

# TORONTO STAFF REPORT

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September 15, 2005

To: Policy and Finance Committee

From: Jeffrey D. Steiner, President and CEO, TEDCO  
Brian R.C. Athey, Vice President, Development, TEDCO

Subject: Port Lands Film/Media Complex  
Status Report and Lease Approval

Purpose:

Pursuant to the Shareholder Direction to TEDCO and the Arms-Length Agreement both approved by Council at its June 18-20, 2002 meeting, any lease or other agreement that has the effect of granting the use of or right in TEDCO-owned land, directly or by entitlement to renewal, for a period of twenty-one (21) years or more requires prior written approval of the City. This is one of the provisions that provide accountability of TEDCO, as an arms-length corporation, to City Council. The Ground Lease and other agreements described in this report are for a period of up to 99 years and thus City Council approval is being requested by TEDCO.

This report provides a status report, terms of the agreements and a copy of the relevant Ground Lease from TEDCO to Toronto Film Studios (TFS) which is the result of negotiations following an open proposal call process.

Recommendations:

It is recommended that:

- (1) City Council approve the TEDCO Board's granting of the Ground Lease to Toronto Film Studios as outlined in this report; and
- (2) That TEDCO be directed to finalize the Option Agreement for the balance of the Complex, Connected and Surrounding Lands consistent with the terms defined in the Ground Lease and that these agreements be reported directly to Council.
- (3) The appropriate City Officials be authorized and directed to take the necessary actions to give effect thereto.

Background:

Process for Selecting Proponent (Tenant)

1) Open Request for Expressions of Interest Stage

In 2003, TEDCO issued an open, public and world-wide Request for Expressions of Interest (RFEI) to develop a film/media complex (film studio) and related lands in a portion of the Port Lands identified to be a district for innovation and creativity on the waterfront. Advertisements of the opportunity were placed in newspapers in both Canada and the USA. Information packages were sent to over one hundred film industry and real estate development firms announcing the opportunity and describing the need in Toronto for a studio complex of such size and quality that it could attract large, "blockbuster" feature film productions that have been bypassing our city. Six expressions of interest were received in this first stage of the selection process. These respondent firms (or consortia of studio operators, developers and design/build firms) were evaluated to be potentially capable of achieving the goals and were invited to respond to the more detailed Request for Proposal (RFP) stage of the selection process.

2) Request for Proposals Stage

Of the six respondents in the first stage, four did submit proposals in response to a detailed RFP package in January 2004. The RFP requested detailed proposals from the firms or consortia to develop the studio complex and related lands, with numerous stipulations notably:

- Development of a studio complex with sufficient number of stages of specified size and quality (height, sound attenuation, etc.) that would service/attract the largest feature films);
- Develop the so called "mega stage" to be the largest, purpose built sound stage in North America as a key feature (minimum 44,000 sq. feet);
- Develop the studio and related lands in conformity with the Central Waterfront Plan and in keeping with the objective of a district for innovation and creativity;
- Achieve high quality urban design of the lands and buildings;
- Provide a reasonable financial offer for the lands, preferably on a lease (versus sale) basis.

Four RFP responses were received by TEDCO and evaluation began in winter 2004. TEDCO retained additional professional expertise throughout the RFEI and RFP process to assist in the preparation of documentation and evaluation of the responses. CIBC World Markets was retained to assist and advise on financial and banking issues. The real estate firm JJ Barnicke provided real estate advisory services to TEDCO. Economic Research Associates (ERA) from Los Angeles provided industry specific and market advice. Seasoned legal advisors (WeirFoulds LLP) and planning experts (L. Barry Lyons Inc.) were also retained to assist TEDCO throughout the process.

On review of the four responses in the subsequent weeks each consortium was given the opportunity to make an oral presentation of its proposal to members of the RFP Evaluation Committee and its advisors.

3) RFP Evaluation Committee Stage

All four proposals were reviewed by the Evaluation Committee that was comprised of representatives from TEDCO's board and staff, the Toronto Waterfront Revitalization Corporation (TWRC), the City's Economic Development Division, City Planning and the City's Waterfront Secretariat.

The Committee was assisted by the various experts who prepared analysis for the RFP Evaluation Committee. While each consortium responded to the RFP's requirements, each had their own unique development concept, requirements and financial proposals. The Evaluation Committee deliberated and found that of the four proposals received, two were clearly superior in all respects and they were short listed for comparison as best as possible on an "apples to apples" basis.

The Evaluation Committee was also assisted by a Fairness Commissioner, the Honourable Coulter Osborne, throughout the evaluation process. Clarifications were sought from the two remaining consortia in an effort to equally evaluate their proposals. Financial comparisons were prepared by the professional advisors and the Evaluation Committee selected the Preferred Proponent, Toronto Film Studios (TFS) and its parent Rose Corporation, for recommendation to the TEDCO Board of Directors. The TEDCO Board of Directors reviewed the materials and the recommendation of the RFP Evaluation Committee. In June 2004 the Board confirmed the choice of the Preferred Proponent and directed TEDCO management to negotiate a Letter of Intent and, ultimately, a Ground Lease and related agreements for the development of the Port Lands Film/Media Complex.

Letter Of Intent

Despite the massive increase in the Canadian dollar and general downturn in the film industry during 2004, a Letter of Intent was completed and approved by the TEDCO Board of Directors in February 2005. It provided the basic terms of the lease to be entered into, and the other obligations of the parties. Negotiations and drafting continued from March 2005 to completion and Board approval of the first Ground Lease (the subject of this report to Council). The main terms of the lease are highlighted below and the lease itself is attached to this report as Schedule D.

Description of Subject Lands

The lands associated with the film/media complex have been designated in three categories in order to reflect the scope of uses and phasing of the project. The three land areas are conceptually identified in Schedule A attached to this report and are defined as follows:

Complex Lands	<ul style="list-style-type: none"><li>• 24 acres<ul style="list-style-type: none"><li>▪ Phase 1 = 10 acres (approx.)</li><li>▪ Phase 2 = 14 acres (approx.)</li></ul></li><li>• “Inside the Gate” Film Studio Complex</li></ul>
Connected Lands	<ul style="list-style-type: none"><li>• 6 acres</li><li>• Commercial uses to support the Complex</li></ul>
Surrounding Lands	<ul style="list-style-type: none"><li>• 15 acres</li><li>• Commercial and industrial uses to support the Complex, film industry, and broader creativity district</li></ul>

Land uses are strictly regulated in the Ground Lease which contains a summary of permitted and prohibited uses. Residential development by the Tenant and big box retail are specifically prohibited.

The Complex Lands are designated for the primary film studio and production complex, and will contain up to 550,000 sf of sound stages and support space with an estimated budget of \$100 million when fully complete.

The Connected Lands will comprise a public waterfront promenade and a mix of commercial uses intended to compliment the main film complex, and support its employees, tourists and other visitors.

The Surrounding Lands are available for a broader range of commercial and light industrial uses to support the studio and could include film equipment suppliers, offices, or other complimentary uses including those in keeping with a waterfront district for innovation and creativity.

Primary Agreement Documents

The Film/Media Complex terms are governed by the following three agreements:

- Ground Lease
- Indemnity/Equity Agreement
- Option Agreement

The Ground Lease is the primary contract governing all terms associated with the Phase 1 Complex Lands. The Ground Lease was negotiated between the parties over a 6 month period and execution was authorized by the TEDCO Board on August 23, 2005. The negotiation process also resulted in agreement on all business terms for the balance of the Complex, Connected and Surrounding Lands and these terms are governed by the Option Agreement. A summary of the primary terms of the Ground Lease is contained in Schedule C to this report.

The Indemnity Agreement is a short document supplementary to the Ground Lease. This agreement specifies the commitment by Rose Corporation to provide \$16 million in cash equity for Phase 1 of the development. The indemnity is absolute and unconditional to TEDCO.

The Option Agreement has been prepared to document the terms for the subsequent leasing in phases of the balance of the Complex, the Connected and Surrounding Lands. This agreement carries forward the business and legal provisions of the primary Ground Lease, and provides the terms for take down of these remaining lands. The options on these lands expire within certain time periods and conditions if not exercised, and these provisions are summarized in Schedule C to the report.

#### Conditions to the Ground Lease

The Ground Lease contains several conditions in favour of both TEDCO and TFS respectively. These conditions have been provided to allow for resolution and completion of a number of remaining business issues.

#### TFS Conditions (In favour of/to be waived by TFS)

##### 1. Financing Condition (45 days after Closing):

Tenant to satisfy itself that it will be able to conclude commercially reasonable financing arrangements.

Should Tenant not be able to satisfy itself, TEDCO at its option will have 30 business days to arrange alternative financing.

Failure to waive the condition or to accept TEDCO financing will result in the Ground Lease being null and void, the deposit and letter of credit to be returned, and each party releasing the other.

##### 2. Office Zoning Condition (18 months after Closing):

Tenant to obtain unappealable zoning to permit office use for Connected Lands. Office uses are essential to the film/media complex.

3. Construction Commencement:

Tenant to have commenced construction by August 31, 2006, subject to permitted extensions and payments.

TEDCO Conditions (in favour of/to be waived by TEDCO)

1. Approval Condition (5 months after Closing):

TEDCO to obtain Council approval of the Ground Lease and Option Agreement.

2. Zoning Condition (7 months after Closing)

TEDCO to obtain unappealable approval (resolve appeals) to minor variances granted by Committee of Adjustment on June 15, 2005.

Joint Conditions (to be completed by both parties)

1. Option Agreement (21 days after Closing).

Parties to agree on the terms of the Option Agreement noted above.

2. Environmental Remediation Cost Cap (21 days after Closing).

Parties to agree on upset limit on cost of TEDCO's remediation obligations. TEDCO is responsible for remediating the Lands and has funds set aside and obtained from Imperial Oil, the previous tenant.

3. Extraordinary Foundation Cost Cap (21 days after Closing).

Parties to agree on upset limit on TEDCO's obligation for extraordinary foundation costs. The subject Lands are comprised of fill and require deep foundations and other additional foundation elements to provide structurally sound commercial buildings.

Key Financial Terms

The financial terms associated with the Ground Lease are described in full detail in the attached Schedules, and summarized below. JJ Barnicke and CIBC World Markets were retained by TEDCO to assist with negotiations and advise on financial and real estate issues. The following financial terms have been confirmed by the Advisors as commercially reasonable for a real estate transaction of this nature and represent fair market value.



Land Value:	<ul style="list-style-type: none"><li>• Rent based on \$600,000/acre.</li></ul>
Basic Rent:	<ul style="list-style-type: none"><li>• Calculated at 7.25% coupon rate.</li><li>• Annual rent = \$43,500/acre.</li></ul>
Rent Adjustments	<ul style="list-style-type: none"><li>• Adjusted at Year 20 based on the percentage increase in the bond rate.</li><li>• Adjusted in subsequent 20-year periods to reflect increase in Fair Market Value plus the bond rate.</li><li>• Faster re-sets for Outside the Gate Lands (Surrounding Lands)</li><li>• Additional density rent for Connected and Surrounding Lands.</li></ul>
Tenant Inducements	<ul style="list-style-type: none"><li>• TEDCO to provide \$10/sf commercial tenant inducement in respect of Phase I sound stages and production areas.</li></ul>
Free Rent Period	<ul style="list-style-type: none"><li>• 24 months free basic rent for each of the Complex and Connected Land Leases. Tenant responsible for all taxes and operating costs during free rent period.</li></ul>

Restrictions

A large and long-term real estate transaction will commonly contain limited short-term restrictions in respect of similar uses. It is standard commercial practice to grant such limited restrictions in order to allow the new tenant a period of time to establish its new business and protect its investment.

The final use and geographic restrictions are on TEDCO lands only and do not affect any other private or public lands. TEDCO and its Advisors confirm that in their view they are fair and commercially reasonable and still provide public and private land opportunities for the film/media industry in the Port Lands and elsewhere in the city. The restrictions are in two forms and described as follows:

A. Restricted Vicinity Obligations

Restricted Vicinity:

- TEDCO owned lands described in Schedule B attached.

- Two parcels bounded roughly by Lakeshore, Unwin, Logan and Munition Streets.

Restricted Term:

- 4 years from completion of Phase 1.
- Expiry no later than October 31, 2011.

Restricted Uses:

- Feature film production
- Broadcasters
- Media operators
- Suppliers
- Production companies

Existing Tenants:

- Permitted to remain for duration of existing lease term.

B. Outside Restricted Vicinity

Restricted Area:

- Balance of TEDCO owned lands in the Port Lands and East Bayfront area.

Restricted Term:

- 3 years from Commencement Date (estimated January 2007).

Restricted Uses:

- Feature film production studios.

Existing Tenants:

- Permitted to remain for duration of existing lease obligations.

Financing Obligations

The Tenant and its parent Rose Corporation have confirmed the equity component for Phase 1 of the Complex. There is an estimated \$20 million in debt financing that the Tenant or its parent must arrange. The Ground Lease provides a Financing Condition wherein the Tenant has 45 days



to conclude commercially reasonable financing arrangements for the \$20 million debt portion of the project.

Should the Tenant be unable to secure such financing, TEDCO has the option to make or provide debt financing arrangements for the project and if same are approved, the Tenant must proceed with development. Film studios are particularly difficult to finance, especially in Canada, as the studio operator has no long term commitments from its users. In this respect it is similar to a hotel or convention centre.

The agreement also specifies that TEDCO will provide the Tenant with a \$5 million guarantee or a \$5 million Tenant loan secured by a mortgage, in respect of the Mega Stage, a key component of the studio complex.

There are a number of different ways that TEDCO might satisfy the Financing Condition if called upon to do so. TEDCO could undertake to arrange financing directly for the debt portion. This may involve securing financing from the City and would require separate Council approval. Alternatively, TEDCO could provide a guarantee for a portion or all of the debt provided by TFS's Lender. TEDCO could also provide a PUT which is a form of take-out mechanism which would allow the debt of the lender to be 'put' to TEDCO. This would ordinarily only be required in the event that permanent financing could not be arranged.

The above noted potential financing and guarantee scenarios are complex and will require negotiations with Rose Corporation, TFS and their lenders. An eventual solution may require authorization by P&F Committee and Council, and a further report will be provided if required.

#### Other TEDCO / City / TWRC Obligations

The Ground Lease provides the following TEDCO obligations in addition to the financial obligations noted above:

- Environmental Remediation to permit industrial development on a risk assessment basis and in accordance with negotiated cost cap
- Extraordinary Foundation Costs associated with deep foundations and other additional foundation elements required due to fill conditions and in accordance with negotiated cost cap
- Construction of the Don Roadway from Commissioners Street to the entrance gate of the Phase 1 Complex, and to the Ship Channel at ultimate development of the Connected Lands
- Construction of most municipal services to the lot line

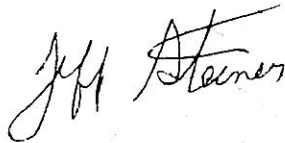
Other Initiatives

The Ground Lease requires TEDCO to work diligently, but provides no obligation for the following initiatives:

- Property tax relief under a CIP or TIF program
- Fee exemptions
- Green technology incentives
- Development of Commissioners Park, Don Greenway, public promenade on the north side of the Ship Channel
- Improvements to public transit to the area

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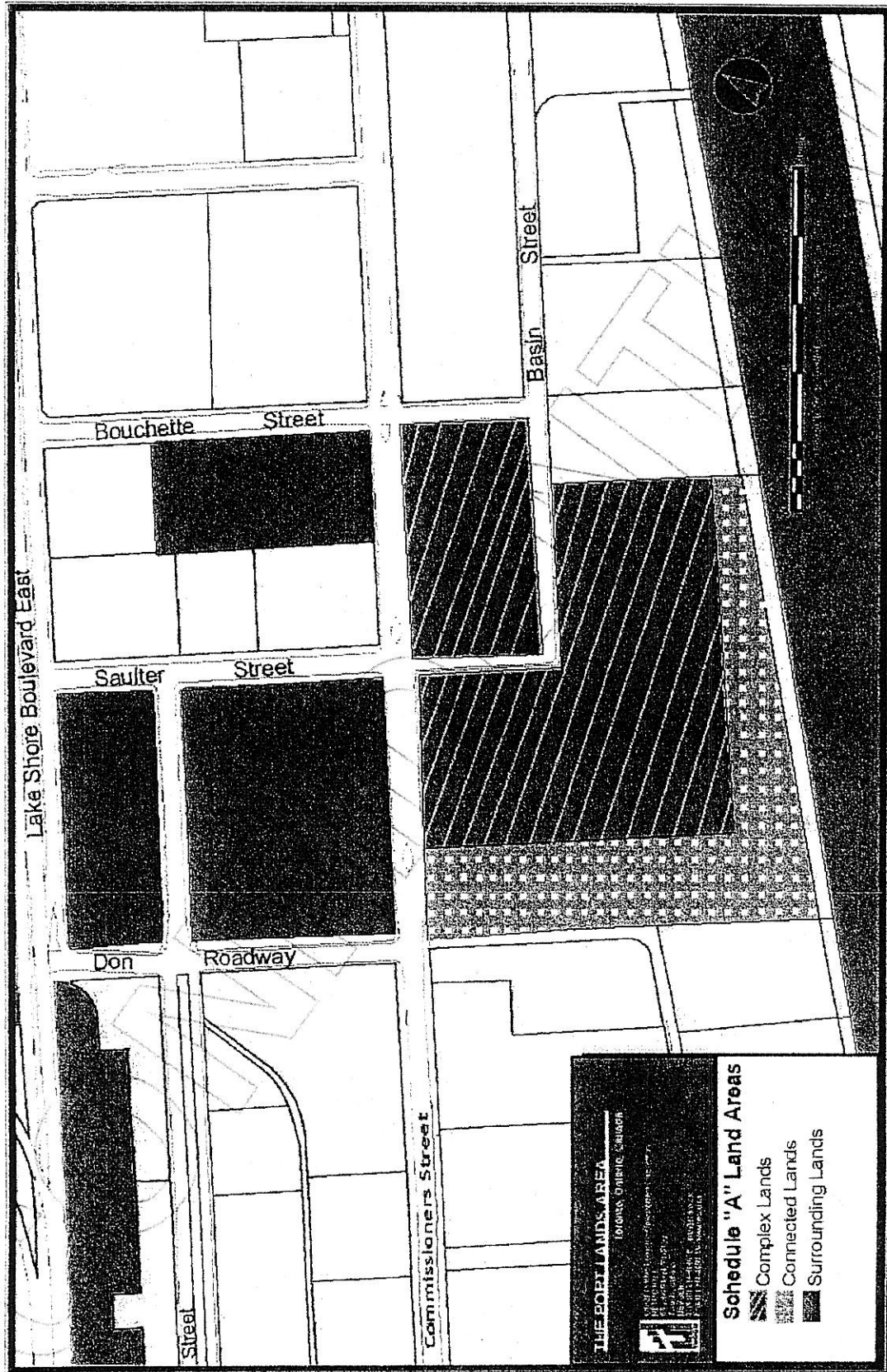
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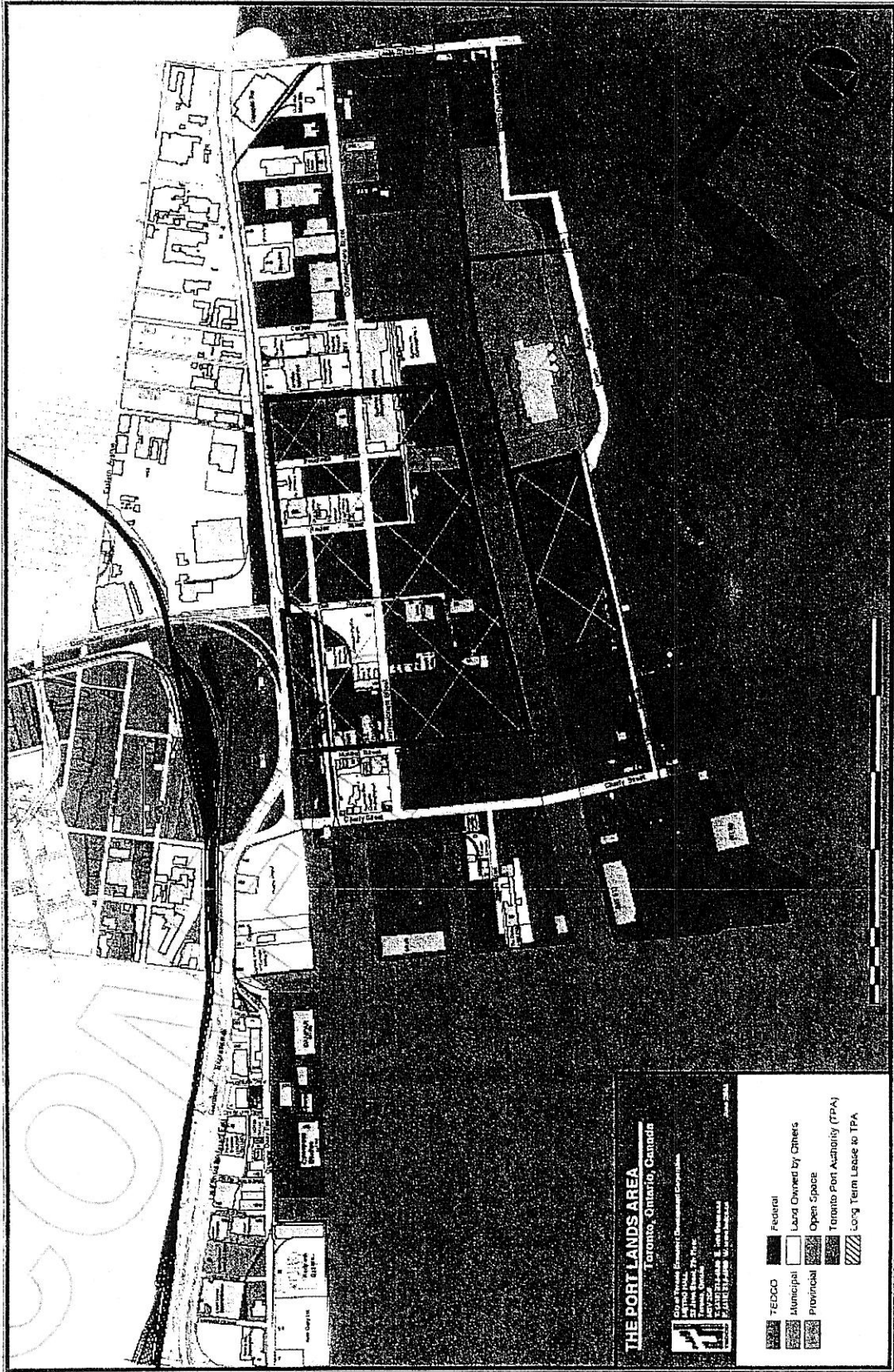
List of Attachments:

- Schedule A: Map of the Subject Lands
- Schedule B: Map of Restricted Vicinity
- Schedule C: Summary of Terms of Ground Lease
- Schedule D: Copy of Ground Lease

# Schedule "A" Land Areas Map



# Schedule "B" Map





**SCHEDULE C**

**SUMMARY OF GROUND LEASE TERMS**

September 14, 2005

MAIN ELEMENTS	GROUND LEASE
Scope of Lands	<ul style="list-style-type: none"> <li>• Complex Lands – 24 acres (red)</li> <li>• Option for Connected Lands – 6 acres (blue)</li> <li>• Option for Surrounding Lands – 15 acres (green)</li> </ul>
Phasing/Options	<ul style="list-style-type: none"> <li>• <b>COMPLEX LANDS</b> - two phases: Phase 1 of approximately 10 acres (the Designated Lands), the second - 14 acres (although the second can be taken down in parts).</li> <li>• <b>COMPLEX AND CONNECTED LANDS</b> - If Tenant hasn't commenced to pay Basic Rent on any portion of the Complex or Connected Lands within <b>10 years</b> of the Commencement Date, it either must commence to pay or lose all rights to lease the land</li> <li>• <b>SURROUNDING LANDS OPTION</b> - subject to timing constraints as follows:               <ul style="list-style-type: none"> <li>(a) commencing on the Closing Date, TFS can take down all or any portion until <b>four (4) years</b> after the Commencement Date; and</li> <li>(b) in the event that at least four (4) acres of the Surrounding Lands have been leased pursuant to the first option, then TFS can take down the balance of the Surrounding Lands pursuant to the second option until <b>eight (8) years</b> after the Commencement Date.</li> </ul> </li> <li>• <b>CONNECTED AND SURROUNDING LANDS – Restriction:</b> No lease of proportionately greater acreage of Connected or Surrounding Lands than that proportion of Complex Lands leased upon which Phase 1 construction has commenced</li> </ul> <p><b>OTHER TERMS:</b></p> <ul style="list-style-type: none"> <li>• No construction on Connected or Surrounding Lands until Phase 1 construction has commenced</li> <li>• TFS loses all option rights if an unremedied Event of Default occurs</li> </ul>
Minimum Specifications for Phase 1 and Phase 2 Complex	<ul style="list-style-type: none"> <li>• Detailed Requirements in Schedule to Lease</li> <li>• TEDCO approval rights for “material changes” to specifications and to buildings themselves</li> </ul>
Cross-Default	<ul style="list-style-type: none"> <li>• All Complex Leases to be cross-defaulted. Loss of unexercised options and restricted vicinity rights on default</li> </ul>
Term	<ul style="list-style-type: none"> <li>• 99 years (but all leases to expire contemporaneously)</li> </ul>
Rent	<ul style="list-style-type: none"> <li>• <b>NET:</b> All Leases to be triple net and carefree (subject to TEDCO obligations including, municipal servicing, remediation and extraordinary foundation costs).</li> <li>• <b>RENT FREE PERIODS:</b> 24 months Basic Rent Free Period for each of Complex and Connected Lands Leases from and after the Commencement Date (Site Plan Approval Date). Rent for Surrounding Lands payable immediately upon option being exercised.</li> </ul>

MAIN ELEMENTS	GROUND LEASE
	<ul style="list-style-type: none"> <li>• <b>BASIC RENT:</b> <ul style="list-style-type: none"> <li>(a) <b>COMPLEX LANDS:</b> <ul style="list-style-type: none"> <li>(i) first 20 years, \$43,500 per acre (which is now FMV);</li> <li>(ii) next 20 years, Basic Rent increased by percentage increase in Bond Rate (not less than 7.25% and not more than 10.25%);</li> <li>(iii) in subsequent 20 year periods, adjustment to reflect increases in FMV (subject to "phase in" if greater than a 20% jump) AND increase by percentage increase in Bond Rate (not less than 7.25% and not more than 10.25%)</li> </ul> </li> <li>(b) <b>CONNECTED LANDS:</b> <ul style="list-style-type: none"> <li>(i) same as for Complex Lands; and</li> <li>(ii) subject to density rent if greater than 50% density, namely \$1.00 per square foot of building area that exceeds .50 times subject site area to two times density, and thereafter \$.50 over two times density;</li> </ul> </li> <li>(c) <b>SURROUNDING LANDS:</b> <ul style="list-style-type: none"> <li>(i) same as for Complex Lands but with annual adjustment until option exercised and Basic Rent becomes payable, based on maximum 2% per year CPI change;</li> <li>(ii) thereafter same as Connected Lands (but with no phase in) and density rent is fixed at \$1.00 psf where the building area exceeds 0.50 times subject site area;</li> </ul> </li> </ul> </li> </ul>
<p>Month to Month Leases (Interim Option)</p>	<ul style="list-style-type: none"> <li>• TFS has right to lease all or portions of the Complex Lands not taken down in Phase 1 on a month to month basis for parking and filming activity for minimum 3 months terms at \$10,000 per acre, but cannot construct improvements without TEDCO consent.</li> </ul>
<p>Deposit, L/C, Rose Indemnity</p>	<ul style="list-style-type: none"> <li>• \$100,000 Deposit and \$1,000,000 L/C in escrow with WeirFoulds;</li> <li>• L/C to be reduced dollar for dollar for every dollar over \$3 million in Complex expenditures (i.e. if spend \$3,200,000 then L/C reduced by \$200,000)</li> <li>• Rose Corporation indemnity capped at \$16 million for Tenant Equity</li> </ul>
<p>Financing Requirements</p>	<ul style="list-style-type: none"> <li>• estimated financing of \$20 million to be obtained within 45 days of Closing Date, otherwise TEDCO can either make alternative arrangements within 30 days or if it declines to do so or Tenant doesn't agree to such alternative arrangements, parties can walk</li> <li>• TFS/ROSE to provide \$16,000,000 in the form of pure cash equity (subject to Syndication Condition) to rank subject to TEDCO interests. Of the \$16 million, after deducting up to \$1 million in Total Project Costs, no more than \$4 million on soft costs</li> </ul>
<p>TEDCO Financing Commitments and Mega Stage Guarantee</p>	<ul style="list-style-type: none"> <li>• TEDCO's option to either: (1) provide a \$5 million Mega Stage Guarantee with 2% stamping fee or, (2) a Tenant Allowance (TA) for \$5 million to be secured by a pari passu 1<sup>st</sup> mortgage or 2<sup>nd</sup> mortgage. TEDCO to decide prior to expiry of Financing Condition</li> </ul>

<p>Tenant Inducement Allowance ("TIA")</p>	<ul style="list-style-type: none"> <li>• TEDCO to provide \$2,075,000 TIA (calculated at \$10 psf of sound stage and production areas of Phase 1 only)</li> </ul> <p>Upon commencement of Phase 1 construction, TEDCO to reimburse up to \$120,000 of TFS third party environmental and zoning costs.</p>
<p>Change of Use Controls</p>	<ul style="list-style-type: none"> <li>• <b>PHASE 1 OF THE COMPLEX LANDS</b> – no change from operation of stages until 10 years from Phase 1 Completion and then with TEDCO consent</li> <li>• <b>PHASE 2</b> - after 5 years can change to other scheduled permitted (but not prohibited) uses</li> <li>• after 10 years from Phase 1 Completion, if TFS proposes to cease film studio operations altogether and is unprofitable TEDCO has option to terminate, in which event TEDCO has certain buy-back rights. But TEDCO would then have certain operating commitments (before TEDCO can change the use)</li> <li>• otherwise, Tenant can change the proposed use but Basic Rent escalates to that payable on the Surrounding Lands.</li> <li>• <b>CONNECTED AND SURROUNDING LANDS</b> – Any permitted (and not prohibited) uses do not need TEDCO approval</li> </ul>
<p>End of Term Commitments for Complex and Connected Lands</p>	<ul style="list-style-type: none"> <li>• TEDCO has obligation to buy-back the un-depreciated portion of the cost of certain improvements on <b>COMPLEX AND CONNECTED LANDS</b> at 99 year term expiry if Complex Lands (or portion thereof) are being used as a film/media complex, on a defined basis and subject to arbitration</li> </ul>
<p>Naming Rights</p>	<ul style="list-style-type: none"> <li>• subject to TEDCO approval in certain circumstances.</li> <li>• Parties currently agree on "FILMPORT" for all Lands with "Toronto Film Studios" for Phase 1 Complex.</li> </ul>
<p>Restriction on TEDCO's Use of its Lands</p>	<p>"Restricted Vicinity" Obligations (approx. 4-year Period to October 31, 2011 on the outside)</p> <ul style="list-style-type: none"> <li>• Restricted Vicinity No. 1 = Area bounded by Lakeshore Blvd (N); Logan Ave (E); Munition St (W) and Ship Channel (S)</li> <li>• Restricted Vicinity No. 2 = Area bounded by Ship Channel (N); OPG Property (E); 238/240 Unwin Ave. (W) and Unwin Ave. (S)</li> <li>• Duration: earlier of 4 years from Phase 1 Completion Date, or upon change of use, Event of Default (unless cured) and October 31, 2011.</li> <li>• Restricted Users – Film studios/sound stage operators, media operations; broadcasters; media related companies; etc.</li> <li>• Any Restricted Users that approach TEDCO within 10 years from Completion will be required to meet with TFS regarding potential subtenancy on TFS lands.</li> </ul> <p>Beyond the Restricted Vicinity Obligations (3-year Period from Commencement Date)</p> <ul style="list-style-type: none"> <li>• beyond the Restricted Vicinity in the Port Lands or East Bayfront Area - for three (3) years from Ground Lease Commencement Date: restriction on TEDCO related to feature film production facilities only.</li> </ul>



<p>TEDCO Obligations</p>	<p>Obligations:</p> <ul style="list-style-type: none"> <li>• environmental remediation – [cap to be negotiated within 21 days]</li> <li>• most municipal services to lot line</li> <li>• no TEDCO obligation to upgrade existing municipal services for non-Phase 1 lands</li> <li>• extraordinary foundation costs due to fill conditions [cap to be negotiated within 21 days]</li> <li>• construction of the Don Roadway from Commissioners Street to the entrance gate of Phase 1 Lands (via TEDCO, City of TWRC), and to the Ship Channel at ultimate development of Connected Lands</li> <li>• ongoing general clean up of loose debris on adjacent vacant lands</li> <li>• permitted encumbrances claims to a maximum of \$500,000 (but otherwise no title warranty from TEDCO)</li> </ul> <p>Other Initiatives (TEDCO to use effort but not obligated to obtain)</p> <ul style="list-style-type: none"> <li>• TIF and Financial Incentives available to all in the area</li> <li>• fee exemptions</li> <li>• green technology incentives</li> <li>• development of Commissioners Park, Don Greenway, public promenades on the north edge of the ship channel</li> <li>• improvements to public transit</li> </ul>
<p>TFS Obligations</p>	<ul style="list-style-type: none"> <li>• other than those expressly provided for in the Lease, TFS responsible for everything else relating to development, operation, management, repair and replacement of Lands.</li> </ul>
<p>Day-to Day Operations of Complex</p>	<ul style="list-style-type: none"> <li>- Must meet applicable standard in lease</li> <li>- limits on management fees</li> <li>- no exclusives for 3<sup>rd</sup> party vendors of production supplies</li> <li>- maintenance performance and detailed marketing plan required</li> <li>- otherwise TFS has day –to-day control</li> </ul>
<p>Outside Dates (“Drop Dead Dates”)</p>	<p>Commencement of Phase 1 Construction – no later than August 31, 2006, subject to two 4-month extensions (on payment of \$250,000 for each extension) to latest of April 30, 2007</p>
<p>Termination/Surrender and Improvements</p>	<p>Other than the payment to TFS for the Complex and Connected Lands improvements, on expiry of the leases assuming TEDCO gets ownership of the improvements other than the Trade Fixtures without payment</p>
<p>ROSE/TFS Restrictions</p>	<ul style="list-style-type: none"> <li>• restrictions applicable relate to pre and post Phase 2 Completion</li> <li>• prior to Phase 2 Completion, some significant limitations on what Rose, the Tenant and related entities can do in Canada, and particularly in Ontario</li> <li>• after Phase 2 completion, restrictions on Rose, the Tenant and related entities are fewer and relate primarily to Southern Ontario (south of the French River and Algonquin Park)</li> </ul>

- in respect of any facilities in Canada, the Tenant cannot do anything unless in respect of the relevant facilities, they are operated and managed by the same entity, and in making any purchase, investment or otherwise, the Tenant is acting in good faith so as to not undermine the financial viability of the Complex