



September 29th, 2011.

Toronto Media Arts Cluster ("TMAC")  
56 Ossington Avenue  
Toronto, Ontario M6J 2Y7  
Attention: Gary Hall

Dear Sirs:

RE: Toronto Media Arts Cluster ("you" and "TMAC")  
purchase from Edge on Triangle Park Inc.  
(referred to alternately in this letter as "we," "us," "Edge"  
and the "Vendor") Commercial Space forming  
part of the proposed building (the "Project") to  
be constructed at 2-6 Lisgar Street, Toronto

We are writing to set forth our intention with respect to the sale to you by us of the Property, as hereinafter defined.

We acknowledge, and by signing this letter and delivering it back you also acknowledge, that the provisions of this letter are not intended to create, and do not create, legally binding obligations between us and you, and neither we nor you shall have any liability to each other with respect to the provisions set out in this letter.

Based on the discussions between you and us to date, we are prepared to negotiate and enter into an agreement of purchase and sale (the "Purchase Agreement") with you to sell you the Property (as defined below). The Purchase Agreement will be the definitive and legally binding agreement between you and us for the sale of the Property, will contain provisions such as representations and warranties, covenants and other provisions which are acceptable to both you and us and our respective solicitors and which are customarily found in agreements of the kind contemplated by this letter that are entered into by parties dealing with each other at arm's length, and, without limiting the generality of the foregoing, will contain provisions that reflect the following:

1. "Property" as utilized herein shall mean approximately 37,815 square feet (per Levitt, Goodman Plan July 15th, 2011) of finished office/work space, the majority of which is located on the second floor of the building to be constructed at 2-6 Lisgar Street, Toronto, including an area on the ground floor as per the attached plans prepared by Tact Architecture Inc., dated May 19th, 2011.

**1100 King Street West Toronto, Ontario M6K 1E6**  
Tel. (416) 928-5001 Fax (416) 928-9501

2. The sale price for the Property would be the sum of **ONE MILLION FIVE HUNDRED AND SIXTY-TWO THOUSAND NINE HUNDRED AND SEVENTY-TWO (\$1,562,972) DOLLARS** (the "Sale Price").
3. As part of the purchase the Vendor would take back a first mortgage (the "VTB") in satisfaction of the Sale Price, on the following terms and conditions:

Principal Amount: \$1,562,972  
Interest Rate: 6% per annum  
Term: 25 years  
Payments: Blended monthly payment, including both principal and interest monthly at the rate of \$10,000 per month  
Amortization: 25 years  
Special Provisions: Open, when not in default, for repayment in whole or in part without notice or bonus, in which case the monthly principal payment amount will be recalculated by dividing the outstanding balance of VTB following any pre-payment by the number of months remaining in the term

4. The Property shall not include any parking space.
5. (a) The Vendor shall, at its expense, retain Exp. (formerly known as Trow Engineering) (or other entity approved by the City of Toronto [the "City"]), to monitor the progress of construction of the Property on behalf of TMAC as the Inspector as required by the City. Exp. shall ensure that all conditions of the municipal approval for the Property and applicable building standards have been met and that all space, fixtures and finishes are in a good state of repair and are in compliance with the Plans and Specifications (as hereinafter defined) and whose decision shall be final and binding on both the Vendor and TMAC.

Exp will provide to TMAC and the Vendor monthly reports and a final report with respect to the construction of the Property. The intent is for the City and TMAC to ensure that they are receiving the space they contracted for. Edge must hire a third party to provide a similar inspection for the condominium being constructed. It is desirable if one company, acceptable to the City, TMAC and Edge, can do the work for all parties.

- (b) The Vendor shall instruct the Inspector to copy all correspondence with respect to the Property to TMAC and shall require the Inspector to be available to respond to TMAC's inquiries with respect to such reports and/or the Inspector's inspections.
6. Edge agrees to build and deliver the Property for TMAC on a "turnkey" basis as a finished building according to, *inter alia*, the specifications set out in the Altus Helyar report dated July 26<sup>th</sup>, 2011 (the "Altus Report"), in consideration for the payment to it by TMAC of the Sale Price. The cost for the construction of the Property shall not include allocation for the cost of the land, or for fees or levies (including, building permit fees and development charges) or loading facilities or the HST, etc., each of which will be for

the account solely of the Vendor. The Sale Price shall be in full satisfaction of the cost of the construction of the Property, except that TMAC shall be responsible to pay as an additional amount the costs of extras or change orders that it requests in writing and which are agreed to by the Vendor. The Vendor will assist TMAC by advancing to TMAC an interest free loan (herein referred to as the **HST Loan**) in the amount that is required to be remitted to the Canada Revenue Agency on account of the HST exigible on the Sale Price. In full satisfaction of the repayment of the HST Loan, TMAC shall transfer to the Vendor the amount that it receives, if any, on account of any rebate for the HST paid on the Sale Price for which it qualifies, it being acknowledged and agreed that if TMAC does not receive payment of any such rebate amount, then the HST Loan will be forgiven and TMAC will be completely released and discharged from any obligation to repay the HST Loan. In regard to any such rebate, TMAC will take the steps necessary to apply for such rebate as is allowed under the *Excise Tax Act* (Canada) given the use of the Property and TMAC's status as either a Non-Profit or charitable organization with the meaning of CRA's rules for HST.

7. The Property will be a separate freehold title. It will not be a condominium unit that is a unit within the Edge condominium. Edge will at its sole cost and expense proceed with Committee of Adjustment application, after construction proceeds to at least the fourth storey, to create the freehold title.
8. There is intended to be three separate legal entities on the site as follows:
  - (a) Edge condominium, with approximately 600 residential units and ancillary facilities (the "Edge Condominium");
  - (b) TMAC, with approximately 37,815 square feet of finished space.
  - (c) Toronto Parking Authority, with a car public parking garage of approximately 150 spaces.

All three entities will enter into a shared facilities agreement (the "Shared Facilities Agreement"), which will define how the parties share some common expenses for facilities and services whose use is shared in common by the parties to the Shared Facilities Agreement. It is understood that the intent is to minimize the operation costs to be paid by TMAC. For example TMAC will not be using the condo parking garage and will not have access to the condo facilities.

9. It is understood that, where possible, the Property and the Edge Condominium will share facilities. For example, it is intended that there will be one mechanical system for the entire Project providing heating and cooling. This is less costly than providing two separate systems. A fair method of cost allocation will be used to allocate shared operating costs and will be subject to approval by the Inspector.
10. Edge has already decided to install a Geo-Thermal heating/cooling system for the entire Project. For clarity, Edge will pay for (and through a related entity own) the main plant of

the Geo-Thermal system for the entire Project (including the Property) and there will be no cost allocations to TMAC or to the budget for the construction of the Property with respect to the cost of the acquisition and installation of the Geo-Thermal system. TMAC will just pay monthly for its share of the cost of the electricity consumed (as measured by meters or check-meters) in the operation of the geothermal heat pump(s) used to heat and cool the Property. The Property may contain one or more service type units intended to utilize the geothermal system, such as heat pumps, and which units and equipment located within the Property are to be owned by TMAC. Again, for clarity, the capital costs of the acquisition and installation of such units and equipment shall be paid by Edge.

The provisions of this Section 10 are based upon the assumption that the Geothermal Company obtains approval under the *Ontario Energy Board Act* to provide the heating, cooling and energy services described in this Section 10, if required. In the event that the Geothermal Company does not obtain such approval, the following may apply:

- (i) the Geothermal Company will be another distributor of geothermal energy licensed under the *Ontario Energy Board Act*; or
  - (ii) the Project will be heated and cooled with a conventional heat pump system (i.e. not a geothermal system).
11. The Property shall also be subject to, and have rights, with respect to support, stairwells building systems and access and egress, as more particularly defined in the Purchase Agreement.
  12. The turnkey includes the consultant costs for TMAC that have already been identified by Altus. Edge has a complete team of architects and engineers who will prepare working drawings for the entire building and will be the architect and engineer of record. Edge will absorb their cost as part of the Edge project and not include this cost in the TMAC budget. All additional consultants required by TMAC with respect to the design and construction of the Property, subject to Edge's approval, are a cost of the TMAC project, it being understood that the completed Property shall nonetheless conform to, *inter alia*, the specifications set out in the Altus Report.

It is understood that the Vendor is providing a building but shall not be responsible for or involved in the day to day operations of TMAC or the annual operating costs. Therefore the Vendor's commitment with respect to pre-approved consultant's costs is only with respect to the design and construction of the Property.
  13. The Vendor will agree to pay the reasonable fees and disbursements of all professional consultants and advisors that are not otherwise addressed in the Altus Report and that are retained by TMAC to provide it with advice and services in connection with, or related to, negotiating, entering into and completing the Purchase Agreement, including, without limitation, such advice and services provided to TMAC in connection with TMAC's signing of this letter of intent and the preliminary discussions between TMAC, Edge

and/or the City about the Project, provided that in the case of each such consultant or advisor TMAC will submit to, and obtain Edge's approval of, a budget for the fees and disbursements associated with TMAC retaining the consultant or advisor.

14. Based on the specifications contained in the Altus Report, the Vendor, at its sole cost and expense, shall prepare the floor plans and elevations of the Property (the "Plans"), together with the base building features and specifications of the Property (the "Specifications") and submit same to TMAC for review and approval (such Plans, Specifications, Working Drawings (as defined below) and TMAC Interior Design and Finishing Specifications (as defined below) are collectively referred to as the "Property Plans and Specifications").
15. TMAC shall prepare, for review and approval by the Vendor, drawings, plans and specifications for all interior design, finishes, materials and equipment necessary to render the Property complete and suitable to be opened for business (the "TMAC Interior Design and Finishing Specifications").
16. The Vendor shall prepare, at its sole cost and expense, full architectural drawings, engineering drawings, mechanical drawings, landscaping plans and other working drawings for the construction of the Property (collectively the "Working Drawings") in accordance with the Plans, Specifications and TMAC Interior Design and Finishing Specifications, which it will submit to TMAC for review and approval.
17. The Vendor will covenant to construct the Property with due diligence, in a good and workmanlike manner, in accordance with:
  - a. the Property Plans and Specifications and all amendments, revisions, additions, supplements and other changes thereto which have been approved both the Vendor and TMAC;
  - b. any site plan agreement entered into by the Vendor and the City, the permits and all laws, by-laws, regulations, codes and other requirements of the City and all governmental authorities having jurisdiction; and
  - c. the terms and conditions of the Purchase Agreement.
18. If changes are required to the Property Plans and Specifications by reason of the provisions of codes, agreements or requirements of or administered by the City of any utility or any other authority, including because of changed interpretations of such codes, agreements or requirements and because of actual changes in such codes, agreements or requirements after the date they are obtained, then all necessary changes shall be made in the Property Plans and Specifications by the Vendor and the construction of the Property shall be performed in accordance with the amended Property Plans and Specifications, but there shall be no increase in the Sale Price with respect to any such changes.

19. With respect to the design and construction of the Property, the Purchase Agreement will contain a covenant from the Vendor to correct promptly, for the durations, the items and in accordance with the construction performance guidelines as provided in a Tarion Warranty, at its sole expense:
  - a. any defect or deficiency in the Property arising from an error or deficiency in any aspect of the design for the Property that is set out in the Property Plans and Specifications (except for an error or deficiency in the design for the Property contained in the TMAC Interior Design and Finishing Specifications); and
  - b. any defect or deficiency in the Property due to faulty products or workmanship or otherwise not in accordance with the requirements of the Property Plans and Specifications.
20. The Purchase Agreement would be subject to the requirement that, by a date to be specified in the Purchase Agreement, the reciprocal easements to which the Property and the Edge Condominium are to be subject, the shared facilities and the Shared Facilities Agreement will have been agreed to by TMAC, the Vendor and, in the case of the Shared Facilities Agreement and if applicable, the Toronto Parking Authority, failing which the Purchase Agreement would be null and void and at an end.
21. TMAC will be allowed a period of one year from the date of the Purchase Agreement to examine title to the Property, and in connection therewith, the Vendor's solicitors shall provide a title memorandum to TMAC's solicitor reflecting title of the Property as of the end of the month in which the Purchase Agreement was executed and delivered by both parties, such title memorandum to be delivered no later than 30 days after the end of the month in which the Purchase Agreement was executed and delivered by both parties.
22. The Purchaser acknowledges that the Vendor will only be entering into a binding agreement of purchase and sale with the Purchaser if the City of Toronto approves this transaction and provides the Vendor with benefits satisfactory to the Vendor in consideration of the contemplated transaction.

The foregoing, together with all other pertinent and/or usual terms and provisions, will be embodied in an Agreement of Purchase and Sale, the form and content of which shall be agreeable to each of you and us.

Construction of the Edge Condominium has already commenced. The Edge Condominium, prior to the transaction contemplated under the Purchase Agreement and the signing and delivery of this letter of intent, is an approved project and is proceeding with construction based on the existing approval. Assuming that the transaction with TMAC contemplated in this letter goes forward, Edge anticipates delivering occupancy of the Property to TMAC on May 15th, 2013, although this date will be subject to confirmation in the Purchase Agreement. It is expected that the severance for TMAC will be approved prior to that date and when Edge provides occupancy, it will also provide clear title to TMAC.

The following is a general schedule of the steps that will be required to finalize, which is subject to confirmation and agreement between Edge, TMAC and the City:

- (a) September 30th- TMAC confirms that the transaction is acceptable and signs the nonbinding letter of intent;
- (b) Mid-October - City Council approval of the transaction;
- (c) December - transaction is binding, all conditions have been satisfied.

From the date of execution of this Letter of Intent until same is terminated as provided for herein, we will not negotiate with any other party for the sale of the Property, and, except for TMAC's and Edge's respective financial, development and legal advisors and the City, neither TMAC nor Edge will advise any other party of the terms of this Letter of Intent.

We trust the foregoing non-binding expression of interest provides you with sufficient details as to the basis upon which we would be interested in purchasing the Property.

May we please hear from you on or before 5:00 p.m. the 30<sup>th</sup> day of September, 2011 failing which we must assume you have no interest with respect to this Letter of Intent.

Yours very truly,

EDGE ON TRIANGLE PARK INC.

Per:



Alan Saskin  
President

I have the authority to bind the Corporation

We hereby accept the terms of the within letter of intent.

Dated this 30<sup>th</sup> day of September, 2011.

TORONTO MEDIA ARTS CLUSTER, a corporation to be incorporated, executed in trust therefor by the person(s) whose name(s) appear(s) below, without any personal liability:



Name: GARY HALL

SCHEDULE

ALTUS REPORT, July 26, 2011

[Inserted]