Council of the Phase 1 Hotel lease, which provided the Phase 1 Tenant with an option to develop a second hotel. However, as discussed below, the option under the Phase 1 Lease did not provide for the Performance Venue, now proposed by the Tenant for Phase 2.

This report recommends that City Council approve entering into a new lease (the "Phase 2 Lease") between the City, as the landlord, and Lakeshore Princess West Limited Partnership (the "Phase 2 Tenant") for the development and operation of a hotel

and performance venue on the Phase 2 Lands, based on the negotiated terms and conditions included in this report under Appendix A and Confidential Attachments 1 and 2, as approved by the Board, subject to obtaining the necessary City authorization, by adoption of Item EP20.1 at its meeting of October 29, 2021.

The proposed second phase expansion of the Hotel X facility (the "Phase 2 Development") would be located to the west of Stanley Barracks on the south side of Princes' Boulevard, along the Toronto Waterfront at Exhibition Place, as shown in Appendix A - Schedule 1 (the "Phase 2 Lands"), and includes approximately 750,000 square feet of space comprised of:

- A 400-room hotel (360,000 square feet) (the "Phase 2 Hotel");
- Underground parking of approximately 350 spaces (200,000 square feet); and
- A 6,600 to 7,000 seat auditorium-style entertainment performance venue (190,000 square feet) (the "Performance Venue").

CreateTO has reviewed the proposed deal and support the staff recommendations for City Council approval. Pending City Council approval of the recommendations in this report, a future Site Plan Application will be subject to review through City Planning and the approval of the Chief Planner and Executive Director, City Planning Division. City and Exhibition Place staff will complete the negotiations of the Phase 2 Lease and will work with the Phase 2 Tenant to develop a community engagement strategy, in consultation with the local Councillor.

RECOMMENDATIONS

The Deputy City Manager, Corporate Services, and the Chief Executive Officer, Exhibition Place, recommend that:

1. City Council approve a new lease (the "Phase 2 Lease") between the City of Toronto (the "Landlord"), Lakeshore Princess West Limited Partnership (the "Phase 2 Tenant"), and The Board of Governors, Exhibition Place (the "Board"), for a term commencing on the earlier of: (i) commencement of the excavation of the Phase 2 Lands in accordance with the necessary excavation permits issued by the City; and (ii) 90 days after the issuance by the City of all required excavation permits, which term will end co-terminous with the lease for the Phase 1 Hotel X development (the "Phase 1 Lease"), and will be substantially on the terms and conditions set out in Appendix A and Confidential Attachments 1 and 2, and such other and amended terms and conditions deemed appropriate by the Deputy City Manager, Corporate Services, the Chief Executive Officer, Exhibition Place and in a form satisfactory to the City Solicitor.
2. City Council approve, subject to the Site Plan Application review process developed for Exhibition Place by City Planning, the Phase 2 Tenant's design proposal for the Phase 2 Hotel and Performance Venue development as set out in the proposed design plan and situated on the Phase 2 Lands as provided for in Appendix A: Terms and Conditions of Phase 2 Lease; Appendix A - Schedule 1: Phase 2 Lands; Appendix A -

Schedule 1A: Site Plan of Leased Property; and Appendix A - Schedule 4: Conceptual Design of Development.

3. City Council direct the Chief Executive Officer, Exhibition Place, in consultation with the Executive Director, Social Development, Finance and Administration and the Executive Director, Corporate Real Estate Management, to review the City of Toronto's community benefit initiatives and consider the inclusion of applicable components in the Phase 2 Development.

4. City Council direct that Confidential Attachments 1 and 2 to this report remain confidential in their entirety and not be released publicly until the end of the term of the Phase 2 Lease, as they pertain to a proposed or pending acquisition or disposition of land by the City and the Board.

FINANCIAL IMPACT

The financial terms as set out in Appendix A and in Confidential Attachment 1 and 2 to this report provide for both a fixed minimum rent and additional percentage rent payable to the City, as Landlord, increasing over the initial term. It is estimated that the positive financial implications of the Phase 2 Lease from both the Phase 2 Hotel and Performance Venue from rent and ancillary revenue, over its full term of approximately 39 years will be \$174.157 million as outlined in Confidential Attachment 1.

The positive economic impact from the proposed Phase 2 Development, as outlined within this report, and various capital expenditures of approximately \$417 million for construction is in addition to the positive financial implications noted above.

In addition, it is estimated the Phase 2 Hotel and Performance Venue will pay approximately \$2.456 million in property taxes (municipal share is 50%), beginning in the first lease year, increasing annually over the term and once the facility becomes operational.

A portion of Exhibition Place's existing parking inventory will be displaced due to the Phase 2 Hotel and Performance Venue construction and operations. The overall Phase 2 Development footprint represents a temporary loss of 756 parking spaces in Lot 851 with 200 parking spaces back in inventory after construction. The Phase 2 Hotel will provide for an additional 350 parking spaces underground, resulting in an overall net permanent loss of 206 parking spaces. The financial impact related to parking revenue is outlined in Confidential Attachment 1.

Exhibition Place will fund \$14.100 million gross (net \$9.550 million) from the 2022 State of Good Repair ("S.O.G.R.") Capital Budget for related infrastructure work that is required for the Phase 2 Development; which consists of \$9.100 million for the relocation of the existing underground duct bank and the electrical sub-station (with 50% cost recoveries/contribution from the Tenant, for net City funding amount of \$4.550 million); and \$5.000 million for contaminated soil remediation for which Exhibition Place

is responsible under the Phase 1 Lease and Phase 2 Lease provisions. Work for the underground duct back and electrical high voltage work was previously provided for in the ten (10) year S.O.G.R. budget as the infrastructure is at end of its useful life; however, with the pending development of the Phase 2 Development; these costs are moved up to 2022 due to timing.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial implications as identified in the Financial Impact Section.

DECISION HISTORY

At its meeting of October 29, 2021, by adoption of Item EP20.1, the Board approved the Phase 2 Lease between the City of Toronto, as landlord, Lakeshore Princess West Limited Partnership and the Board, based on the terms and conditions negotiated by the parties and included in this report under Appendix A and Confidential Attachments 1 and 2, subject to City Council approval.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EP20.1>

At its meeting of April 21, 2021, by adoption of Item TE24.95, Toronto and East York Community requested the Chief Planner and Executive Director, City Planning Division, to work with the Chief Executive Officer, Exhibition Place, and the Ward Councillor to undertake public consultation for the proposed Phase 2 Hotel X development at Exhibition Place and report back at an early stage of the Site Plan review process.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.TE24.95>

At its meeting of October 26, 2020, through Item EP14.5, the Board receive from the Phase 1 Tenant's principal shareholder, Mr. Henry Kallan, Overactive Media Corporation and their architect, Populous, a power point presentation on the progress of the Phase 2 development design concept for the benefit of the Board Members.

<https://www.toronto.ca/legdocs/mmis/2020/ep/bgrd/backgroundfile-157468.pdf>

At its meeting of September 18, 2020, by Item EP13.5, the Board received an information report on Hotel X Development - Phase 2 Lands, that the Phase 1 Tenant had provided written notice that it wished to exercise its option rights for a second hotel tower and other related amenities. The Board requested the Chief Executive Officer, Exhibition Place to commence discussions with City of Toronto's Corporate Real Estate Management staff and Hotel X representatives to start negotiations on the Phase 2 development and report back to the Board.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EP13.5>

At its meeting of May 18, 2017, the Board approved the Exhibition Place 2017 – 2019 Strategic Plan by adoption of Item EP3.8 as amended, which has a financial goal to maintain a positive financial performance across Exhibition Place and all its businesses, and as a strategy to support this goal to ensure operating results meet or show positive revenue surplus or positive under expenditure to budget. The 2017 – 2019 Strategic Plan also has a business development goal to grow event activity, maintain strong relationships with existing clients, and identify areas for revenue enhancements.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EP3.8>

At its meeting of March 23, 2017, the Board considered a status update on both the construction schedule of the hotel, liens related to the construction, and approved a recommendation to further extend the dates for substantial completion and opening.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EP2.13>

At its meeting of December 9, 2016, the Board considered a status report on the hotel construction schedule, the Phase 1 Tenant's decision to engage a new constructor, liens registered on title, and approved a recommendation to amend the Phase 1 Lease to extend the date for opening.

<https://www.explace.on.ca/files/file/58b608e174689/Item-2-Hotel-Development.pdf>

At its meeting of December 6, 2011, the Board approved of a revised schedule for the hotel development.

[https://www.explace.on.ca/files/file/58c6e5dee6e87/Item-14-Hotel\(2\).pdf](https://www.explace.on.ca/files/file/58c6e5dee6e87/Item-14-Hotel(2).pdf)

At its meeting of November 30, December 1, 2, 4 & 7, 2009, City Council approved of the development plan for a hotel at Exhibition Place and the terms and conditions of the Phase 1 Lease, by adoption of Executive Committee Item EX36.3.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.EX36.3>

COMMENTS

Background

Through the Exhibition Place 1999 Development Concept Plan, the Board set a priority to develop a hotel on the Exhibition Place grounds and over the last several years, staff have been working toward achieving this goal.

Phase 1 Development

A Request for Proposal for a hotel development was released through the City of Toronto Purchasing (now Purchasing and Materials Management Division) on April 17, 2007. Two hotel developers, short-listed through a previous Request for Expression of Interest process, submitted proposals. After staff evaluation, HK Hotels LLC ("H.K.H.") was selected as the successful proponent.

Subsequently, the Board approved entering into a 49-year lease agreement with two options, each to renew for a 25-year term (the "Phase 1 Lease"), with Princes Gate Hotel Limited Partnership (the "Phase 1 Tenant"), an affiliate of H.K.H, which was subsequently approved by City Council at its meeting of November 30, December 1, 2, 3, 4, 7, 2009 by adoption of Item EX36.3. The Phase 1 Lease was dated as of November 22, 2010. By lease amending agreements dated April 24, 2012, January 17, 2017 and April 10, 2017, the parties agreed to amend certain milestone dates to reflect

delays in the approval and construction of the Phase 1 hotel. The term of the Phase 1 Lease, as amended, commenced on December 1, 2012.

The first phase of Hotel X opened for operations on March 20, 2018, with the hotel development consisting generally of a 750,000 square foot podium and 29-floor tower that includes 404 rooms, and at least 350 underground parking spots. Under the current Phase 1 Lease for Hotel X, the Phase 1 Tenant has an option to lease certain phase 2 lands to the west of the current property (the "Phase 2 Lands") for the purposes of developing a second hotel tower.

Phase 2 Development

The Phase 1 Tenant gave formal written notice to the Board Chair and Chief Executive Officer of Exhibition Place on July 31, 2020, that it wished to exercise that option for the second tower and other related amenities. Although the Phase 1 Lease provided the Phase 1 Tenant with an option to develop a Phase 2 Hotel, the option did not provide for a Performance Venue, an amenity that the Phase 1 Tenant wished to pursue. The Board was advised of the notice at its meeting of September 18, 2020 by adoption of report EP14.5, under which the Board provided direction to commence negotiations on the Phase 2 development, in collaboration with Corporate Real Estate Management staff, and report back on the results of the discussions, terms and conditions for the development (including design concept), an overview of the approval process, and how the development would take into consideration the recent Exhibition Place Master Plan.

This report addresses the following:

- (1) Details of the Proposed Phase 2 Development;
- (2) Design Review and Consideration of Exhibition Place Master Plan; and
- (3) Terms and Conditions of the Phase 2 Lease

Additional details and operational considerations, including hotel implications on Exhibition Place operational needs, the Board's approval process, and collective agreement considerations are further discussed in Item EP20.1 adopted by the Board of Governors of Exhibition Place on October 21, 2021.

(1) Details of the Proposed Phase 2 Development

The Phase 2 Development would be located to the west of Stanley Barracks on the south side of Princes' Boulevard, along the Toronto Waterfront at Exhibition Place, and includes approximately 750,000 square feet of space comprised of:

- A 400-room Phase 2 Hotel (360,000 square feet);
- Underground parking of at least 350 spaces (200,000 square feet); and
- A 6,600 to 7,000 seat auditorium-style entertainment Performance Venue (190,000 square feet).

The Phase 2 Lands are more extensive than the original phase 2 option lands, due to City Planning's direction to shift the location of the components of the Phase 2 Development to align with planning requirements.

Construction for both the Phase 2 Hotel and the Performance Venue is expected to be approximately thirty six (36) months commencing in August 2022 with expected opening in August 2025. Details of the proposed schedule is outlined in Appendix A - Schedule 2: Milestone Dates.

Phase 2 Hotel

The Phase 2 Hotel will be a full service hotel having approximately 400 rooms, of which up to 100 can include kitchens and will include bars, restaurants, a pool and other amenities compatible with a full service resort style hotel of comparable size and quality.

The 400-room hotel will increase the total on-site hotel room inventory at Exhibition Place to over 800 rooms, which is the minimum number of rooms within walking distance of the Enercare Centre and Beanfield Convention Centre required to support and attract mid-sized meetings and conventions. The additional hotel rooms from the Phase 2 Hotel would also enhance Exhibition Place's status as a competitive venue in North America for major tradeshow, mid-size conferences, and meetings.

In addition to the needs of Enercare Centre and Beanfield Centre clients, the Phase 2 Hotel would be of benefit to other tenants and users of Exhibition Place such as the Royal Agricultural Winter Fair, Honda Indy Toronto and the Canadian National Exhibition, and would support out-of-town visitors to Medieval Times, special occasion/wedding business at the Liberty Grand, and major sporting events at B.M.O. Field and Coca-Cola Coliseum.

Performance Venue

The vision for the Performance Venue is to combine a premium concert and live events program with world leading technology and best in class hospitality to create an unparalleled experience for fans. The Performance Venue plans to host more than two hundred (200) events a year, driven primarily by premium music and entertainment bookings, and a full slate of eSports events increasing over time, positioning Toronto and Canada as a destination of choice for the global industry of gaming and eSports.

The Performance Venue will be designed to accommodate eSports tournaments and leagues, and would be home to the Toronto Defiant of the Overwatch League and the Toronto Ultra of the Call of Duty League.

Economic Impact

urbanMetrics inc. was retained by Overactive Media Group, one of the investors in the Phase 2 Development, to prepare an Economic Impact Analysis relating to the Phase 2 Development. See Appendix B for full details of the Economic Impact Analysis.

(2) Design Review and Consideration of Exhibition Place Master Plan

Phase 2 Development Design Review

City Planning and Exhibition Place staff have worked extensively with the Phase 2 Tenant throughout the past ten months to review and refine the design proposal for the Phase 2 Development.

On March 11, 2021, the Phase 2 Tenant and City Planning staff, along with Exhibition Place staff, presented the Phase 2 Tenant design proposal to the City's Design Review Panel ("D.R.P."). The role of the D.R.P. is to provide independent, objective advice to City staff aimed at improving matters of design that affect the public realm, including matters such as preserving the uniqueness of place, maintaining vitality, ensuring comfort and safety, and making new development compatible with its surroundings. D.R.P. members unanimously voted non-support and noted the proposed Phase 2 Development design proposal did not meet fundamental design excellence objectives. Full details and comments of the D.R.P. review can be found here:

<https://www.toronto.ca/wp-content/uploads/2021/06/8ea7-UrbanDesign-DesignReviewPanel-MtgMinutes-11Mar2021.pdf>.

Following the D.R.P. meeting, the Phase 2 Tenant prepared and presented revised materials for the Phase 2 Development to City Planning and Exhibition Place staff. Substantial changes were made to the Phase 2 Development design proposal that largely responded to the high-level objectives and design principles noted by City Planning staff and the D.R.P. City Planning staff are substantially in support of the Phase 2 Development revised design proposal and as a result, recommend the proposal return to the D.R.P. upon submission of the Site Plan Control application.

City Planning staff will continue to work with the Phase 2 Tenant to address any issues that arise over the course of the Site Plan Control application. As noted in Appendix A - Schedule 2: Milestone Dates, the target for the Site Plan Control application to be submitted is by January 30, 2022.

Public Consultation

At its meeting of April 21, 2021, Toronto and East York Community Council adopted TE24.95 to direct staff and the local Councillor to undertake public consultation for the proposed Phase 2 Hotel X Development at Exhibition Place, and report back at an early stage of the Site Plan review process.

Due to the lack of an automatic public consultation process, it was necessary for Toronto and East York Community Council to initiate this work as there is considerable public interest expressed in the future of Exhibition Place throughout the development of the Master Plan Proposals Report, and the public consultation program conducted by City Planning staff as part of the development of the emerging Master Plan. It is desirable to engage with and consult with the public from the outset of reviewing the proposed Phase 2 Development.

As the public consultation is part of the Site Plan process, a Site Plan Control application will be required before the public consultation can be scheduled. The timing of this meeting with the local Ward Councillor is based on discussions with Exhibition Place and City Planning and the Phase 2 Tenant. Once a Site Plan Control application with the necessary supporting plans and studies has been submitted, a community meeting will be scheduled. The plans and studies submitted in support of the application will be posted on the City Planning Application Information Centre and will be available to the public in advance of the community meeting.

(3) Terms and Conditions of the Phase 2 Lease

The Phase 2 Lease enables the Phase 2 Tenant to carry out the proposed Phase 2 Development, and contains the major terms and conditions as set out in Appendix A. Confidential Attachments 1 and 2 attached to this report provides further details of the financial analysis and additional terms and conditions of the Phase 2 Lease.

CreateTO has also reviewed the proposed Phase 2 Development, and the accompanying Phase 2 Lease and agrees with the construction and operation of the Phase 2 Hotel and Performance Venue.

Phase 2 Tenant

The Phase 2 Tenant, Lakeshore Princess West LP, is a limited partnership. The general partner, Lakeshore Princess West GP Inc., is owned by Henry Kallan, Alex Rovt, JK (Harlo) Holdings Inc. and MK (Harlo) Holdings Inc. In accordance with the Phase 1 Lease, the Phase 2 Tenant is an affiliate of the Phase 1 Tenant, as Henry Kallan and Alex Rovt, collectively, control both the Phase 1 Tenant and the Phase 2 Tenant.

Henry Kallan is the principal shareholder of HK Hotels LLC ("H.K.H."). H.K.H. is a privately run company that successfully operates four boutique hotels in New York City and a new resort hotel in Prague, Czech Republic which in total represents over 300 rooms and 250 employees. Mr. Kallan is also the primary shareholder of one of the General Partners for the Phase 1 Tenant.

JK (Harlo) Holdings Inc. and MK (Harlo) Holdings Inc. are owned by Jeffrey Kimel and Michael Kimel, respectively. The Kimels are the largest shareholder of O.A.M., which is an integrated global private company delivering sports, media and entertainment to today's generation of fans. Their global headquarters is based in Toronto, Canada with offices in Madrid, Spain, and Berlin, Germany. It is Canada's largest eSports ownership group.

O.A.M. has a team competing in each of the most premium franchised eSports leagues in the world. Its main focus is creating monumental experiences for the gaming generations to come and uniting the gaming community on a local and global stage.

CONTACT

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SIGNATURE

Don Boyle
Chief Executive Officer, Exhibition Place

Josie Scioli
Deputy City Manager, Corporate Services, City of Toronto

ATTACHMENTS

Appendix A - Terms and Conditions of the Phase 2 Lease
 Schedule 1 - Phase 2 Lands
 Schedule 1A - Site Plan of Leased Property
 Schedule 2 - Milestone Dates
 Schedule 3 - Proposed Venue Signage
 Schedule 4 - Conceptual Design of Development
 Schedule 5 - North Plaza and the South Porch
Appendix B - Economic Impacts of the Proposed Phase 2 Development
Confidential Attachment 1 - Financial Analysis and Terms
Confidential Attachment 2 - Terms and Conditions of Phase 2 Lease

Appendix A - Terms and Conditions of Phase 2 Lease

Hotel X - Phase 2 Development

Exhibition Place and City of Toronto Corporate Real Estate Management staff are prepared to request the necessary approvals from The Board of Governors of Exhibition Place (the "Board") and City Council to enter into the Phase 2 Lease (as defined below) on the terms and conditions set out in this term sheet (the "Term Sheet"). However, the Tenant acknowledges that the terms and conditions herein are not intended to be legally binding, and do not constitute a binding contractual commitment. Legally binding obligations with respect to this transaction will result only if: (i) Exhibition Place and City staff obtain all necessary approvals from the Board and City Council, respectively; and (ii) the Landlord, the Board and the Tenant execute and deliver a binding agreement on the terms and conditions set out herein. Capitalized terms not otherwise defined herein have the meaning given to them in the Phase 1 Lease.

Landlord	City of Toronto (the "Landlord")
Tenant	Lakeshore Princess West GP Inc., the General Partner of the Lakeshore Princess West Limited Partnership (the "LP") established by Henry Kallan, the Kimel Group and others with respect to the Phase 2 Lands. The General Partner and LP shall collectively be the "Tenant" and shall be jointly and severally liable to perform the Tenant obligations under the Phase 2 Lease. The Tenant is an affiliate of Princes Gates Hotel Limited Partnership, as such term is defined in the Phase 1 Lease (as defined below).
Phase 2 Lease	The parties will enter into a new lease (the "Phase 2 Lease") for the Phase 2 Lands, as defined below, based on the terms for the Phase 2 Lands set out in Section 2.6 of the original lease between City of Toronto, the Board and Princes' Gates Hotel Limited Partnership dated November 22, 2010, as amended (the "Phase 1 Lease"), as amended by this Term Sheet and subject to any necessary changes to reflect the City of Toronto as Landlord and to incorporate updates to the Landlord's standard form of lease.
Phase 2 Lands	The Phase 2 Lands are set out in the sketch attached as Schedule 1 (the "Phase 2 Lands"). The Parties shall jointly arrange for completion of a reference plan setting out the exact location and dimensions of the Phase 2 Lands. The costs of obtaining the reference plan shall be shared equally by the Landlord and the Tenant.

Development	<p>Construction of (i) a full service hotel having approximately 400 rooms, of which up to 100 can include kitchens (and which hotel will include bars, restaurants, pool and other amenities compatible with a full service resort style hotel of comparable size and quality) and also including underground parking for approximately 350 motor vehicles (the "Phase 2 Hotel"); and (ii) construction of an entertainment venue (the "Performance Venue") having a 6,000 to 7,000 seating capacity to be utilized for the purposes hereinafter set out (collectively, the "Development"). The Development will also include select retail uses reflecting a small village concept and, space permitting, two (2) outside tennis courts.</p> <p>The current conceptual design for the Development is shown in Schedule 4.</p>
Financing Plan	<p>On or before the milestone dates set out in Schedule 2 hereto, the Tenant shall prepare and submit to the Board and Landlord for their approval a financing plan which, as a minimum, will contain:</p> <ul style="list-style-type: none"> i. Financial projections, to the level of Earnings Before Interest, Depreciation, Amortization and Taxes for a period of not less than ten complete years following opening of the Phase 2 Hotel and Venue; ii. final capital cost estimates; and iii. commitment letters from the Tenant's lenders and equity investors. <p>The Parties acknowledge and confirm that the Financial projections referred to in item i above have been delivered to and are under review by the Landlord.</p>
Phase 2 Lease Commencement Date and Initial Term	<p>The Phase 2 Lease will commence on the first day of the Construction Period (the "Phase 2 Lease Commencement Date") and will continue for an initial term co-terminous with the initial term of the Phase 1 Lease (the "Term").</p>
Renewal Terms	<p>The Tenant will have two (2) renewal options for renewal terms of twenty-five (25) years each, on the terms and conditions provided for in the Phase 1 Lease.</p>

Construction Period	<p>The Construction Period shall start upon the earlier of: (i) commencement of the excavation of the Phase 2 Lands in accordance with the necessary excavation permits issued by the City of Toronto; and (ii) 90 days after the issuance of all required excavation permits by the City of Toronto. The Tenant will utilize reasonable commercial efforts to commence excavation by the milestone date set out in Schedule 2 hereto and substantially complete the Development within the milestone dates set out in Schedule 2 hereto, subject to any delays, not caused by the Tenant, in obtaining all required municipal approvals and agreements and building permits, and subject to force majeure.</p>
Additional Rent	<p>The Phase 2 Lease shall be absolutely net to the Landlord and the Tenant will be responsible for the payment of all taxes, assessments, utilities, and other costs of any nature payable in respect of the Phase 2 Lands during the Term and renewal terms, if exercised. Additional Rent will be defined and payable in the manner set out in the Phase 1 Lease, save and except that hydro, sewage systems and hot and cold water facilities will be connected directly to existing services of the City of Toronto and will not be provided by Exhibition Place</p> <p>The Tenant shall pay all Harmonized Sales Tax or other goods and services, sales or use tax applicable to any amounts payable under the Phase 2 Lease.</p>

<p>Rent Commencement Date</p>	<p>The commencement date for payment of Minimum Rent and Percentage Rent will be determined in the same manner as the Phase 1 Lease, amended as follows:</p> <ul style="list-style-type: none"> • Phase 2 Hotel: no annual Minimum Rent or Percentage Rent shall be payable under the Phase 2 Lease with respect to the Phase 2 Hotel until the date (the “Phase 2 Hotel Rent Commencement Date”) which is the earliest of: (i) thirty-six (36) months after the Phase 2 Lease Commencement Date and (ii) one (1) month after the date on which the Phase 2 Hotel commences operations as determined by the check-in of its first overnight guest; and • Performance Venue: no annual Minimum Rent or Percentage Rent shall be payable under the Phase 2 Lease with respect to the Performance Venue until the date (the “Phase 2 Venue Rent Commencement Date”) which is the earliest of (i) thirty-six (36) months after the Phase 2 Lease Commencement Date and (ii) the date upon which the first publicly ticketed event is held at the Performance Venue.
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<p>Construction Preconditions</p>	<p>Construction of the Development may not commence until:</p> <ul style="list-style-type: none"> • For sub-grade work, the Tenant has obtained an excavation and shoring permit and any other licenses and approvals required for the subgrade work and, for any above-grade work, the Tenant has obtained approval of all other plans and obtained all licenses and approvals and building permits required to construct the Development; • The Landlord has approved the plans, site plan and Development Plan (having a corresponding meaning to the definition in the Phase 1 Lease) for the Development; • The Landlord has confirmed that the Tenant's excavation and disposal plan (excluding any contaminated soils to be removed and disposed of by the Landlord as hereinafter set out) is in compliance with the Ministry of the Environment, Conservation and Parks ("M.O.E.C.P." most current Management of Excess Soil – A Guide for Best Management Practices and On-Site and Excess Soil Management (O. Reg. 406/19), or any subsequent M.O.E.C.P. regulation dealing with excess soil. <p>After completion of the Development, the Tenant may not carry out additional construction on the Phase 2 Lands or alterations to the Phase 2 Hotel or the Performance Venue without the Landlord's prior approval, such approval not to be unreasonably withheld or delayed, all on the terms and conditions of Section 10.3 of the Phase 1 Lease. Once approval is granted, no material changes to plans are permitted without the Landlord's prior written consent, which consent will not be unreasonably withheld, conditioned or delayed.</p>
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<p>Construction Features</p>	<p>The Development shall be constructed in accordance with all applicable federal, provincial and municipal laws, regulations, standards, by-laws, policies and rules, including without limitation to the foregoing the Ontario Building Code and the Toronto Green Standard Version 4, Tier 2, and the Tenant will achieve a LEED silver rating for the Development.</p> <p>The Development will comply with any federal, provincial and municipal requirements to address hazards posed to migrating birds and the Tenant will consult with the Fatal Light Awareness Program ("F.L.A.P.") regarding mitigating measures to reduce bird fatalities.</p> <p>The Development will comply with all federal, provincial and municipal accessibility laws, regulations, by-laws, standards, policies and rules.</p>
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<p>Expansion of New Brunswick Drive</p>	<p>The Tenant agrees to expand and upgrade, at its sole expense, the whole of New Brunswick Drive, including sidewalks and boulevards, in order that it may be utilized for two way vehicular traffic, including upgrades to and the replacement of traffic signals as required. The Tenant agrees to pay for the road access required from New Brunswick Drive east to the Phase 2 Hotel and Performance Venue and shall be responsible for maintenance of the area between the Phase 2 Lands and New Brunswick Drive.</p> <p>The Landlord shall be responsible for any incremental costs associated with the removal of any contaminated soil required by the foregoing expansion and upgrade of New Brunswick Drive. "Incremental costs" shall mean the difference in the cost of transport and disposal of the contaminated soil versus transport and disposal of clean fill. For certainty, the Landlord shall not be responsible for the cost of excavation of any contaminated soil in connection with the foregoing expansion and upgrade of New Brunswick Drive, if such excavation was in any event required to be undertaken by the Tenant for such work, but shall be responsible for any excavation and related soil removal which the Tenant did not otherwise require for such work. The Tenant and the Landlord agree that the Tenant shall have no responsibility or liability for pre-existing contamination or hazardous materials existing in, on or under New Brunswick Drive prior to the Phase 2 Lease Commencement Date and not caused by the tenant under the Phase 1 Lease, which shall be the responsibility of the Landlord.</p>
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<p>Environmental Provisions/Condition of Phase 2 Lands</p>	<p>The Phase 2 Lease shall require the Tenant to comply with all environmental provisions contained in the Phase 1 Lease with respect to the Phase 2 Lands, subject to any required changes to reflect current applicable law.</p> <p>The Landlord's environmental obligations with respect to the Phase 2 Lands shall be as set out in Section 11.8 of the Phase 1 Lease. For certainty, the Tenant and the Landlord agree that the Tenant shall have no responsibility or liability for pre-existing contamination or hazardous materials existing in, on or under the Phase 2 Lands prior to the Phase 2 Lease Commencement Date and not caused by the tenant under the Phase 1 Lease, which shall be the responsibility of the Landlord. As set out in the following subparagraph, the Landlord will be responsible for the incremental costs of removal of all environmental contaminants from the Phase 2 Lands (i) as may be disclosed in the Phase I or Phase II Reports referred to below or (ii) as otherwise may be existing on the Phase 2 Lease Commencement Date, including the removal and disposal of all contaminated soils (unless such soils can be used by the Tenant in the Development for backfill and/or compaction). The Landlord will indemnify the Tenant for costs, claims, legal actions, liability and expenses in connection with damage to the property and environment as a result of the Pre-Existing Environmental Condition of the Phase 2 Lands, or that arise thereafter due to an act or negligence of the Landlord. The Landlord will not be liable for any claims or government orders to the extent caused by activities, omissions, negligence or failure of the Tenant (or those for whom it is responsible at law) to comply with its obligations under the Phase 2 Lease. "Pre-Existing Environmental Condition" means the environmental condition of the Phase 2 Lands (i) disclosed by the Phase I and II Environmental Site Assessments to be obtained by the Landlord following signing of the Phase 2 Lease, copies of which are to be provided to the Tenant or (ii) otherwise existing on the Phase 2 Lease Commencement Date, including groundwater contamination, if any.</p> <p>The Parties agree that the excavation and removal of all soil from the Phase 2 Lands, including contaminated soil, will be undertaken by a qualified contractor retained by the Landlord and the Tenant jointly. All of the incremental costs relating to the removal and disposal of contaminated soil disclosed in the Phase I or Phase II Reports referred to above will be invoiced to and payable by the Landlord</p>
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	<p>directly to the contractor unless otherwise agreed between the Parties. For certainty, the Landlord shall not be responsible for the cost of excavation of any contaminated soil disclosed in the Phase I or Phase II Reports referred to above, if such excavation was in any event required to be undertaken by the Tenant for the construction of the Development, but will be responsible for the incremental costs of removal and disposal of such soil, in the same manner as with respect to the development of the Phase 1 Hotel. In such case, "incremental costs" shall mean the difference in the cost of transport and disposal of the contaminated soil versus transport and disposal of clean fill. Where permissible under applicable laws and commercially reasonable to do so, the Tenant will use contaminated soil for back filling and compaction as part of its construction.</p> <p>The Tenant and Landlord shall be equally responsible for the costs of relocating (i) the existing electrical sub-station situated on the Phase 2 Lands and (ii) the underground conduit duct situated under the Phase 2 Lands, which costs are estimated to be approximately \$9.8 million for the underground conduit duct and \$ 1.2 million for the electrical substation. All of such costs will be due and payable as and when they are invoiced by the contractors retained to perform such work.</p> <p>All costs associated with any storm and sanitary sewer improvements in connection with the Development will be the responsibility of the Tenant.</p> <p>All costs associated with the improvements to the hydro electrical infrastructure in connection with the Development will be the responsibility of the Tenant.</p>
<p>Ownership of Buildings/Surrender</p>	<p>The Tenant will complete the Phase 2 Hotel and Performance Venue on the Phase 2 Lands as contemplated in the plans, site plan and Development Plan approved by the Landlord. All of the buildings, structures and improvements comprising the Hotel and Venue will be the property of the Tenant throughout the Term, provided that at the expiry of the Term, all of such buildings, structures and improvements will automatically become the property of the Landlord without the payment of any amount to the Tenant.</p>

Maintenance & Repair	The Landlord shall have no obligation for any repairs to the Phase 2 Lands or the buildings, structures and improvements comprising the Hotel and the Venue nor shall it have any obligation to furnish any services or facilities to the Phase 2 Lands or buildings. The Tenant will repair and maintain the Phase 2 Lands and all buildings, structures and improvements in a good state of repair in first class manner and to the standards of a prudent owner of similar property, as set out in Article 10 of the Phase 1 Lease.
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<p>Signage</p>	<p>Phase 2 Hotel Signage: The provisions of Section 8.3 of the Phase 1 Lease shall apply to all signage for the Phase 2 Hotel. All exterior and interior signs shall comply with all applicable laws, including without limitation any City of Toronto signage by-laws, rules and requirements, and the Tenant is responsible for all costs and expenses relating to signage, including any required applications and permits.</p> <p>Venue Signage: The following provisions shall apply to signage in respect of the Venue:</p> <p>(a) The Tenant shall be permitted to install: (i) exterior signage; and (ii) any internal signage visible from the exterior of the Venue; provided that such signage is for the purpose of (A) showing the name of, and directions to, the Performance Venue and/or any businesses or activities within the Performance Venue, and (B) subject to compliance with subsection (f) below, the Proposed Performance Venue Signage, and further provided that the size, form, type, colour, design, content and location of such signage shall be subject to the prior approval of the Landlord, acting reasonably and having regard to the Landlord's and the Board's policies relating to signage at Exhibition Place, as well as normal City of Toronto site plan and development approvals.</p> <p>(b) All exterior and interior signs shall comply with all applicable laws, including without limitation any City of Toronto signage by-laws, rules and requirements, and the Tenant is responsible for all costs and expenses relating to signage, including any required applications and permits, provided that the Landlord shall not object to the Tenant's application for all minor variances and signage by-law amendments that the Tenant may require for signage permitted by this Term Sheet.</p> <p>(c) The Tenant shall have full control over all signage, advertising and display facilities located within the Venue and not visible from the outside of the Performance Venue provided that such signage, advertising and display facilities comply with all applicable laws.</p> <p>(d) The Tenant shall not erect any exterior signage, as permitted by subsection (a) above, other than that relating directly to (i) the Performance Venue, (ii) any businesses or activities being carried on within the Performance Venue or, (iii) subject to compliance with</p>
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the requirements of subsection (f) below, the Proposed Performance Venue Signage.

(e) The Tenant shall be responsible for the cost related to the design, construction, installation, maintenance and repair of all signage.

(f) The Tenant has provided the Landlord with the proposed exterior locations and specifications of its requested signage relating to the Performance Venue, as set out in Schedule 3 hereto (the "Proposed Venue Signage"). The Proposed Venue Signage consists of (i) signs situated along the southerly boundary of the Phase 2 Lands and (ii) other static and non-static signage relating to naming rights for certain areas of the Performance Venue as depicted on Schedule 3 and, wheresoever depicted on Schedule 3, LED panels which provide for event messaging and promotion and sponsor/partner recognition, including the names, logos, products and services of the sponsors and partners. The Tenant acknowledges that it has been advised by the Landlord that the Proposed Venue Signage may not be not permitted under current City of Toronto signage by-laws, rules and requirements. The Landlord will not object to the Tenant applying to the appropriate City of Toronto authorities for such by-law amendments, variances and other permissions as would be required to permit the Proposed Venue Signage. In the event all required by-law amendments, variances and other permissions are granted by the relevant City of Toronto authorities, in their sole and unfettered discretion, the Tenant shall be permitted to install the Proposed Venue Signage, at its sole expense and in accordance with all applicable terms and conditions of the Phase 2 Lease. In the event all required by-law amendments, variances and other permissions are not granted by the relevant City of Toronto authorities, the Tenant shall not be permitted to install the Proposed Venue Signage or any part thereof that has not been approved by the relevant City of Toronto authorities.

<p>Naming Rights/Marketing</p>	<p>The provisions of Article 8 of the Phase 1 Lease regarding the Tenant's naming rights, use of the Landlord's trademarks, etc. and marketing shall apply to the Phase 2 Lease. For certainty, such provisions shall apply to both the Phase 2 Hotel and, with necessary changes, to the Venue. Without limitation to the foregoing, the Phase 2 Hotel and the Venue shall be subject to and comply with the provisions of Section 8.1 of the Phase 1 Lease, such that the Tenant shall be permitted to sell the naming rights for the Phase 2 Hotel and/or the Performance Venue, provided that:</p> <ul style="list-style-type: none"> (a) the prior Approval of the Landlord for the name of the Hotel and/or the Performance Venue, as applicable, has been obtained; (b) the name of the Phase 2 Hotel and/or the Performance Venue, as applicable, does not contravene applicable law; and (c) it shall not be deemed unreasonable for the Landlord to withhold consent where the proposal conflicts with signage, sponsorship or advertising rights granted by the Landlord or Board to other parties, and which rights are in effect at the time of the Tenant's request. <p>The proposed areas of the Performance Venue, including entrance ways and outdoor plazas, in respect of which the Tenant proposes to grant naming rights to its sponsors and partners are as depicted on Schedule 3; however, no such naming rights have yet been finalized.</p>
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<p>Public Use of Outdoor Areas</p>	<p>Save as provided in the remainder of this heading "Public Use of Outdoor Areas", all areas of the Phase 2 Lands, other than the Development (the "Outdoor Areas"), shall be built and maintained as publicly accessible open space. There shall be no permanent fences or gates located anywhere in the Outdoor Areas, provided that the foregoing shall not apply with respect to any existing fencing situated on the Phase 1 Lands or any replacement of any such existing fencing.</p> <p>Notwithstanding the foregoing paragraph, the following shall apply to those parts of the Outdoor Areas designated as "North Plaza" and "The South Porch" in Schedule 5:</p> <p>(i) when there is an event being held at Exhibition Place or in the Development which the Landlord and Tenant have agreed would warrant restricting public access to the North Plaza and/or The South Porch whether due to the nature of the event, the volume of traffic, crowd control purposes, security or other reasons acceptable to both parties, acting reasonably, the Tenant may restrict public access to the North Plaza and/or The South Porch, as applicable, through temporary fencing or such other means as agreed to by the Landlord, acting reasonably, for the entire course of the event, plus as much as the full day prior to and the full day following the event, if the preparations for and dismantling after the event justify the need for such restrictions; and</p> <p>(ii) provided that, except for the Canadian National Exhibition (the "C.N.E.") and the Honda Indy (or their respective successor events), public access to the North Plaza and/or The South Porch shall not be restricted as set out in subsection (i) for more than five (5) consecutive days in connection with any single event, or for more than five (5) days in total in any one month period;</p> <p>(iii) notwithstanding subsections (i) and (ii) above, during the months when the C.N.E. and Honda Indy (or their respective successor events) occur, public access to the North Plaza and/or The South Porch shall not be restricted as set out in subsection (i) for more than two (2) days in addition to the C.N.E. and Honda Indy (or their respective successor events) set up and event days. However, the C.N.E. (or its successor event) closure in September will vary depending on when</p>
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	<p>Labour Day falls. It is understood and agreed that the two (2) day limitation set out in this subsection (iii) is not intended to reduce the maximum total number of days that closure would be permitted pursuant to subsection (ii) above; and</p> <p>(iv) notwithstanding subsection (i) and (ii) above, during the period that the Caribbean Carnival is held at Exhibition Place, the Tenant shall have the right to restrict public access to the Phase 2 Lands for two (2) consecutive days and such restricted period shall be in addition to the limitation of five (5) days in total in any one month referred to in subsection ii).</p> <p>The Tenant shall be responsible for all care and maintenance of the north plaza area, to the same standard as the remainder of the Phase 2 Lands, as set out under the heading "Maintenance & Repair", above.</p>
Insurance	<p>The Tenant shall take out and maintain insurance as described in the Phase 1 Lease, subject to any changes required by the Landlord's internal risk management group, throughout the Term and any renewals.</p>

<p>Permitted Uses/Prohibited Uses</p>	<p>Permitted Uses:</p> <p>Permitted Uses for the Phase 2 Lands are solely the following:</p> <p>(i) the operation of the Phase 2 Hotel as a full service hotel to the standards required under the Phase 1 Lease, including restaurants, bars, a pool and other amenities compatible with a full service resort style hotel of comparable size and quality, underground parking, retail uses to reflect a small village style concept and, if space permits, two (2) outside tennis courts; and</p> <p>(ii) the operation of the Venue as a facility having a seating capacity of 6,000 to 7,000 seats for concerts, sports events, private meeting events, promotional events, family shows, corporate launches and Cirque de Soleil-like events.</p> <p>No Residential Accommodations:</p> <p>The provisions of Section 6.4 of the Phase 1 Lease shall be amended so as to read as follows in the Phase 2 Lease:</p> <p>Under no circumstances shall the Tenant be permitted to include any form of residential accommodation (other than for general manager, resident manager and resident chief engineer, if such residency is desirable in the Tenant's reasonable judgment for the due performance of such duties) other than commercial extended-stay transient accommodation, and at all times the Phase 2 Hotel shall continue to be marketed as a commercial lodging facility.</p> <p>Exclusive Uses:</p> <p>The provisions of Section 7.2 of the Phase 1 Lease shall apply to the Phase 2 Lease with respect to the Phase 2 Hotel. There shall be no exclusive use provisions with respect to the Performance Venue.</p> <p>Casino:</p> <p>The provisions of Section 6.6 of the Phase 1 Lease, relating to the operation of a Casino, apply to the Phase 2 Lease.</p> <p>Prohibited Uses:</p>
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	<p>The Prohibited Uses set out in the Phase 1 Lease, save and except the prohibited uses set out in Section 6.2(e), shall apply to the Phase 2 Lease.</p>
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<p>Assignment and Subletting</p>	<p>Article 14 of the Phase 2 Lease shall provide that no Transfers shall be permitted without the consent of the Landlord, not to be unreasonably withheld or unduly delayed, save and except with respect to:</p> <p>(i) Transfers contemplated by Section 14.5(a) and (c) of the Phase 1 Lease shall be permitted following substantial completion of the applicable portion of the Development without Landlord consent, but on prior Notice to the Landlord;</p> <p>(ii) a transfer of shares if the shares of the Tenant are traded on a recognized stock exchange shall be permitted following substantial completion of the applicable portion of the Development without Landlord consent, but on prior Notice to the Landlord; and</p> <p>(iii) a licence or sublease contemplated by Section 14.2(h) of the Phase 1 Lease.</p> <p>Transfers that consist of: (a) the sublease of all of the Phase 2 Lands; (b) the sublease of the entirety of the portion of the Phase 2 Lands appurtenant to the Phase 2 Hotel; or (c) the sublease of the entirety of the portion of the Phase 2 Lands appurtenant to the Performance Venue (each, a “Permitted Sublease”) shall be permitted subject to receipt of the Landlord’s consent, not to be unreasonably withheld or unduly delayed, provided that any Permitted Sublease shall comply with Sections 14.2(a)-(f) of the Phase 1 Lease and further provided that the Landlord shall be deemed not to be acting unreasonably in refusing its consent where the proposed subtenant has not satisfied each of the following: (1) the subtenant provides satisfactory evidence that it has sufficient equity to construct and operate the Development or its portion of the Development, as applicable; (2) the subtenant provides satisfactory evidence that it has arranged for construction financing with a Leasehold Mortgagee that, combined with the proposed subtenant’s equity, is sufficient to construct and, together with permanent financing to be obtained by the subtenant in the ordinary course following completion of construction, operate the Development or its portion of the Development, as applicable; and (3) the subtenant makes available a sufficient construction guarantor with sufficient assets and a tangible net worth sufficient to cause the Development or the applicable portion of the Development, as applicable, to be constructed and operated.</p>
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	<p>Article 14 shall also provide that in no event shall any Transfer to which the Landlord has consented constitute an automatic release or otherwise relieve the Tenant from the performance of the terms, covenants and conditions herein on its part contained to be observed and performed throughout the balance of the then Term. For certainty, the second sentence of Section 14.1(f) of the Phase 1 Lease shall be deleted in the Phase 2 Lease.</p>
<p>Registration and Creation of Leasehold Parcel(s)</p>	<p>The Tenant may, at its sole cost, and subject to compliance with the requirements of Section 19.3 of the Phase 1 Lease, register a notice of the Phase 2 Lease against title to the Phase 2 Lands and apply for the creation of a leasehold parcel for the Phase 2 Lands. Registration shall not be permitted prior to the Commencement Date.</p>
<p>Leasehold Charges</p>	<p>The provisions of Section 14.3 and Schedule C to the Phase 1 Lease shall apply to the Phase 2 Lease (collectively, the "Leasehold Mortgage Provisions"), provided that, notwithstanding the foregoing:</p> <ul style="list-style-type: none"> (i) where the Landlord has consented to a Permitted Sublease as provided for above, the Landlord shall be deemed to have consented to the grant of a Leasehold Mortgage to the Leasehold Mortgagee under the construction financing that has been disclosed by the subtenant to the Landlord; (ii) the grant of any other Leasehold Mortgages from time to time prior to the applicable Rent Commencement Date shall require the prior consent of the Landlord, not to be unreasonably withheld or unduly delayed; and (iii) the grant of any Leasehold Mortgages from time to time following the applicable Rent Commencement Date shall not require the prior consent of the Landlord if such Leasehold Mortgagee is a chartered bank or a trust Company or institutional lender including, without limitation, a mortgage and loan company, mortgage investment company, insurance company, pension fund or financial institution, qualified to do business in Ontario, or in the alternative, the Landlord, acting reasonably and without delay, shall have provided its consent, <p>and in the case of (i), (ii) or (iii) above, shall otherwise comply with the Leasehold Mortgage Provisions.</p>

<p>Non-Disturbance Agreement</p>	<p>The Landlord shall agree to provide to the subtenant under a Permitted Sublease a non-disturbance agreement on the terms otherwise provided for in Section 14.2(g) of the Phase 1 Lease, other than the requirement that the Permitted Sublease be a sublease of all of the Phase 2 Lands.</p>
<p>Right of First Refusal</p>	<p>If, during the initial term of the Phase 2 Lease, the Landlord enters into a bona fide agreement of purchase and sale for the Phase 2 Lands with a third party (the "Offer"), the Landlord shall provide notice of same to the Tenant (the "Sale Notice") and the Tenant shall have one (1) Right of First Refusal (the "R.O.F.R.") to purchase the Phase 2 Lands on the same terms and conditions as the Offer, provided it exercises the R.O.F.R. by notice to the Landlord within thirty (30) days of receipt of the Sale Notice. In the event that the Tenant does not exercise its R.O.F.R. within the above time period, then the Tenant's R.O.F.R. will cease to apply and be of no further force or effect and the Landlord shall have the right to complete the sale of the Phase 2 Lands pursuant to the Offer. Notwithstanding any of the foregoing, the R.O.F.R. will not apply to any transfer of the Phase 2 Lands to any federal, provincial or municipal governmental or quasi-governmental agency, board, commission or other body (although the R.O.F.R. will survive such a transfer) or the transfer of small amounts of the Phase 2 Lands for road widenings, easements, or similar transactions. The foregoing provisions shall also apply, mutatis mutandis, in the event the Landlord enters into an Offer with respect to the Phase 1 Lands.</p> <p>In the event the Offer relates solely to the Phase 2 Lands and the Tenant exercises its R.O.F.R. with respect to such Offer, the Tenant shall, for and on behalf of Princes Gates Hotel Limited Partnership, have an option to purchase the Phase 1 Lands based on the market value thereof as determined by an appraisal, to be completed by a duly qualified real estate appraiser, retained by the Landlord, using terms of reference agreed to by the Landlord and the Tenant, both acting reasonably. The foregoing provisions shall also be applicable, mutatis mutandis, in the event the Landlord enters into an Offer with respect to the Phase 1 Lands only. In the event the Landlord enters into an Offer with respect to both the Phase 1 Lands and the Phase 2 Lands, the R.O.F.R. must be exercised with respect to both of the Phase 1 Lands and the Phase 2 Lands.</p>

<p>Compliance – Collective Agreements</p>	<p>1) The Tenant acknowledges that the Board has collective agreements with the following local unions and the Tenant will take all necessary action not to put the Board in breach of any of these agreements:</p> <p>(a) Labourers' International Union of North America, Local 506 (the Board represents to the Tenant that, to the best of the Board's knowledge, as of the date of this Term Sheet the only applicable jurisdiction under this agreement relates to work rights for exhibitor display (e.g. booth builds and associated materials handling connected to same);</p> <p>(b) The United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada, Local Union 46;</p> <p>(c) The International Alliance of Theatrical Stage Employees and Moving Picture Machine Operators of the United States and Canada, Local #58, Toronto ("I.A.T.S.E."), provided that, in the event the Tenant enters into a separate collective agreement with I.A.T.S.E. (the "Tenant-I.A.T.S.E. Agreement"), the Tenant-I.A.T.S.E. Agreement shall be a "collective agreement with the union" as contemplated by Article 18.1(a) of the Board's collective agreement with I.A.T.S.E., and the Tenant shall comply at all times with the Tenant-I.A.T.S.E. Agreement;</p> <p>(d) The Ontario Provincial Council, United Brotherhood of Carpenters and Joiners of America (O.P.C.), Local Union 27;</p> <p>(e) International Brotherhood of Electrical Workers, Local Union 353;</p> <p>(f) International Brotherhood of Painters and Allied Trades District Council 46.</p> <p>The Tenant has also entered into Minutes of Settlement with I.A.T.S.E. and others dated June 16, 2021 (the "M.O.S."), and the Tenant shall at all times fully comply with all obligations under the M.O.S.</p> <p>The Tenant agrees that it shall comply with the foregoing collective agreements and any present and future collective agreements to which the Landlord and/or the Board become</p>
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bound with respect to the operation of the Leased Property (collectively the "Collective Agreements") and shall endeavor not to prejudice any relationship between the Landlord or the Board and any union or trade organization. The Landlord agrees to provide written notice to the Tenant of the Collective Agreements together with a copy thereof and copies of any amendments to such Collective Agreements, any grievances filed thereunder with respect to operation of the Leased Property and ongoing status reports with respect to such grievances thereafter. In addition, in the event a party asserts through the grievance and arbitration procedure of a Collective Agreement that the Landlord or the Board is in breach thereof and said breach was caused solely by the Tenant's failure to comply with same, then the Tenant shall indemnify the Landlord and the Board with respect to any costs, damages, losses and awards that may be incurred by them as a result of a breach by the Tenant of its obligations hereunder, including without limitation, negotiated settlements resulting in payment by the Landlord and/or the Board or any awards against the Landlord and/or the Board rendered by an arbitrator, Ontario Labour Relations Board or other adjudicative body with jurisdiction to make such an award against the Landlord or the Board, to the extent directly resulting from such Tenant's breach notwithstanding that such grievance is filed after termination or earlier expiry of this Phase 2 Lease provided such grievance is filed within the time limits set out in the applicable Collective Agreement or as otherwise permitted by applicable laws and relates to that period of time the Lease was in effect. The Tenant shall pay any such award, settlement, loss and other costs and damages, incurred by the Landlord and/or the Board within fifteen (15) business days of receipt of demand therefore from the Landlord. All amounts payable by the Tenant under this clause shall be Additional Rent.

The Landlord and/or the Board agree that, at the time of any future negotiations of the collective agreements during the Term, it will consult with the Tenant and provide the Tenant with the opportunity to advise the Landlord and/or the Board of any concerns or issues which it wishes the Landlord and/or the Board to treat with priority pertaining to the collective agreement in question. The Landlord and/or the Board agree to give due consideration to any matter or interest raised by the Tenant, provided that in all circumstances the Landlord and/or Board retain full and unfettered discretion with respect to any actions taken or

decisions made during such negotiations, and in no event shall the foregoing clause be interpreted or construed to give the Tenant any consent or approval rights with respect to such actions, decisions and negotiations.

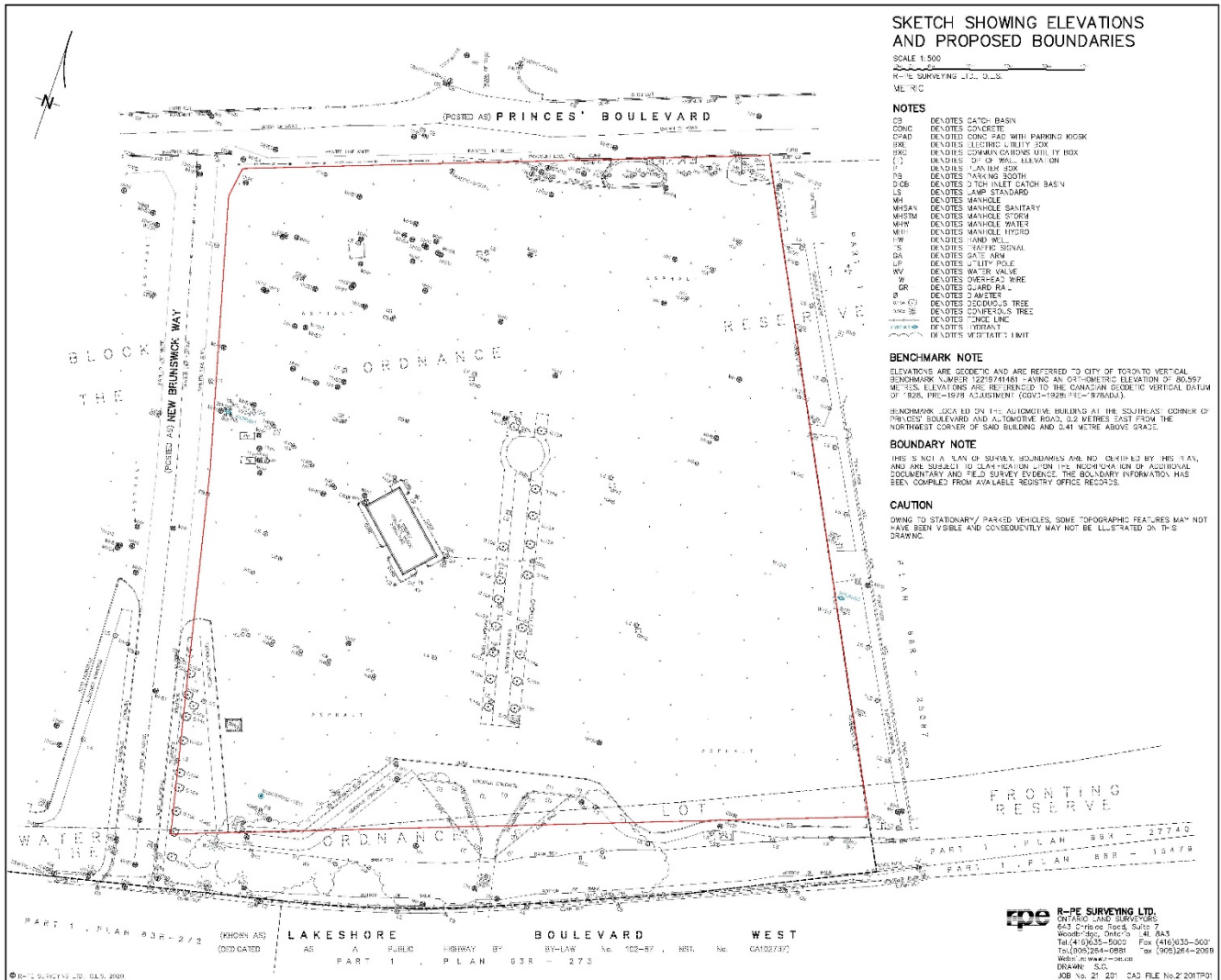
The Landlord and/or the Board agree to provide such reasonable information as the Tenant may require from time to time to fulfil its obligations under this Article, and throughout the Term to notify the Tenant of any revisions to or new collective agreements entered into with the aforesaid unions, and to provide the Tenant with copies therefor once finalized and signed. The Landlord and/or the Board shall provide the Tenant on request with copies of all applicable union agreements, and any awards or orders.

The Tenant agrees that it shall comply with any collective agreements to which the Landlord and/or the Board is bound or becomes bound with respect to work by the Tenant on the Lands throughout the Term. The Tenant will comply with both the Landlord's Labour Trades Contractual Obligations in the Construction Industry Policy and Fair Wage Policy, which are subject to amendments and change from time to time. The Tenant shall provide such evidence of compliance as the Landlord may reasonably request from time to time. The Tenant shall contact the Landlord's Fair Wage Office prior to commencement of any construction, obtain copies of current policies and applicable information for the purpose of pre-qualifying proposed contractors, as determined by and in accordance with the then-current usual practices for the Landlord's Fair Wage Office and obligations to the Landlord. The Tenant shall adhere to and comply with all applicable collective agreements to which the Landlord and the Board are bound (or become bound prior to the commencement of any work covered under those collective agreements). The Tenant agrees to indemnify the Landlord and the Board with respect to any costs, damages, losses and awards that may be incurred by it as a result of a breach by the Tenant of its obligations hereunder, including without limitation, negotiated settlements resulting in payment by the Landlord and/or the Board, or any awards against the Landlord and/or the Board resulting from a grievance filed against the Landlord and/or the Board with respect to a breach of any of the collective agreements to which the Landlord and/or the Board are bound or become bound. The Tenant shall pay any such award, settlement, loss and other costs and damages, incurred by the Landlord and/or the Board, within fifteen (15)

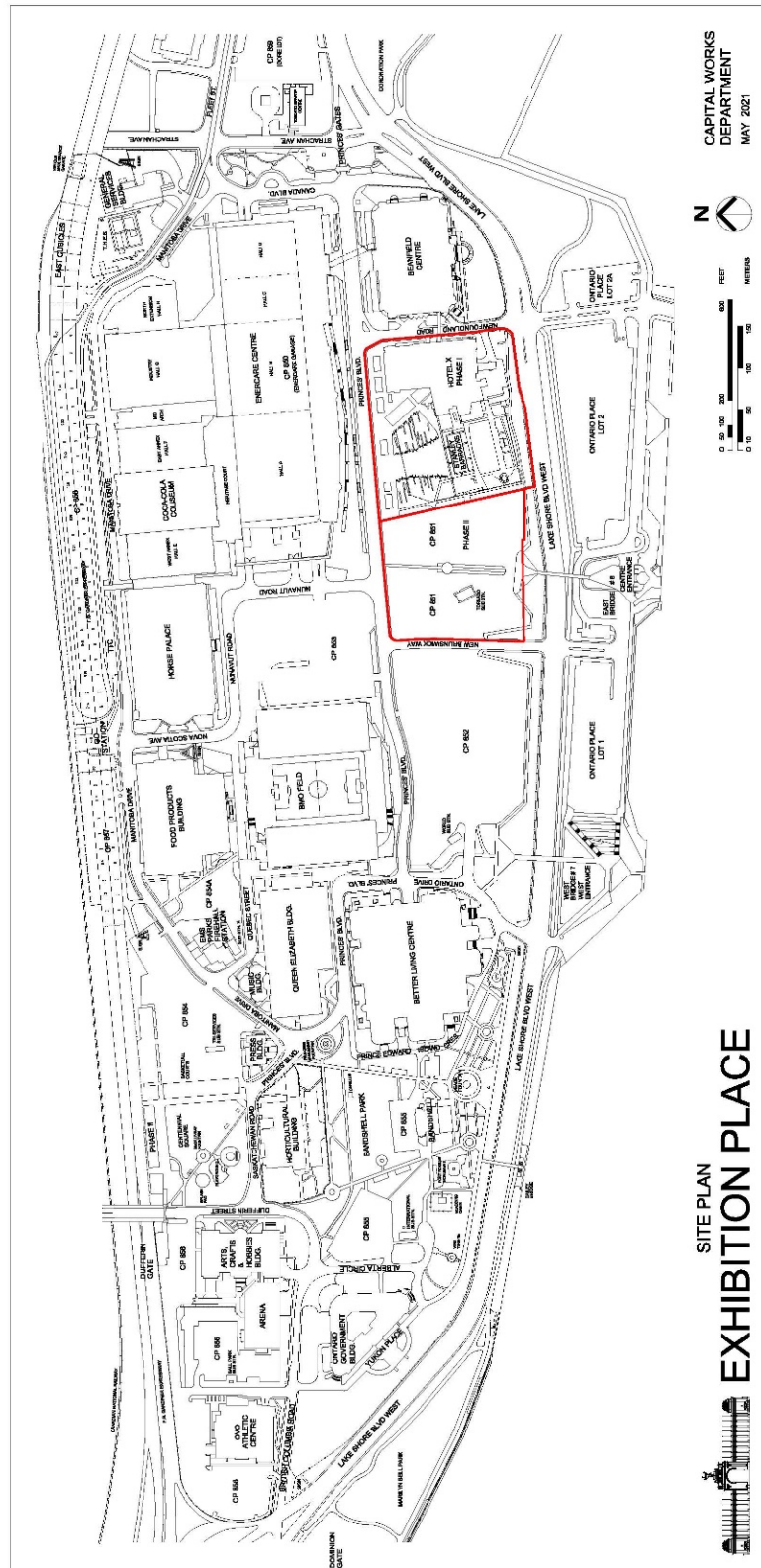
	<p>business days of receipt of demand therefore from the Landlord. The Tenant shall be permitted to attend the mediation and/or hearing of any grievance subject to an order to the contrary by the arbitrator or Vice-Chair of the Ontario Labour Relations Board hearing the grievance referral. For grievances that are settled by the Landlord or the Board prior to or at any point during any grievance or grievance arbitration or referral hearing, the Landlord shall engage and consult with the Tenant as to the financial terms of settlement, but final determination as to whether a matter is to be settled and the terms of settlement shall remain with the Landlord. All amounts payable by the Tenant under this clause shall be Additional Rent.</p>
<p>Lease Documentation</p>	<p>If the Phase 2 Lease on the terms and conditions herein is authorized by the Board and City of Toronto Council, the Phase 2 Lease agreement shall be prepared by the Landlord on the Landlord's standard form and shall incorporate the terms set out herein. This Term Sheet contains the basic terms and conditions upon which the Landlord will lease the Phase 2 Lands to the Tenant, and supplementary terms and conditions and revisions to the terms and conditions of this Term Sheet may be contained in the Phase 2 Lease. Without limitation to the foregoing, certain provisions in the Landlord's standard form (including, without limitation, those which are specifically noted above in this Term Sheet) have been amended or updated since the Phase 1 Lease documentation. All documentation shall be in a form and content satisfactory to the City Solicitor.</p>
<p>Board Execution</p>	<p>The Board will also execute the Phase 2 Lease and, unless the Landlord advises otherwise and save as expressly otherwise provided in the Phase 2 Lease, all rights, covenants and obligations of the Landlord may be exercised, performed or complied with by the Landlord and/or the Board.</p>

<p>Landlord's Condition</p>	<p>The Phase 2 Lease is subject to the following conditions for the benefit of the Landlord:</p> <p>(i) the Tenant, by no later than the milestone date set out in Schedule 2 for the submission of the site plan application, finalizing the design of the Development to the satisfaction of the Landlord, in consultation with the Board, each acting reasonably;</p> <p>(ii) the Tenant, by no later than the milestone date set out in Schedule 2, submitting a site plan application for the Development satisfactory to the Chief Planner and Executive Director, City Planning.</p> <p>The foregoing conditions are for the sole benefit of the Landlord and may only be waived by the Landlord. In the absence of a notice in writing of the waiver or satisfaction of each of the foregoing conditions given to the Tenant prior to the expiry of the above-noted time periods, the condition or conditions will be deemed not to have been satisfied or waived by the Landlord and the Phase 2 Lease shall be null and void and neither party shall have any further obligations to the other or be liable for any loss, damages or costs whatsoever.</p>
<p>Landlord as Municipality</p>	<p>Nothing in this Term Sheet or the Phase 2 Lease, including without limitation to the foregoing, the provisions under the heading "Signage", above, derogates from, interferes with, or fetters the exercise by the City of Toronto, its officers, employees, agents, representatives or elected and appointed officials, of all of its rights and obligations as a municipality (whether discretionary or mandatory), or imposes any obligations on the City of Toronto in its role as a municipality, and the City of Toronto shall not be prevented from or prejudiced in carrying out its statutory rights and responsibilities, including its planning, legislative and regulatory rights and responsibilities.</p>

Schedule 1 - Phase 2 Lands



Schedule 1A - Site Plan of Leased Property



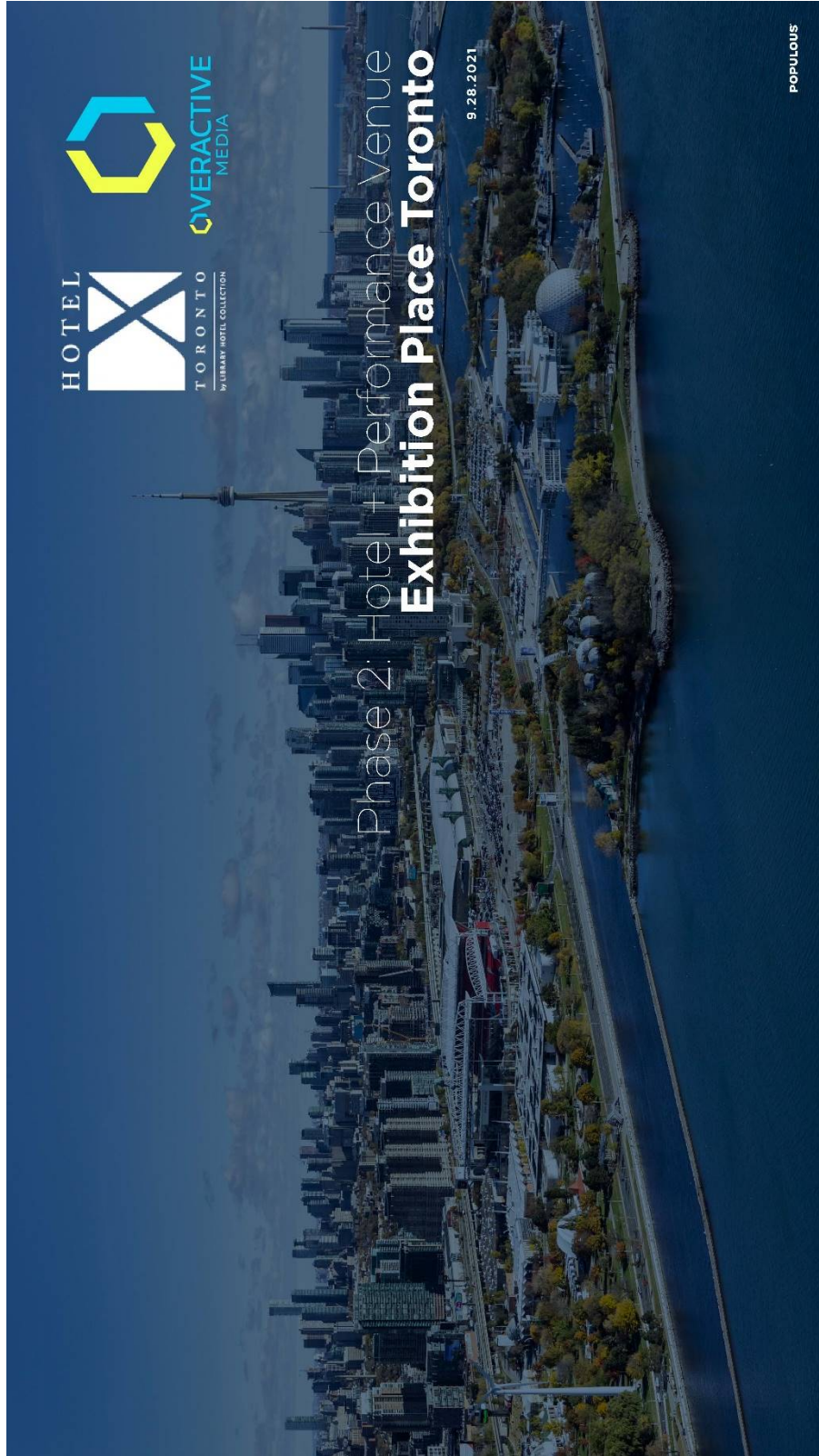
Schedule 2 - Milestone Dates

HOTEL PHASE 2 DEVELOPMENT

PROJECT SCHEDULE/MILESTONES DATES

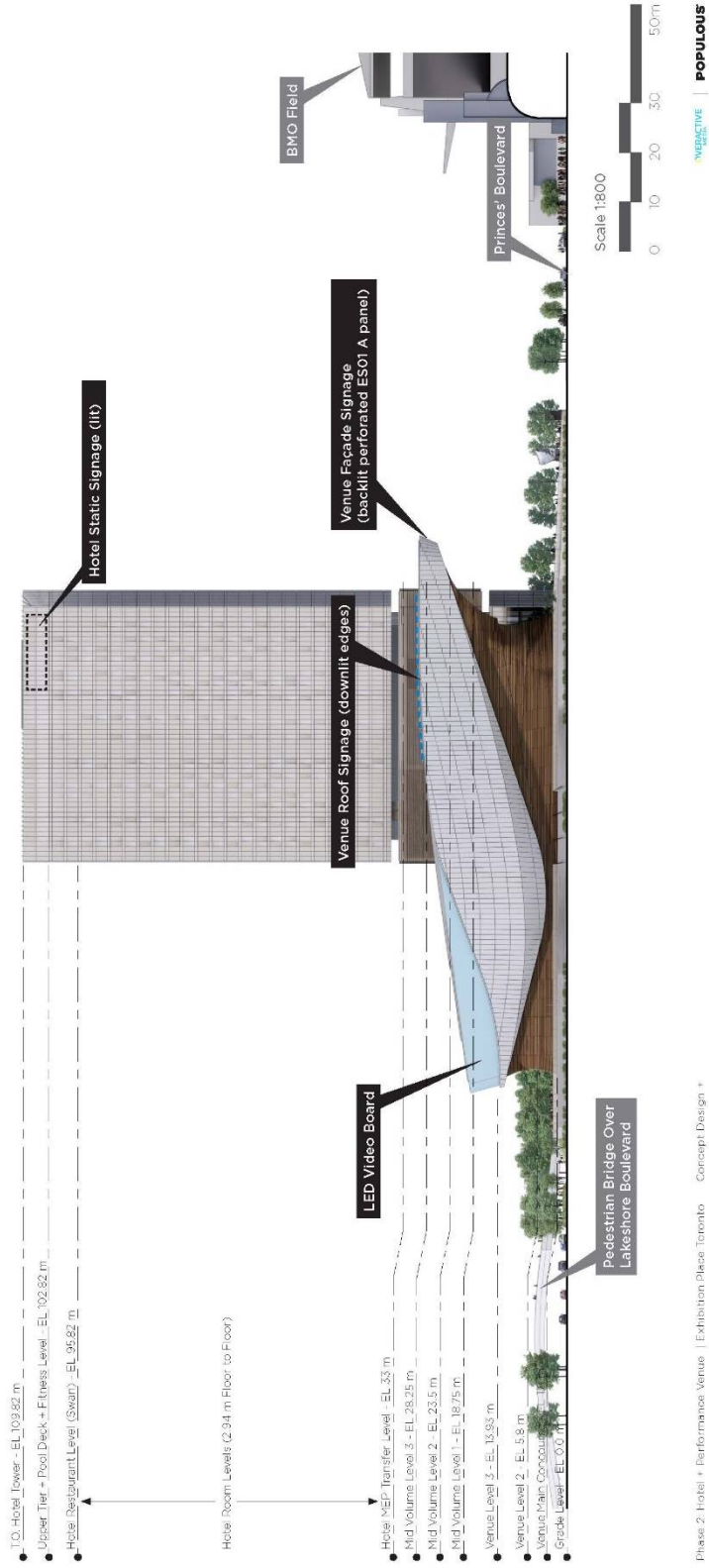
Concept Plan submission to City Planning	Completed
Concept Plan submission to City Design Review Panel Advisory Board	Completed
Archaeological Work - Stage 1	Completed
Plan of Survey - Reference Plan and Topography Plan	Completed
Exhibition Place Board - Request for Approval	28-Sep-21
Declaration of Development Lands as Surplus by City	September/October 2021
General Government and Licensing Comm. - Request for Approval	20-Oct-21
Toronto City Council - Request for Approval	09-Nov-21
Archaeological Work - Stage 2	01-Nov-21
Submission of Site Plan Application	30-Jan-22
Reference Plan/Survey registered on Title and separate property identifier	31-Jan-22
Public Consultation/Engagement	Jan 1/22 - Sept 30/22
Site Plan Review	Dec 9/21 - Oct 31/22
Apply for Building Permit	Jan 1/21 - Aug 18/22
Capital Cost Estimates - Final	30-Mar-22
Financing Plan- Commitment Letters from Tenant Lenders and Equity Partners	01-Dec-21
Infrastructure Pre-Work	Jan 1/22 - Jul 31/22
Award Construction Contract	15-Apr-22
Commence Site Excavation	Aug 29/22
Commence Construction	Aug 29/22
Complete Construction/Open for Business	Aug 27/25
Finalize and Execute Lease	30-Jun-22

Schedule 3 - Proposed Venue Signage



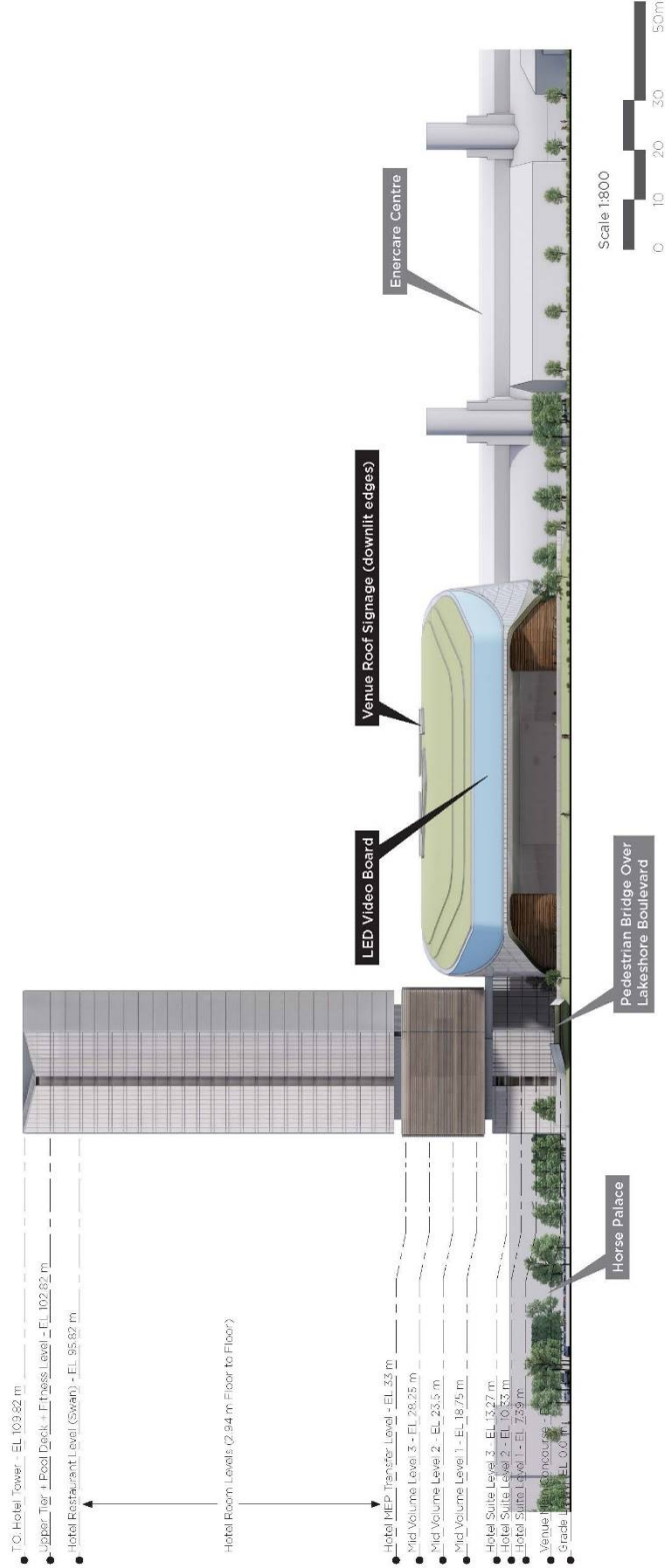
BUILDING ELEVATIONS

East Elevation



BUILDING ELEVATIONS

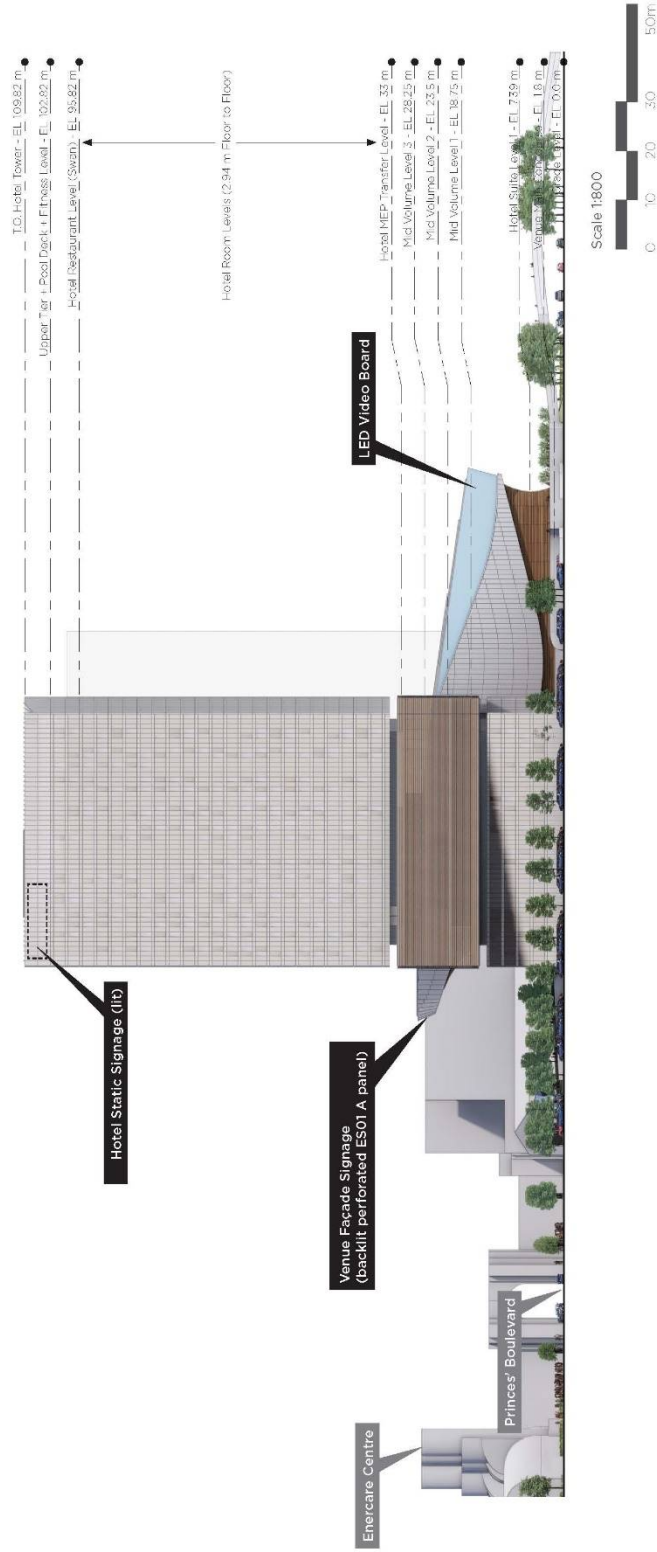
South Elevation



Phase 2: Hotel + Performance Venue | Exhibition Place Toronto | Concept Design +



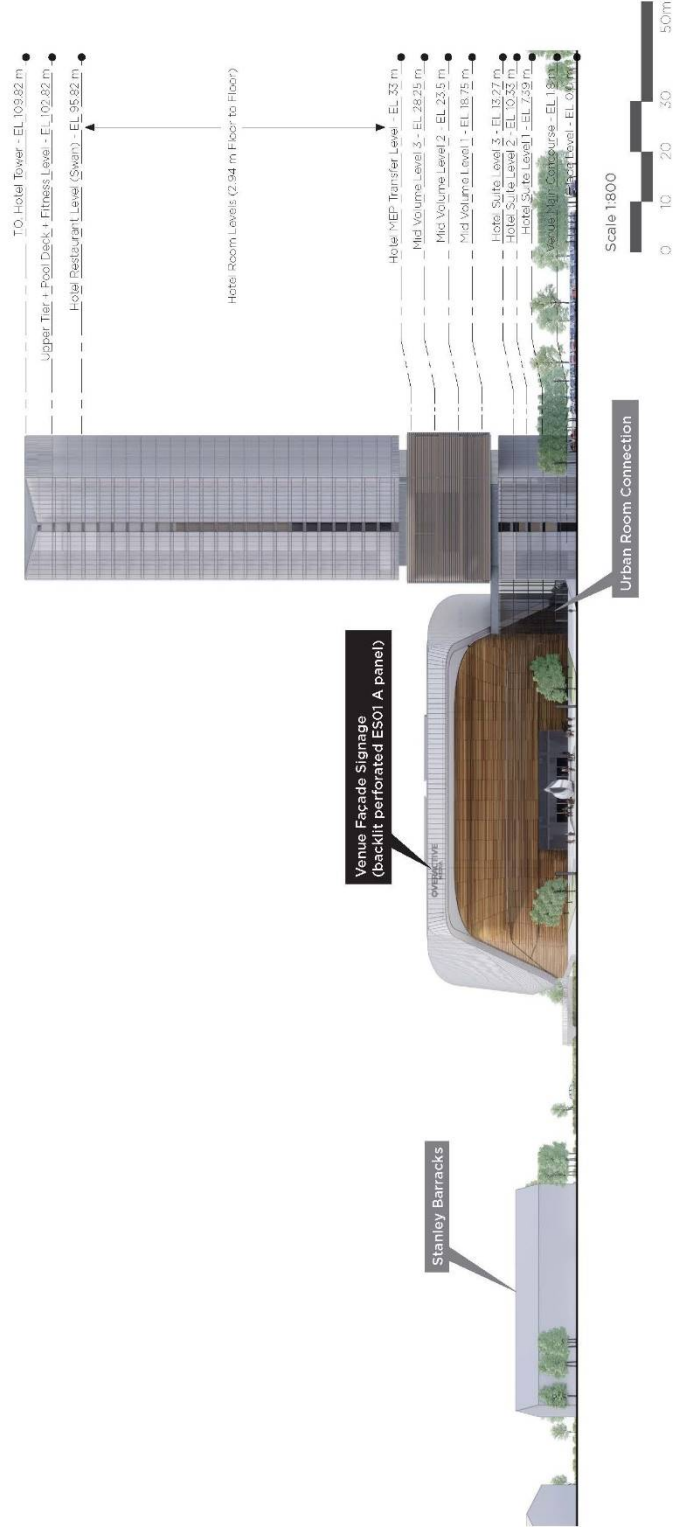
BUILDING ELEVATIONS West Elevation



Phase 2: Hotel + Performance Venue | Exhibitor Place Toronto | Concept Design

POPULOUS

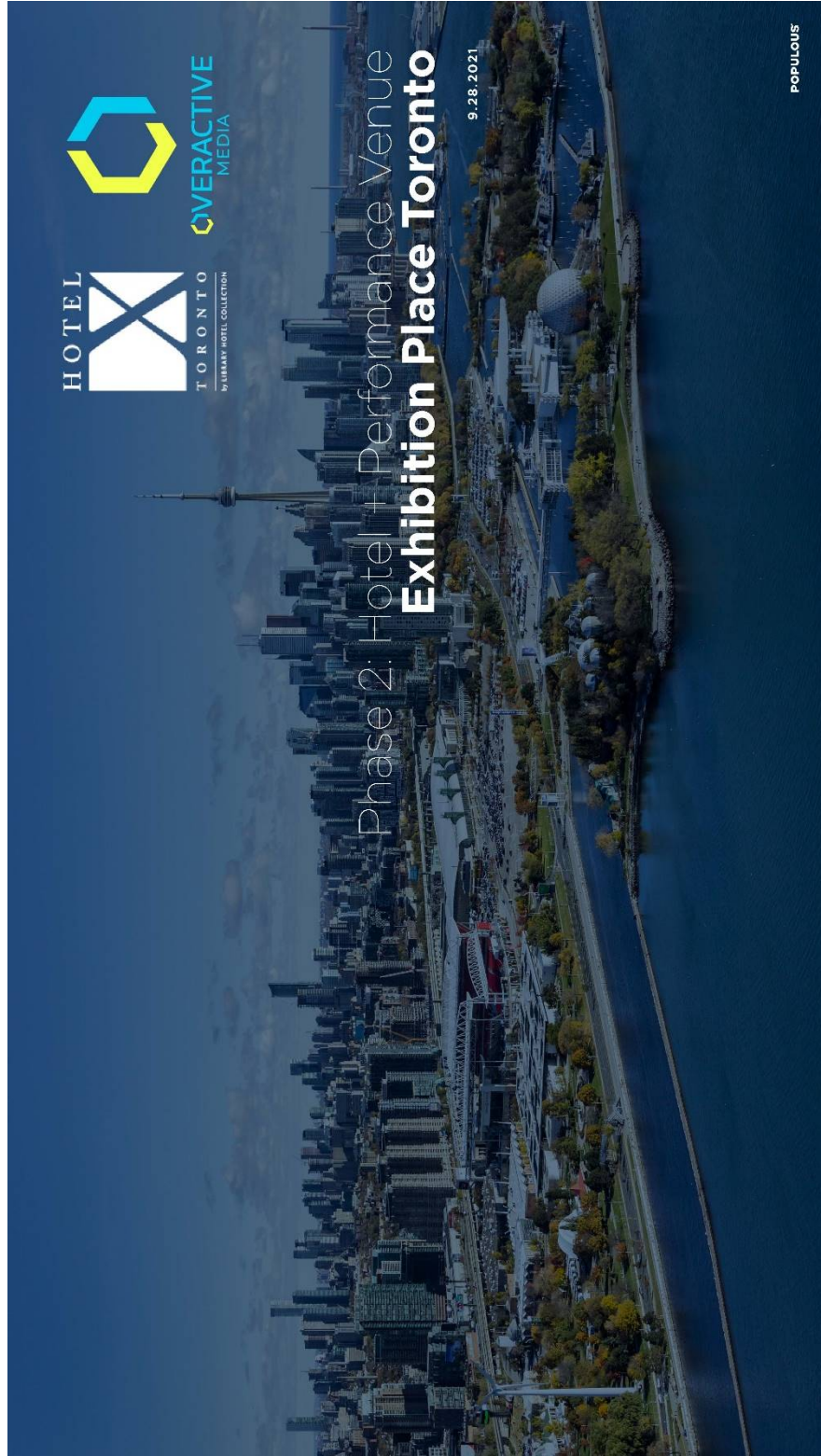
BUILDING ELEVATIONS North Elevation



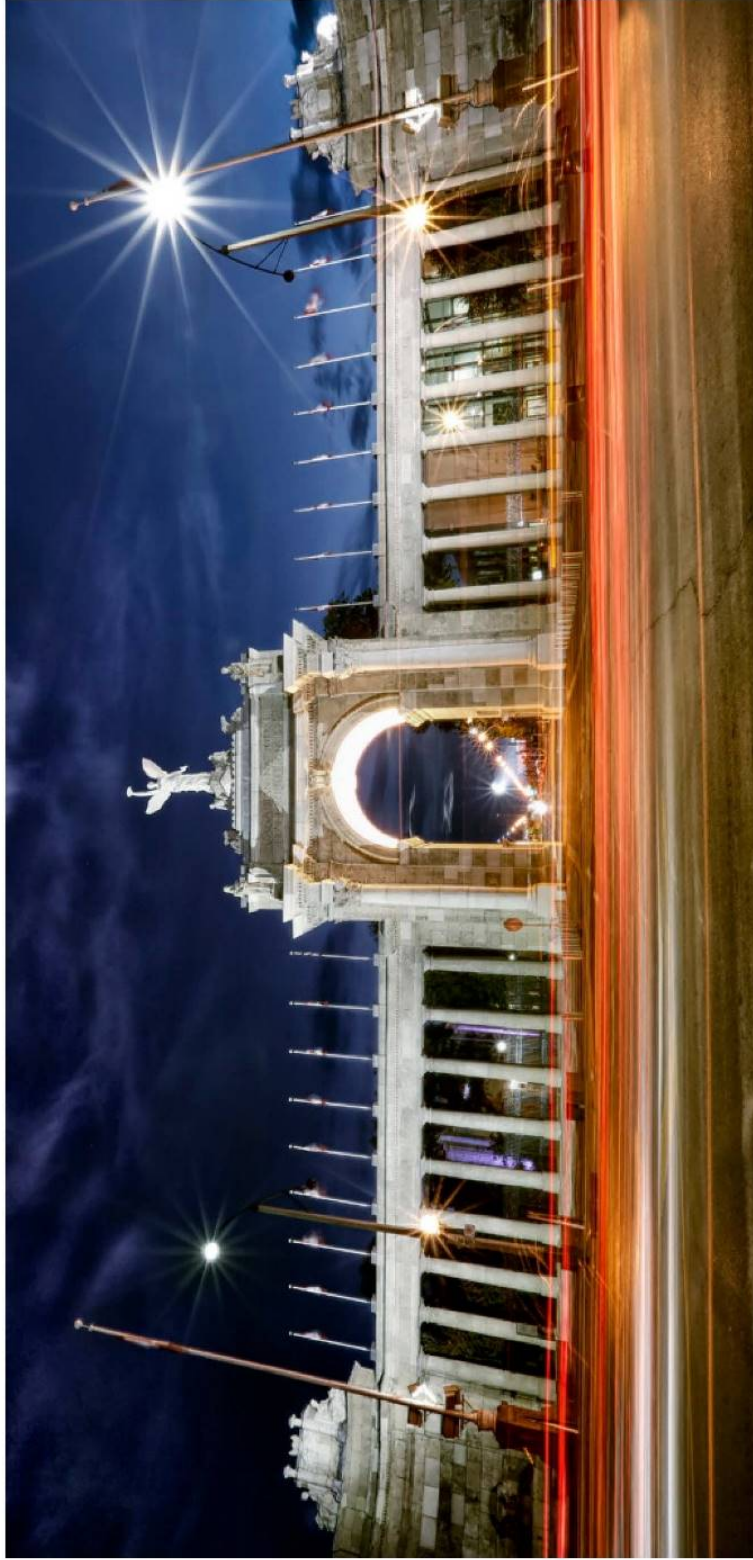
Phase 2: Hotel + Performance Venue | Exhibition Place Toronto | Concept Design +

INTEGRATIVE | POPULOUS

Schedule 4 - Conceptual Design of Development



MATERIALITY Princes' Gates



Phase 2: Hotel - Performance Venue | Exhibition Place Toronto | Concept Design

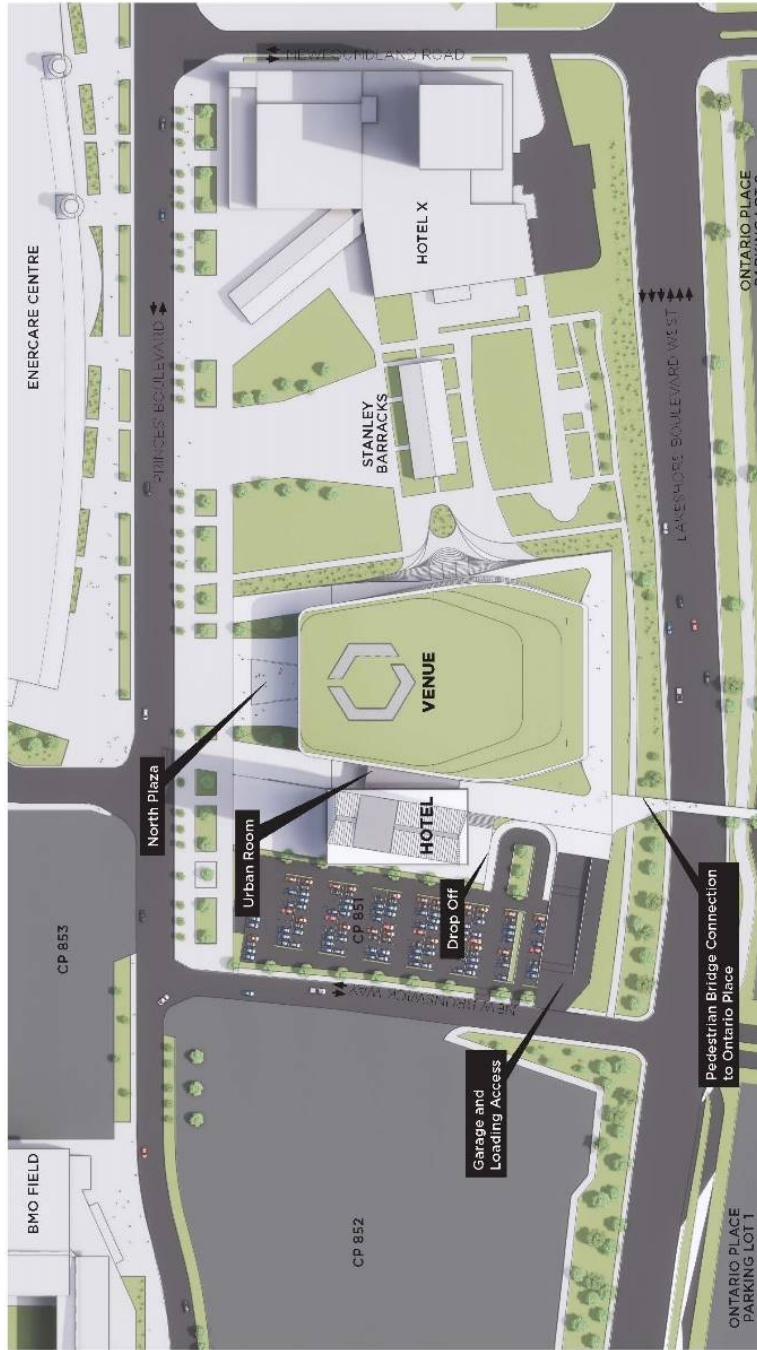
INTERACTIVE | POPULOUS

MATERIALITY Stanley Barracks



Phase 2 Hotel - Repinnance Avenue | Exhibition Place Toronto - Concept.Dies.pdf -

CONCEPTUAL SITE PLAN



ARCHITECTURAL REFERENCES



ROCKET MORTGAGE FIELDHOUSE

Phase 2: Hotel - Performance Venue | Exhibition Place Toronto | Concept Design



EXPO ST. PETERSBURG



OSLO OPERA HOUSE



CROWN METROPOL HOTEL

INTERACTIVE | POPULOUS

ARCHITECTURAL REFERENCES



MECCA ARTS COMPLEX

Phase 2: Hotel + Performance Venue | Exhibition Place Toronto | Concept: Das.gr -



MOESGAARD MUSEUM



VANCOUVER CONVENTION CENTRE

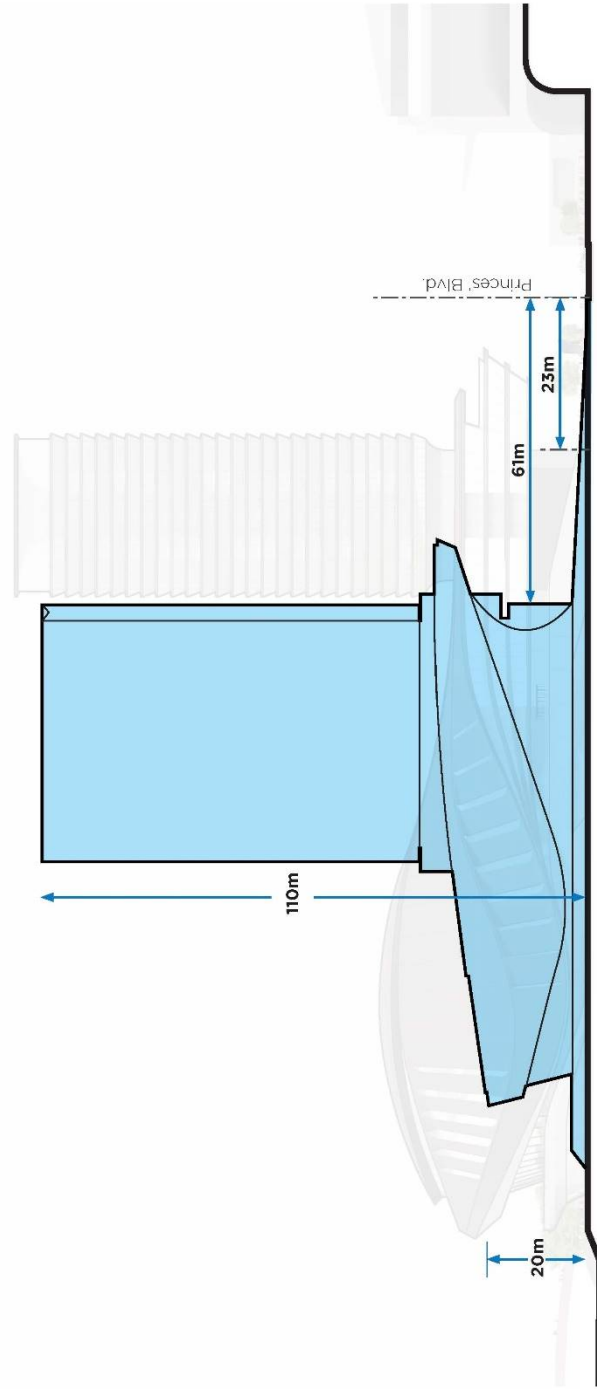


PLASSEN CULTURAL CENTRE

INDUCTIVE | **POPULOUS**

MASSING COMPARISON East Elevation

Original Massing
7/29/21 Massing



Phase 2: Hotel + Performance Venue | Exhibition Place Toronto | Concept Design 1

WSP | POPULOUS

EXTERIOR MASSING NE Aerial



Phase 2: Hotel - Performance Venue | Exhibition Place Toronto | Concept Design -

INTERACTIVE
ARCHITECTURE

POPULOUS

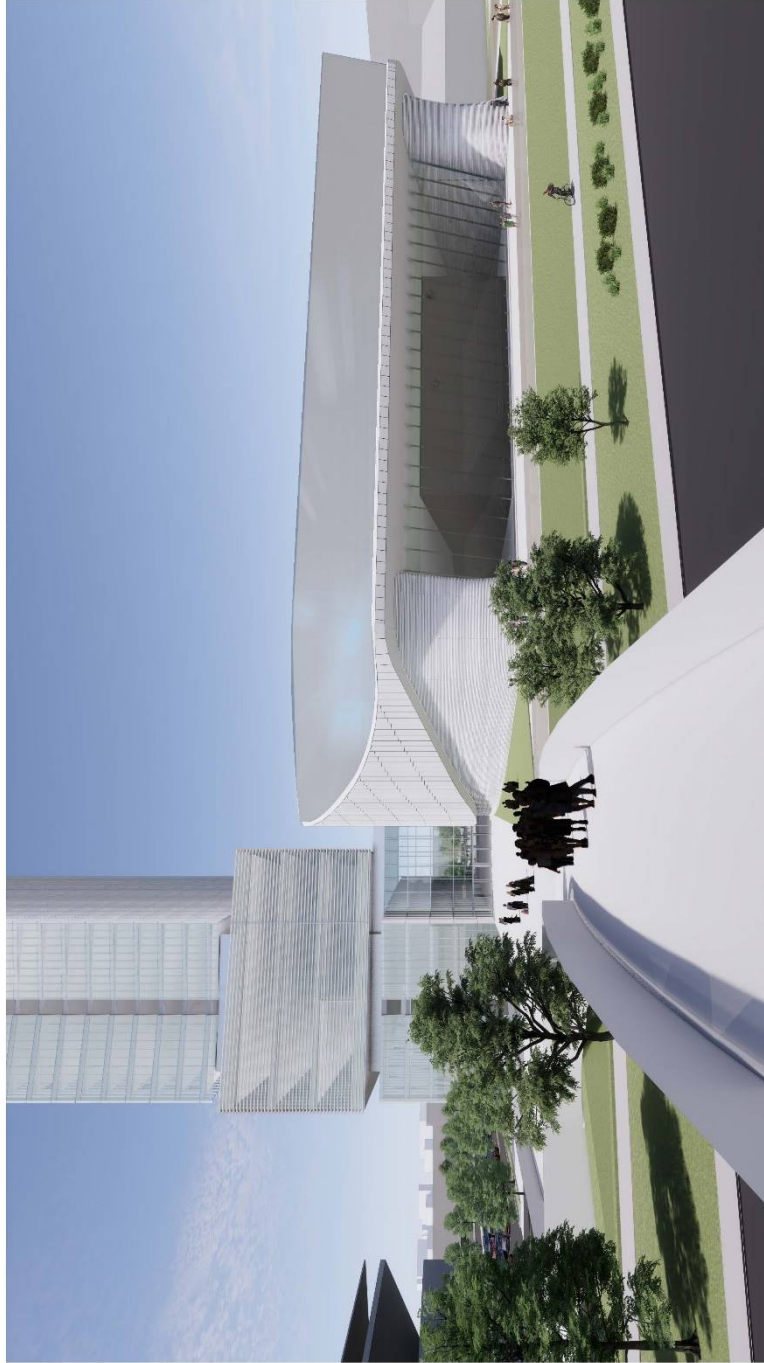
EXTERIOR MASSING North Aerial



Phase 2: Hotel - Performance Venue | Exhibition Place Toronto - ConceptDes.gr -

POPULOUS

EXTERIOR MASSING Pedestrian Bridge



Phase 2: Hotel + Performance Venue | Exhibition Place Toronto | Concept Design +

INTERACTIVE
POPULOUS

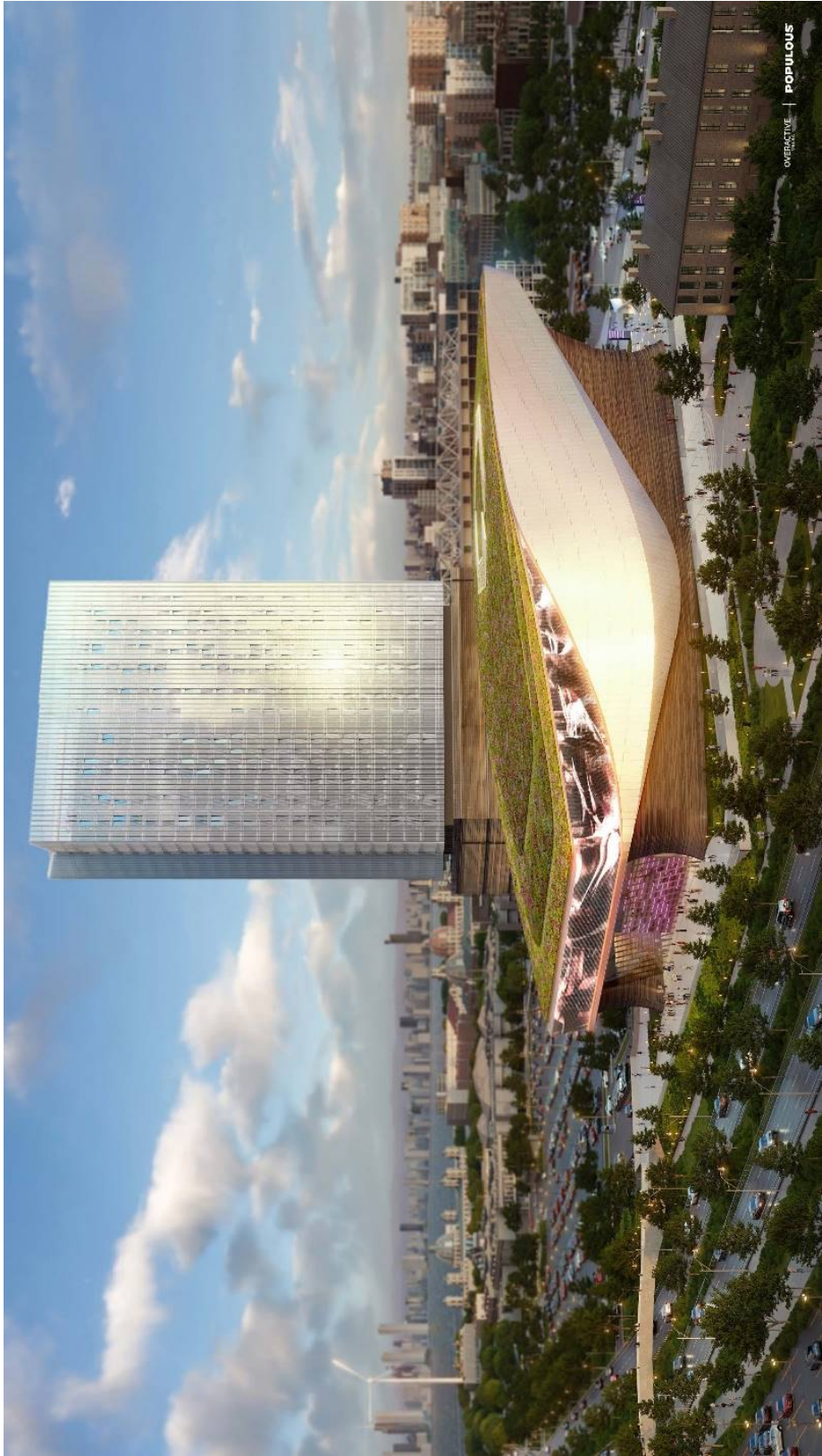
EXTERIOR MASSING SW Aerial



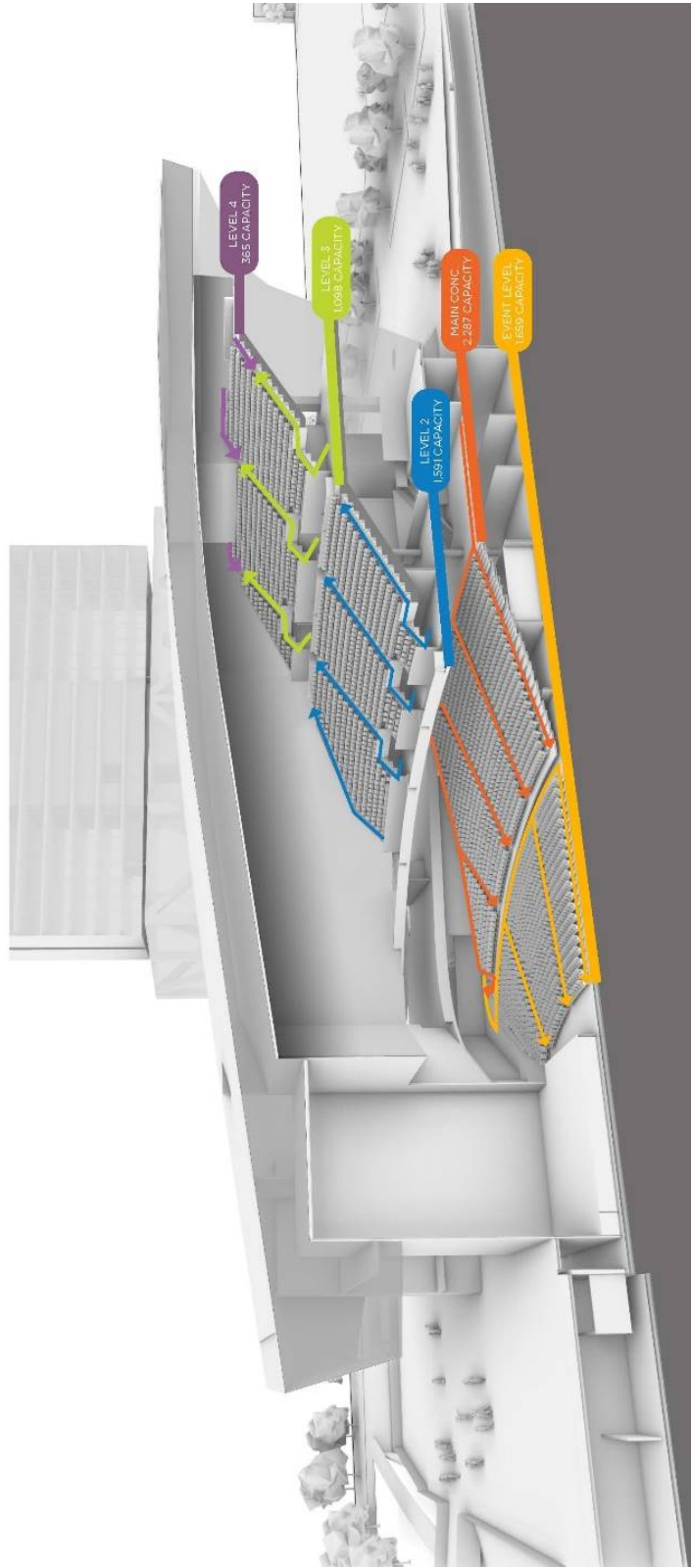
Phase 2 | Hotel | Performance Venue | Exhibition Place Toronto | Concept Design |

WEBCASTIVE
ARCH

POPULOUS

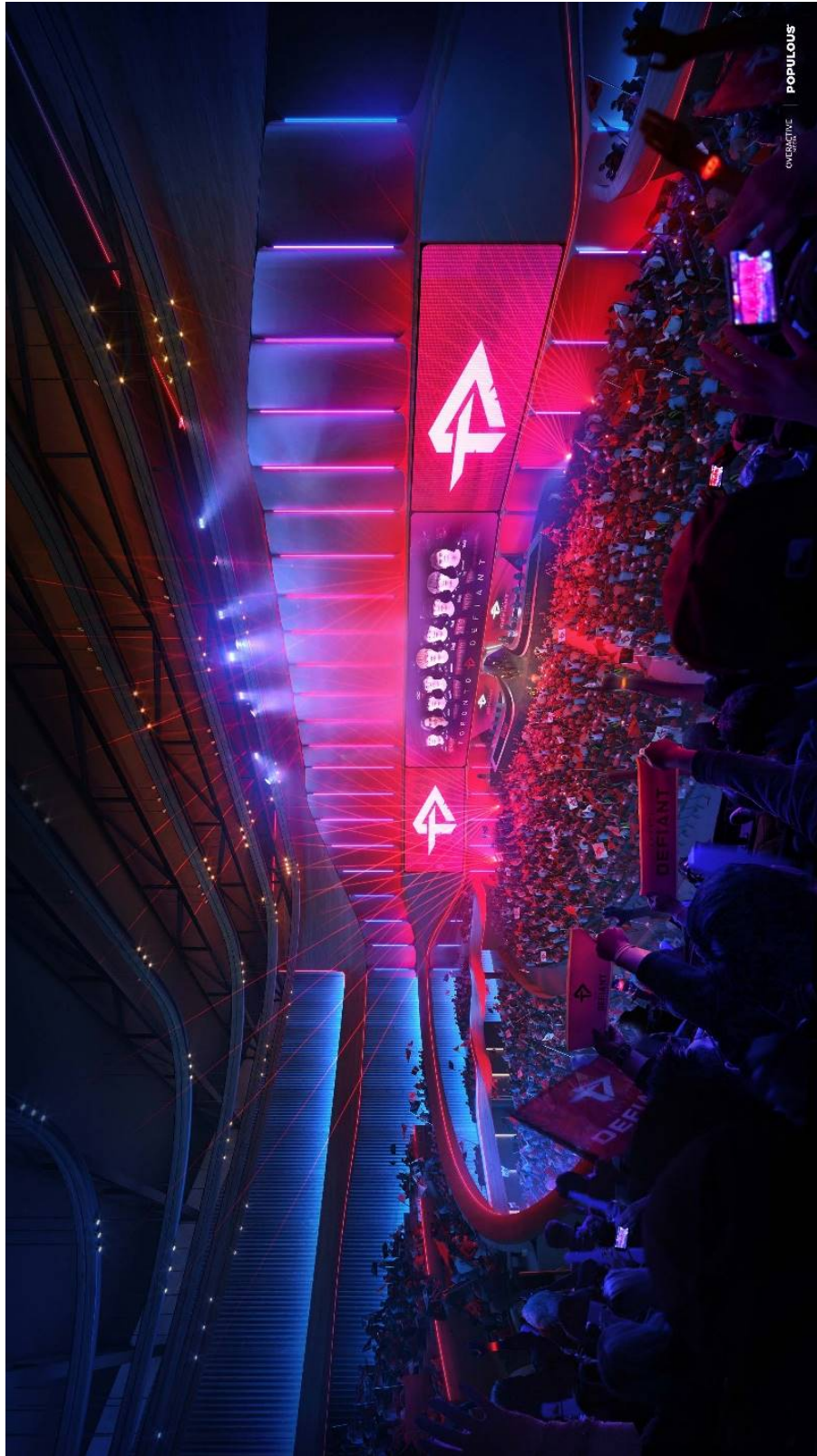


BOWL DESIGN & CONFIGURATION Building Section



Phase 2: Hotel + Performance Venue | Exhibition Place Toronto | Concept Design -

POPULOUS

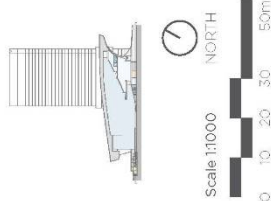
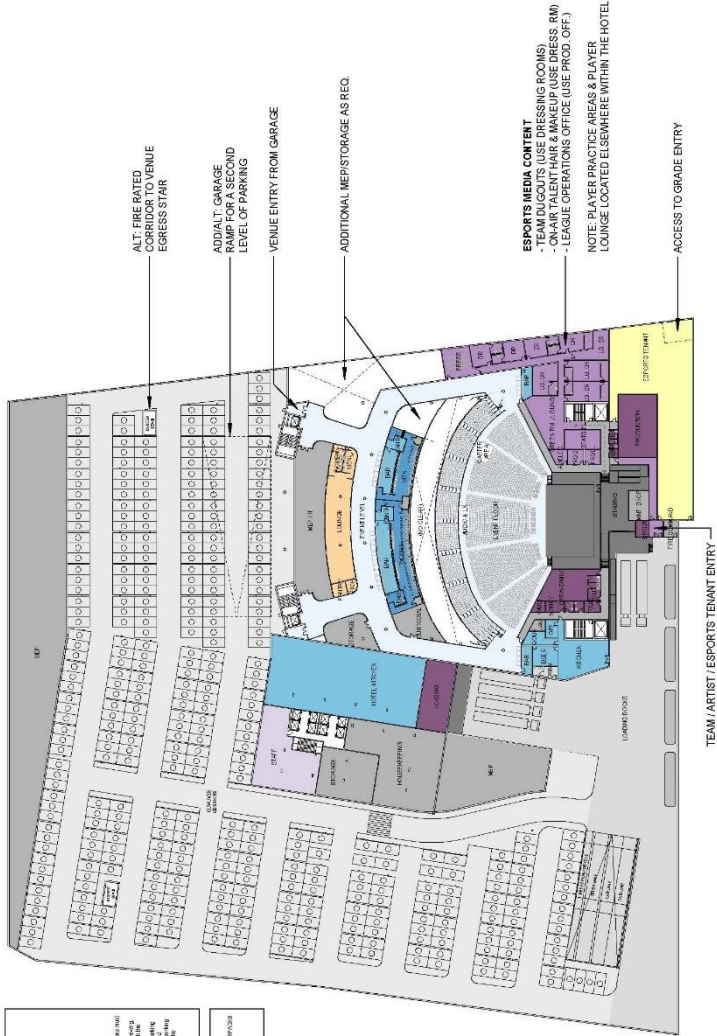


POPULOUS
EXPERIENTIAL
DESIGN

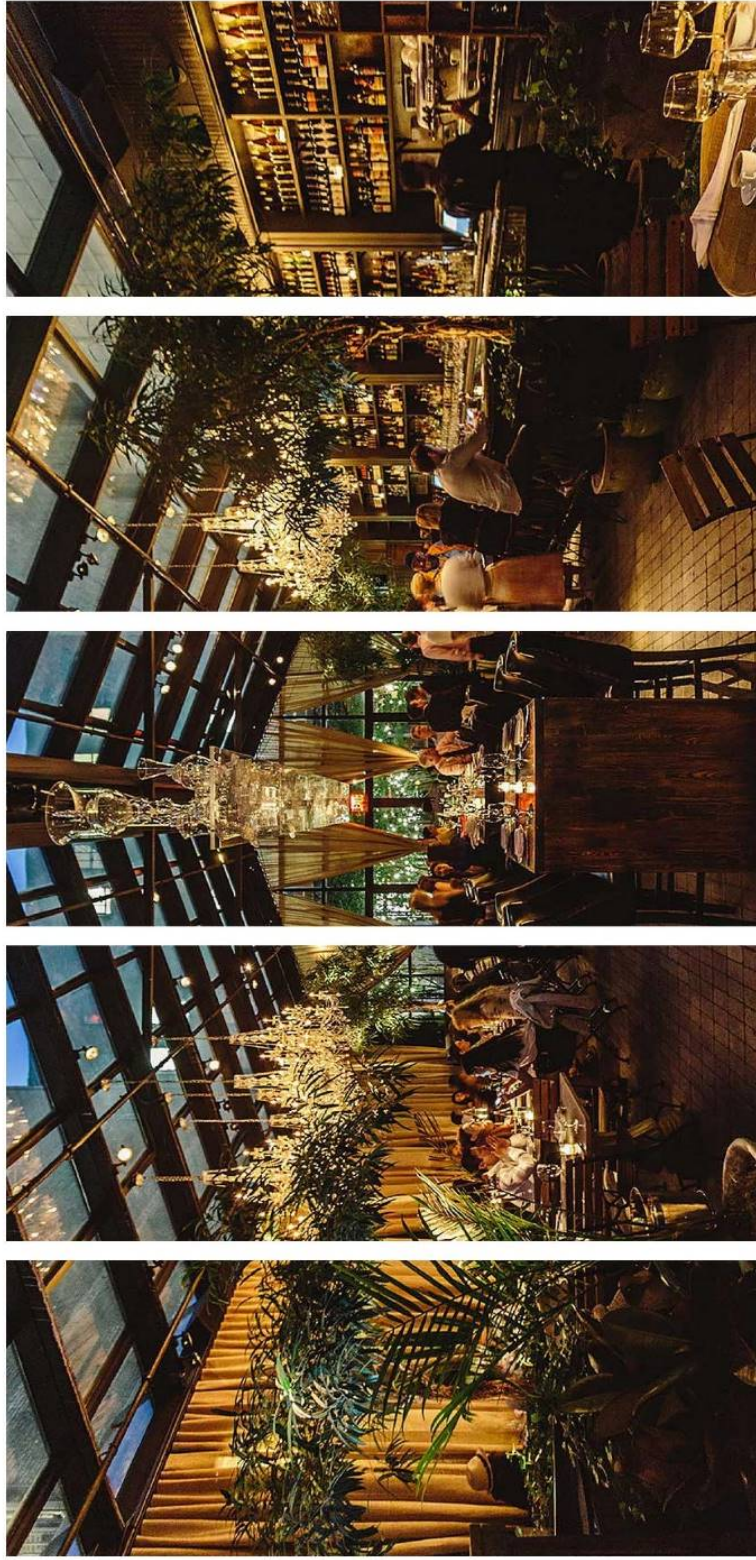
BUILDING PLANS Level -01/ Event Level + Garage

LEGEND:

- BACK OF HOUSE (MEP/IT)
- PARKING / LOADING
- CIRCULATION
- SEATING BOWL (GA)
- PREMIUM SPACE
- FOOD & BEVERAGE / BAR
- TOILET
- ESPORT / ARTIST / TEAM SPACE
- VENUE OPERATIONS
- ADMINISTRATION
- HOTEL AMENITY
- HOTEL ROOM

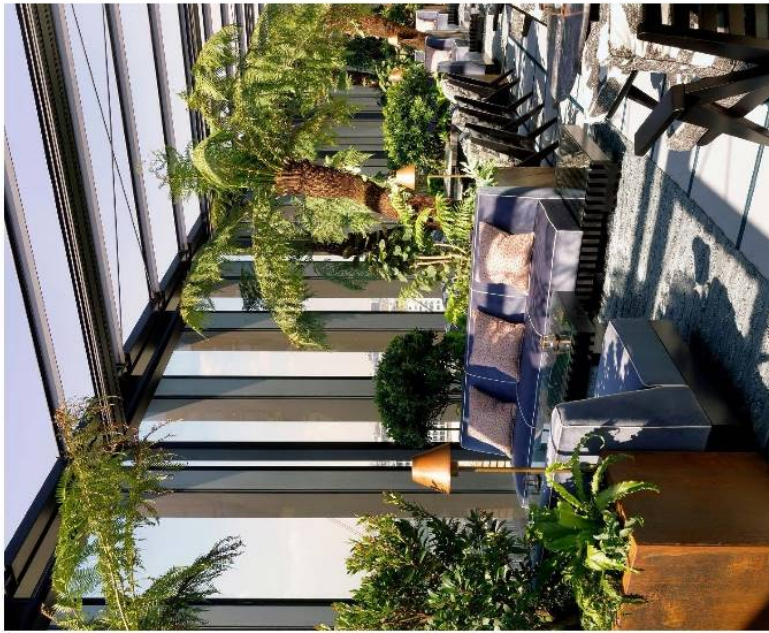


INTERIOR DESIGN APPROACH HOTEL | Rooftop



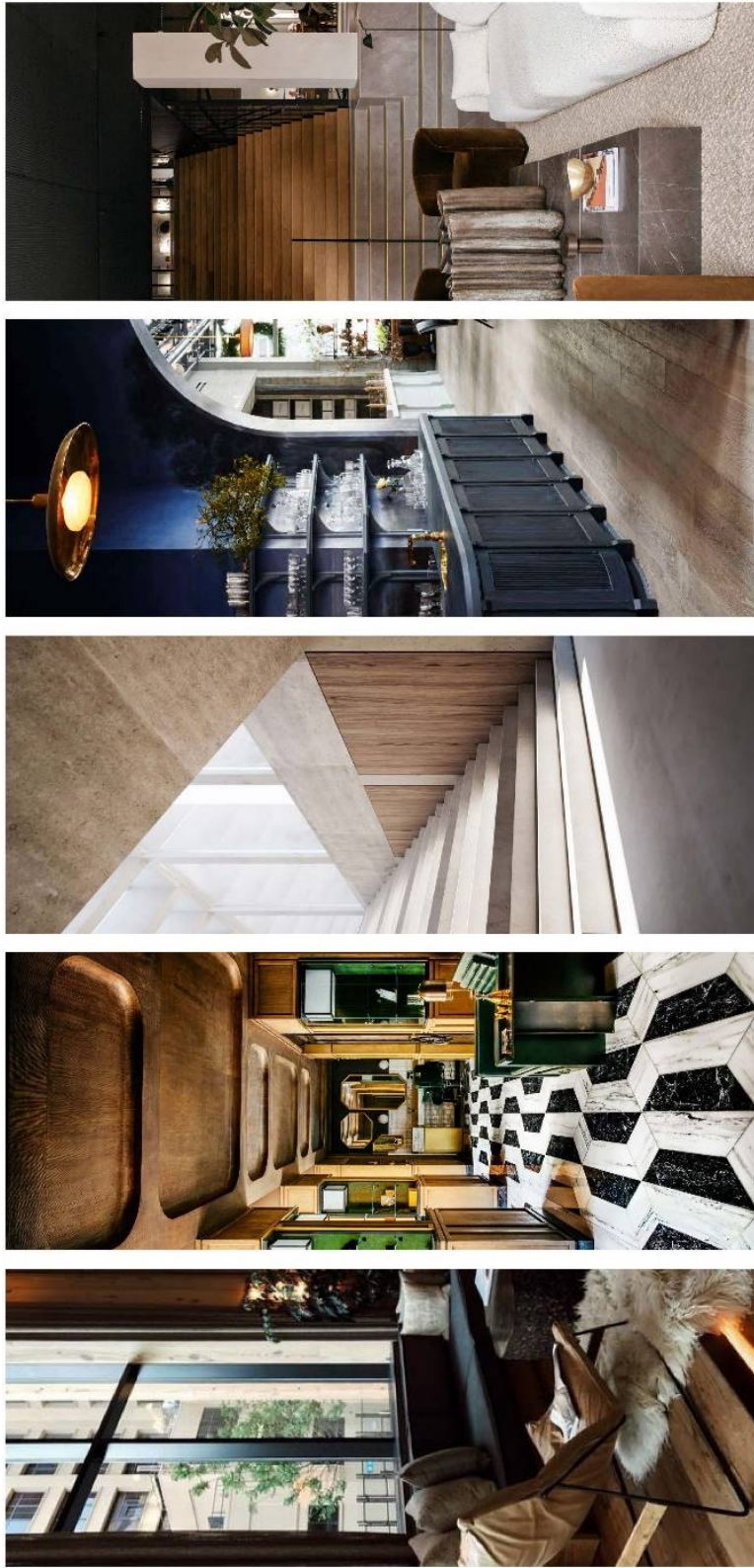
NOMO SOHO HOTEL | NEW YORK CITY
Phase 2: Hotel - Performance Venue | Exhibition Place Toronto | Concept Design -
INTERACTIVE | POPULOUS

INTERIOR DESIGN APPROACH HOTEL | Pool



Phase 2: Hotel - Performance Venue | Exhibition Place Toronto | Concept Design -

INTERIOR DESIGN APPROACH HOTEL | Hotel Lobby



Phase 2: Hotel - Performance Venue | Exhibition Place Toronto - Concept Design -

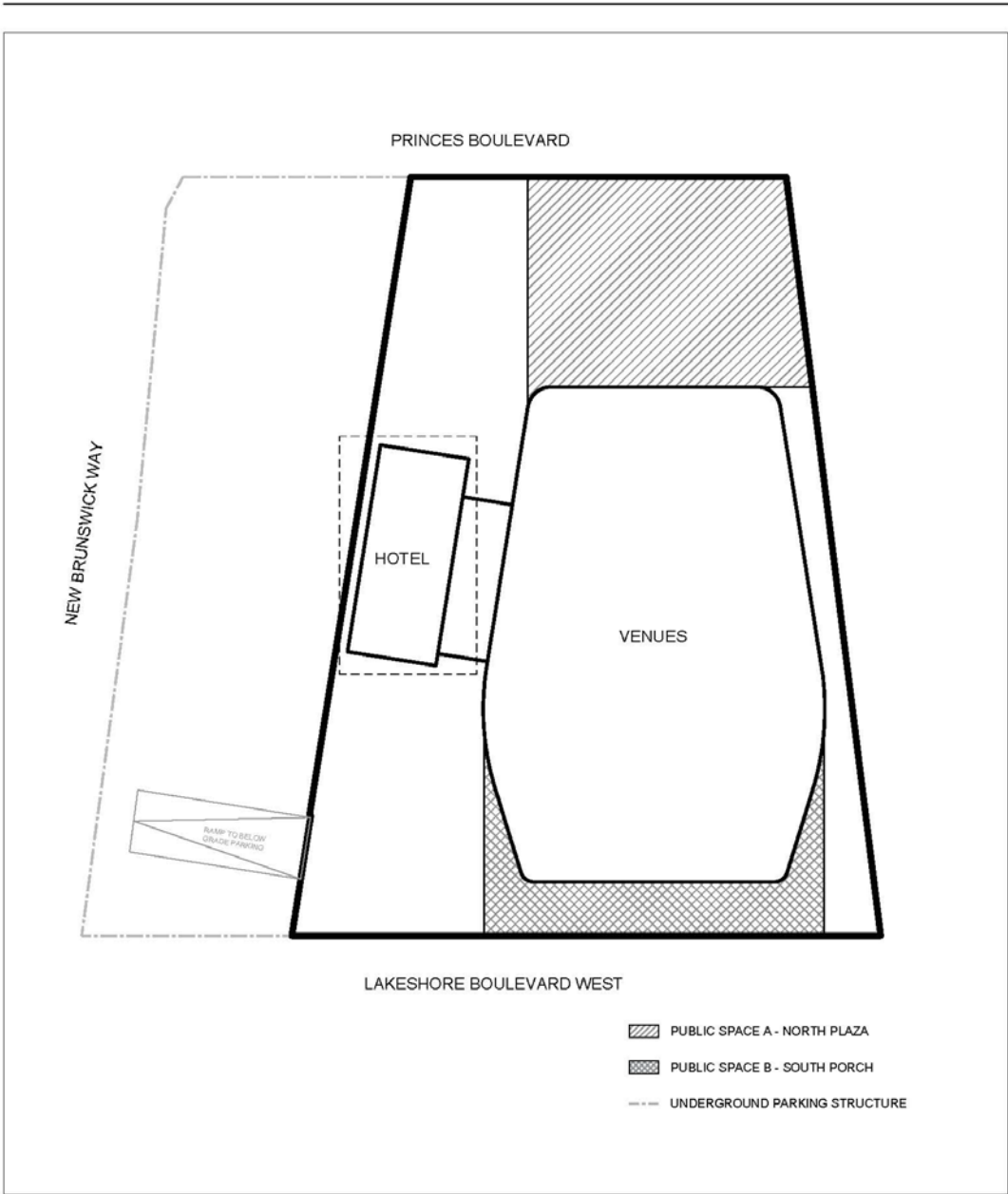
INTERIOR DESIGN APPROACH HOTEL | Urban Room



Phase 2: Hotel - Performance Venue | Exhibition Place Toronto | Concept Design

INTERACTIVE | POPULOUS

Schedule 5 - North Plaza and the South Porch



Hotel X - Phase 2



Map B: Public Spaces Subject to Temporary Closures

Not to Scale
September 13, 2021

Appendix B - Economic Impacts of the Proposed Phase 2 Development

The primary purpose of the assessment was to quantify the range of potential financial and employment-related benefits generated throughout various phases of development, including one-time impacts associated with the significant capital investment program proposed, as well as recurring benefits likely to be derived in post-construction periods through annual operating expenditures of the new facilities on-site and the associated visitor spending. The study was completed in February 2021 with the following executive summary and highlights:

- The Performance Venue would fill the gap between intimate concert halls and large arenas in the City's existing venue inventory, while a second hotel in this area of the City will double capacity and better support the Exhibition Place conference and convention centres adjacent to the site. As such, the Performance Venue would be a one-of-a-kind entertainment and hospitality hub that will draw events that would otherwise not be attracted to the City.
- The Performance Venue would also fill the void of medium-sized concert venues in the City, accommodating artists whose draw is too large for smaller venues (e.g. Massey Hall or Meridian Hall), but who are not able to sell out the larger venues (e.g. Scotiabank Arena or Budweiser Stage). This new venue would strengthen Toronto's reputation as a major concert market and will allow the City to attract performers and events that would have had difficulty being accommodated within its existing venues.
- While hotels typically do not attract visitation to a community, they are an essential piece of tourism infrastructure that must be present to capture the maximum economic impact from many forms of tourism activity. The Phase 2 Hotel would generate significant one-time and recurring economic benefits. The capital investment would create the equivalent of hundreds of full time jobs and generate millions in total tax revenues to all levels of government. Given the current state of Ontario's commercial construction sector, it is reasonable to assume that almost all of these jobs and related tax revenue would be incremental benefits.

In addition to the primary economic impacts highlighted above, the Phase 2 Development would yield a range of qualitative benefits that enhance broader city-building and economic development efforts in this area of Toronto. These qualitative benefits are no less important than the above quantitative benefits. Many economic studies have shown that qualitative benefits, such as innovation, knowledge transfer, media exposure, and promotion can add as much or more economic value and benefits that cannot be quantified.

Capital Investments (One-Time Impacts)

<p>\$475 Million Estimated Total Value of Capital Investments</p>	<ul style="list-style-type: none"> • Including one-time spending on construction of a new performance venue and hotel, the total capital investments required to support the project as currently envisioned. • Capital Investments currently estimated at \$350 million due to revisions to the concept plans/design.
<p>4,090 One-Time Jobs Supported</p>	<ul style="list-style-type: none"> • Through the significant one-time spending for this project, a total of over 4,090 one-time jobs will be supported during the planning, design, and construction phases of development. The majority of these jobs (82 percent or 3,360 jobs) will be within the City of Toronto.
<p>\$172 Million in Government Revenues</p>	<ul style="list-style-type: none"> • The one-time capital investments are also expected to yield approximately \$172 million in government revenues, including more than \$38 million accruing directly to the City of Toronto when including direct, indirect, and induced components.

Operations (Recurring Impacts)

<p>\$91 Million Annual Operating Expenditures</p>	<ul style="list-style-type: none"> The economic activity on the subject site will require an estimated \$91 million in annual operating expenditures upon market entry and stabilization of the performance venue and hotel.
<p>More than 650 Full-time Equivalent Jobs</p>	<ul style="list-style-type: none"> Upon completion, the subject site is expected to support a range of economic activity and permanent on-site employment opportunities, including 650 direct, indirect, and induced full time equivalent ("F.T.E.") jobs. Approximately 550 permanent on-site jobs will be generated on-site.
<p>\$39 Million in Annual Government Revenues</p>	<ul style="list-style-type: none"> The proposed development of the subject site is expected to generate some \$39 million in annual government revenues, including approximately \$6.9 million in property tax revenue to the City of Toronto upon completion.

Tourist Spending (Recurring Impacts)

<p>\$182 Million Annual Tourist Spending</p>	<ul style="list-style-type: none"> Tourists visiting the proposed performance venue are expected to spend some \$182 million annually elsewhere across the City and the Province (e.g. restaurants and shopping across the City).
<p>More than 1,790 Full-time Equivalent Jobs</p>	<ul style="list-style-type: none"> Once completed, tourist spending associated with visitors to the proposed performance venue will support some 1,790 F.T.E. jobs annually, 89 percent of which will be based in the City of Toronto.
<p>\$70 Million in Annual Government Revenues</p>	<ul style="list-style-type: none"> Tourist spending associated with visitors to the proposed performance venue is expected to generate some \$70 million in government revenues annually, including some \$11 million in revenues to the City of Toronto.

Qualitative Benefits

The following summarizes some of the specific qualitative benefits that would not be possible without the initial capital investments contemplated at this site:

- The project would function as an anchor use for Exhibition Place's proposed "Entertain Zone", and will bring contemporary and unique programming that will increase visitation from younger, tech-savvy demographic groups such as millennials and Generation Z.
- As the proposed eSports infrastructure integrated into the Performance Venue would accommodate some of the largest eSports events in North America; this project would significantly increase Toronto's international profile as a major destination for eSports and its technology, and social media intensive market. Global recognition would effectively grow the existing domestic and international fan base for Toronto-based teams, attracting sponsorships and capital investment.
- A major venue with internationally promoted events such as those being proposed would highlight the City of Toronto through live broadcasts, enhanced media presence, social media posts, and fan and performer experiences. This would be similar to the tourism and business boost that occurs in cities following major events such as the Olympics or international fairs.
- The project would directly stimulate and support conference, convention, trade show and meeting business at Exhibition Place. The events and activity occurring within the performance venue would generate spinoff opportunities for fan and industry experiences that can be hosted at the Enercare Centre, the Beanfield Centre, and other nearby venues at Exhibition Place. Furthermore, the addition of a second hotel would support conferences, conventions, tradeshow, and meetings by augmenting the on-site room supply in an area with only one other hotel within walking distance of these venues.
- Toronto is currently revered for its strong and fast-growing technology sector. The subject proposal would strengthen this position by expanding the breadth of eSports-related technology jobs available in Toronto, which could potentially attract students, researchers, innovators, entrepreneurs, venture capital, and businesses.
- The abundance of programming at the Performance Venue and Phase 2 Hotel would generate consistent transit ridership on the future Ontario Line. It is anticipated that approximately half of the annual attendees will reside in the local area, many of whom will use transit as their primary mode of transportation to the venue.
- The Performance Venue and Hotel would be developed with high design standards and iconic features to become a destination landmark drawing Torontonians and tourists to Exhibition Place.
- The subject proposal would enhance city building and economic development efforts and will support the City's and the Province's investments in the area, the City's Exhibition Place Master Plan, and the Province's redevelopment of the Ontario Place site.
- Overall, the subject proposal would create a new node within Exhibition Place for diverse employment, economic activity, and an improved public realm.

The economic impacts of the Phase 2 Hotel and Performance Venue are calculated based on capital and operating expenditures on goods, services, and employee salaries, and based on projected spending in the City and Province. An economic model measures the direct, indirect, and induced effects for each of these elements. While hotels typically do not attract visitation to a community, they are an essential piece of tourism infrastructure that must be present to capture the maximum economic impact

from many forms of tourism activity. The proposed hotel addition at Exhibition Place would generate significant one-time and recurring economic benefits. The capital investment would create the equivalent of hundreds of full time jobs and generate millions in total tax revenues to all levels of government. Given the current state of Ontario's commercial construction sector, it is reasonable to assume that almost all of these jobs and related tax revenue would be incremental benefits.