TORONTO

STAFF REPORT
ACTION REQUIRED
with Confidential Attachment

Assessment of Proposed Filmport Transaction and Proposed Loan to TEDCO

Date:	April 3, 2009
To:	City Council
From:	City Manager and Deputy City Manager and Chief Financial Officer
Wards:	30
Reason for Confidential Information:	This report is about a proposed or pending land acquisition by the City or one of its agencies, boards, and commissions
Reference Number:	[The City is developing a new tracking system for reports. City Clerk's Office staff will use this section for the numbers. You may also use this section for report reference numbers that you use in your own division.]

SUMMARY

This report is intended to provide Council with a financial assessment of the following:

- The proposed amendments to the Ground Lease and Option Agreements for the Filmport lands
- The proposed purchase by TEDCO of an ownership share in Filmport Inc.
- The proposed loan from the City to TEDCO of $6.7 million for the purpose of funding the above purchase

Staff have determined that the proposed transaction will improve the financial sustainability of the film studio operations on Filmport's Phase 1 lands and result in the retention of a key anchor for the proposed convergence district in the City's Port Lands.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer and the Deputy City Manger recommend that:

1. City Council approve the recommendations in the April 3, 2009 report from the Board of the Toronto Economic Development Corporation
2. City Council approve a loan of $6.7 million to TEDCO as described in Table 3 of the confidential attachment and on such terms and conditions acceptable to the Deputy City Manager and Chief Financial Officer

DECISION HISTORY

In September 2005, Council approved the terms for a lease of the lands north of the Shipping Channel and east of the Don Roadway to Toronto Film Studios Inc. These lands were to be developed as a film studio and for other ancillary uses.

In December, 2008, Council approved amendments to the lease that would facilitate the sale of an interest in the project and raise funds for the continued operation of the film studio being completed on the site. The sale of an interest in the project did not proceed.

ISSUE BACKGROUND

The need for a large purpose-built studio complex in Toronto was first highlighted through a study carried out by Economics Research Associates in 1999 on behalf of the Ontario Film Development Corporation.

This study found that Toronto's ability to attract larger film productions was being hindered as a result of a lack of appropriate facilities. The Board of the Toronto Economic Development Corporation ("TEDCO") initiated a project to address this deficiency through a Request for Expressions of Interest ("REOI") in 2003 which sought proponents interested in the construction of a studio complex on lands owned by TEDCO in the City's Port Lands. The Port Lands were chosen as the site for the proposed studio because of its proximity to the existing cluster of studios, suppliers and support companies and because of its proximity to downtown.

This project was intended to act as a catalyst for secondary development and build confidence in the future of the port district as an area for employment. Its focus and goals were consistent and supportive of the vision for the overall waterfront development articulated by Waterfront Toronto. Recognizing this, in 2003, the City's Central Waterfront Secondary Plan made provision for a film/media convergence district in the Port Lands anchored by a major film studio complex.

Following the international call for proposals, the City of Toronto, through its development agency TEDCO, selected Toronto Film Studios Inc. (TFSI) and its parent, The Rose Corporation, in 2004 as the successful partner. In 2005, a ground lease for a 260,000 SF Phase 1 complex was executed. In 2006, TEDCO and Rose Corporation began one of the City's first public private partnerships to build an essential component of infrastructure to support the film, television and digital media cluster in Toronto.

In August, 2008, Phase 1 of Filmport, with 250,000 ft2 of production and seven studios including the "Megastage", was officially opened. Unfortunately, upon opening, Filmport immediately faced exceptionally adverse business conditions.

Overall demand for film production facilities fell sharply in 2008 because of film industry labour issues and because of the general decline in film production by the major American television networks.

Filmport's competitive position relative to other production locations around the world also declined last year because of the high value of the Canadian dollar and the more generous film production incentives being offered by governments in other jurisdictions.

As a result, the current owners of Filmport have had to fund significant operating shortfalls. Although the lower value of the Canadian dollar has once again resulted in increased demand, the current owners are experiencing difficulty in providing funding for the remaining construction costs and continued operations of the studio.

A failure to provide funding would call into question the future of the buildings as film production facilities. Consequently, TEDCO has been negotiating with the existing owners and prospective partners in order to reach an agreement that will provide for a sustainable financial structure for the venture.

CONTACT

Joe Farag
Tel: 416-392-8108
Fax: 416-397-4465
jfarag@toronto.ca

SIGNATURE

Joseph P. Pennachetti
CityManager

Cam Weldon
Deputy City Manager and
Chief Financial Officer

ATTACHMENTS

Attachment 1 – Confidential Information

Assessment of Proposed Filmport Transaction and Proposed Loan to TEDCO

000055 Confidential Attachment to CC 34.1a

Attachment 1 – Confidential Information

Proposed Filmport Restructuring and Loan to TEDCO

Date:	April 3, 2009
To:	City Council
From:	City Manager and Deputy City Manager and Chief Financial Officer

CONFIDENTIAL INFORMATION

Financial Impact

According to the pro-formas that have been supplied by TEDCO staff, the revenues generated for TEDCO by the Filmport project will be sufficient to repay the proposed $6.7 million loan from the City. The repayment of the City's loan, in years 5-10 of the project, will be funded through land rents paid by Filmport to TEDCO, dividends earned on TEDCO's 20% ownership share in the project, and other revenue.

It should be noted that the Canadian film industry has experienced highly variable business conditions over the last ten years and there is a risk that the pro-forma outcomes will not be achieved. Consequently, there is also risk associated with the potential repayment of the proposed loan from the City to TEDCO.

Economic Impact

Although there is risk associated with the proposed loan, this risk is offset by the considerable economic and city-building benefits associated with the continued operation of the studios at Filmport.

As discussed in the public portion of the report, these studios are a critical anchor for the proposed convergence district in the Port Lands.

COMMENTS

Existing Ownership and Financing Structure for Filmport

The film studio buildings, including the "Megastage", and the leasehold interest in the Filmport lands are currently owned by Toronto Film Studios Inc. Toronto Film Studios Inc. is, in turn, owned by Filmport Inc. The Rose Corporation is the majority owner of Filmport Inc. as it currently holds approximately 77% of the shares. Comweb

Corporation and Ken Ferguson (together with a family trust) are the minority shareholders.

Financing for the project has been provided by GE Capital Canada Equipment Financing G.P. ("GE"). GE has provided loans to Toronto Film Studios Inc. with a total principal amount of approximately $31.5 million.

As an inducement to Filmport in the original Ground Lease transaction, TEDCO provided a $9 million loan guarantee to GE, which helped to secure the primary loan. In addition, The Rose Corporation ("Rose"), the majority owner of Filmport, provided two further guarantees to GE for a total amount of $8 million.

Current Financial Status of Filmport

TEDCO has informed City staff that approximately $2.4 million in construction payment holdbacks will come due on April 6th and that, if these are not paid, that the contractors will file liens against the studio's owners. Filmport's shareholders have indicated that they will not fund the payment of these holdbacks.

If the liens are filed, this will trigger a default under the GE loan agreements. Once there is a default, GE has the right to claim the $9 million that TEDCO has placed in trust as security for its loan guarantee.

TEDCO has the right to cure a default but, according to TEDCO, approximately $8 million will be required to fund the outstanding construction costs and fund operating shortfalls until another buyer can be found.

If a default isn't cured, GE can potentially take over the lands and sell Filmport's buildings and leasehold interest to another party. As a default will likely damage confidence in the facility's potential film production clients, there is possibility that a prospective purchaser will have to convert the facility to another industrial land use.

Terms of Proposed Letter of Intent

In order to prevent a default, TEDCO has negotiated a Letter of Intent ("LOI") with Return on Innovation Capital Ltd ("ROI")., Castlepoint Studio Partners Ltd. ("Castlepoint"), Rose Corporation ("Rose", and Comweb Corporation ("Comweb"). This LOI outlines the terms for the restructuring of Toronto Film Studios Inc. A summary of the LOI transaction is provided below in Table 1 (a more detailed description of the transaction can be found in the report from the Board of TEDCO that is before the same meeting of Council).

Table 1 – Summary of Filmport Transaction According to LOI					
Partner	Pre-Transaction Share of Total Ownership	Post-Transaction Share of Total Ownership	Equity Purchase Down Payment ($millions)	Deferred Equity Purchase Payment ($millions)	Post-Transaction GE Loan Guarantee Amounts ($ millions)
Rose/Ferguson	80%	0%	-	-	-
Comweb	20%	20%	-	-	1.6
ROI/Castlepoint	0%	60%	9.54	3.0	4.8
TEDCO	0%	20%	3.18	1.0	1.6
Totals:	**100%**	**100%**	**12.72**	**4.0**	**8.0**

A principal component of the LOI is the acquisition of an 80% interest in Filmport Inc. from Rose Corporation and Ken Ferguson/2104910 Ontario Inc. by ROI, Castlepoint, and TEDCO through the following equity investments:

- A purchase by ROI/Castlepoint of 75% of the Rose/Ferguson shares for approximately $12.54 million, with $9.54 million payable on closing and $3 million payable after 5 years (plus interest on $3 million)
- A purchase by TEDCO of 25% of the Rose/Ferguson shares for approximately $4.18 million, with $3.18 million payable on closing and $1 million payable after 5 years (plus interest on the $1 million)

After closing, ROI/Castlepoint would own 60% of the shares in the project, TEDCO would own 20% of the shares and Comweb would retain ownership of 20% of the shares.

The share purchase price is based on an overall enterprise value of $52.5 million and debt to GE of $31.6 million. This results in a net value of $20.9 million and a total price of $16.72 million for the 80% share currently owned by Rose/Ferguson. According to TEDCO, the actual amount that has been spent by the current shareholders on the construction of the studio has been $62.5 million.

As Rose will no longer be associated with the venture, the new partners will have to take over the $8 million in loan guarantees that Rose has provided to GE. TEDCO's share of this responsibility would correspond to a guarantee on $1.6 million of this debt. This will have to be secured through a deposit of $1.6 million in cash in a trust account.

In addition to the share purchase, the LOI requires a number of concessions from TEDCO that are intended to provide the studio with improved cash flow as it expands its clientele. The first of these is the conversion of the existing $9 million loan guarantee into a $9 million early repayment of principal on the GE loan (reducing the principal from approx. $31.5 million to approx. $22.5 million). Filmport would repay this amount to TEDCO over a period of fifteen years. However, there would be an initial 5-year repayment holiday during which no interest would accrue on this amount. This means that, in present value terms, TEDCO would receive a repayment equal to approximately $6.8 million (after the repayment holiday, interest would be charged at the greater of 5.6% and the annual rate payable under the GE debt at such time).

The second required measure is a deferral of 50% of the land rent that would otherwise be payable to TEDCO over the next five years. This deferred rent shall be repaid on the same basis as Filmport's repayment of the $9 million GE loan prepayment amount. No interest is to accrue on the deferred rent.

The LOI also contains an important measure for capping the risk associated with ROI's share purchase. If the value of the studio has declined after 7 years, ROI can force the other shareholders (including TEDCO) to buy these shares for the original price paid by ROI ($3.16 million). TEDCO's share of the cost for this share purchase would be approximately $790,000.

A final component of the LOI is that is stipulates that Pinewood Shepperton PLC ("Pinewood") be retained as the new manager for the studio. Pinewood is a large studio operator in the United Kingdom with 34 stages at its Pinewood and Shepperton studios. In 2008, Pinewood generated annual revenues of 43 million British pounds.

Funding for TEDCO's Implementation of the LOI Terms

In order to implement the LOI terms, TEDCO will require funds from the City. TEDCO has requested these funds in the form of a loan with a principal amount of $6.7 million. The breakdown for the required amount is shown in Table 2.

Table 2 – Purpose of Proposed TEDCO Loan Amount

	Amount ($ millions)
Down Payment for Filmport Shares	3.2
Deferred Payment for Filmport Shares	1.0
Amount Required to Secure $1.6 million loan guarantee	1.6
Closing Costs and Working Capital	0.9
Total:	6.7

Table 3 – Terms for Proposed TEDCO Loan

Amount:	$6.7 million
Term	10 years

Amortization Period:	5 years (from years 6-10 of the project)
Interest Rate	4% compounded semi-annually
Other:	1. Principle and interest for years 1-5 deferred and payable in years 6-10 2. despite 1) above, any revenue received by TEDCO be first applied to reduce the City loan 3. Any other requirement of the City Chief Financial Officer

City and TEDCO staff have agreed that there would be an initial repayment holiday for five years as TEDCO's revenues from the project will mostly be deferred during this period. It is,therefore, proposed that the loan from the City be amortized and repaid over years 6-10 of the project.

The interest rate applied to the loan would be 4%, which is approximately equal to the returns on the City's longer-term investments. Another important provision of the loan is that TEDCO will be required to apply any rent, dividends, or other revenue realized by TEDCO for Filmport towards paying down the City loan.

Financial and Risk Assessment Comparison

Table 3 below provides a summary comparison of the outcomes that are likely to result under a status quo scenario and under the proposed terms of the LOI.

Table 4 – Risk Assessment Comparison		
	Existing (assuming Rose default)	**LOI**
Status of TEDCO's $9 million	• GE demands payment of $9 million TEDCO guarantee and utilizes this to recover part of the outstanding loan balance	• If Filmport successful, TEDCO may realize repayment up to total present value of $6.8 million
Status of Land Rent to TEDCO	• Deferred for up to 18 months while GE finds new tenant	• Deferral of 50% of rent for five years
TEDCO Equity Investment Required	• none	• $4.19 million
Further Potential Liabilities	• none beyond those already provided for in the ground lease and ancillary documents	• 1/5 of any operating shortfalls • $1.6 million loan guarantee • 1/4 of ROI put option price at year 7
Upside	• none	• ownership of 1/5 of the shares of a studio managed by a firm with broad experience and a

		strong brand • improved prospects for continued operation of the studio with the associated positive city-building and economic impacts

As discussed above, the existing owners of Filmport have indicated that, in the absence of a financial restructuring, they will stop funding the remaining construction costs for the studio. This will likely result in a default under the loan agreement. After such a default, it is likely that GE will seize the $9 million currently placed in trust as security for TEDCO's loan guarantee. The prospects for a recovery of all or a portion of this $9 million are uncertain and unlikely.

The proposed LOI should improve the prospects for recovery of this $9 million amount. While repayment of this amount will be deferred, it is anticipated that the studio will now have an opportunity to establish a growing clientele under the new management. Repayment of the $9 million can then occur after growth in the studio's revenues.

In order to implement the LOI, though, the City and TEDCO will be increasing the financial assets exposed to risk in the project. These assets will include the $4.2 million for the share purchase together with the $1.6 million deposited by TEDCO as security for the loan guarantees that the new shareholders will be taking over from Rose. TEDCO will also potentially have to share in the funding of the ROI put option in year seven.

Based on the studio pro-formas provided by TEDCO, there will be sufficient cash flow to TEDCO from the project to fund repayment of the $6.7 million amount borrowed by TEDCO to fund these expenditures.

However, the likely financial outcome for the studio is very difficult to forecast. A large portion of the demand for Filmport's facilities will be from foreign producers that have historically been attracted to Toronto because of lower film production costs relative to Los Angeles. These relative film production costs depend heavily on the Canada-U.S. exchange rate which has been highly volatile over the last two years. TEDCO reports that there is currently considerable demand for Filmport's facilities with the existing exchange rate. However, a potential return to the exchange rates experienced early in 2008 would have a damaging impact on demand for Filmport's facilities.

This risk of future adverse business conditions must, of course, be weighed against the significant, negative economic and city-building implications that would result from a potential default on the studio's financing if a restructuring is not implemented.

Additionally, staff view the involvement of private investors such as ROI, Castlepoint and Comweb as a positive expression of confidence in the studio's financial prospects.

Seeking a Partnership with the Province of Ontario

Staff have sought to establish a partnership with the Province of Ontario in providing support for the continued operation of the Filmport studio complex. In particular, TEDCO staff have requested financing from Infrastructure Ontario ("IO") that can potentially replace the financing currently being provided to the project by GE.

The replacement of the GE financing by financing from IO can potentially result in significantly more advantageous borrowing terms for the project. TEDCO staff have also requested that the IO loan be secured by the assets of Filmport but that the loan be without recourse to other TEDCO or City assets. This would result in an appropriate sharing of the financial risk associated with the project.

TEDCO and IO staff have begun the negotiations for a potential loan and IO has expressed interest in providing financing for the project. It is recommended that staff be directed to continue to negotiate a suitable financing agreement with IO for this project.

CONFIDENTIAL ATTACHMENT #1

to CC 34.1

To:	**TEDCO Board Members**
From:	Don Logie, Acting President & C.E.O., Frank Bajt, Special Advisor Institutional Investment, Jerry Prypasniak, Corporate Secretary and General Counsel
Date:	April 3, 2009
Subject:	**Filmport Update and Pinewood**

RECOMMENDATION:

It is recommended that the TEDCO Board:

1. Approve and request that City Council approve:
   a) The purchase of shares equal to a 20% interest in Filmport from Rose Corp. on terms outlined in the LOI and Syndication Agreement attached to the report to the Board dated March 24, 2009;
   b) The proposed $6.7 million loan from the City to TEDCO on terms acceptable to the City's Chief Financial Officer and to TEDCO Board,
   c) The use of TEDCO's $9 million (currently on deposit to guarantee the GE loans to Filmport) to be loaned to Filmport to pay off part of the GE loans on the terms outlined in this memorandum, and
   d) The deferral of ground rent due under the Ground Lease between TEDCO and Toronto Film Studios Inc on the terms outlined in this memorandum;
   e) For the transaction recommended in this report, the amendments to the Ground Lease and Option Agreement previously approved by City Council at its meeting on December 10, 2008 as shown in the attached Schedule A;http://www.toronto.ca/legdocs/mmis/2008/cc/decisions/2008-12-10-cc29-dd.pdf;
2. Subject to approval by City Council, authorize staff to execute agreements on terms outlined in this report for:
   a) the purchase of shares equal to a 20% interest in Filmport from Rose Corp. for a price of approximately $5.1 million in cash including expected working capital and closing cost requirements;
   b) the release by GE of TEDCO's existing $9 million guarantee in return for TEDCO paying down the GE Loan by $9 million and securing this payment with a second mortgage on Filmport's interest in the existing studio lands and buildings;
   c) a loan from the City of Toronto in the amount of $6.7 million to pay for the above purchase of shares and post a $1.6m guarantee required under the GE loan agreements; and
   d) amend the Ground Lease and Option Agreements as specified in the attached Schedule B together with such other documents or agreements needed to complete the transaction with such minor modifications as may be reasonably required by TEDCO staff.
3. Approve the transfer of Rose Corp shares in Filmport to ROI and Castlepoint as outlined in this agreement and as contemplated in the LOI and Syndication Agreement;

4. Authorize staff to continue to negotiate a loan with Infrastructure Ontario which would replace the GE loan and permit TEDCO to pay back the proposed $6.7 million loan from the City and report back as required.
5. Authorize TEDCO staff and request City Council to authorize and direct City officials to take all necessary actions to give effect to the recommendations set out herein.

FINANCIAL IMPLICATIONS:

TEDCO is requesting a loan of $6.7 million from the City ($5.1 million for the purchase of the 20% interest in Filmport and $1.6 million for a guarantee to GE).

	100% Basis	80% Basis Rose Share	20% Basis TEDCO Share
Cash required	16,000,000	12,800,000	3,200,000
Assumption of GE debt	31,500,000	25,200,000	6,300,000
Total Purchase Price for Studios	47,500,000	38,000,000	9,500,000
Purchase Price Option Lands s. of Commissioners	5,000,000	4,000,000	1,000,000
	52,500,000	42,000,000	10,500,000
Additional Working Capital & Closing Costs	4,500,000		900,000
Total Additional Cash Required by TEDCO			5,100,000
Remaining GE Loan Guarantee's required	8,000,000		1,600,000
TOTAL ADDITIONAL CASH REQUIRED BY TEDCO FROM CITY			6,700,000
Release of TEDCO Guarantee			(9,000,000)
TEDCO to loan money to Filmport to pay down GE debt			9,000,000

BACKGROUND:

Filmport Financial Condition

Filmport has completed the first phase which consists of 250,000 square feet of production offices and 7 studios including the Megastage. Due to a lack of business since the first stages were completed last May, the company has been supported largely by shareholder loans. The existing shareholders are unable or unwilling to further fund this enterprise and and Rose Corp. has entered into an agreement to sell its 80% interest in Filmport. Without this sale and the further investment by new shareholders, TEDCO staff are concerned that contractors with outstanding receivables will place liens on the property and cause a default under the GE loans. Such a default gives GE the right to change the Ground Lease and lease the land and buildings for other industrial uses. Should GE take over and close down Filmport, the damage to Filmport's reputation will serve to reverse the growing sales and business and increase losses going forward. TEDCO has the right to step in and cure the default but this will require some $8 million in cash to pay off the contractors and fund the studio until the legal situation can be settled and a buyer can be found. Even if we were to cure the default, our $9 million guarantee could still be called in any event as GE has a material adverse condition clause which provides them with the right to give notice of default if the general economic conditions have deteriorated.

The last year has been a very difficult one for the film industry; the threat of a Screen Actors Guild (SAG) strike, the increase in incentives offered by various states especially New York, the high Canadian dollar and the credit squeeze have all combined to dramatically reduce film production in North America and especially in Canada. It appears that this "perfect storm" is passing. Recently SAG has changed its board make up and signaled its willingness to settle. The entire five years of incentives allotted by the state of New York has been spent and is unlikely to be replenished in any significant way. The Canadian dollar has sunk to $.80. January 2009 set a record for film box office receipts and it is expected that as people trade down in their entertainment expenses during this recession the trend of higher box office receipts will continue.

Filmport has received many inquiries in the last month and has booked some new business. While losses are expected in the first year, all projections show this enterprise returning to profitability in years 2 or 3.

Infrastructure Ontario Loan

Infrastructure Ontario has recently expressed a willingness to lend money to Filmport to enable it to get through this difficult time. The latest number discussed is $34.5 million to pay off the GE loans entirely and provide some working capital. Recent discussion indicates a willingness to proceed with a loan based on blended interest and principal payments amortized over 20 years. However significant issues still remain to be resolved.

ROI and Castlepoint Offer

On December 10, 2008, City Council approved those changes to the Ground Lease and Option Agreement set out in Schedule 1 to accommodate the proposed sale by Rose of a 60% interest in Filmport to ROI, Castlepoint and Pinewood. Pinewood's board subsequently decided not to proceed with the transaction.

In January, 2009, ROI and Castlepoint made an offer to buy 60% of Filmport based on a 100% value of $52.5 million including the option lands south of Commissioners Street and based on the same changes to the Ground Lease and Option Agreement previously approved by Council. This market value compares to an appraised market value of $71,500,000 in April 2008, assuming a going concern film/media complex as if completed and leased and a book value of $72 million. Current discounted cash flow valuation performed by ROI suggests a value approximating $58 million. At Rose Corp's insistence that it be bought out entirely, TEDCO agreed to join ROI and Castlepoint and have signed a Letter of Intent, as authorized by the TEDCO Board, with the existing shareholders Comweb and Rose Corp to purchase Rose Corp's entire 80% interest in Filmport in the following proportions: TEDCO (20%), ROI (45%) and Castlepoint (15%). TEDCO, ROI and Castlepoint have also signed an agreement (the Syndication Agreement attached hereto) which will govern how negotiations and legal fees are managed and require that the three parties commit to each other to close on this transaction; and, in the event the purchase anticipated by the Letter of Intent does not occur, the three parties agree not to try to purchase individually from the existing Filmport shareholders for a period of 18 months but commit to work together to acquire Filmport in the event of a default under the GE loan.

Bonusing

Over the last month, TEDCO staff has reviewed the concept of bonusing in connection with the proposed transaction because TEDCO's legislation prohibits bonusing by TEDCO. TEDCO's staff has obtained the opinion from WeirFoulds dated April 1, 2009 attached as Schedule C and have met with City legal staff to consider this issue. At the TEDCO Board meeting April 3, 2009, Don Logie presented his report on bonusing to the Board (attached as Schedule D). TEDCO staff has concluded that the proposed transaction does not constitute unlawful bonusing on the basis of

REDACTED

PROPOSAL:

A) The proposed purchase will be structured as follows:

1) Rose Corp will sell its 80% interest in Filmport to TEDCO (20%), ROI (45%) and Castlepoint (15%). Filmport currently leases the 10 acres of Complex Lands on which the studio is currently located and has the rights under the Option Agreement to exercise options to lease the remaining 14 acres of Complex Lands and 6 acres of Connected Lands south of Commissioners Street. The purchase price for the studio lands will be based on a value of $47.5 million including assumption of the GE loan of $28.5 million plus the $3 million GE equipment loan. Thus Rose will be paid $12.8 million for its shares and will also retain the option on the lands north of Commissioners Street. Through a deferred payment arrangement, TEDCO, ROI and Castlepoint will also pay $4 million (80% of $5 million) for an 80% interest in the Option Agreement with respect to the lands south of Commissioner's Street. These lands are intended for expansion to the studios and other uses which support this film/media convergence zone in accordance with the current option agreement. The payments for the option lands will be due as options are exercised but will be due no later than 5 years from now. The existing shareholders Rose and Comweb will retain the options on the lands north of Commissioners Street.

2) Rose Corp will use the proceeds to complete the building including any deficiencies and pay the remaining costs. Certain due diligence items such as the soundproofing of the studio doors will be tested to determine if they meet the soundproofing criteria contained in the building specifications. If not Rose will fix them at its' cost.

3) ROI will have the one time right to put a 20% share to Filmport on the 7th anniversary of the agreement at a price of $3.2 million if the value of Filmport is less than $47.5 million. TEDCO will subordinate its loan described below to this claim for the first 7 years.

4) TEDCO will also defer, interest free, payment of 50% of the land rent for up to 5 years which deferred rent ($200,000/yr) will be rolled up and added to the $9 million loan referred to above. However, prior to any cash being distributed to shareholders, all such deferred land rent must be paid.

5) The Filmport shareholders must guarantee to run the studio for five years.

6) As a condition of this deal ROI insists that Pinewood Studios be hired to run the facility. An agreement in prinicipal has been reached with Pinewood on basic terms of a management agreement.

7) In addition to TEDCO's rights as a shareholder, TEDCO will have rights of approval over major decisions which will be 1) financing or changes to the capital structure; 2) changes to the manager; 3) changes to shareholders although shareholders will have the right to dilute other existing shareholders who default on required payments.

8) GE will return TEDCO's $9 million guarantee and, in return TEDCO will use this amount to pay down the GE loans. As part of this deal, GE:

1) will reamortize the remaining Building Loan using the same 15 year amortization period and 5.6% interest rate and the reduced prinicipal;
2) will agree to the revised capital structure including the ROI claim and the TEDCO loan; and
3) will approve the purchase of the Rose shares by ROI, Castlepoint and TEDCO.

TEDCO will assume its 20% share of approximately $8 million in guarantees made by Rose to GE.

9) TEDCO's loan will be interest free for 5 years, will be in third place behind GE and, for the first 7 years, the ROI claim and, after 5 years, will require shareholders to make blended payments of interest and principal based on a 10 year amortization and a 5.6% interest rate. The term of the TEDCO loan will be for 10 years from the share purchase date.

10) TEDCO will borrow, on terms to be resolved with the City's Chief Financial Officer, $6.7 million from the City to finance the purchase of the shares, closing costs, the working capital contributions and the posting of a $1.6 million guarantee to GE.

B) If we are successful in negotiating a satisfactory loan from Infrastructure Ontario it will enable us to repay the entire GE loan and repay the loan from the City requested in this report.

SCHEDULE A.

CONFIDENTIAL ATTACHMENT 1

Toronto Economic Development Corporation (TEDCO)
Metro Hall
55 John Street, 7th Floor
Toronto, ON M5V 3C6
Tel: 416-214-4640
Fax: 416-214-4660
Website: www.tedco.ca

To: City Council

From: Corporate Secretary and General Counsel
Toronto Economic Development Corporation (TEDCO)

Date: December 8, 2008

Re: Filmport Development Update

At its meeting on December 8, 2008, the TEDCO Board of Directors approved the following amendments to the Filmport Lease and directed that these be submitted to City Council for approval.

Filmport Lease Amendments:

1. Eliminate the cap on TEDCO's responsibility for environmental remediation of all of the 6 acre Connected Lands south of Commissioner's Street.

2. Reduce TEDCO's contribution for extraordinary foundations to $400,000 per acre and give TEDCO an option to repay this contribution over a 20-year period by way of a rental rate reduction.

3. Approve the sale of an approximately 60% leasehold interest in the Ground Lease and the Option Agreement for the Phase 2 Complex Lands and Connected Lands south of Commissioners Street to the Pinewood consortium consisting of Pinewood Shepperton plc, ROI Capital Limited, and Castlepoint Studio Partners Inc. and approve separating the Option Agreement into two agreements: one covering the lands south of Commissioners Street and one covering the Surrounding Lands north of Commissioners Street which will remain with the existing parties.

4. Extend the period for exercising the options on all 35 acres of the option lands to 15 years from the current 7 years and 9 years contained in the agreement but require certain land areas be optioned by the fifth and tenth year or lose option rights.

5. Modify the Density Rent to exempt development of the first 1 million sq. ft. on the "outside the gate" Connected and Surrounding Lands.

6. Eliminate the cross-default provisions between each future option project but provide that the Option Agreement will terminate if the film studios cease operating.

7. Define permitted uses using current zoning bylaw terms without increasing the retail store

Toronto Economic Development Corporation (TEDCO)
Metro Hall
55 John Street, 7th Floor
Toronto, ON M5V 3C6
Tel: 416-214-4640
Fax: 416-214-4660
Website: www.tedco.ca

size limit of 10,000 sq ft. while maintaining the overall objective of a screen based and creative convergence zone.

8. Clarify the market value language for setting rents after 40 years so that appraisers can more easily assess the land value.

9. Eliminate the "proportionality" requirement that requires further expansion to the "inside the gate" studios in order to be eligible for more than 14.8 acres of Option Lands outside the gate.

10. Reduce the restrictions on TEDCO for leasing its other lands in the Portlands to a prohibition on leasing of studios for film production.

Analysis:

The financial impact of implementing these amendments is as follows:

1) Eliminate environmental cap -	cost $2 million
2) Place Foundation Cap of $400,000/ acre -	benefit $6 - $11 million
3) Eliminate Density rent on first 1 million sq. ft. -	cost up to $4.8 million
Total net cost/benefits ranges -	from $0.8 million cost to $9 million benefit

The alternative to not implementing these amendments will likely result in Rose Corporation stopping funding and going in default under the Ground Lease and the GE Loan which would give GE the right to take our $9 million guarantee along with Rose Corporation's $5 million guarantee and will then attempt to sell the property.

Schedule B

WeirFoulds LLP

MEMORANDUM

	SOLICITOR-CLIENT PRIVILEGED COMMUNICATION	Page 1
TO	Don Logie; Frank Baht; Jerry Prypasniak	
FROM	Lisa A. Borsook	
DATE	March 23, 2009	
FILE	05224.00008	
RE	Film Studio-New Deal Summary	

What follows is a general summary of the proposed transactions, currently scheduled to be completed on April 9, 2009, by virtue of which the Rose Corporation disposes of its 80% interest in the Film Studio.

1. General Description of the Transaction

Pursuant to the transaction, the New Investors - Castlepoint Studio Partners and ROI Investment Fund, will acquire from Rose and Ferguson an approximately 60% in the Film Studio lands (which are collectively the Complex Lands, and those lands which are currently the subject of the Ground Lease are referred to as the Designated Lands), and the balance of the Option Agreement lands(the Connected Lands) other than the lands north of Commissioners (the Surrounding Lands) by way of an acquisition of shares of Filmport (the parent corporation of the Tenant under the Ground Lease, Toronto Film Studios Inc. (the "Tenant"). TEDCO shall acquire, directly or indirectly, the balance of the shares of Filmport owned by Rose and Ferguson (representing approximately 20% of the issued and outstanding shares of Filmport from Rose and Ferguson. It is anticipated that Comweb's current ownership percentage in the Subject Properties after Closing shall remain at approximately 20%.

Of the agreed upon Enterprise Value of $52.5 million, $47.5 million is attributable to the Studio (the "**Studio Value**"). The purchase price for the Vendors' and Ferguson's equity in Filmport (the "**Equity Purchase Price**") will be approximately 80% of the following: (i) the Studio Value; less (ii) $31.6 million, being the aggregate principal amount of the GE Debt; plus (iii) the aggregate payments of principal under the GE Debt actually paid by TFSI prior to Closing. It is understood that the Studio Value ascribed to the Studio assumes that the construction of the Studio has been completed by the Closing. The Equity Purchase Price will be payable to Rose and Ferguson by the New Investors as to approximately 75% in respect of the New Investors Purchase Transaction and by TEDCO as to approximately 25% in respect of the TEDCO Purchase Transaction.

The balance of the Vendors' and Ferguson's approximately 80% share of the Enterprise Value, being the sum of approximately $4 million (the "**Deferred Payment**"), shall be payable (with interest as provided below) on the 5th anniversary of the Closing, provided that if Filmport, TFSI, and/or their affiliates, associates or successors-in-interest receive funding from the Province of Ontario or any agency, department or political subdivision thereof for all or any part of the Studio pursuant to current discussions between Filmport and the relevant governmental body (see comments below), the Deferred Payment plus all interest accrued thereon shall become immediately due and payable. The Deferred Payment may be subject to set-off pursuant to the terms of the Purchase Agreement. The Deferred Payment shall bear interest at the rate of 6% per annum compounded annually. Subject to mandatory repayment or prepayment as provided above, interest shall accrue and be payable as follows:

(i) interest shall accrue during the first 2 years following Closing and such 2-year accrued interest amount shall be paid in full on the second anniversary of the Closing; and

(ii) commencing 2 years after Closing, interest on the balance of the Deferred Payment outstanding from time to time shall be payable annually.

The Deferred Payment and interest accrued thereon shall be secured by a first ranking assignment by way of security of the new option agreement relating to the Phase 2 Option and Connected Option, provided that such security shall include a partial discharge procedure pursuant to which the holder of the Option may obtain discharges of the acreage drawn down under the Option upon payment of the greater of:

(a) approximately $200,000 per acre, being approximately 80% of the ascribed value of $250,000 per acre; and

(b) 5% of the estimated construction cost per developed acre; as used by FOHI/TFSI/Filmport in calculating the rental value per acre under the lease/sublease with the tenant of the applicable Lands,

(each, a "Per-Acre Payment") to a maximum, in the aggregate, of the Deferred Payment plus accrued interest thereon; interest accrued on the amount of any Per-Acre Payment shall be paid on the due date of such Per-Acre Payment.

The Vendors' obligations under the Purchase Agreement shall be secured by the right of the New Investors and TEDCO to set off against the Deferred Payment and any interest thereon amounts relating to indemnity claims by the New Investors and TEDCO in respect of breaches by the Vendors of their representations, warranties and covenants.

It is a condition of Closing that TFSI will enter into a definitive management services and license agreement (the "**Management Agreement**") with Pinewood Shepperton plc ("**Pinewood**") for the provision of management services in respect of the operation of the Studio and the licensing of the Pinewood name and certain intellectual property as a condition of the Purchase Agreement (and the existing management agreements, if any, will be terminated with appropriate release language). As consideration for providing its services under the Management Agreement, Pinewood will be paid an annual fee (which may include a contingent component) in an amount to be determined plus any applicable GST payable at agreed intervals. The Management Agreement will be subject to the prior approval of Comweb, the New Investors and TEDCO, and will contain such other representations, warranties, covenants and other provisions customarily found in agreements of this nature, as mutually agreed between the parties. ROI will be responsible for conducting these negotiations with Pinewood.

2. TEDCO Financing

It is a condition of Closing that TEDCO or its successor organization enter into an agreement with Filmport and/or TFSI to provide the following financing to Filmport (the "TEDCO Financing Arrangements"):

(a) TEDCO shall loan TFSI $9 million (the "TEDCO Loan") which will be used to repay $9 million of the GE Debt by firstly repaying the telecommunications loan and thereafter applying the balance to the mortgage loan. TEDCO shall be released from its $9 million limited guarantee (and related security) in favour of GE. TEDCO, TFSI, Filmport and Rose shall also exchange such releases and enter into such amending agreements in respect of the documentation previously entered into in respect of the GE Debt as TEDCO may reasonably require in light of the transactions contemplated by the TEDCO Financing Arrangements, including the agreement by GE to amortize the outstanding GE Debt over a 15 year period or on another basis satisfactory to TEDCO.

(b) The TEDCO Loan will be interest-free for 5 years following Closing and there will be no payments of principal thereon during such initial 5 year period. Thereafter, the TEDCO Loan will be repaid by monthly payments of principal and interest based on a 10 year amortization period with interest at the rate which is the greater of: (i) 5.6% per annum; and (ii) the annual rate payable under the GE Debt at such time.

(c) The TEDCO Loan will be secured by a charge against the assets of TFSI ranking in third position behind the GE Debt and the ROI Put (as hereinafter referred to) and, upon expiry of ROI Put on the Put Date, the TEDCO charge shall rank in second position behind the GE Debt.

(d) TEDCO shall defer the minimum ground rent payable by TFSI under the Ground Lease by 50% (the "Deferred Minimum Rent") for the first 5 years after Closing. Such deferral shall continue for the aforesaid maximum period of 5 years and the Deferred Minimum Rent shall be added to the principal of the TEDCO Loan as it accrues. Notwithstanding the foregoing, no dividends, loan repayments, or any other distributions of any nature or kind shall be made to the shareholders of TFSI or Filmport until such time as the Deferred Rent is repaid to TEDCO in full and, for greater clarity and certainty, the Deferred Minimum Rent shall be repaid to TEDCO in priority to the payment of the Put Price to ROI in respect of the ROI Put.

(e) In addition to any other rights TEDCO may have under the Shareholders Agreement (defined below), the TEDCO Financing Arrangements shall provide for covenants and default provisions to be agreed upon by TEDCO, Filmport and TFSI.

Subject to certain qualifications, TEDCO, GE, Filmport, TFSI and FOHI shall have irrevocably released Rose from any liabilities or obligations under Rose's agreements with TEDCO and GE relating to the Studio and Rose shall have released Filmport, TFSI, FOHI and TEDCO from any liabilities or obligations under Rose's agreements with any of them with respect to the Film Studio and Option Agreement.

3. Arrangements amongst TEDCO, Comweb and the New Investors

The New Investors, Comweb and TEDCO will enter into a definitive shareholder agreement (the **"Shareholders Agreement"**), dealing with the operation and management of Filmport, TFSI and FOHI (including the real estate development and the rights and obligations of its shareholders as a condition of the Purchase Agreement in a manner to be agreed upon among the New Investors, Comweb and TEDCO. The Shareholders Agreement will contain representations, warranties, covenants and other provisions customarily found in agreements of this nature, including, without limitation the following terms:

(a) The Shareholders will agree in the Shareholders Agreement (to be entered into on the Closing Date) to operate the Studio for at least five years after Closing.

(b) The board of Filmport (the "Board") shall be composed of seven members with the New Investors, TEDCO and Comweb having the authority to appoint six of those seven members, three individuals from ROI and one from each of Castlepoint, TEDCO and Comweb. The Managing Director of Filmport will also serve on the Board.

(c) The Board will determine the manner in which the real estate development of the Subject Properties will be managed.

(d) The Board shall meet a minimum of seven times annually.

(e) Unless otherwise agreed, any other subsidiaries of Filmport shall have a board of directors comprised of the same representatives as the Board.

(f) The auditors of Filmport and its subsidiaries shall be selected by the Board - RSM Richter or a "Big 3" accounting firm.

(g) Distribution of profits as tax efficiently as possible for all shareholders.

(h) Shares and convertible securities may be issued with board approval, subject to customary pre-emptive rights in favour of the Shareholders.

(i) Provisions for dealing with conflicts of interest and non arm's length agreements and transactions.

(j) Provisions regarding the purchase and sale of shares among shareholders or to third parties, as mutually agreed.

(k) The Major Shareholders shall negotiate in good faith regarding those matters which will require the approval of the shareholders. All matters to be approved by the shareholders, as mutually agreed, shall require Special Approval or the unanimous approval of the Major Shareholders.

(l) Provisions regarding the ongoing management and financing of the operations of Filmport, TFSI and FOHI (including any real estate development of the Subject Properties, which may be conducted by a separate entity under the same ownership), and, in particular, the commitment of each shareholder to contribute its proportionate share of working capital required for the ongoing operations of Filmport, TFSI and FOHI, as set forth in approved budgets.

(m) Provisions regarding confidentiality of information.

(n) Provisions regarding indemnification of GE.

In addition, Filmport shall grant ROI a put (the "**ROI Put**") on that portion of its shares representing 19.85% of the outstanding shares of Filmport at Closing (the "**Put Shares**"). Pursuant to ROI Put, ROI shall be entitled to require Filmport to purchase the Put Shares for the sum of $3,156,000 (the "**Put Price**"). The Put Price shall be reduced by 19.85% of any distributions made to the shareholders of Filmport save and except for repayment of working capital loaned to Filmport by the shareholders. The ROI Put shall be exercisable if, and only if, the enterprise value of Filmport on the seventh anniversary of the Closing, as determined in accordance with a valuation formula and process to be agreed upon by Filmport and ROI, is less than $47.5 million. Filmport shall provide the independent valuation to ROI within 60 days following the seventh anniversary of the Closing and the ROI Put shall be exercisable within 30 days after ROI receives such independent valuation (the date of exercise of the ROI Put, the "**Put Date**"). Closing of the ROI Put shall take place within 45 days of the Put Date and, payment of the Put Price shall be made in cash against delivery of appropriate share transfer documents. The ROI Put shall be secured by a charge against the assets of TFSI ranking in second position behind the security for the GE Debt and ahead of the security for the TEDCO Loan. ROI security shall lapse if ROI does not exercise the ROI Put on or before the Put Date.

4. Standstill arrangements

The New Investors have also entered into an agreement which deals with what will occur in the event that the proposed transactions do not close, the basic terms of which are as follows:

(a) Subject to subsection (b) below, the New Investors and TEDCO (the "Syndicate Members") hereby covenant and agree with each other that, in the event the New Investors Purchase Transaction is not completed, then for a period of eighteen (18) months from the Effective Date (such time period hereinafter referred to as the "**Standstill Period**"), no Syndicate Member shall, without the prior written consent of the other Syndicate Members, which consent is not to be unreasonably withheld or delayed, directly or indirectly, enter into any discussions, negotiations or transaction with any of the Existing Shareholders with respect to the purchase of an equity interest or any other interest, whether direct or indirect or whether by way of equity, additional debt or otherwise, in Filmport, TFSI (or any related company of either Filmport or TFSI). Notwithstanding the foregoing sentence, the continuation by TEDCO of the transactions directly required in accordance with, and as currently contemplated by, the terms of the Ground Lease and/or Option Agreement is hereby permitted and it is hereby acknowledged by the other Syndicate Members that TEDCO has, as at the Effective Date, an interest in TFSI and the Subject Properties as a result thereof.

(b) Notwithstanding subsection (a), Castlepoint and ROI covenant and agree that in the event the New Investors Purchase Transaction is not completed, then for the duration of the Standstill Period, if there occurs an event of default or similar breach under any agreement relating to the GE Debt which results in GE having the right to call on any guarantee posted by TEDCO in respect of the GE Debt (the "**TEDCO Guarantee**"), then if TEDCO intends to exercise such of its rights so as to be able to take over (i) the interest of TFSI, or any successor thereto, in the film studio or (ii) the Subject Properties (such transaction hereinafter referred to as a "**Subject Transaction**"), then ROI and Castlepoint shall participate with TEDCO in such Subject Transaction by contributing their respective Proportionate Share (as defined below) of any amount required to be paid in connection with such Subject Transaction and shall take all such other reasonable steps as may be required to effect the Subject Transition in a timely fashion in accordance with the various provisions of any documents relating to the GE Debt (including the cure periods provided for therein), provided that:

(i) the aggregate amount to be paid by ROI and Castlepoint in connection therewith shall not exceed the maximum purchase price stipulated in the LOI (subject to the assumption of debt) that they would have paid based on their revised proportionate share (by way of example only, under the LOI is contemplated that their proportionate share is 60%, but in these circumstances their proportionate share may be 75%);

(ii) as part of any such Subject Transaction, Rose and Ferguson shall not maintain any ongoing direct or indirect ownership interest (whether by way of equity or convertible debt) or other interest in the Subject Properties or in any entity that has any direct or indirect ownership interest (whether by way of equity or convertible debt) or other interest in the Subject Properties;

(iii) the Subject Transaction will result in each of the Syndicate Members having an ownership interest (whether direct or indirect) in the Subject Properties that is substantially similar to the proposed ownership interest that the Syndicate Members would have under the terms of the LOI; and

(iv) the board of directors of each of TEDCO, ROI and Castlepoint have authorized and approved the Subject Transaction.

5. Proposed Changes to the Ground Lease **[NOTE: items marked with a * were approved by City Council in December of 2008]**

The existing Ground Lease, which has been amended on three occasions, will be restated to incorporate the existing amendments and then to incorporate the following additional changes to:

(i) eliminate all references to the Surrounding Lands;

(ii) provide for the transfer of all obligations under the Ground Lease to Build Toronto Inc.;

(iii) *include a description of Fair Market Value (and a certain method to determine same) for the purposes of the renewal rent determination provisions of the lease and so that in year 40 and every 20 years thereafter, base rent will be set based on the fair market value for industrial land in the City of Toronto;

(iv) *limit TEDCO's obligation to pay for Extraordinary Foundation Costs in respect of the Complex and Connected Lands to $400,000 per acre of all the remaining lands to be developed including the Complex Lands. Such amount may be payable at TEDCO's option by way of an offset against Basic Rent over 20 years with interest at 7.25%;

(v) delay TEDCO's obligations in respect of the Don Roadway until such time as options are exercised for land adjacent to the Don Roadway and until the Tenant has built a road to the Don Roadway.

(v) *eliminate any cap on TEDCO's environmental obligations (excluding contamination caused by the Tenant) and in connection therewith, it is proposed that TEDCO deliver a duly executed indemnity agreement in respect of all environmental matters so that neither the Tenant nor any of its investors will have any exposure to any environmental liability or to loss of our investment due to contamination not caused by the Tenant. TEDCO and its successors will be responsible for all costs related to such matters, including any costs related to legal liabilities arising from the contaminants, the migration of contaminants, and the additional costs of excavation, transport and disposal of contaminated soil and groundwater which may be required to effect remediation to the appropriate standards. In addition, TEDCO and its successors will be responsible for the additional cost of disposal of contamination that is excavated in the course of the development of the property;

(vi) *the restrictions on TEDCO in leasing other lands outside of the vicinity of the Film Studio will be eliminated, so that the only restriction will be on leasing lands until October 31, 2011 in the "Restricted Vicinity" for feature film production; and

(vii) *eliminate the "proportionality requirement that requires further expansion of the Complex Lands in order to exercise options on the Connected Lands.

6. Proposed Changes to the Option Agreement re Complex and Connected Lands

The Option Agreement will be revised and restated so that it only applies to the Complex and Connected Lands. The Option Agreement for such lands will be further revised as follows:

(i) *to extend the time for exercising the options to 15 years from Closing, provided that: (a) during the first 5 years, the Tenant must exercise options on 1.14 acres of the Connected Lands or 25,714 square feet of building area (excluding parking structures); (b) during the second five 5 years the Tenant must exercise options on 1.14 additional acres of the Connected Lands or 25,714 square feet of building area (excluding parking structure); and (c) Option Leases have been entered for six (6) acres of Phase 2 Complex Lands prior to the 10th anniversary of the Commencement Date;

(ii) except with the prior written consent of TEDCO, which consent may be unreasonably or arbitrarily withheld, in exercising Options on the Phase 2 Complex Lands, the Optionee will not be entitled to exercise an Option on the lands forming part of Parts 9 through 14 inclusive, Registered

Plan 66R-22808 until Options have been exercised and Option Leases executed with respect to the remaining Phase 2 Complex Lands

(ii) *all cross default provisions between the "inside the gate" Complex Lands and the outside the gate lands (the Connected Lands)have been eliminated. Also, in order to make the option lands financeable, the cross default provisions between each option land parcel (other than cross-default relating to the Complex Lands) are to be eliminated. However, the Option Agreement will terminate on the cessation of the operation of the Film Studio on the Complex Lands;

(iii) *A list of permitted and prohibited uses in accordance with the current by-law has been proposed to replace Schedules K, L and M. In the result, while there will be no changes on the uses that can be made of the Complex Lands, the uses that can be made of the Connected Lands will be extended to accord with the provisions of the current by-law with a restriction so that Park; Recreation; Place of amusement and assembly; community services; cultural and arts facilities; general institutions; retail and service shops; public; transportation, distribution and related uses cannot occupy in total more than 20% of the total allowable gross floor area on the Connected Lands; in addition, there shall be a limit on the size of retail stores (none in excess of 10,000 square feet).

(iv) *There will no longer be any requirement to build on more Complex Lands before the Optionee can exercise a Connected Lands Options .

(v) *The density rent will be calculated on an individual parcel basis (ie not cumulatively as per the present basis) after the Tenant has developed 350,000 sq. ft. of buildings on the Connected Lands.

(vi) *TEDCO will take responsibility for environmental remediation south of Commissioner on a risk assessment basis to obtain an RSC.

7. Option Agreement re Surrounding Lands

The option agreement for the surrounding lands will now be in favour of Rose. The Option agreement to be entered into will contain the same provisions as that for the Connected Lands subject to the following changes:

(a) *the time for exercising the options has been extended to 15 years from Closing, provided that during the first 5 years, the Tenant must exercise options on 2.86 acres of the Surrounding Lands or 64,285 square feet of building area (excluding parking structures) and during the second five 5 years the Tenant must exercise options on 2.86 additional acres of the Surrrounding Lands or 64,285 square feet of building area (excluding parking structures).

(b) Rose and the other Existing Shareholders of Filmport shall have the right to conduct film studio operations on Heward Street after Closing on an unrestricted basis provided that no media or film studios may be constructed or operated on the Surrounding Lands.

(c) TEDCO will support Filmport in applying for a minor variance or rezoning application for the portion of the Lands north of Commissioner's Street to obtain approval for uses similar to the uses granted under the minor variance approved in 2006 for the portion Lands south of Commissioner's Street.

(d) *The density rent will be calculated on an individual parcel basis (ie not cumulatively as per the present basis) after the Tenant has developed 650,000 sq. ft. of buildings on the Surrounding Lands.

7. Changes relating to the Provincial Loan

It is understood and agreed that a loan application has been made to the Province for at least the amount of the GE debt. In the event that such a loan is granted on terms satisfactory to the Syndicate Members and in the event that GE agrees to accept an early payout of its debt (and TEDCO is, as a result released from the TEDCO Guarantee), then the following shall occur:

(i) Build Toronto (the Landlord under the Ground Lease) shall acquire from the Tenant the buildings and improvements including the furnishings and equipment on Phase 1 for $47.5 million by paying $16 million in cash and assuming the $31.5 m GE debt.

(ii) Build Toronto shall lease the buildings, furnishings and equipment to the Tenant in return for a partial prepaid rent of $16 million, the obligation to pay rent equal to the debt service from time to time plus the existing ground rent.

(iii) The province will lend $31.5 m to Build Toronto to enable GE to be paid off and a first mortgage shall be placed in favour of the province.

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SCHEDULE C

Barristers & Solicitors

WeirFoulds LLP

April 1, 2009

Lisa A. Borsook
T: 416-947-5003
lborsook@weirfoulds.com

File 05224.00008

PRIVATE AND CONFIDENTIAL

VIA ELECTRONIC MAIL

City of Toronto Economic Development Corporation
Metro Hall, 7th Floor
55 John Street
Toronto, ON M5V 3C6

Attention: Don Logie, President and C.E.O.

Dear Sirs/Mesdames:

Re:

REDACTED

pp. 2-8

REDACTED

REDACTED

Yours very truly,

WeirFoulds LLP

WeirFoulds

George H. Rust-D'Eye

E-mail grustdeye@weirfoulds.com
Direct Line 416-947-5080
File 05224.00023

WeirFoulds LLP
BARRISTERS & SOLICITORS

September 2, 2005

Mr. Jeffrey D. Steiner
President and C.E.O.
Toronto Economic Development Corporation
Metro Hall, 7th Floor
55 John Street
Toronto, ON M5V 3C6

Dear Mr. Steiner:

Re:

REDACTED

REDACTED

REDACTED

Yours truly,

WeirFoulds LLP

George H. Rust-D'Eye

GHR/cd
c. Bohdan S. Onyschuk
Jerry Prypasniak

843620.2

George H. Rust-D'Eye

E-mail grustdeye@weirfoulds.com
Direct Line 416-947-5080
File 05224.00023

WeirFoulds LLP
BARRISTERS & SOLICITORS

November 29, 2005

VIA FACSIMILE

Toronto Economic Development Corporation
Metro Hall, 7th Floor
55 John Street
Toronto, ON M5V 3C6

Attention: Mr. Jeffrey D. Steiner
President and C.E.O.

Dear Mr. Steiner:

Re:

REDACTED

The Exchange Tower, Suite 1600
P.O. Box 480, 130 King Street West
Toronto, Ontario, Canada M5X 1J5

Telephone 416-365-1110
Facsimile 416-365-1876
Website www.weirfoulds.com

pp. 2-9

REDACTED

WeirFoulds LLP
BARRISTERS & SOLICITORS

REDACTED

Yours truly,

WeirFoulds LLP

George H. Rust-D'Eye

GHR/jnb

c. Mary J. Braun, Solicitor, City of Toronto

865048.1

SCHEDULE D

To:	**TEDCO Board Members**
From:	Don Logie, Acting President & C.E.O.
Date:	April 3, 2009
Subject:	**Filmport Bonusing**

RECOMMENDATION:

1) It is recommended that the TEDCO Board receive this report for information

BACKGROUND:

There has been concern about whether TEDCO's proposed investment in and loan to Filmport will be considered bonusing and therefore be prohibited under law. We have sought an opinion from WeirFoulds (see attached) which provides:

REDACTED

REDACTED