CONFIDENTIAL ATTACHMENT 1

CONFIDENTIAL INFORMATION OR ADVICE

Acquisition of Showline Property by TPLC

Purchase Price:

The purchase price is to be based on the amount paid by CP in its purchase of the Showline Property, plus: (i) all other costs incurred by CP in its purchase of the Showline Property; and (ii) costs incurred by CP for the Showline Property from its purchase until closing of the sale to TPLC (estimated below based on a March 31, 2018 closing), as follows:

- CP purchase price of Showline Property: $30,000,000
- Due diligence costs $150,000
- Broker fees $395,000
- Legal fees $75,000
- CP internal costs (staff time of 500 hours plus estimated travel costs) $100,000
- Payments in lieu of taxes (estimated at $21,800 per month) $96,000
- Operating and maintenance costs (estimated at $9,300 per month) $40,000

Estimated total: $30,856,000.00

Sale of TPLC Property to CP

Purchase Price: at least $12.5 million.

Umbrella Agreement linking the two transactions:

TPLC shall compensate CP (by an adjustment to the purchase price for the TPLC Property or otherwise), up to a maximum amount of $7,000,000, to make CP whole for demonstrated costs with respect to:

- reasonable adjustments for the potential cost of temporary space until the new CP facility is ready at the TPLC Property

- cost differentials with respect to CP's development of the TPLC Property due to environmental and soil conditions such as, without limitation, requirements for remediation, pile foundations, barrier systems or importation of fill

The parties will negotiate processes to prove any such costs that are not identified and agreed to by closing

Financial Implications

The proposed terms for the purchase transaction require TPLC to compensate CP for its original purchase cost for the Showline property and for all other expenses that CP has incurred as part of its purchase and ownership of the property. In addition, the proposed terms require TPLC to incur costs in making the TPLC property suitable for CP's proposed uses.

Table 1 below summarizes these expenses. One of the preparation steps that TPLC will be required to take is to relocate the rail line currently located on the TPLC property. Aecom has advised TPLC that this work will cost approximately $3-5 million. Other steps will include environmental remediation and foundation works to address special conditions in the Port Lands. The proposed terms provide TPLC with the right to terminate the transaction if the total cost of these other preparation steps exceeds $7 million.

Table 1 – Elements of Proposed Financial Transaction		
		Amount ($)
Payment to CP that offsets their Original Acquisition Costs		
	Amount Paid by CP for Original Purchase of Lands	(30,000,000)
	Estimated CP Acquisition Costs and due diligence costs	(850,000)
	Subtotal:	(30,850,000)
Other TPLC Costs		
	Estimated Cost of Rail Relocation	(5,000,000)
	Other Site Preparation (max capped amount)	(7,000,000)
	Estimated Costs Incurred in Selling the TPLC Property	(750,000)
	Subtotal:	(12,750,000)
	Total Gross Expenditures by TPLC:	(43,600,000)

Table 1 – Elements of Proposed Financial Transaction		
Payment by CP for TPLC Lands (estimated. There currently is a difference between the valuations of CP and TPLC that still need to be resolved - $12.5 mil versus $16-18 mil)		14,000,000
	Total Net Expenditures by TPLC	(29,600,000)
Funding & Financing		
	Equity Investment by TPLC	22,100,000
	Loan Amount from the City	7,500,000
	Total Funding & Financing:	29,600,000

As shown in Table 1, it is estimated that TPLC's total net expenditures, after CP's payment for the TPLC lands, will be approximately $29.6 million. TPLC has indicated that it has $22 million available to apply as an equity investment to this transaction. In accordance with the direction given by Council, the balance of the required expenditures would be funded by a $7.5 million 20-year loan from the City. This loan would be repaid in equal annual payments of approximately $550,000 from net income generated by the studio and other TPLC revenues if required. Therefore, the proposed loan would represent recoverable debt.

TPLC has advised that the financial information disclosed by Showline as part of the original sale indicates that the studio had a net operating income of approximately $700,000 in 2015. This level of net income would be adequate to service the loan.

However, TPLC will have the opportunity during the due diligence period to further investigate the condition of the studio and assess the studio's potential earnings before the closing of the transaction.

Once the transaction has closed, the studio's financial performance can still be impacted by general film industry market risks such as changes in exchange rates or changes in government subsidy levels. If adverse market conditions result in net operating income for the studio falling below the amount required to service the City loan, the loan agreement will require TPLC to fund the balance of the loan repayments using other revenues. TPLC has indicated that it can potentially raise additional funds through the resale of the 945 Lakeshore Rd. property, which would otherwise be held as potential expansion space for the studio. According to TPLC, this property currently has a value of at least $7.5 million.