Court File No. CV-13-10280-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

B E T W E E N:

DBDC SPADINA LTD.,
and THOSE CORPORATIONS LISTED ON SCHEDULE A HERETO

Applicants

and

NORMA WALTON, RONAULD WALTON, THE ROSE & THISTLE GROUP LTD. and EGLINTON CASTLE INC.

Respondents

and

THOSE CORPORATIONS LISTED ON SCHEDULE B HERETO, TO BE BOUND BY THE RESULT AND THE REAL PROPERTY LISTED ON SCHEDULE C HERETO, TO BE BOUND BY THE RESULT

and

SUCH OTHER RESPONDENTS FROM TIME TO TIME AS ARE ON NOTICE OF THESE PROCEEDINGS AND ARE NECESSARY TO EFFECT THE RELIEF SOUGHT

APPLICATION RECORD OF THE RESPONDENTS NORMA WALTON, RONAULD WALTON, THE ROSE & THISTLE GROUP LTD. AND EGLINTON CASTLE INC.

(RETURNABLE ON MARCH 15TH, 2016)

February 12th, 2016

COHEN, SABSAY LLP
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Toronto, ON M5H 2T7

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TO: THE SERVICE LIST

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A N D B E T W E E N:

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Applicants by Counterapplication

and

DBDC SPADINA LTD.,

and THOSE CORPORATIONS LISTED ON SCHEDULE A HERETO., and
DR. STANLEY BERNSTEIN

Respondents by Counterapplication

and

THOSE CORPORATIONS LISTED ON SCHEDULE B HERETO, TO BE BOUND BY THE RESULT AND THE REAL PROPERTY LISTED ON SCHEDULE C HERETO, TO BE BOUND BY THE RESULT

NOTICE OF COUNTERAPPLICATION

TO THE RESPONDENTS BY COUNTERAPPLICATION:

A LEGAL PROCEEDING HAS BEEN COMMENCED by the Applicants by Counterapplication. The claim made by the Applicants by Counterapplication appears on the following page.

THIS APPLICATION will come on for a hearing on the 15th day of March, 2016, at 10:00 a.m., before a judge presiding over the Commercial List at 330 University Avenue, 7th Floor, Toronto, ON, M5G 1R7.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the *Rules of Civil Procedure*, serve it on the Applicants' lawyer or, where the Applicants do not have a lawyer, serve it on the Applicants, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the Applicants' lawyer or, where the Applicants do not have a lawyer, serve it on the Applicants, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least four days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date	____________________	Issued by	____________________________ Local Registrar
		Address of court office:	330 University Avenue, 7th Floor Toronto, ON M5G 1R7

APPLICATION

1. The Respondents (Applicants by Counterapplication), Norma Walton, Ronauld Walton, The Rose & Thistle Group Ltd. and Eglinton Castle Inc., make an application against the Applicants (Respondents by Counterapplication) for:

(i.) An Order requiring that the action commenced under Court File Number CV-15-11147-00CL, known as *Trez Capital Limited Partnership et al. v. Dr. Stanley Bernstein et al.* (hereinafter referred to as "the Trez Capital action"), be combined with the herein application;

(ii.) An Order dismissing the Applicants' (Respondents by Counterapplication) request to amend their Application;

(iii.) An Order dismissing the Applicants' request to add new parties to the Application;

(iv.) An Order requiring that the Trez Capital action and the within Application be set down for a trial, with appropriate directions;

(v.) In the alternative to paragraph (iv) above, an Order requiring that the Applicants' request for damages be transferred to a reference to be conducted, to determine the appropriate level of damages;

(vi.) An Order dismissing the Applicants' request for a finding of fraud as it relates to any aspect or any portion of the quantum of the damage award requested;

(vii.) An Order or a Judgment against the Respondents in the Counterapplication for unjust enrichment, in the amount of $27,000,000.00;

(viii.) An Order or Judgment against the Respondents in the Counterapplication for damages, as per the Statement of Defence and Crossclaim of the Defendants Norma Walton and Ronauld Walton in the Trez Capital action, in the amount of $52,000,000.00 for the relief set out in paragraph 44(a) of the Cross Claim in the Trez Capital matter and for breach of contract;

(ix.) A declaration that the Respondents in the Counterapplication owe, to the Schedule "C" property investors, the sum of $14,000,000.00;

(x.) A declaration that the Schedule "B" companies and the Respondents in the Counterapplication are jointly and severally liable to pay to the following companies the amounts indicated as follows:

i. $520,850 to Prince Edward Properties Ltd.;

ii. $134,900 to Cinderella Productions Ltd.; and

iii. 1,052,895 to Front Church Properties Ltd.;

(xi.) A declaration that the Schedule "B" companies and the Respondents in the Counterapplication are jointly and severally liable to pay to the Respondents or the following Respondent companies the following amounts:

i. $234,727 to Richmond East Properties Ltd.;

ii. $132,975 to Hazelton Property Management Ltd.;

iii. $2,906,430 to the Respondents related to Tisdale Properties Ltd.;

iv. $216,308 to the Respondents related to 19 Tennis Crescent; and

v. $145,432 to the Respondents related to 110 Lombard;

(xii.) prejudgment interest in accordance with section 128 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended;

(xiii.) postjudgment interest in accordance with section 129 of the *Courts of Justice Act*;

(xiv.) the costs of this proceeding; and

(xv.) Such further and other relief as this Honourable Court may deem just.

2. The grounds for the application are:

a. Consolidation Request

(i.) In paragraph 291 of Justice Brown's August 12th, 2014 decision, His Honour directed that, "All proceedings as between Dr. Bernstein and the Waltons, and their respective companies, as well as any litigation involving Schedule B Companies/Properties and Schedule C Companies/Properties, should be managed together by one judge on the Commercial List. I direct that steps be taken to transfer any other such kind of proceeding to the Commercial List."

(ii.) The action commenced under Court File No. CV-15-11147-00CL, known as *Trez Capital Limited Partnership et al. v. Dr. Stanley Bernstein et al.,* relates to proceedings between Dr. Bernstein and the Waltons and a number of the Schedule "B" properties.

b. Amendment and Addition of New Parties

(i.) The Applicants have proposed to amend their application multiple times throughout this proceeding and are once again requesting to amend the application to add claims that are more properly brought in the form of an action.

(ii.) The Applicants have elected not to bring a separate motion seeking to amend their Application prior to moving for judgment, contrary to the Rules of Civil Procedure. Rather the Applicants are purporting to request the amendment be granted concurrent with moving for judgment.

(iii.) The Applicants are further proposing to add, as parties to this Application, Respondents who have not previously been parties. Again, contrary to the Rules of Civil Procedure, they are seeking to add those parties on the same day they request judgment against them.

c. Trial to be Ordered and the Fraud Claim

(i.) Whether a basis for a global determination of fraud can be demonstrated is a triable issue. No fraud judgment should issue without the Respondents having an opportunity to adduce viva voce evidence to the Court on that issue and the component issues and to call witnesses on their behalf, pursuant to Rule 38.10 of the *Rules of Civil Procedure*, R.R.O. 1990, Regulation 194, as amended.

(ii.) The Respondents have put, in issue, a multiplicity of facts, which go to showing that no fraud has been committed, most particularly in relation to work done for jointly held properties and funds transferred to Schedule "C" properties.

(iii.) Justice Brown, in this August 12th, 2014 orders, did not make any orders against the Respondents in fraud, nor did the Court of Appeal for Ontario make any such orders against the Respondents in fraud.

(iv.) Damage claims—most particularly with regard to the within matters—are not properly brought in the context of an application, particularly when facts upon which the claim rests are contested and there is no agreement or clarity as to the quantum of damages that are exigible.

(v.) There is extreme complexity to the damage claims and factual disagreement that make a proper determination of damages beyond the scope of the adjudicative process in the application and necessitate a reference pursuant to Rule 54.02;

d. Unjust Enrichment

(i.) The Respondents claim damages for unjust enrichment, relating to work done and monies paid by The Rose and Thistle Group Ltd. ("Rose and Thistle") for the benefit of the Schedule "B" properties. Thus far Rose and Thistle has received no credit for that work.

(ii.) As a direct result of Rose and Thistle's work, the Schedule "B" properties increased in value and were ultimately appraised for much more than their original purchase price. The Applicants benefitted from this increase in value and there is no juristic reason not to compensate Rose and Thistle.

(iii.) Rose and Thistle's work created an increase in value of the Schedule B properties of approximately $27,000,000.

e. Damages

(i.) The Applicants intentionally and recklessly caused the destruction in value of the Schedule "B" property portfolio and the Schedule "C" property portfolio by petitioning both into receivership, without notice to the secured creditors as it related to the Schedule "B" properties.

(ii.) The Respondents sustained damages as a result of the Applicants' pursuit of litigation, as opposed to pursuing mediation and arbitration as a more economical, private and sensible means to resolve any concerns, particularly in light of the nature of the joint investments and the 31 contracts signed between the parties.

(iii.) The appointment of a Receiver in the circumstances of the matter had the net effect of removing any flexibility or control by the parties over their own property.

(iv.) The appointment of a Receiver lacked commercial sense and its detrimental impact was foreseeable ab initio.

(v.) As a direct result of the Applicants' reckless and unreasonable pursuit of the appointment of the Receiver over the joint-portfolio assets, including the properties, all of the mortgages on the joint-portfolio properties were put into automatic default, notwithstanding the fact that all monthly payments were current. The default severely limited the ability to sell the properties in a commercially reasonable manner.

(vi.) Furthermore, if notice of the litigation had been provided to the secured creditors by the Applicants, the secured creditors could have made the Court aware that a receivership or management order would automatically put the mortgages into default, thus triggering the lenders' rights to power of sale on all of the properties. This may have given the Applicants pause to reconsider the disastrous effects that public litigation would have on the value of the joint-portfolio.

(vii.) A further consequence of the litigation was that the Applicants had originally sought oppression remedies with respect to only six of the joint-portfolio properties. However, the Court appointed a Manager/Receiver over the entirety of the joint-portfolio, inclusive of those in relation to which no particular allegations of oppression had been made by the Applicants.

(viii.) The course of action pursued by the Applicants, in this respect, gave rise to instability in the business of the Respondents, exposed the Respondents to personal liability for mortgages totalling in excess of $200 million, by virtue of the Waltons' personal guarantees with respect thereto, as well as led to the commencement of a number of litigious proceedings by secured creditors.

(ix.) Furthermore, the appointment of the Manager/Receiver over the joint-portfolio properties substantially diminished the value of the properties, both by the reduced value of properties that are sold via receivership or power of sale, and additionally due to the greatly increased costs associated with the litigation and third-party management of the properties. These costs have totaled many millions of dollars.

(x.) Given that the real properties in control of the Court were improvidently liquidated, Bernstein's negligent and reckless course of action in obtaining the appointment of a Manager/Receiver fundamentally reduced the value of the joint-portfolio and the personal assets of the Waltons.

(xi.) The marketing of the joint-portfolio properties, by the court-appointed Manager/Receiver, not only resulted in the precipitous devaluation of the properties, but additionally left a sizeable shortfall in available funds for distribution to creditors.

(xii.) Immediately upon the receivership Order being made, the Receiver declared that it would not entertain any offers to purchase until it had conducted a comprehensive valuation of the portfolio, despite the Respondents providing to the Receiver all of the appraisal reports. As such, the Receiver chose not to negotiate over many favourable offers to purchase the properties and, ultimately, sold those properties for far less than those offers initially received.

(xiii.) The Respondents attracted three big funds who were interested in purchasing the entire portfolio or, alternatively, enough of the portfolio to pay off the entirety of the mortgage debt. On receiving those offers, the Receiver and the Applicants sought a court order excluding the Respondents from the sales process. Due to the Respondents being excluded from discussions with respect to the disposition of the joint-portfolio properties, their in-depth knowledge of the portfolio and lucrative business connections were compromised. The value of the portfolio was reduced significantly as a result.

(xiv.) Furthermore, in an Order dated November 5th, 2013, Justice Newbould clearly bestowed upon the receiver manager unlimited discretion in dealing with the properties, which by implication includes developing the properties and realizing their full potential value, which was not done. Instead the properties were liquidated.

(xv.) Bernstein failed to act in good faith, in the performance of his contractual duties to the companies governing the joint-portfolio properties and to his partners, in changing his approach to the way the partnership's business was carried out, in refusing to mediate and arbitrate the dispute and in engaging the Respondents in costly and needless litigation.

f. Schedule C Investors' Loss

(i.) On the same basis as e. above, Dr. Bernstein's actions in petitioning the Schedule C portfolio into Receivership caused the same sort of losses to the Schedule C equity value, to the detriment of the Schedule C investors.

(ii.) Dr. Bernstein's actions in petitioning the Schedule C properties into receivership caused the Schedule C investors to lose their $14 million investment in that portfolio.

g. Respondent and Respondent Company Entitlement

(i.) Pursuant to the Inspector's Tracing Analysis, eight of the Respondent companies provided to Rose and Thistle net monies. Those monies likely benefitted the Schedule B properties to the detriment of the Schedule C properties.

(ii.) Specifically:

i. Prince Edward Properties provided to Rose and Thistle the net sum of $520,850 to its specific detriment;

ii. Cinderella Productions Ltd. provided to Rose and Thistle the net sum of $134,900 to its specific detriment;

iii. Front Church Properties Ltd. provided to Rose and Thistle the net sum of $1,052,895 to its specific detriment.

vi. Richmond East Properties Ltd. provided to Rose and Thistle the net sum of $234,727 to its specific detriment;

vii. Hazelton Property Management Ltd. provided to Rose and Thistle the net sum of $132,975 to its specific detriment;

viii. Tisdale Properties Ltd. before Dr. Bernstein became a joint owner provided to Rose and Thistle the net sum of $2,906,430 to its specific detriment;

ix. 19 Tennis Crescent provided to Rose and Thistle the net sum of $216,308 to its specific detriment; and

i. 110 Lombard provided to Rose and Thistle the net sum of $145,432 to its specific detriment.

(iii.) The Schedule B properties likely benefitted from the monies that flowed from the above properties through Rose and Thistle into the Schedule B properties. The Inspector has refused to provide a tracing analysis showing the flows from Schedule C through Rose and Thistle into Schedule B to more accurately identify where those funds went, despite requests being made by the Schedule C investors and the Respondents. Hence the only tracing before the Court is for the benefit of the Applicants conducted by the Applicants' CFO.

(iv.) Any damages claim by Dr. Bernstein using the Inspector's Tracing Analysis must be tied to the above claims that are owed by him back to the Schedule C Properties.

(v.) In contrast to Dr. Bernstein's claim for damages related to the Inspector's Tracing Analysis wherein he was either paid back for the monies that were transferred or received significant value from Rose and Thistle for those monies, none of the above monies were repaid to the Schedule "C" properties or to the Respondent companies.

(vi.) Such further and other grounds as counsel may advise.

3. The following documentary evidence will be used at the hearing of the application:

(i.) Affidavit of Norma J. Walton, Sworn on the 12th day of February, 2016;

(ii.) The Amended Statement of Claim of the Plaintiffs in the matter of *Trez Capital Limited Partnership et al. v. Dr. Stanley Bernstein et al.*, under Court File No. CV-15-11147-00CL;

(iii.) The Statement of Defence and Crossclaim of the Defendants Dr. Stanley Bernstein, DBDC West Mall Holdings Inc., 2272551 Ontario Limited and DBDC Global Mills Ltd., in the matter of *Trez Capital Limited Partnership et al. v. Dr. Stanley Bernstein et al.*, under Court File No. CV-15-11147-00CL;

(iv.) The Statement of Defence and Crossclaim of the Defendants Norma Walton and Ronauld Walton, in the matter of *Trez Capital Limited Partnership et al. v. Dr. Stanley Bernstein et al.*, under Court File No. CV-15-11147-00CL;

(v.) The Statement of Defence of the Defendants Norma Walton and Ronauld Walton to the Crossclaim of the Defendants Dr. Stanley Bernstein, DBDC West Mall Holdings Inc., 2272551 Ontario Limited and DBDC Global Mills Ltd., in the matter of *Trez Capital Limited Partnership et al. v. Dr. Stanley Bernstein et al.*, under Court File No. CV-15-11147-00CL;

(vi.) The Respondent's Motion Record (7 Volumes) dated September 21, 2015, filed;

(vii.) The Respondent's Motion Record (multiple volumes) dated July 3, 2014, filed;

(viii.) The Respondent's Motion Record (multiple volumes) dated June 25, 2014, filed;

(ix.) The Respondent's Motion Record (multiple volumes) dated November 2013, filed;

(x.) The Respondent's Motion Record (multiple volumes) dated October 2013, filed;

(xi.) All previous affidavits sworn by Norma Walton and filed by her, or on her behalf, in this matter; and

(xii.) Such further and other evidence as counsel may advise and this Honourable Court may permit.

12th February 2016

COHEN, SABSAY LLP
901 – 357 Bay Street
Toronto, ON M5H 2T7

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Lawyers for the Respondents Norma Walton, Ronauld Walton, The Rose & Thistle Group Ltd. and Eglinton Castle Inc.

TO: THE SERVICE LIST

SCHEDULE "A" COMPANIES

1. Dr. Bernstein Diet Clinics Ltd.
2. 2272551 Ontario Limited
3. DBDC Investments Atlantic Ltd.
4. DBDC Investment Pape Ltd.
5. DBDC Investments Highway 7 Ltd.
6. DBDC Investments Trent Ltd.
7. DBDC Investments St. Clair Ltd.
8. DBDC Investments Tisdale Ltd.
9. DBDC Investments Leslie Ltd.
10. DBDC Investments Lesliebrook Ltd.
11. DBDC Fraser Properties Ltd.
12. DBDC Fraser Lands Ltd.
13. DBDC Queen's Corner Inc.
14. DBDC Queen's Plate Holdings Inc.
15. DBDC Dupont Developments Inc.
16. DBDC Red Door Developments Inc.
17. DBDC Red Door Lands Inc.
18. DBDC Global Mills Ltd.
19. DBDC Donalda Developments Ltd.
20. DBDC Salmon River Properties Ltd.
21. DBDC Cityview Industrial Ltd.
22. DBDC Weston Lands Ltd.
23. DBDC Double Rose Developments Ltd.
24. DBDC Skyway Holdings Ltd.
25. DBDC West Mall Holdings Ltd.
26. DBDC Royal Gate Holdings Ltd.
27. DBDC Dewhurst Developments Ltd.
28. DBDC Eddystone Place Ltd.
29. DBDC Richmond Row Holdings Ltd.

SCHEDULE "B" COMPANIES

1. Twin Dragons Corporation
2. Bannockburn Lands Inc./Skyline — 1185 Eglinton Avenue Inc.
3. Wynford Professional Centre Ltd.
4. Liberty Village Properties Inc.
5. Liberty Village Lands Inc.
6. Riverdale Mansion Ltd.
7. Royal Agincourt Corp.
8. Hidden Gem Development Inc.
9. Ascalon Lands Ltd.
10. Tisdale Mews Inc.
11. Lesliebrook Holdings Ltd.
12. Lesliebrook Lands Ltd.
13. Fraser Properties Corp.
14. Fraser Lands Ltd.
15. Queen's Corner Corp.
16. Northern Dancer Lands Ltd.
17. Dupont Developments Ltd.
18. Red Door Developments Inc. and Red Door Lands Ltd.
19. Global Mills Inc.
20. Donalda Developments Ltd.
21. Salmon River Properties Ltd.
22. Cityview Industrial Ltd.
23. Weston Lands Ltd.
24. Double Rose Developments Ltd.
25. Skyway Holdings Ltd.
26. West Mall Holdings Ltd.
27. Royal Gate Holdings Ltd.
28. Royal Gate Nominee Inc.
29. Royal Gate (Land) Nominee Inc.
30. Dewhurst Developments Ltd.

31. Eddystone Place Inc.
32. Richmond Row Holdings Ltd.
33. El-Ad (1500 Don Mills) Limited
34. 165 Bathurst Inc.

SCHEDULE "C" PROPERTIES
(MUNICIPAL ADDRESSES)

1. 3270 American Drive, Mississauga, Ontario
2. 2 Kelvin Avenue, Toronto, Ontario
3. 346 Jarvis Street, Suites A, B, E and F, Toronto, Ontario
4. 1 William Morgan Drive
5. 324 Prince Edward Drive, Toronto, Ontario
6. 24 Cecil Street, Toronto, Ontario
7. 30 and 30A Hazelton Avenue, Toronto, Ontario
8. 777 St. Clarens Avenue, Toronto, Ontario
9. 66 Gerrard Street East, Toronto, Ontario
10. 14 College Street, Toronto, Ontario
11. 26 Gerrard Street East, Toronto, Ontario
12. 2454 Bayview Avenue, Toronto, Ontario
13. 319 – 321 Carlaw, Toronto, Ontario
14. 0 Lutrell Avenue, Toronto, Ontario
15. 260 Emerson, Toronto, Ontario
16. 44 Park Lane Circle

DBDC SPADINA LTD. et al.
Applicants

-and-

NORMA WALTON et al.
Respondents

NORMA WALTON et al.
Applicants by Counterapplication

-and-

DBDC SPADINA LTD. et al.
Respondents by Counterapplication

Court File No. CV-13-10280-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

(Proceeding Commenced at Toronto)

NOTICE OF COUNTERAPPLICATION

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Lawyers for the Respondents Norma Walton, Ronauld Walton, The Rose & Thistle Group Ltd. and Eglinton Castle Inc.

TAB 2

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AFFIDAVIT OF NORMA J. WALTON

I, Norma J. Walton, of the City of Toronto, in the Province of Ontario, MAKE OATH AND SAY:

1. I am a Respondent to the matter herein in my personal capacity and am a principal of the Respondent companies, The Rose & Thistle Group Ltd. (hereinafter referred to as "Rose and Thistle") and Eglinton Castle Inc. As such, I have knowledge of the matters to which I depose herein.

<u>Consolidation Order</u>

2. Trez Capital Limited Partnership was a lender to four of our Schedule "B" properties, namely:

(a) 1450 Don Mills Road,

(b) 18 Wynford Drive,

(c) 295 The West Mall, and

(d) 1 Royal Gate Boulevard.

3. Trez Capital and its companion companies sued Dr. Bernstein, my husband and myself, in our personal capacities, in addition to our Schedule "B" companies, in an action commenced under Court File No. CV-15-11147-00CL, in an effort to recover on their personal guarantees, alleging a shortfall.

4. Dr. Bernstein and his companies defended that claim and cross-claimed against us. In addition, my husband and I have defended the Trez Capital claim and have cross-claimed against Dr. Bernstein.

5. The Amended Statement of Claim in the above-referenced action, as well as the parties' respective Statements of Defence and Crossclaim and our Defence to Crossclaim, are enclosed in my Application Record dated February 12th, 2016.

6. Justice Brown, in his August 12th, 2014 endorsement, provided a clear mandate that any matters concerning us, Dr. Bernstein and/or our Schedule "B" or "C" properties should be consolidated.

7. As such, we are seeking an order that the matters be consolidated and heard together, having regard to the fact that the issues in the Trez Capital action will affect the issues relevant to the present Application, and vice versa, as the matters are all related, intermingled and interdependent.

Amendment and Addition of New Parties

8. The Applicants have proposed to amend their application multiple times throughout this proceeding and are once again requesting to amend the application to add claims that are more properly brought in the form of an action.

9. In addition, the Applicants have refrained from bringing a separate motion seeking to amend their Application prior to moving for judgment, contrary to the *Rules of Civil Procedure*. Rather, the Applicants purport to request the amendment be granted concurrent with judgment.

10. The Applicants are further proposing to add, as parties to this Application, Respondents who have not previously been parties. Again, contrary to the *Rules of Civil Procedure*, they are seeking to add those parties on the same day that they request judgment against them.

The Necessity of a Trial

11. Whether a basis exists for a global determination of fraud is a triable issue. No fraud judgment should be issued without the Respondents having an opportunity to adduce *viva voce* evidence on that issue and the component issues.

12. My husband and myself, as well as the Respondent companies, have raised a number of triable issues with respect to the alleged commission of fraud, especially with respect to the work

completed in relation to the development of the joint-portfolio properties and the transfer of monies to the Schedule "C" properties.

13. Justice Brown, in his August 12th, 2014 order, did not make any orders in fraud against my husband and myself, nor did the Court of Appeal for Ontario make any such orders against us.

14. Having regard to the disputed nature of the facts upon which the Applicants' claims rest, as well as ambiguity with respect to the quantum of damages to which the Applicants are entitled, an application is an insufficient context to appropriately address and issue judgment upon the same.

The History of the Joint-Portfolio Investment Partnership

15. Commencing in September, 2010, Dr. Bernstein, my husband and I executed a number of agreements, each of which governed the manner of the acquisition and development of individual properties which were to constitute the joint-portfolio. The agreements additionally provided for the incorporation of discrete companies. According to these agreements, Dr. Bernstein owned 50% of the shares in each company. My husband and I jointly owned the remaining 50% of the shares.

16. Importantly, Dr. Bernstein explicitly agreed that I would bear primary responsibility for directing and conducting the daily management activities to facilitate the development of the joint-portfolio properties. He stipulated that he wished to remain a silent investor in the portfolio.

17. Due to the exponential rate at which the joint-portfolio grew, as well as the resulting increases in capital requirements, the joint-portfolio properties relied heavily upon Dr. Bernstein's financial capabilities, so as to ensure the effective and uniform development of the properties. In this regard, the provisions of the relevant agreements governing the individual development projects explicitly stipulated that my and my husband's equity contributions—constituting 50% of

the projected costs relating to the development of each property—be provided on an as-needed basis. Dr. Bernstein would render his 50% equity contribution at the outset of the project. Only after those funds were depleted would our equity contributions be needed.

18. In light of Dr. Bernstein's desire to not actively partake in the development of the properties in which he invested, the equity contribution arrangement, as described above, constituted the essential *quid pro quo* of my and my husband's commercial relationship with Dr. Bernstein.

19. Notwithstanding my primary role in the development of the joint-portfolio properties, however, all financial arrangements were conducted in a transparent manner. Dr. Bernstein was aware of and agreeable to my strategic proposals regarding the property developments.

20. Throughout the tenure of our partnership, I met with Dr. Bernstein, on average, twice per month, and I regularly provided him with updates regarding the progress of various joint-portfolio developments. Over the course of the three-year investing relationship, I sent Dr. Bernstein hundreds of pages of e-mails, to which he responded. In this regard, Dr. Bernstein was kept fully apprised of all matters relating to the development of the joint-portfolio properties, including, as per his implied consent, verbal updates, as opposed to written reports.

Issues Giving Rise to Litigation

21. Until the joint-portfolio became the subject of litigation, my efforts resulted in substantial profits earned from the successful completion of various properties within the portfolio. The remaining properties in the development process were reasonably expected to yield similar results. In this regard, by the summer of 2013, Dr. Bernstein was receiving approximately $4,000,000.00

in interest on an annual basis, in addition to a substantial return on equity from the completed projects.

22. Dr. Bernstein earned profits from the joint-portfolio venture in three distinct ways:

a) Receiving premium interest rates on monies advanced in the form of mortgages, being a registered charge against the property and, thus, a secured investment (namely, an 8% annual interest rate on a first mortgage, in addition to a 2% placement fee, and an 11% annual interest rate on a second mortgage, in addition to a 2% placement fee);

b) The contribution of shareholder loans, pursuant to the provisions of the relevant contractual agreements, to be repaid prior to the distribution of any profits earned upon the completion of the project;

c) The receipt of 50% of the profits earned as a result of the completion of each project.

23. In and around June 2013, and prior to the commencement of the present litigation, Dr. Bernstein sought comprehensive financial information, with respect to the joint-portfolio, for the first time since the inception of his professional partnership with my husband and myself in September 2010. His requests, in this regard, were spirited by his financial officer, Jim Reitan.

24. Because my husband and I were in the process of transitioning to a more sophisticated accounting system to better address the demands of managing the rapidly developing joint-portfolio, we were unable to adequately fulfill the information requests made by Dr. Bernstein in June 2013.

25. Bernstein elected to litigate the issues, rather than mediate them, despite the provisions of our pro formas.

Dispute regarding Acquisition of Mortgage Financings

26. I am of the genuine belief that I had a colour of right to facilitate the placement of two mortgages on the Don Mills properties, located at 1450 and 1500 Don Mills Road, in the total amount of $6,000,000.00. At the time, the portfolio required a capital infusion; the mortgages were the chosen option.

27. In addition to Dr. Bernstein's consent to my taking responsibility for strategic decisions associated with operating the joint-portfolio properties, my husband and I additionally possessed equity in the Don Mills property, similar to the other properties constituting the joint-portfolio. As such, in obtaining mortgages against the Don Mills properties, it is my position that we were effectively borrowing against our equity in the properties.

28. My husband and I used the vast majority of the monies derived from the Don Mills mortgages in an easily traceable manner, in order to address the immediate cash-flow requirements of the portfolio. Dr. Bernstein was advised of the mortgages in and around September 2013, before he commenced litigious proceedings.

29. Subsequent to fulfilling the joint-portfolio's immediate cash-flow needs, we utilised our equity portion of the Don Mills mortgages, in the amount of approximately $2.5 million, to fund development expenses within our own portfolio. Shortly thereafter, when Dr. Bernstein expressed his disapproval of the mortgage arrangements, we took immediate steps to ameliorate his concerns.

30. Between October 17th, 2013, and December 15th, 2013, my husband and I personally funded the joint-portfolio, using approximately $880,000.00 of our own assets, in an effort to ensure that all mortgage payments remained current.

<u>Quantum of Damages</u>

31. Dr. Bernstein is claiming damages of $22.6 million against our Schedule "C" companies and properties. The basis for his claim is that his money went into the Schedule "B" properties and was then paid to Rose and Thistle and then was paid from Rose and Thistle into the Schedule "C" properties.

32. In fact, Dr. Bernstein was repaid, or received value, for the entirety of the sum of $22.6 million, which he claims in damages, as demonstrated below:

a) 32 Atlantic:

i. On August 29th, 2011, this property was purchased by Bernstein, myself and my husband for $7 million, as referenced in the relevant parcel register, attached as Exhibit 32 to the Affidavit of Jim Reitan, sworn on June 26th, 2014.

ii. Between August 29th, 2011 and August 1st, 2012, Dr. Bernstein advanced to the 32 Atlantic property the sum of $4.5 million as a construction mortgage, as it is indicated in the relevant pro forma attached as Exhibit "A" to my Affidavit sworn on October 3rd, 2013 (Tab 7, Exhibit "B," of my Responding Motion Record dated September 21st, 2015).

iii. 32 Atlantic paid to Rose and Thistle the sum of $4.5 million, because Rose and Thistle was the general contractor on the project and completed the work to renovate it, as set out in the Affidavits of Yvonne Liu, Carlos Carreiro, Mark Goldberg and Steven Williams, previously filed in this matter. In this regard, the relevant Intrepid Cost Consulting Report, attached as Exhibit "H" to my Affidavit sworn on June 26th, 2014 (Tab 9 of my Responding Motion Record dated September 21st, 2015), encloses before-and-after photos which demonstrate the work completed by Rose and Thistle.

iv. Dr. Bernstein is including the sum of $4.5 million as part of his $22.6 million damages claim, as referenced in the Inspector's Tracing Analysis, attached as Appendix "F" to the Fourth Interim Report of the Inspector.

v. On August 1st, 2012, the tenants moved into the property, as referenced in the relevant lease previously filed with the Court. Due to the work completed by Rose and Thistle, and their attraction of the tenant, Cossette Media, the property was appraised at a value of $19.5 million as at July 17th, 2012, almost exactly one year after purchasing the property for $7 million, as referenced in the relevant appraisal report enclosed herewith in the Exhibit "A" documentation. This, therefore, constitutes a $12.5 million increase in value due to the work completed by Rose and Thistle.

vi. A new mortgage was arranged and closed on August 28th, 2012, as referenced in the relevant parcel register, attached as Exhibit 32 to the Affidavit of Jim Reitan, sworn on June 26th, 2014, which new mortgage paid back, in full, Dr. Bernstein's $4.5 million construction mortgage and his $6.8 million acquisition mortgage, on August 29th, 2012.

vii. Nonetheless, despite Dr. Bernstein being fully repaid the $4.5 million sum on August 29th, 2012, he is now trying to claim that sum as part of his entitlement to the Schedule "C" properties.

b) 241 Spadina Avenue:

i. On October 18th, 2010, this property was purchased by Bernstein, myself and my husband for $4.5 million, as referenced in the relevant parcel register attached as Exhibit 29 to the Affidavit of Jim Reitan, sworn on June 26th, 2014.

ii. Between October 18th, 2010 and April 24th, 2012, Dr. Bernstein advanced to the 241 Spadina property the sum of $2.7 million as a construction mortgage, as well as a further sum of $400,000.00 as a tenant improvement allowance, for a total of $3.1 million, as referenced in the pro forma attached as Exhibit "A" to my Affidavit sworn on October 3rd, 2013 (Tab 7, Exhibit "B," of my Responding Motion Record dated September 21st, 2015).

iii. 241 Spadina Avenue paid, to Rose and Thistle, the full amount of the $2.7 million sum, because Rose and Thistle was the Project Manager of the project and completed much of the work required to renovate the property, as set out in the Affidavits of Yvonne Liu, Carlos Carreiro, Mark Goldberg and Steven Williams, previously filed in this matter. Please also reference, in this regard, the relevant Intrepid Cost Consulting Report, attached as Exhibit "H" to my Affidavit sworn on June 26th, 2014 (Tab 9 of my Responding Motion Record dated September 21st, 2015), which includes before-and-after photos demonstrating the work completed by Rose and Thistle.

iv. Dr. Bernstein has included that sum of \$3.1 million as a portion of his \$22.6 million damages claim, as referenced in the Inspector's Tracing Analysis, attached as Appendix "F" to the Fourth Interim Report of the Inspector.

v. The tenants moved into the property between 2011 and 2013, as referenced in the relevant rent roll enclosed herewith in the Exhibit "B" documentation.

vi. Due to the work completed by Rose and Thistle, and their attraction of the tenants, the property was appraised at approximately \$12 million as at December 12th, 2012, approximately two years after purchasing the property for \$4.5 million, as referenced in the relevant appraisal report enclosed herewith in the Exhibit "A" documentation. This, therefore, constitutes an estimated \$7.5 million increase in value due to the work completed by Rose and Thistle.

vii. A new mortgage was arranged and closed on May 18th, 2012, which new mortgage paid back, in full, Dr. Bernstein's construction mortgage in the amount of \$3.1 million and his acquisition mortgage in the amount of \$3.6 million, as per the parcel register attached as Exhibit 29 to the Affidavit of Jim Reitan, sworn on June 26th, 2014. Nonetheless, despite being fully repaid the sum of \$3.1 million on April 24th, 2012, Dr. Bernstein presently seeks to claim that sum as part of his entitlement to the Schedule "C" properties.

c) 1185 Eglinton Avenue East:

i. On December 17th, 2010, this property was purchased by Bernstein, myself and my husband for $8.5 million, as referenced in the relevant parcel register, attached as Exhibit 30 to the Affidavit of Jim Reitan, sworn on June 26th, 2014.

ii. Prior to purchase, through to December 10th, 2012, Dr. Bernstein advanced to the 1185 Eglinton Avenue property the sum of $1.4 million as a development and demolition mortgage, as it is indicated in the pro forma attached as Exhibit "A" to my Affidavit sworn on October 3rd, 2013 (Tab 7, Exhibit "B," of my Responding Motion Record dated September 21st, 2015).

iii. 1185 Eglinton Avenue paid to Rose and Thistle that sum of $1.4 million because Rose and Thistle was the Project Manager for the demolition of the existing 13-storey building, which had been torn down. Rose and Thistle was additionally responsible for obtaining the development approvals to turn the property into a high-rise residential development site, as set out in the Affidavits of Yvonne Liu, Carlos Carreiro, Mark Goldberg and Steven Williams, previously filed in this matter. Note that the development approval work commenced in August, 2012, four months before the purchase closed. In this regard, enclosed in the BTY Group Cost Consulting Report, attached as Exhibit "K" to my Affidavit sworn on June 26th, 2014 (Tab 9 of my Responding Motion Record dated September 21st, 2015), are before-and-after photos which demonstrate the work completed by Rose and Thistle.

iv. Dr. Bernstein is including the $1.4 million sum as part of his $22.6 million damages claim, as referenced in the Inspector's Tracing Analysis, attached as Appendix "F" to the Fourth Interim Report of the Inspector.

v. The demolition and development approval was completed by December 10th, 2012.

vi. Due to the work completed by Rose and Thistle, almost exactly two years after purchasing the property for $8.5 million, the property was appraised at $19.4 million, as at December 6th, 2012, being an approximate $11 million increase in value due to the work completed by Rose and Thistle, as referenced in the relevant appraisal report enclosed herewith in the Exhibit "A" documentation.

vii. A new mortgage was arranged and closed on December 10th, 2012, which new mortgage paid back, in full, Dr. Bernstein's funds in the amount of $1.4 million, as a construction mortgage, and $6.8 million as an acquisition mortgage, as per the parcel register attached as Exhibit 30 to the Affidavit of Jim Reitan, sworn on June 26th, 2014.

viii. Hence, Dr. Bernstein was fully repaid the $1.4 million on December 10th, 2012, although he is now trying to claim that sum as part of his entitlement to the Schedule "C" properties.

d) 18 Wynford Drive:

i. On February 7th, 2011, this property was purchased by Bernstein, myself and my husband for $8.5 million, as referenced in the relevant parcel register, attached as Exhibit 31 to the Affidavit of Jim Reitan, sworn on June 26th, 2014.

ii. Between February 7th, 2011 and March 7th, 2013, Dr. Bernstein advanced to the 18 Wynford property the sum of $2.8 million as a construction mortgage, as referenced in the relevant pro forma attached as Exhibit "A" to my Affidavit sworn on October 3rd, 2013 (Tab 7, Exhibit "B," of my Responding Motion Record dated September 21st, 2015).

iii. 18 Wynford paid to Rose and Thistle that sum of $2.8 million because Rose and Thistle was the General Contractor on the project and completed the work to renovate it, as set out in the Affidavits of Yvonne Liu, Carlos Carreiro, Mark Goldberg and Steven Williams, previously filed in this matter, and as it is indicated in the Intrepid Cost Consulting Report attached as Exhibit "J" to my Affidavit sworn on June 26th, 2014 (Tab 9 of my Responding Motion Record dated September 21st, 2015), which report includes before-and-after photos demonstrating the work completed by Rose and Thistle.

iv. Dr. Bernstein is including that $2.8 million sum as part of his $22.6 million damages claim, as referenced in the Inspector's Tracing Analysis, attached as Appendix "F" to the Fourth Interim Report of the Inspector.

v. A number of tenants moved in between February 7th, 2011 and March 7th, 2013, as referenced in the relevant rent roll enclosed herewith in the Exhibit "B" documentation.

vi. Due to the work completed by Rose and Thistle, their improvement of the building, and their attraction of the tenants, the property was appraised at $14.5 million as at January 21st, 2013, almost exactly two years after purchasing the property for $8.5

million, being a $6 million increase in value due to the work completed by Rose and Thistle, as referenced in the relevant appraisal report enclosed herewith in the Exhibit "A" documentation.

vii. A new mortgage was arranged and closed on March 7th, 2013, which new mortgage paid back, in full, Dr. Bernstein's $2.8 million, as per the parcel register attached as Exhibit 31 to the Affidavit of Jim Reitan, sworn on June 26th, 2014.

viii. Hence, Dr. Bernstein was fully repaid the sum of $2.8 million on March 7th, 2013, albeit he is now trying to claim that amount as part of his entitlement to the Schedule "C" properties.

e) 78 Tisdale Avenue:

i. On March 26th, 2010, this property was purchased by my husband and myself for $1.4 million, as referenced in the relevant parcel register, attached as Exhibit 38 to the Affidavit of Jim Reitan, sworn on June 26th, 2014.

ii. Between March 26th, 2010 and November 15th, 2010, we were in the process of development approving the property to permit multiple townhouses. On November 15th, 2010, Dr. Bernstein advanced mortgage monies to us to replace our existing lender; he was not an owner at that time. We continued the development approval process and began generating interest from prospective purchasers of the property, so as to permit those purchasers to build the townhouses.

iii. On December 27th, 2011, Dr. Bernstein agreed to buy in to the project, at a price of $6,703,000.00 for the property, given the work completed by Rose and Thistle to date and the two third-party offers generated by the Tisdale property at that time. This constituted an increase in property value of approximately $5,303,000.00, over the course of the 20-month period since purchase. The relevant pro forma is attached as Exhibit "A" to my Affidavit sworn on October 3rd, 2013 (Tab 7, Exhibit "B," of my Responding Motion Record dated September 21st, 2015). The two offers used to calculate fair market value are attached hereto as Exhibit "C."

iv. Justice Brown has characterized Dr. Bernstein buying into Tisdale as improper on our part. James Merryweather from Schonfeld Inc. sat with Mario Bucci and myself, in an effort to determine how to best demonstrate that Dr. Bernstein was buying in at a higher price than the existing cost base, as of December 27, 2011. It was on Mr. Merryweather's recommendation that we had our accountant write up the value of the company to the $6,708,000.00 amount, to reflect that Dr. Bernstein was buying in at a higher value.

v. Despite this involvement of Mr. Merryweather, an employee of Schonfeld, the Inspector's Report describing this accounting transaction made it seem that we were doing something wrong, when, in fact, we had simply followed Mr. Merryweather's advice as to how to demonstrate that Dr. Bernstein bought in at a higher value than our cost base.

vi. After Dr. Bernstein bought in, we continued to progress with the property and we refinanced the property on June 27th, 2013, with a third-party lender, and Dr. Bernstein was repaid his mortgage, which was discharged.

vii. 78 Tisdale paid monies to Rose and Thistle because my husband and I were entitled to the increase in value from the date of purchase to the date of Dr. Bernstein's buy-in.

viii. Dr. Bernstein is including that sum of $1.4 million, as it relates to Tisdale, as part of his $22.6 million damages claim, as referenced in the Inspector's Tracing Analysis, attached as Appendix "F" to the Fourth Interim Report of the Inspector.

ix. In fact, the new mortgage paid to Dr. Bernstein all monies that were advanced on the Tisdale property, as it is indicated in the parcel register attached as Exhibit 38 to the Affidavit of Jim Reitan, sworn on June 26th, 2014, confirming that the mortgage closed and confirming that Dr. Bernstein's mortgage was discharged.

x. Thus, Dr. Bernstein was fully repaid the $1.4 million amount on June 27th, 2013. Yet, he is now attempting to claim this amount as part of his entitlement to the Schedule "C" properties.

f) 875 Queen Street East

i. Justice Brown has characterized Dr. Bernstein buying into Queen Street as improper on our part. James Merryweather from Schonfeld Inc. sat with Mario Bucci and myself, in an effort to determine how to best demonstrate that Dr. Bernstein was buying in at a higher price than the existing cost base. It was on Mr. Merryweather's recommendation that we had our accountant write up the value of the company to the increased amount, to reflect that Dr. Bernstein was buying in at a higher value.

ii. Despite this involvement of Mr. Merryweather, an employee of Schonfeld, the Inspector's Report describing this accounting transaction made it seem that we were doing something wrong, when, in fact, we had simply followed Mr. Merryweather's advice as to how to demonstrate that Dr. Bernstein bought in at a higher value than our cost base.

g) 1500 Don Mills Road:

i. Dr. Bernstein, at his request of the Court, is now the sole owner of Donalda Developments Inc., pursuant to an order of the Court. His CFO, Jim Reitan, has confirmed under oath that Dr. Bernstein took over ownership of that company with the objective of utilizing the tax losses contained in the company for his own purposes. The tax losses are estimated at approximately $5 million.

ii. Dr. Bernstein is including, as part of his $22.6 million damages claim, the sum of $1,027,960.00 from 1500 Don Mills Road, yet he is now the sole owner of that entity. He is in line to receive the benefit of the tax losses in the sum of approximately $5 million. It is my understanding and veritable belief that those tax losses will be worth more than the $1,027,960.00 amount which he presently claims in damages, when applied against capital gains or income.

iii. Also, Rose and Thistle performed work at 1500 Don Mills Road, justifying the sum paid to it, as it is indicated in the cost consulting report of BTY, confirming the value of this work, as attached as Exhibit "T" to my Affidavit sworn on June 26th, 2014 (Tab 9 of my Responding Motion Record dated September 21st, 2015).

iv. Hence, it seems, Dr. Bernstein is trying to obtain double recovery of the amount of $1,027,960.00.

h) 65 Heward Avenue:

i. Dr. Bernstein is now the mortgagee on this property. He is presently claiming damages as against this property, in the amount of $2,076,000.00.

ii. Rose and Thistle performed environmental remediation and general contracting work at this property, which justified the payment of $2,076,000.00, as set out in the Affidavits of Yvonne Liu, Carlos Carreiro, Mark Goldberg and Steven Williams, previously filed in this matter, and as it is demonstrated by the pro forma attached as Exhibit "A" to my Affidavit sworn on October 3rd, 2013 (Tab 7, Exhibit "B," of my Responding Motion Record dated September 21st, 2015), as well as the BTY cost consulting report attached as Exhibit "O" to my Affidavit sworn on June 26th, 2014 (Tab 9 of my Responding Motion Record dated September 21st, 2015).

i) 3765 St. Clair Avenue East:

i. Dr. Bernstein is claiming damages as against 3765 St. Clair Avenue East, in the amount of $425,309.00.

ii. Rose and Thistle development approved this property for townhouses, thus increasing the value from $1.6 million, on December 26th, 2011, to $3.5 million in 2014, such development approval justifying the $425,309.00 which Rose and Thistle was paid and which Rose and Thistle told Dr. Bernstein it would cost, pursuant to the pro forma attached as Exhibit "A" to my Affidavit sworn on October 3rd, 2013 (Tab 7, Exhibit "B," of my Responding Motion Record dated September 21st, 2015).

iii. Dr. Bernstein benefitted from the increase in value of St. Clair and, thus, should not also be entitled to benefit from a windfall of $425,309.00. Otherwise, he will have been unjustly enriched.

Damage to Equity in the Portfolio

33. It is my veritable belief that Dr. Bernstein's pursuit of litigation gave rise to and exacerbated the pecuniary damages, and he seeks relief for those damages in the present proceedings. It was his refusal to consider arbitration as a more economical and sensible means to resolve his concerns with respect to the joint-portfolio that caused these damages.

34. As a direct result of Dr. Bernstein's pursuit of the appointment of the Receiver over the joint-portfolio assets, all of the mortgages on the joint-portfolio properties were rendered into automatic default, notwithstanding the fact that all monthly payments were current. As a result, our financial options were severely inhibited.

35. Furthermore, Dr. Bernstein's chosen course of litigious action, in this regard, destabilised my and my husband's commercial enterprise, and rendered us vulnerable to personal liability for mortgages totalling in excess of $200 million, by virtue of our personal guarantees relating to the same. In addition, Dr. Bernstein's litigious action led to a number of court actions commenced by the portfolio's secured creditors.

36. The appointment of the Manager/Receiver over the joint-portfolio properties substantially diminished the value of the properties, as a result of the inherently reduced value of properties that

are sold via receivership or power of sale, in addition to the substantially increased expense associated with the litigation and third-party management of the properties. To date, costs of that nature have totalled tens of millions of dollars.

37. Furthermore, in any event, it is my belief that the marketing tactics employed by the Manager/Receiver, in the course of liquidating the joint-portfolio properties, not only resulted in the precipitous devaluation of the properties, but, additionally, resulted in a distinct shortfall in available funds for distribution to creditors.

38. Shortly after the issuance of the receivership Order, the Receiver declared that it would not entertain any offers to purchase until it had conducted a comprehensive valuation of the portfolio, despite our provision of all relevant appraisal reports to the Receiver. As such, the Receiver chose not to negotiate over many favourable offers to purchase the properties and, ultimately, sold those properties for sums far lower than the amounts contained in the initial offers to purchase.

39. My husband and I attracted three large, corporate entities, which had expressed a keen interest in purchasing the entirety of the joint-portfolio or, in the alternative, a sufficient proportion of the portfolio to facilitate the discharge of the entirety of the mortgage debts thereon.

40. However, upon the receipt of such offers, the Receiver, with Dr. Bernstein's support, sought a court order excluding my husband and myself from the sales process. Because of our exclusion from discussions with respect to the disposition of the joint-portfolio properties, our in-depth knowledge of the portfolio and lucrative business connections were not utilized. As a result, the value of the portfolio decreased significantly.

41. In light of the foregoing, it is my position that Dr. Bernstein failed to act in good faith, in the performance of his fiduciary duties to the companies governing the joint-portfolio properties and to his partners, in changing his approach to the way the partnership's business was carried out, and in needlessly engaging my husband and myself in costly litigation. In this regard, we clearly held reasonable expectations with respect to the functioning of the partnership, in that mediation and arbitration would be pursued in the event of any partnership disputes.

42. It is my belief that the pecuniary damages claimed by Dr. Bernstein have resulted solely from the reckless course of action he pursued, in that the consequent devaluation of the joint-portfolio properties, and the improvident disposition thereof, gave rise to substantial losses in equity and reasonably projected profits.

43. Furthermore, due to the effects of the receivership over my husband's and my non-Bernstein portfolio, the value thereof additionally plummeted. As a result, innocent third-party investors sustained substantial financial losses.

<u>Unjust Enrichment</u>

44. The Schedule "B" properties sustained a substantial benefit from the efforts of Rose and Thistle, as a result of their work undertaken in the course of developing the properties. In this regard, the relevant properties significantly increased in value after the completion of their development, in comparison to their original purchase prices. In total, the value of the Schedule "B" properties is estimated to have an increased by approximately $40,630,000.00, due to Rose and Thistle's efforts.

45. Nonetheless, Rose and Thistle has received no credit for the work completed to the benefit of the properties, albeit the Applicants have been unjustly enriched by the increases in the properties' value. There is no juristic reason for which Rose and Thistle is not entitled to compensation for its efforts, in this respect.

Respondent and Respondent Company Entitlement

46. Pursuant to the Inspector's Tracing Analysis, eight of the Respondent companies provided funds to Rose and Thistle, to the benefit of the Schedule "B" properties and to the detriment of the Schedule "C" properties. In particular:

a) Prince Edward Properties provided to Rose and Thistle the net sum of $520,850 to its specific detriment;

b) Cinderella Productions Ltd. provided to Rose and Thistle the net sum of $134,900 to its specific detriment;

c) Front Church Properties Ltd. provided to Rose and Thistle the net sum of $1,052,895 to its specific detriment;

d) Richmond East Properties Ltd. provided to Rose and Thistle the net sum of $234,727 to its specific detriment;

e) Hazelton Property Management Ltd. provided to Rose and Thistle the net sum of $132,975 to its specific detriment;

f) Tisdale Properties Ltd. before Dr. Bernstein became a joint owner provided to Rose and Thistle the net sum of $2,906,430 to its specific detriment;

g) 19 Tennis Crescent provided to Rose and Thistle the net sum of $216,308 to its specific detriment; and

h) 110 Lombard provided to Rose and Thistle the net sum of $145,432 to its specific detriment.

47. The Inspector has refused to provide a tracing analysis by which to manifest the flow of funds from the Schedule "C" properties, through Rose and Thistle, into the Schedule "B" portfolio, in order to more accurately identify the destinations of such funds, despite the repeated requests by the Schedule "C" investors and the Respondents, in that regard. As such, the only tracing information made available to the Court is for the benefit of the Applicants, as conducted by the Mr. Reitan.

48. Any damages claimed by Dr. Bernstein, using the Inspector's Tracing Analysis, must be tied to the above claims that he owes to the Schedule "C" properties.

49. In contrast to Dr. Bernstein's claim for damages, related to the Inspector's Tracing Analysis wherein he was either paid back for the monies that were transferred or received significant value from Rose and Thistle for those monies, none of the above monies were repaid to the Schedule "C" properties or to the Respondent companies.

Schedule "C" Investors' Losses

50. The Schedule "C" investors have provided statements and affidavits, evidencing the value of their investments prior to Dr. Bernstein litigating this matter. As explained above, Dr. Bernstein's actions, in petitioning the Schedule "C" portfolio into receivership, caused substantial losses to equity value of the Schedule "C" portfolio, to the detriment of the investors thereof, in the estimated amount of $14 million.

51. I swear this affidavit for the sole purpose of assisting the Court in its deliberations.

SWORN BEFORE ME at the City of Toronto, in the Province of Ontario, on this 12th day of February, 2016.	
Commissioner for Taking Affidavits *(or as may be)*	**NORMA J. WALTON**

Lesia Lawrence
LSUC No. P06515

SCHEDULE "A" COMPANIES

1. Dr. Bernstein Diet Clinics Ltd.
2. 2272551 Ontario Limited
3. DBDC Investments Atlantic Ltd.
4. DBDC Investment Pape Ltd.
5. DBDC Investments Highway 7 Ltd.
6. DBDC Investments Trent Ltd.
7. DBDC Investments St. Clair Ltd.
8. DBDC Investments Tisdale Ltd.
9. DBDC Investments Leslie Ltd.
10. DBDC Investments Lesliebrook Ltd.
11. DBDC Fraser Properties Ltd.
12. DBDC Fraser Lands Ltd.
13. DBDC Queen's Corner Inc.
14. DBDC Queen's Plate Holdings Inc.
15. DBDC Dupont Developments Inc.
16. DBDC Red Door Developments Inc.
17. DBDC Red Door Lands Inc.
18. DBDC Global Mills Ltd.
19. DBDC Donalda Developments Ltd.
20. DBDC Salmon River Properties Ltd.
21. DBDC Cityview Industrial Ltd.
22. DBDC Weston Lands Ltd.
23. DBDC Double Rose Developments Ltd.
24. DBDC Skyway Holdings Ltd.
25. DBDC West Mall Holdings Ltd.
26. DBDC Royal Gate Holdings Ltd.
27. DBDC Dewhurst Developments Ltd.
28. DBDC Eddystone Place Ltd.
29. DBDC Richmond Row Holdings Ltd.

SCHEDULE "B" COMPANIES

1. Twin Dragons Corporation
2. Bannockburn Lands Inc./Skyline — 1185 Eglinton Avenue Inc.
3. Wynford Professional Centre Ltd.
4. Liberty Village Properties Inc.
5. Liberty Village Lands Inc.
6. Riverdale Mansion Ltd.
7. Royal Agincourt Corp.
8. Hidden Gem Development Inc.
9. Ascalon Lands Ltd.
10. Tisdale Mews Inc.
11. Lesliebrook Holdings Ltd.
12. Lesliebrook Lands Ltd.
13. Fraser Properties Corp.
14. Fraser Lands Ltd.
15. Queen's Corner Corp.
16. Northern Dancer Lands Ltd.
17. Dupont Developments Ltd.
18. Red Door Developments Inc. and Red Door Lands Ltd.
19. Global Mills Inc.
20. Donalda Developments Ltd.
21. Salmon River Properties Ltd.
22. Cityview Industrial Ltd.
23. Weston Lands Ltd.
24. Double Rose Developments Ltd.
25. Skyway Holdings Ltd.
26. West Mall Holdings Ltd.
27. Royal Gate Holdings Ltd.
28. Royal Gate Nominee Inc.
29. Royal Gate (Land) Nominee Inc.
30. Dewhurst Developments Ltd.

31. Eddystone Place Inc.
32. Richmond Row Holdings Ltd.
33. El-Ad (1500 Don Mills) Limited
34. 165 Bathurst Inc.

SCHEDULE "C" PROPERTIES
(MUNICIPAL ADDRESSES)

1. 3270 American Drive, Mississauga, Ontario
2. 2 Kelvin Avenue, Toronto, Ontario
3. 346 Jarvis Street, Suites A, B, E and F, Toronto, Ontario
4. 1 William Morgan Drive
5. 324 Prince Edward Drive, Toronto, Ontario
6. 24 Cecil Street, Toronto, Ontario
7. 30 and 30A Hazelton Avenue, Toronto, Ontario
8. 777 St. Clarens Avenue, Toronto, Ontario
9. 66 Gerrard Street East, Toronto, Ontario
10. 14 College Street, Toronto, Ontario
11. 26 Gerrard Street East, Toronto, Ontario
12. 2454 Bayview Avenue, Toronto, Ontario
13. 319 – 321 Carlaw, Toronto, Ontario
14. 0 Lutrell Avenue, Toronto, Ontario
15. 260 Emerson, Toronto, Ontario
16. 44 Park Lane Circle

DBDC SPADINA LTD. et al.	-and-	NORMA WALTON et al.
Applicants		Respondents

Court File No. CV-13-10280-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

(Proceeding Commenced at Toronto)

AFFIDAVIT OF NORMA J. WALTON

COHEN, SABSAY LLP
901 – 357 Bay Street
Toronto, ON M5H 2T7

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Lawyers for the Respondents Norma Walton, Ronauld Walton, The Rose & Thistle Group Ltd. and Eglinton Castle Inc.

This is Exhibit "A" referred to in the Affidavit of Norma J. Walton, sworn February 12, 2016

Commissioner for Taking Affidavits (or as may be)

LESIA J. LAWRENCE (LSUC NO. P06515)

Property Tracker – Walton/ Bernstein Portfolio

PROPERTY	DESCRIPTION	Sqft	Acres for Dev	DATE ACQUIRED	PURCHASE PRICE	MARKET/ APPRAISED VALUE	Value Increase	MORTGAGE HOLDER	TOTAL MORT AMOUNT	Plan for Property
Income Producing Properties										
241 Spadina Ave., Toronto	45,680 sf office	45,680		10/10	$4,500,000	$13,350,000	$8,850,000	ACMA	$8,300,000	Gut renovation and leasup
						APS received				
18 Wynford Dr., Toronto	92,000 sf office building	92,000		2/11	$7,744,444	$14,500,000	$6,755,556	Trez Capital	$9,850,000	Sale of units with $100 psf profit, or lease up at a 14% return
32 Atlantic Avenue, Toronto	53,068 sf office	53,068		8/11	$ 7,000,000	$ 20,850,000	$13,850,000	Pencor	$ 13,500,000	Design build gut renovation and long term lease to Cossett
5770 – 5780 Highway 7, Vaughan	226,811 sf industrial	226,811		12/11	$14,500,000	$1[illegible],500,000	$2,000,000	Harbour Mtge	$11,600,000	Lease up vacant space
7 and 15 Fraser Avenue, Toronto	Two buildings comprising 125,000	125,000		4/12	$ 22,500,000	$ 24,000,000	$1,500,000	VTB	$ 18,500,000	Long term redevelopment to 2 towers. Holding income from signage and studio use
	SF of commercial space on 3.2 acres							Handelman		
1131A Leslie Street, Toronto	42,000 SF office building	42,000		5/12	$ 7,000,000	$ 8,400,000	$1,400,000	MC Capital	$ 5,250,000	Lease up vacancy, sell of vacant stand alone unit, remediate contamination.
1485 Dupont Road, Toronto	90,0000 SF building on	90,000		9/12	$ 8,000,000	$ 12,000,000	$4,000,000	Vendor take back	$ 6,500,000	Gut renovation while retaining tenants
	1 acre - under renovation									
1 City View Drive, Toronto	One 25,000 SF industrial building	25,000		9/12	$ 2,500,000	$ 5,000,000	$2,500,000	368230 Ont Ltd.	$ 2,650,000	Vacant warehouse, design build for school
	on 2.8 acre site, leased to school					APS received				
	for one year, then sold to user									
9-11 City view Drive, Toronto	One 50,000 SF industrial building	50,000		9/12	$ 2,500,000	$ 3,200,000	$700,000	368230 Ont Ltd.	$ 2,000,000	Lease up vacant unit and secure tenant to long term tenancy.
	on 3.4 acre site, leased					APS signed				
	Conditionally sold									
65 Heward Road, Toronto	86,000 SF building on	86,000		10/12	$ 9,500,000	$ 12,000,000	$2,500,000		$ 8,000,000	Continue film studio business operation while completing $1m remediation
	4 acres					(appraisal)		368230 Ont Ltd.		
								Vendor take back		
1450 Don Mills Road, Toronto	158,000 SF building on	158,000		10/12	$ 24,000,000	$ 28,100,000	$4,100,000	Trez Capital	$ 18,000,000	
	4.88 acres					(appraisal)				
1500 Don Mills Road, Toronto	238,289 SF building on 6 acres	238,289		12/12	$ 43,000,000	$ 50,000,000	$7,000,000			Secure long term income stream with future retail development potential
								OTERA	$ 31,000,000	
								Windsor Bancorp	$ 3,000,000	
30-34 Meridian Drive, Toronto	30,000 SF building on 1 acre	30,000		1/13	$ 1,750,000	$ 2,200,000	$450,000	368230 Ont Ltd	$ 1,400,000	Sever property and sell to owner occupier.
	Being severed from 115-119 Skyway									
	Sold, closing once severed									
3270 American Drive	119,743 SF industrial building on	119,743		3/13	$ 6,700,000	$ 8,250,000	$1,550,000	Harbour	$ 5,670,000	Long term secure income warehouse.
	5 acres of land							VTB		
295 The West Mall	94,253 SF commercial building and	94,253		3/13	$ 15,500,000	$ 16,000,000	$500,000		$ 11,625,000	Look at sever Keg site and sell, repair parking, lease up vacant space
	stand alone The Keg restaurant on							VTB		
	2.07 acres of land							Trez		
14 Dewhurst	21,500 SF former church property	21,500		4/13	$ 2,800,000	$ 3,250,000	$450,000	Atrium	$ 2,100,000	Vacant church to be converted to kindergarten
	on 1/2 acre									
153 Eddystone	44,000 SF industrial/office building	44,000		4/13	$ 2,500,000	$ 3,500,000	$1,000,000	VTB	$ 1,875,000	Sever into warehouse condo and sell
	on 1.5 acre site									
1 Royal Gate	320,000 SF industrial/office	320,000		4/13	$ 23,000,000	$ 26,250,000	$3,250,000	Trez	$ 14,000,000	Sever and sell from 70,000sqft warehouse, sell warehouse and lease up vacancy
	building on 13 acres of land					appraised value				
620 Richmond St E/165 Bathurst	60,000 SF commercial live/work building	60,000		6/13	$ 14,500,000	$ 14,500,000	$0		$ 10,912,000	Renovate into live work space with high quality retail
	Plans for major renovation and release							First National		
								VTB		

TOTAL					$219,494,444	$281,850,000	$62,355,556		$185,732,000	
Properties Under Development										
78 Tisdale, Toronto	rezoned for 35 THs Conditionally sold		1.50	3/10	$ 1,476,000	$6,000,000 APS signed	$4,524,000	Handelman	$3,000,000	Townhouse development. CPU negotiate and sell site
1185 Eglinton Ave East, Toronto	48 Ths & 700 Condos		2.40	12/10	$8,500,000	$18,000,000	$9,500,000	Atrium Mortgages	$12,000,000	OMB approval and sell site for 2 residential towers
450 Pape Ave., Toronto	historic property	9,383		7/11	$1,700,000	$4,000,000	$2,300,000	368230 Ont Ltd	$3,000,000	Possible shelter use
47 Jefferson Avenue, Toronto	25,000 SF new building to be built on 7,000 SF site	25,000		6/11	$ 1,500,000	$ 3,000,000	$1,500,000	368230 Ont Ltd	$ 2,000,000	Demo existing and erect 4 story office building
3768 St. Clair Ave East, Toronto	1 acre site 23 Ths rezoned, with site plan approval		1.00	2/12	$1,600,000	$3,500,000	$1,900,000	Handelman	$2,100,000	Rezone church for townhome development
14 Trent, Toronto	industrial property on 1.2 acres leased to Variety Village and under development to create 286 unit condominium building pre-purchased by Options for Homes	14,000	1.20	3/12	$ 2,700,000	$ 4,300,000 APS signed	$1,600,000	VTB	$ 2,160,000	Sell site to Option for Homes
2 Kelvin, Toronto	1.6 acres, being severed into lots and sold	32,685	1.60	3/12	$ 1,800,000	$ 2,250,000	$450,000	VTB	$ 1,800,000	Lease to storage company, school or other local tenants
30 Fraser Avenue	0.4 acre development site. Propose rezoning to allow 75,000 SF commercial building; parking lot in meantime	-	0.40	4/12	$ 2,500,000	$ 4,500,000	$2,000,000	Handelman	$ 3,000,000	Parking lot. Either develop or provide parking for 7-15 Fraser
319 Carlaw, Suite 100, Toronto	700 SF retail condo	700		7/12	$ 284,000	$ 250,000	($34,000)	368230 Ont Ltd	$ 220,000	
1003 Queen Street East, Toronto	10,700 SF building condo under construction	10,700		7/12	$ 2,700,000	$ 5,100,000 once completed	$2,400,000	368230 Ont Ltd includes construction facility	$ 4,000,000	Get Tarion approval to continue with construction of this condo.
875 and 887 Queen Street East, Toronto	33,000 SF church and pharmacy Retail pre-sold to Riocan	33,000		7/12	$ 6,650,000	$ 12,000,000	$5,350,000	Riocan VTB	$ 7,000,000	seek approval for 9 story condo with 2 levels of retail
140 Queen's Plate Drive	One 4 acre site Propsing to construct private school commprising 56,000 SF		4.00	9/12	$ 3,500,000	$ 5,000,000	$1,500,000	Handelman	$ 2,680,000	One site at this time (140/150) Proposal to put 2 schools or fire station and school on this site
150 Queen's Plate Drive	One 1.25 acre site part of 140 Queens Plate		1.25	9/12	$ 860,000	$ 1,650,000	$790,000	Handelman	$ 870,000	
355 Weston Road, Toronto	90,000 SF building on 1.5 acre	90,000		9/12	$ 5,000,000	$ 6,600,000	$1,600,000	Vendor take back	$ 4,000,000	
0 Trent	0.4 acre development site		0.40	11/12	$ 487,800	$ 487,800		364806 Ont Ltd.	$ 390,000	
0 Luttrell	0.1 acre development site		0.10	11/12	$ 166,500	$ 166,500		no mortgage		
115-119 Skyway	17,500 SF building on 1 acre Being severed from 30-34 Meridian Sold, closing once severed	17,500		1/13	$ 1,750,000	$ 2,000,000	$250,000	368230 Ont Ltd	$ 1,400,000	Sever from 30-34 Meridian. Sell building to end user for pharmaceutical production
1 Regalcrest (Part of Royal Gate)	74,000 SF industrial building on 3 acres of land, sold	74000	3.0	4/13	severed from 1 Royal Gate	$ 5,200,000 purchase price	$ 5,200,000	Traz VTB	$ 3,000,000	
TOTAL					$ 43,174,300	$ 64,004,300	$40,830,000		$ 48,420,000	

GRAND TOTALS		2,258,572			$262,668,744	$365,864,300			$235,152,000	

Narrative Appraisal

32 Atlantic Avenue
Toronto, Ontario
July 17, 2012

PREPARED BY:
Matthew Bruchkowsky
Senior Associate , Toronto
Valuation & Advisory Services

PREPARED FOR:
Norma Walton
CEO Real Estate
The Rose and Thistle Group Ltd.

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Colliers INTERNATIONAL

Our File: /31766

July 31, 2012

The Rose and Thistle Group Ltd.
30 Hazelton Avenue
Toronto , Ontario M5R 2E2

Attention: **Norma Walton**
CEO Real Estate

Dear Ms. Walton;

Re: Full Narrative Appraisal of 32 Atlantic Avenue
32 Atlantic Avenue, Toronto, Ontario

In accordance with your request, we have inspected the above property and have carried out an analysis in order to estimate its current market value as complete. Based on our investigations, it is our opinion that the current market value as complete of the leased fee interest in the property, as at July 17, 2012, is estimated to be as follows:

Nineteen Million Five Hundred Thousand Dollars
$19,500,000

The above value estimate is predicated on an exposure period of three to six months assuming the basis of a transaction involving cash to the vendor. This report describes the methods and approaches to value in support of the conclusion and contains the pertinent data gathered in our investigation of the market.

Should you have any questions, we would be pleased to discuss the valuation further.

Yours very truly,

COLLIERS INTERNATIONAL REALTY ADVISORS INC.

M. B

Matthew Bruchkowsky, AACI, P. App
Senior Associate, Toronto

Table of Contents

Executive Summary

Property Information

Property Name	Single Tenant Office Building
Address	32 Atlantic Avenue Toronto, Ontario
Property Type	Office / Downtown/CBD

Property Data

Size (SF)	53,088 (100.0% occupied)
Year Built	1916
Quality/Condition	Very Good / Excellent
Site Area (Acres)	0.85
Density (as developed)	1.43
Excess Density/Expansion Potential	No
Land Use/Zoning	IC D3 N1

Value Conclusion

Final Value Estimate	$19,500,000
Effective Date	July 17, 2012
Value per SF	$367
Going-In Overall Capitalization Rate	6.03%
Inferred IRR (10-year)	7.29%

Valuation Summary

Direct Comparison Approach	$19,380,000
Income Approach	
Direct Income Capitalization	$18,810,000
Discounted Cash Flow Analysis	$19,920,000
Cost Approach	Not Completed
Land Value (as vacant)	Not Completed
Replacement Cost New	Not Completed

Direct Income Capitalization

Stabilized Net Operating Income	$1,175,637
Vacancy Allowance	0.00%
Contingency Allowance	1.00%
Overall Capitalization Rate	6.25%
Stablized Value	$18,810,000
Adjustments	$0
Adjusted Value As Is	$18,810,000

Discounted Cash Flow Analysis

Investment Horizon	11
Discount Rate	6.75% to 7.25%
Terminal Capitalization Rate	6.25% to 6.75%
Inflation (General)	2.50%
Value	$19,920,000
Reversion Statistics	
Reversionary Value	$23,370,000
Reversionary Value/SF	$440.21

Direct Comparison Approach

Concluded Unit Value Range	$360 to $370
Size (SF)	53,088
Initial Value	$19,380,000
Adjustments	$0
Adjusted Value As Is	$19,380,000

Cost Approach

Replacement Cost New	Not Completed
Depreciation	Not Completed
Depreciated RCN	Not Completed
Land Value (as vacant)	Not Completed
Value Estimate	Not Completed

Typical Market Leasing Assumption

Lease Term		10 years	
Renewal Probability		75.0%	
Lag Vacancy (months)		0	
	New	Renewal	Blended
Face Rental Rate ($ / SF)	$22.00	$22.00	$22.00
Free Rent (months)	0	0	0
Tenant Allowances ($ / SF)	$10.00	$5.00	$6.25
Leasing Commissions (% of rent)	6.00%	3.00%	$0.04

Rental Rate Summary

	Year One	Year Two	Year Three	Year Four	Year Five
Weighted Market Rent	$22.00	$22.55	$23.11	$23.69	$24.28
Weighted Contract Rent	$22.00	$22.00	$22.00	$22.00	$22.00
% Below/(Above) Market	0.0%	2.4%	4.8%	7.1%	9.4%

Lease Expiries

	Year One	Year Two	Year Three	Year Four	Year Five
Annual	0.0%	0.0%	0.0%	0.0%	0.0%
3 Year Average		0.0%			
5 Year Average			0.0%		
10 Year Average					10.0%

Returns / Yields

NOI Returns	Year One	Year Two	Year Three	Year Four	Year Five
Annual	6.0%	6.0%	6.1%	6.1%	6.1%
3 Year Average		6.0%			
5 Year Average			6.1%		
10 Year Average					6.4%

Cash Flow Returns	Year One	Year Two	Year Three	Year Four	Year Five
Annual	6.0%	6.0%	6.1%	6.1%	6.1%
3 Year Average		6.0%			
5 Year Average			6.1%		
10 Year Average					6.4%

Maps

Photographs of Subject Property

Front facade of subject off of Atlantic Avenue

View of subject from Jefferson Avenue

View south on Jefferson Avenue

View north on Jefferson Avenue

Front facade viewed from Atlantic Avenue

View south on Atlantic Avenue

View north on Atlantic Avenue

View west on Liberty Street

View east on Liberty Street

Ground floor interior

Second floor mezzanine

View of ground floor and mezzanine


View from mezzanine


Interior office space


View of rooftop patio


Typical perimeter office

Terms of Reference

Purpose and Intended Use of Report

The purpose of this valuation is to estimate the current market value of the property described herein. Norma Walton of The Rose and Thistle Group Ltd. has requested this report for use with respect to first mortgage financing. This report has been prepared only for the party named above and for only the specific use stated. Use of this report by any other party or for any other purpose than stated herein is completely unauthorized.

Property Rights

The property rights appraised are those of the leased fee estate. The leased fee estate is an ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

Effective Date

The effective date of this valuation is July 17, 2012.

Inspection Date

An interior and exterior inspection of the property was conducted on July 17, 2012 by Matthew Bruchkowsky.

Market Value Definition

For the purposes of this valuation, market value is defined as:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of the specific date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in Canadian Dollars or in financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales

concessions granted by anyone associated with the sale."

(The Appraisal Institute of Canada "Canadian Uniform Standards of Professional Appraisal Practice". 2010 ed., p. 55)

Exposure Time

An estimate of market value is related to the concept of reasonable exposure time. Exposure time is the property's estimated marketing time prior to a hypothetical sale at market value on the effective date of the appraisal. Reasonable exposure time is a necessary element of a market value definition but is not a prediction of a specific date of sale.

The market value estimated herein is predicated on an exposure period of three to six months.

Marketing Time

Marketing time is an estimate of the amount of time it most likely would require to sell an interest in real property as its estimated market value during the period immediately after the effective date of the appraisal.

Based on discussions with brokers familiar with the local market, an analysis of recent transactions, and the prevailing conditions of the local real estate market, a marketing time of three to six months from the effective date of the appraisal would be required to sell the subject property at its estimated market value.

Scope of the Valuation

This is a ***Narrative Appraisal Report*** and complies with the reporting requirements set forth under the Canadian Uniform Standards of the Appraisal Institute of Canada. As such, all relevant material is provided in this report including the discussion of appropriate data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Additional supporting documentation concerning the data, reasoning, and analyses are retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated herein.

During the course of preparing this valuation, the following was completed:

- A personal inspection of the property
- A lease review was completed and no material differences were found between this information and that presented within summary financial and operating data provided directly to us by our client, in both hard copy and electronic form. It is assumed herein that this information, and specifically relating to the financial performance of the property described herein, is accurate. This assumption is critical to the value estimate contained herein and the authors of this report, and Colliers International Realty Advisors Inc. reserves the right to amend our estimate(s) in whole or in part should the forgoing not be the case.
- A review of detailed tenant rent roll
- A review of available data regarding the local market
- Verification of current land use and zoning regulations
- A review of sales and listing data on comparable properties
- Interview(s) with market participants

Contingent and Limiting Conditions

The report is subject to the Contingent and Limiting Conditions set forth herein in addition to any specific assumptions that may be stated in the body of the report.

Extraordinary Limiting Conditions

Within the appraisal of the property referred to herein, no Extraordinary Limiting Conditions were invoked.

Extraordinary Assumptions

We have relied on information provided to us by our client with respect to the status of the tenancy and their contractual rights and obligations, physical attributes of the property and environmental condition of the site. The assumptions stated herein are critical to the value estimate contained herein and the authors of this report and Colliers International Realty Advisors Inc. reserve the right to amend our estimates should any of these assumptions be altered in whole or in part.

We have not undertaken a detailed soil analysis, and as we are not qualified to comment on soil conditions, we have assumed that there are no contaminants affecting the site. However, a full environmental assessment would be required for certainty and any cost of remedy should be deducted from the reported value herein. The sub-soil is assumed to be similar to other lands in the area and suitable in drainage qualities and load bearing capacity to support the existing development.

It is an assumption of this report that as of the effective date, the tenant is in place with all leasing commissions, tenant improvements and other leasing costs having been incurred.

With the exception of the foregoing, there have been no other Extraordinary Assumptions employed in the preparation of this appraisal or report.

Property Data

Municipal Address	32 Atlantic Avenue, Toronto, Ontario
Legal Description	PLAN 765 LOTS 123 148 & 149 PT LOTS 122 124 & 147 RP63R 3439 PART 2 PLAN 765 LOTS 125 AND 146 PT LOTS 124 126 144 145 AND 147 PT LANE RP 63R3894 PT 2
Property Rights	This valuation pertains to the leased fee interest in the property described herein.
Encumbrances	We are not aware of any encumbrances registered against the title of the subject property. For the purposes of this assignment, any encumbrances are assumed not to have any effect on the marketability or market value of the property.
Ownership / Sale History	Ownership of the property last transferred on August 29, 2011. According to the information available, the current owner, The Rose and Thistle Group, acquired the property from Corus Entertainment Inc. for the reported consideration of $8,500,000. The sale of this property included 47 Jefferson Avenue, which does not form a part of this valuation. The tenant, Cossette, has first right to occupy this space. According to the information provided or available, the property is not currently offered for sale nor is it subject to any current agreement or option.
Realty Taxes / Assessment	**Roll Nos.** 1904041140002500000 1904041140002700000 **Total Assessment** $6,055,000 per SF $114.06 **Total Levy (2011)** $124,881.36 per SF $2.35

Neighbourhood Overview

The property is situated in the very good quality mixed residential/commercial district known as Liberty Village. Liberty Village is located approximately 3 kilometres south of Toronto's central business district.

District Boundaries

North	•	King Street
South	•	Gardiner Expressway
East	•	Strachan Avenue
West	•	Dufferin Street

Adjacent Districts

North	•	West Queen West Mixed Residential/Commercial
South	•	Exhibition Mixed Residential/Commercial
East	•	Trinity-Niagara Mixed Residential/Commercial
West	•	Parkdale Mixed Residential/Commercial

Major Arterials & Access

Access	•	General access to the neighbourhood is considered to be very good.
Arterials	•	King Street West
	•	Liberty Street

Summary

The subject is located on the east side of Atlantic Avenue, south of King Street West, in the City of Toronto. It is located in the area referred to as "Liberty Village", one of the most dynamic and fastest growing neighbourhoods in Toronto. The property is easily accessible to Exhibition GO and TTC Stations Hub just south of the subject, convenient connections to Bloor/Danforth Subway via Ossington bus, and University and Yonge Street subway lines via the King Streetcar. The building's proximity to the GO Train and TTC services creates less pressure on tenants for parking on site given that public transportation is a viable alternative.

Between 1995 and 1999, employment increased by 20% in Liberty Village, and remains one of the fastest growing employment areas in the city. Based on the Toronto Employment Survey 2009, Liberty Village continues to experience employment growth. The Liberty Village Employment District has 7,709 jobs, an increase of 30%, and 500 establishments, an increase of 9.9% since 2002. The office sector is the dominant sector capturing 77.4% of all the establishments (387 firms) and 70% of the employment (5,373 jobs). The manufacturing sector is the second largest employment sector, although it dropped from 23.6% in 2002 to 13.8% in 2009, representing a loss of 331 jobs. From 2002 to 2009 employment in the office sector increased by 1,445 jobs (36.8% while service increased by 618 jobs (381%), and the Institutional sector, although small, decreased by 182 jobs (76.2%).

Liberty Village is recognized as a Toronto Center of creative spaces and creative thinking, and is home to some of Toronto's leading creative thinkers and companies in the high tech, arts, design, entertainment and media businesses, including SoftChoice, ZoomerMedia, TD Canada Trust, Bank of Montreal, Canada Bread, Beanfield Metroconnect and JAZZ FM91.

Conclusion

Liberty Village is a vibrant, energetic neighbourhood that has seen a lot of momentum over the past few years as evidenced by the number of high valued transactions from institutional investors. Sale prices have seen a steady increase from the mid 2000's. There has been significant residential condominium investment leading to the introduction of thousands of residential units completed and occupied, and a number of other projects in various stages of development. Liberty Village has attracted GTA employers due to the pool of potential employees in the 25 to 35 year age range currently living in the area. Thus the character of the neighbourhood has shifted from primarily industrial a decade ago to primarily media, high tech and advertising office and studio uses.

Site Description

Area	The site comprises a total area of 0.85 acres, more or less.
Frontage	193 feet, more or less, onto Atlantic Avenue and Jefferson Avenue.
Configuration	The site is essentially regular in its configuration.
Land Use Classification (Zoning)	The property is currently classified IC D3 N1.5.

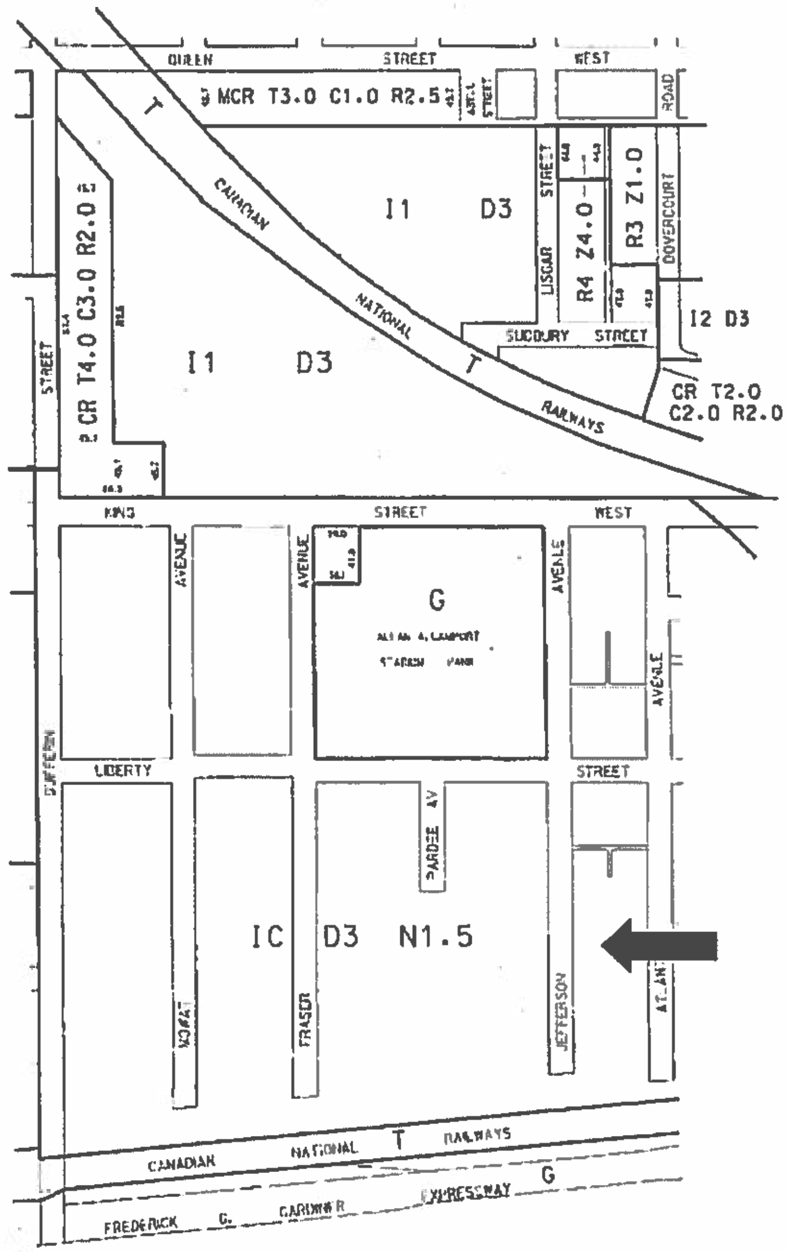
Density/Site Coverage	The site has been developed to a 1.43 times density.
Services	The site is fully serviced.
Topography	The site's topography is level.
Soil Conditions	See Extraordinary Assumptions.
Summary	The site provides very good access and very good exposure characteristics and no adverse influences are visually apparent. We have not undertaken a detailed soil analysis, and as we are not qualified to comment on soil conditions, we have assumed that there are no contaminants affecting the site. However, a full environmental assessment would be required for certainty and any cost of remedy should be deducted from the reported value herein. The sub-soil is assumed to be similar to other lands in the area and suitable in drainage qualities and load bearing capacity to support the existing development.

Land Use / Zoning

Zoning

The subject is zoned IC D3 N1.5- Industrial. A variety of non-residential uses are generally permitted in IC zoning such as offices, workshops and studios, retail and service shops and some manufacturing.

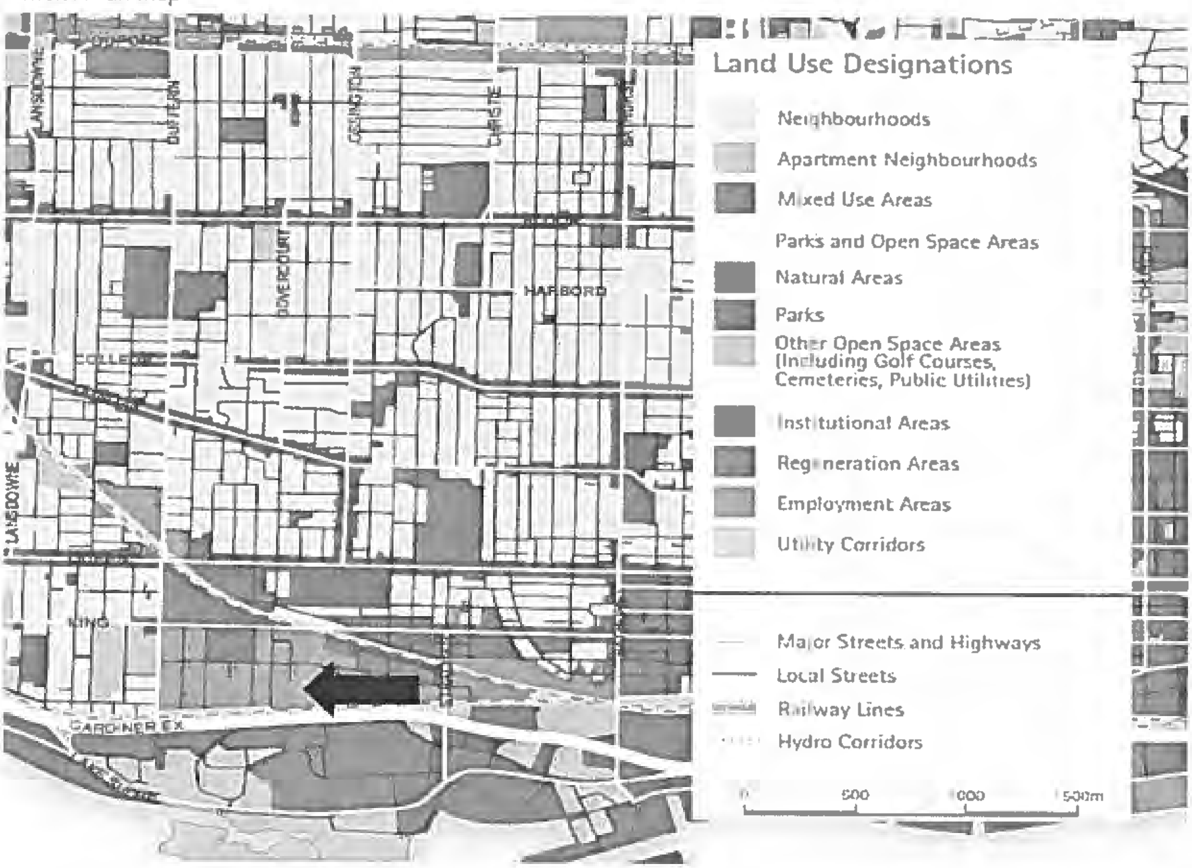
Zoning Map



Official Plan

Under the Toronto Official Plan ("OP"), the subject site is designated as Employment Areas, permitting a wide range of commercial uses. The OP aims to retain Employment Areas as places of business and to develop and intensify job growth within these areas. The Liberty Village Employment District is 137.7 acres (55.73 ha.) in size and is the only Employment District located in the former city of Toronto. According to the growth management strategy set out in the Toronto OP, Employment Areas located in Employment Districts are 'growth' areas to be protected over the long term for future employment growth and investment in improving transit accessibility to these Districts is also promoted. Under the Garrison Common North Secondary Plan, the subject site is situated in Area 3, which is defined as a healthy and vibrant economic district to be maintained by reinforcing existing economic sectors, encouraging appropriate new economic activities and establishing an environment conducive to future economic growth. Manufacturing operations, business services, media and communication operations, film, video and recording production, cultural and artistic services, fine art production, live/work units and artist studios are encourages to locate within this area. No residential use other than live/work units will be permitted.

Official Plan Map



Comments

The subject appears to conform to the requirements of the land use bylaw, however, if specific reliance on this information is required, written confirmation from the municipality should be obtained.

Description of the Improvements

Property Type	Single Tenant B Class Downtown/CBD Office
No. of Stories	Two Stories
Size	Retail 0 SF Office 53,088 SF Gross Leaseable Area 53,088 SF
Typical Floor Plate	The layout of the subject includes ground floor office space with second floor mezzanine and a rooftop patio area.
Year Built	The improvements to the property were originally constructed in 1916.
Quality & Condition	The property represents very good quality construction in excellent overall condition.
Foundation	The foundation was not visible, although it is assumed to consist of poured or reinforced concrete.
Superstructure	Steel column construction and reinforced concrete floors with solid masonry construction and clay brick exterior.
Exterior Walls	The subject property has a brick exterior.
Roof	The roof system consists of open web steel joists supporting a steel roof deck and an insulated built-up membrane.
Windows / Doors	Exterior windows and doors consist of commercial grade glass units in extruded aluminum frames.
Interior Finishing	The interior has been demised to accommodate the specific needs of the tenant. Typical interior finish includes painted gypsum board on steel framing, suspended acoustic tile or open ceiling finish, polished concrete flooring and tile flooring in the bathroom area.

Vertical Access	Elevators	One; Based on the size and capacity of the elevator, it appear to adequate by comparative standards.
	Stairs	Three; The stairways provide access to both floor levels and the rooftop patio.

Heating/Cooling

HVAC is provided by a series of roof top heating and cooling units.

Electrical

The electrical service is assumed to be adequate for the current and anticipated requirements of the user(s).

Life Safety / Security

A sprinkler system provides fire suppression within the subject.

Parking

As per the lease agreement, the tenant, Cossette, has the right to rent 20 parking stalls at a monthly rate of $100 per stall.

Underground	0 stalls
Surface	20 stalls
Other	10 stalls
Total	30 stalls

We have been advised that an additional 10 parking spaces will be leased from an adjacent property and made available for lease for $100 per space per month.

Design and Functionality

The overall design and functionality of the improvements is considered to be very good.

Comments

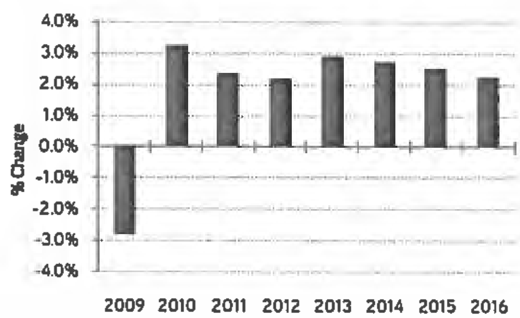
The property is in excellent overall condition and free from any visible deferred maintenance that would significantly impact the property's market value or its marketability. However, no building condition reports were provided to the writer. It is assumed herein that all mechanical equipment is in adequate working condition, has been maintained in a professional manner, and that no atypical capital expenses are required.

Market Overview

Q1 12 Canadian Economic Overview

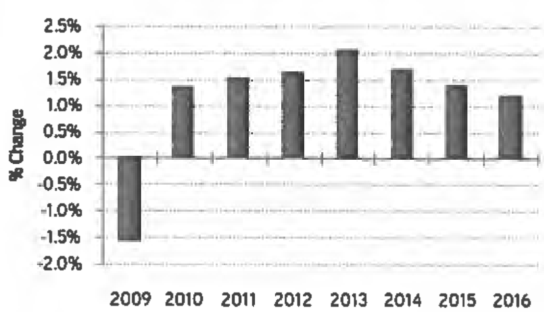
Risks associated with the world economy, government austerity measures and household spending cutbacks will continue to be key contributors to the anticipated slowdown in GDP growth over the next two years. Despite a mild recovery in manufacturing and export, public sector restraints will hold back significant growth this year. The statistics detailed below summarize current Canadian market conditions based on information provided by the Conference Board of Canada and Statistics Canada.

Real Gross Domestic Product (GDP)



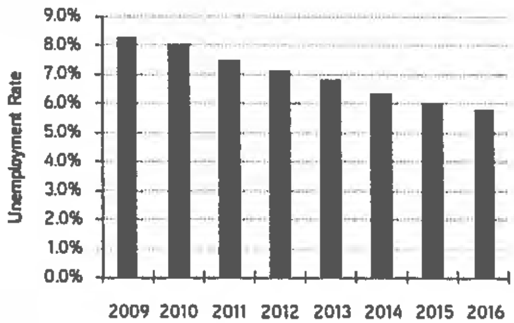
The speed of economic expansion in Canada lost momentum in the second half of 2011 as the global economy became more turbulent and previous growth expectations had to be readjusted domestically to reflect the renewed uncertainties, such as the contagion effects of the Europe-led crisis. Despite several major industries seeing mild recoveries throughout 2011, it is the belt-tightening of the public sector that will ultimately weight down overall growth of the economy over the next two years. As a result, GDP is expected to increase by a marginal 2.1% in 2012.

Employment



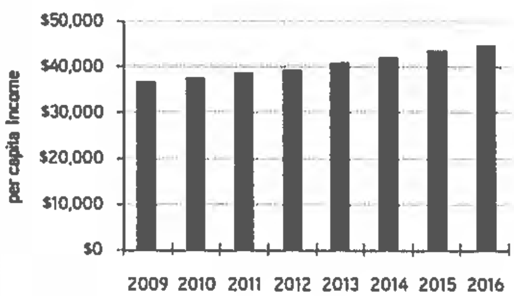
Due to large deficits incurred by government at all levels (primarily due to undeterred spending throughout the recession to stimulate economic stability), employment in the public sector is expected to remain stagnant seeing minimal growth. However, the private sector is beginning to gain traction. Overall, nationwide employment is forecast to rise by 1.6% in 2012, and 2.1% in 2013.

Unemployment



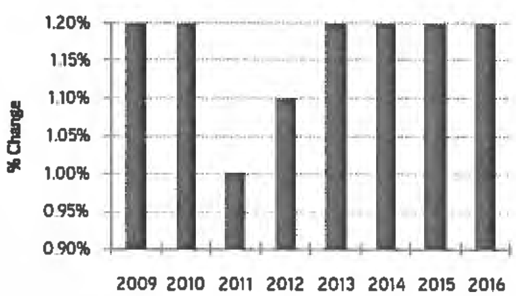
Fuelled by a recovering private sector, nationwide unemployment rate is forecast to drop to 7.1% by the end of 2012, down from 7.5% at the end of 2011. This figure is anticipated to experience a steady decline in the forthcoming years. By 2015, Canada's unemployment rate is forecast to return to pre-recession levels.

Personal Income



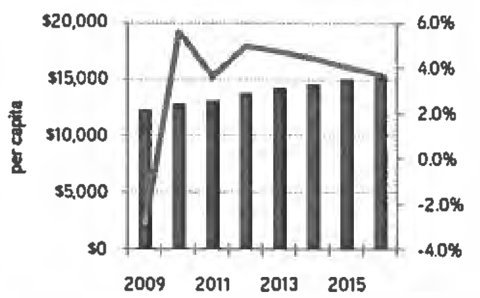
Canada's personal income per capita is predicted to be $39,500 in 2012, representing a 2.3% growth over 2011 and surpassing the 1.9% rise in CPI over the same period. Average income is anticipated to break $40,000 by 2013. By 2015, income per capita is forecast to reach $43,467.

Population Growth



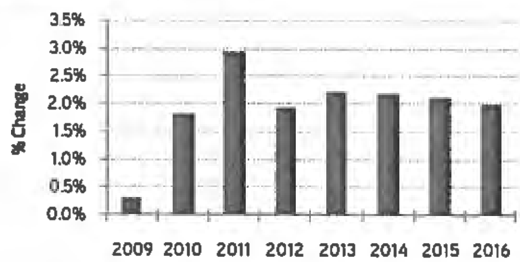
Total population in Canada is estimated at 34.823 million in 2012, 1.1% higher compared to the year before. The majority of this increase can be attributed to international immigration and non-permanent residency. Population is forecast to rise consistently at 1.2% per annum in the forthcoming four years, reaching 36.499 million by 2016.

Retail Sales



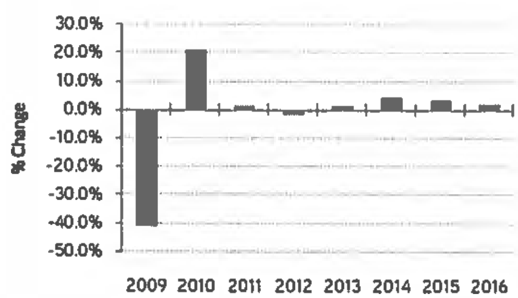
Retail sales are expected to increase by 4.9% in 2012, surpassing the growth figure of 3.6% in 2011. This effect is largely due to a greater effort made by Canadian households to restrict spending in the midst of growing economic uncertainties around the world as well as record low real disposable income levels at home. Retail growth is forecast to rebound over the next two years with increases of 4.7% and 4.3% respectively.

Consumer Price Index (CPI)



National CPI is forecasted to rise by 1.9% in 2012. This rise in CPI is largely due to price increases in food and gasoline, as inflation in most other products remains relatively unchanged. CPI growth is believed to show minimal growth in years 2013 -2015.

Housing Starts



Canada's housing market is forecasted to experience stagnant conditions in the year 2012. Tighter mortgage rules have caused existing home sales to slump. No major changes in activity level are expected in this market over the next four years. In 2012 housing starts are forecast to suffer a decrease of 1.77%.

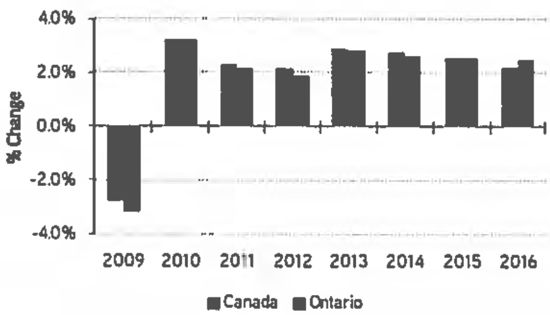
Summary

After strong performances in 2010 and early 2011, Canada's economic growth is expected to soften in 2012 and the medium term as a result of public fiscal constraints and private spending cutbacks. High risk factors and general confusion surrounding the European debt crisis and power transitions in the Middle East are also contributors to the lowered expectation for Canada's economic growth.

Q1 12 Ontario Economic Overview

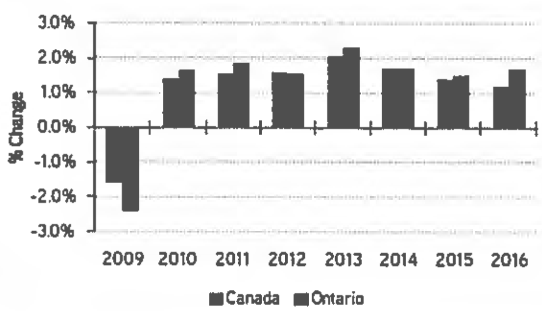
U.S. labour markets have improved greatly, which will increase exports, directly supporting GDP growth in Ontario this year. After the turmoil that was caused by natural disasters, Honda and Toyota are on schedule to return to regular production schedules, as export growth outpaces import growth in the medium term. The information below, sourced from the Conference Board of Canada and Statistics Canada, provides key statistics on the provincial economy.

Real Gross Domestic Product (GDP)



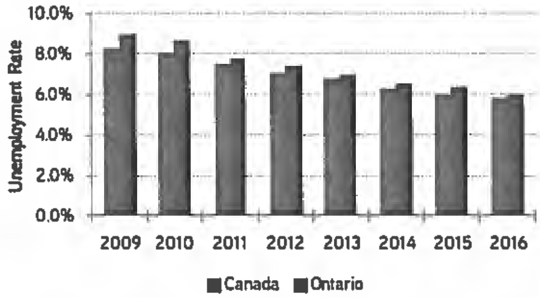
Real GDP is on pace to rise by 1.9% this year, slightly less from last quarter's expectations. In the next four years the rough average for GDP growth is estimated at 2.6%. This moderate growth is largely supported by insulation from business investment.

Employment



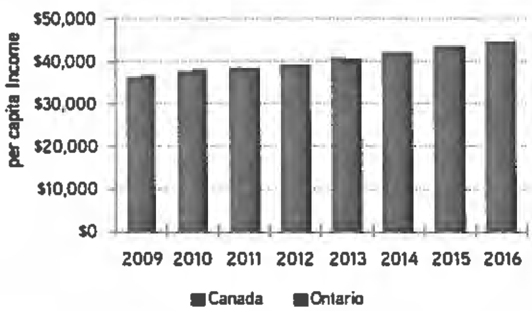
Thanks to a strong private sector and slowly recovering manufacturing and export industries, Ontario is expected to add roughly 105,000 jobs this year, which translates into a growth of 1.6% over 2012. An additional 159,000 jobs are estimated to be created in 2013, representing a peak in recent years.

Unemployment



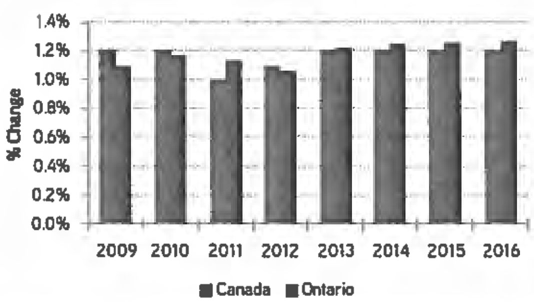
Unemployment in Ontario has been on a steady decline since peaking in 2009. The figure is expected to register at 7.4% this year, 0.4% lower than 2011's figure. The labour market is anticipated to tighten further in the upcoming four years, falling to 6.9% in 2013 before levelling off at roughly 6.3% in the medium term.

Personal Income



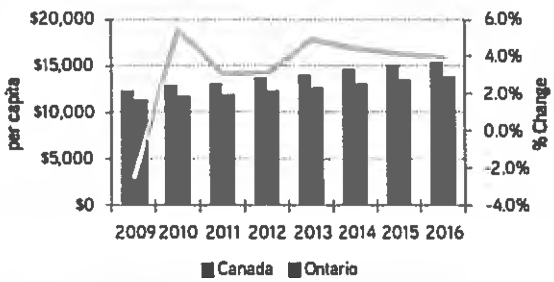
As the labour market tightens over the next few years, personal income per capita is set to rise accordingly. Income is estimated to rise roughly by 1.9% this year, largely consistent with the national average and slightly outpacing the growth of Consumer Price Index in the same period. Average personal income in Ontario is expected to exceed $40,000 in 2013.

Population Growth



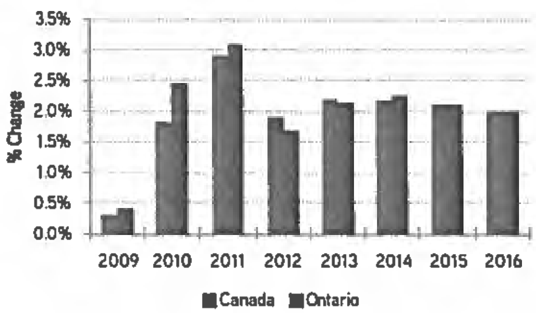
Population in Ontario is forecast to experience a steady growth over the medium term, starting with a 1.1% rise this year. By the end of 2012, the Province will be home to roughly 13.5 million people. Over the subsequent four years, Ontario's population growth will outpace the national average at a rising speed.

Retail Sales



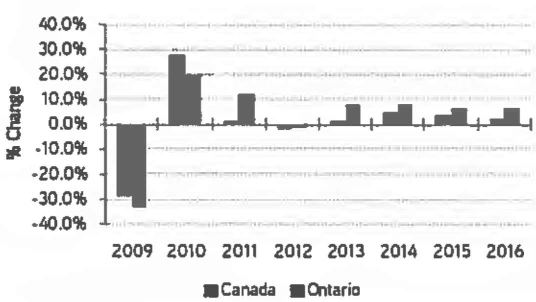
Retail sales are on pace to post a 3.1% growth over 2012, which translates into more than $165 billion spent on consumer goods and services. Overall consumer confidence is poised to growth over the next few years as both the labour market and personal income experience steady upward strides.

Consumer Price Index (CPI)



Provincial CPI is projected to increase by 1.7% in 2012, representing the highest figure in years but lagging behind income growth over the same period of the time. Between 2013 and 2016, CPI is estimated to increase at an annual rate of 2.1%, consistently behind rise in personal income.

Housing Starts



Total housing starts in Ontario are expected to suffer a small drop of 1.0% in growth during 2012. In years 2013 through 2016 housing starts will see a rough average annual growth of 7.2%, as the economy recovers.

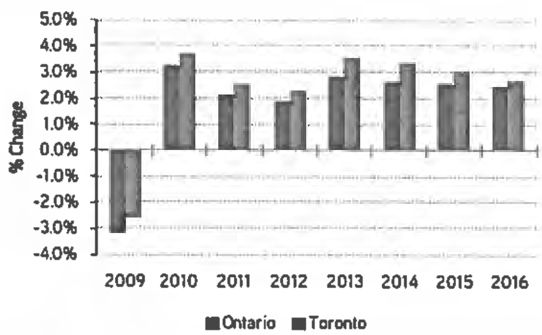
Summary

Ontario's economy has another year of weak economic growth ahead, because of external and internal issues. GDP growth will suffer because of a lack of growth in the domestic economy and government fiscal restraint. This overcast is expected to clear up in 2013, as forecast predicts a GDP growth of 2.8%.

Q1 12 Toronto Economic Overview

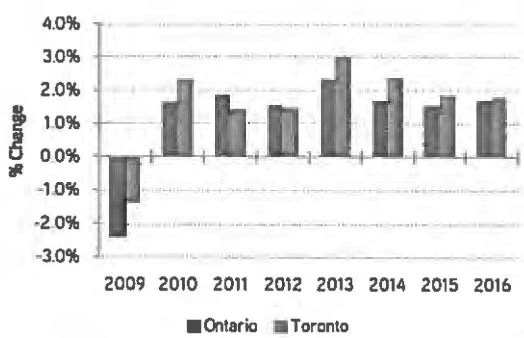
Many industries experienced slow growth in 2011, caused by an uncertain global outlook. In the current year the wholesale and retail sectors are expected to experience accelerated growth, but construction output is forecast to suffer a fall, pulled down by weaker housing starts. The information provided below summarizes the main economic indicators as sourced from the Conference Board of Canada and Statistics Canada.

Real Gross Domestic Product (GDP)



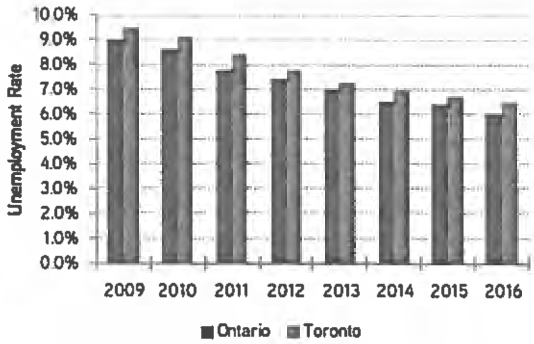
Following a 2.5% growth in 2011, real GDP output is expected to scale back this year to a 2.3%. This is largely due to the cooling down of the construction sector, as well as the wholesale and retail sectors experiencing slow growth in the past year. Despite this, the medium term outlook for Toronto paints a picture of gradual but steady economic growth. GDP is forecast to rise by 3.5% in 2013 and by 3.4% in 2014.

Employment



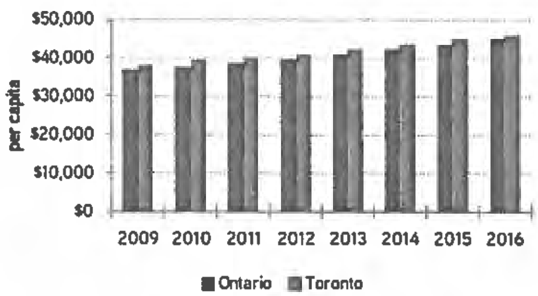
The City's labour force is expected to expand at a healthy rate of 1.5%, largely consistent with earlier predictions. Employment will see the strongest growth in service, transportation and warehousing while lacking in manufacturing despite a positive growth outlook for the sector. From 2013 to 2016, Toronto's labour force is expected to expand an annual average growth of 2.2%.

Unemployment



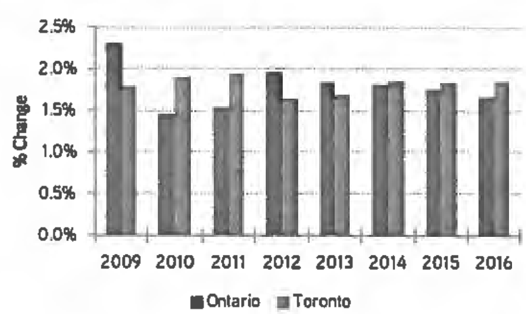
Toronto suffered from high unemployment throughout the recession. However, since peaking in 2009, the figure has been on a consistent decline, partly due to strong government stimulus initiatives introduced during this period. At the end of 2012, unemployment rate in the City is expected to fall to 7.8%. By 2013, this figure is anticipated to return to levels seen prior to the recession.

Personal Income



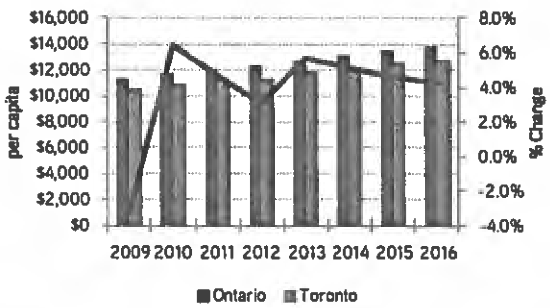
Personal income per capita is expected to rise by an estimated 1.7% in 2012, exceeding $40,000. This figure will end the year and match the anticipated increase in municipal CPI during the same period.

Population Growth



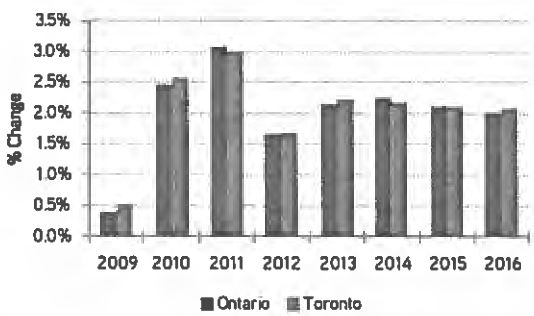
Population in metropolitan Toronto is expected to exceed 5.8 million in 2012, representing a 1.6% increase over 2011. Of the total growth, almost 100% are expected to be international migrants. Interprovincial migration is forecast to register no growth while intercity migration continues to remain negative.

Retail Sales



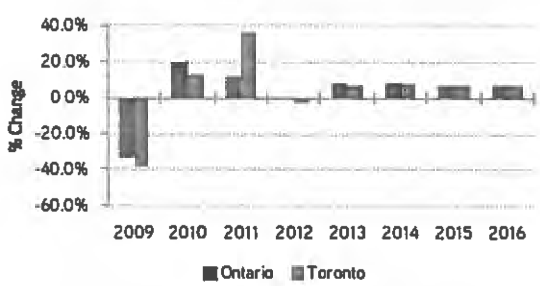
The Province is on pace to see a 4.8% growth in retail spending this year, moderately less compared to last year. This figure was downgraded from last quarter's predictions to reflect a slower-than-expected recovery in major industries that hampered overall consumer confidence. Retail sales are estimated to grow by 4.6% next year before quickening its pace in the subsequent two years.

Consumer Price Index (CPI)



CPI in metropolitan Toronto is on pace to grow by 3.1% this year, 1.0% higher than the figure predicted last quarter and exceeding growth in average personal income. After an additional 2.3% rise in 2012, CPI is expected to stabilize at an estimated annual rate of 2.0% between 2013 and 2015.

Housing Starts



Toronto's housing market has behaved erratically in recent years, defying expert forecasts and creating its own rules. Earlier estimates predicted a stagnant market this year, correct in their standing, the housing starts in 2012 are expected to experience a decline of 2.6%. The forecast for 2013 is expected to experience a significant growth of 7.0%, and hover around this increase for the medium term.

Summary

Despite a strong recovery in the first half of 2010, the subsequent slowdown in the global recovery has so far hampered growth in many sectors of the City's economy in 2011 and 2012. Continued global unrest may further lower the expectation for real GDP growth represented in this overview. However, a full recovery in subsequent years is imminent under a continuously improving economy for which Toronto is solidly equipped for.

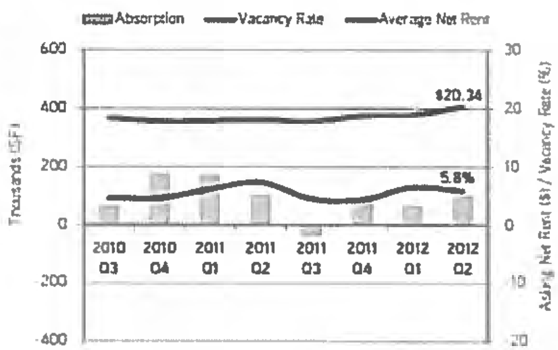
Office Submarket Dashboard | Downtown: Downtown West

Second Quarter 2012

Submarket Snapshot

	Q1 2012	Q2 2012	Trend
Office Inventory	14,367,794	14,238,313	▼
Net Absorption	68,143	102,496	▲
Vacancy Rate	6.5%	5.8%	▼
Availability Rate	8.3%	7.2%	▼
Average Asking Net Rent	$18.99	$20.34	▲
Average Additional Rent	$13.45	$13.50	▲
Average Asking Gross Rent	$32.44	$33.84	▲

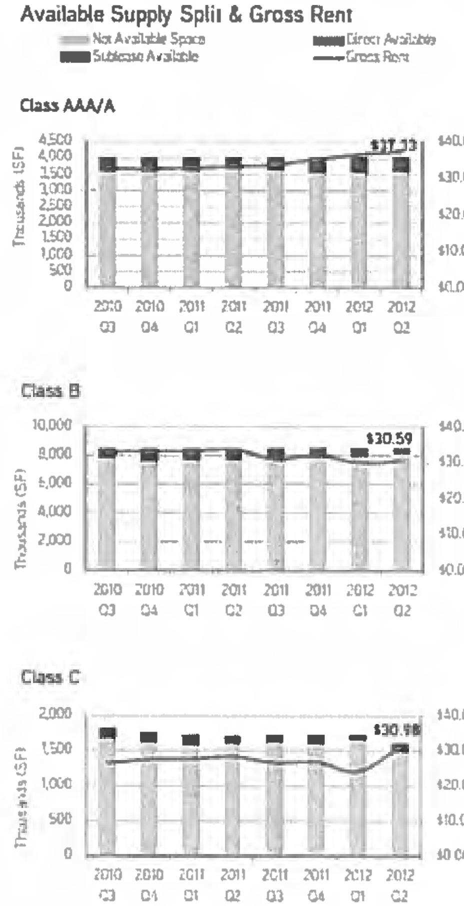
24 Month Trend



New Developments Update

Allied Properties has begun its prelease at 134 Peter Street, Queen Richmond Center West, Phase I, a 299,178 SF development with availability in Q4 2014.

Available Supply Split & Gross Rent



Valuation

Highest and Best Use

The principle of highest and best use is fundamental to the concept of value in real estate. Highest and best use, in general, may be defined as follows:

> "The reasonably probable and legal use of vacant land of an improved property which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productive."

Analysis

Legal Permissibility	The current use is a permitted use within the applicable zoning and/or land use bylaw requirements affecting the property. There are no known private or other restrictions negatively impacting use of the property. Therefore the current use is legally permissible.
Physical Possibility	The site is of a sufficient size, configuration, and topography to accommodate the property's present use as improved in an efficient and functional manner. Therefore the current use is physically possible.
Financial Feasibility	As improved, the property provides a sufficient return (and/or enduring benefit in the case of an owner/occupied property) that the property as presently improved is considered to be financially feasible.
Maximum Productivity	Of the various legally permissible, physically possible, and financially feasible uses available, the current use represents the maximum productivity of the property.
Conclusion	
As vacant	The improvements to the property contribute positively and substantially to the overall value of the property such that the value of the site as though vacant is significantly lower than the value of the property as though improved. As such, a thorough examination of the highest and best use of the property as vacant has not been completed. It is our considered and professional opinion that the highest and best use of the

land as though vacant is as a development site for a property similar to that which exists at present.

As improved

Based on the foregoing, the highest and best use of the property is considered to be a continuation of its current use for the foreseeable future. This opinion of the property's highest and best use forms the basis of our valuation.

Valuation Methodology

Traditionally, there are three accepted methods of valuing real property:

- Cost Approach;
- Direct Comparison Approach; and
- Income Approach

The selection of a relevant methodology depends upon the nature and characteristics of the real estate under consideration.

1) **The Cost Approach** to value is based upon the economic principle of substitution, which holds that the value of a property should not be more than the amount by which one can obtain, by purchase of a site and construction of a building without undue delay, a property of equal desirability and utility.

2) **The Direct Comparison Approach** examines the cost of acquiring equally desirable and valuable substitute properties, indicated by transactions of comparable properties, within the market area. The characteristics of the sale properties are compared to the subject property on the basis of time and such features as location, size and quality of improvements, design features and income generating potential of the property.

3) **The Income Approach** to value is utilized to estimate real estate value of income-producing or investment properties.

   The Direct Capitalization Method is based on the conversion of current earnings directly into an expression of market value. The net income for the current or forthcoming fiscal year is capitalized with an overall rate, which reflects the investment characteristics offered by the asset.

   The capitalization rate used is based on the analysis of sales and interviews with people active in the market.

   Discounted Cash Flow Analysis allows the appraiser to account for the anticipated growth or decline in income over the term of a prescribed holding period.

Two rates must be selected for an application of the DCF process:

- The internal rate of return or discount rate used to discount the projected receivables; and
- An overall capitalization rate used in estimating reversionary value of the asset.

The reversionary capitalization rate utilized is usually similar to the rate that would be applied in present market conditions.

Selection of Relevant Methodology

As the property is an income producing investment-grade asset, purchasers would analyze the property on the basis of its income generating capability. For this reason, we have valued the property using the Income Approach. While the Direct Comparison Approach is most appropriate when valuing owner-occupied properties, we have included it herein as supporting analysis to the Income Approach. Investors or analysts do not typically use the Cost Approach to value properties such as the subject. The inherent difficulties in accurately estimating developer's profit and all forms of depreciation restrict the reliability of this approach. For these reasons, we have not utilized the Cost Approach to value the property.

Overall Income Capitalization

Revenue and Expense Analysis

To estimate the market value of a property by the Income Approach, the main criteria for the measurement of value is the property's ability to generate income. To this end, an analysis of the potential income and the probable expenses associated with maintaining this income stream is undertaken in order to estimate the net operating income the property is capable of producing.

The net operating income is then converted into an expression of market value through the application of an appropriate technique. The most commonly utilized methods for valuing real estate such as the subject are the *Overall Income (Direct) Capitalization* and *Discounted Cash Flow* techniques, both of which have been included in our analysis.

Tenancy Summary and Profile

Area Measurement	The total Gross Leasable Area of the property is 53,088 square feet, more or less.
Occupancy	As of the effective date the property is assumed to be 100.0% occupied with all leasing commissions incurred..
Tenant Profile	The property is occupied by a national, tenant that, overall, would be regarded favourably by prospective purchasers.
Leasing Practice/Status	Leasing within the property is effectively on a net basis with the landlord possessing the ability to fully recover all operating expenses and realty/property taxes from the tenant. 20 parking spaces are available to the tenant for leaes at a rate of $100 per space per month.
Tenancy Schedule	There is one tenant within the subject. For the purposes of this report, it is assumed the tenant is in place as of the effective date for a term of 10 years at a market rent of $22.00 per square foot for the first 5 years and $24.00 per square foot for the remaining 5 years.
Market Lease Survey	In order to determine how the subject's contract rents currently in place compare to market levels, a lease survey has been conducted. The results of this survey are summarized in the table on the following page.

	Property Name Address Class / Sub Class GLA (SF) / Year Built	Tenant GLA Lease Commencement Terms Escalations	Base Rent Op. Costs / Taxes Tenant Allowances Free Rent LL's Work Net Effective Rate	Comments
	171 East Liberty Street 171 East Liberty Street Toronto, Ontario Downtown/CBD / A Class 5,210 SF / 0	 New Lease 5,210 SF 30-Nov-11 60 months No	$21.00/SF	The base rent is fixed throughout the lease term.
	41 Fraser Avenue and 135 Liberty Street 41 Fraser Avenue and 135 Liberty Street Toronto, Ontario Downtown/CBD / B Class 7,400 SF / 0	 New Lease 5,210 SF 30-Nov-11 82 months Yes; see comments	$21.00/SF $15.00/SF	After Year 1, rent escalated to $22.00 per square foot for the remainder of the term.
	100 Liberty Street 100 Liberty Street Toronto, Ontario Downtown/CBD / B Class 9,856 SF / 0	 New Lease 9,856 SF 14-Dec-11 48 months No	$28.50/SF	The base rent is fixed throughout the lease term.
	190 Liberty Street 190 Liberty Street Toronto, Ontario Downtown/CBD / A Class 17,951 SF / 0	 New Lease 17,951 SF 18-May-11 60 months No	$21.00/SF	The base rent is fixed throughout the lease term.

	Property Name Address Class / Sub Class GLA (SF) / Year Built	Tenant GLA Lease Commencement Terms Escalations	Base Rent Op. Costs / Taxes Tenant Allowances Free Rent LL's Work Net Effective Rate	Comments
	720 King Street West 720 King Street West Toronto, Ontario Downtown/CBD / B Class 9,657 SF / 0	 New Lease 9,657 SF 14-Nov-11 60 months Yes, see comments	$19.00/SF	$19.00 per square foot years 1 and 2. $21.00 per square foot years 3 to 5.

Market Rent	Based on the foregoing survey, we are of the professional opinion that current market rent for occupancy within the subject property would be in the range of $20.00 to $2500 per square foot per annum, fully net to the landlord.
Projected Base Rent	Based on the contract revenue in place and assuming full occupancy of any presently vacant areas at market rental rates, base rental revenue is projected to be **$1,167,936** in Year One.
Recovery Revenue	The leasing within the subject property is on a fully net basis. Based on the nature of the leases in place, Year One Recovery Revenue is estimated at **$437,976**.
Storage Revenue	According to the information provided, Storage Revenue in an amount equal to **$0** has been included in our projection.
Parking Revenue	Parking Revenue is forecast at **$24,000** in Year One. We have included this income despite the fact that the first two years of parking are free as per the lease terms.
Signage Revenue	Signage Revenue is forecast at **$0** in Year One.
Other Revenue	Based on the information provided, we have forecast Other Revenue in the amount of **$0**.
Total Potential Gross Income	Adding all the sources of revenue described above results in a Year One Potential Gross Income forecast of **$1,629,912**.
General Vacancy	Within our analysis we have incorporated a stabilized vacancy allowance equal to 0.00 % of the Potential Gross Income. As a single tenant property, occupied under a longer term lease, no allowance for vacancy has been included in our analysis. It is noted under such circumstances investors typically consider the risk of vacancy in their rate of return or yield criteria. In Year One, the projected general vacancy allowance amounts to **$0**.
Effective Gross Income	Deducting the Vacancy Allowance above from the Potential Gross Income

forecast results in a Year One Effective Gross Income estimate of **$1,629,912**.

Expense Analysis

Operating Expense Summary

Operating expenses are based upon the as provided. These expenses are detailed as follows:

Operation Expense Summary 32 Atlantic Avenue	Colliers Forecast	per unit
Realty Taxes	$225,624	$4.25
Utilities	$212,352	$4.00
Total	**$437,976**	**$8.25**

Contingency/Structural Allowance

In addition to the operating expenses above, investors typically include an allowance for structural repairs or other non-recoverable expenses for the purpose of valuation. As such, a Contingency Allowance equal to 1.00 % of the Effective Gross Income has been deducted within our Pro Forma Income Projection. In Year One this allowance has been forecast at **$16,299**.

Total Expenses

Adding the expenses as described above results in forecast Year One Operating Expenses in an amount equal to **$437,976.**

Net Operating Income

Based on the foregoing, Year One Net Operating Income is projected at **$1,175,637.**

Pro Forma Income Statement

Based on the foregoing, a Pro Forma Income statement for the property is presented on the following page.

Pro Forma Income Statement 32 Atlantic Avenue (Twelve months forthcoming as of Jul-17-12)	
Base Rent	$1,167,936
Recoveries	437,976
Storage	0
Parking	24,000
Other	0
Potential Gross Income	$1,629,912
Less: Vacancy/Collection Loss Allowance @ .00% PGI	0
Effective Gross Income	$1,629,912
Realty Taxes	$225,624
Operating Expenses	$212,352
Contingency/Structural Allowance @ 1.00% EGI	16,299
Total Operating Expenses/Allowances	$454,275
Net Operating Income	**$1,175,637**

Significant Investment Characteristics of Subject

The following summarizes the major investment attributes of the property that potential investors would consider when determining an appropriate return and yield when making a purchase decision.

Location	The property offers a very good overall location with very good access and very good exposure characteristics.
Physical Attributes	The improvements to the property were originally constructed in 1916. The property has been complete renovated with improvements that represent very good quality construction in excellent overall condition, providing very good functional utility. No known deficiencies exist.
Operational	The property is 100% occupied by a good quality tenant at a rental rate that is within range of market levels. The budgeted operating expenses are consistent with those of competitive properties. There are no apparent atypical risks associated with the forecast income of the property.
Market	The overall office investment market within Toronto has remained strong during 2011 and into 2012.
Conclusions	
Positive Aspects	The property represents very good quality construction in excellent overall condition. The property is 100% occupied by a good quality tenant.
Negative Aspects	The subject property is not located in the downtown office core, however, is located in a trendy market which has seen recent investment.

Investment Analysis

Investment Alternatives

Following are current investment yields with respect to various alternative investments.

Investment Alternatives	Current
Prime Rate	3.00%
Long Term Canada Bond	2.64%
REIT Units (CREIT)	3.77%
REIT Units (RioCan)	5.09%

Source: TD Bank, Bank of Canada, Globe Investor

Real Estate Surveys

Following are the results of the most recent commercial real estate return surveys, as expressed by overall capitalization rates.

Q1 2012 Investment Parameters - Toronto		
Investment Type	Overall Capitalization Rates	Discount Rates
Industrial		
Single	6.00% - 6.50%	6.50% - 8.50%
Multi	6.75% - 7.75%	6.80% - 8.80%
Office		
Downtown - Class 'AA'	5.00% - 5.50%	6.30% - 9.00%
Suburban - Class 'B'	6.25% - 7.00%	7.00% - 8.50%
Retail		
Regional/Power	6.25% - 7.50%	6.50% - 8.00%
Strip Plaza	6.00 - 7.00%	6.50% - 9.00%

Source: Colliers International Realty Advisors, Altus InSite

Comparable Transactions

The most appropriate method of determining an appropriate overall capitalization rate is best served through an analysis of current market activity. In consideration of the characteristics described above, the transactions summarized in the table on the following page have been selected and analyzed.

Colliers INTERNATIONAL

Office Investment Transactions & Analysis
32 Atlantic Avenue

	Subject	Transaction One		Transaction Two		Transaction Three		Transaction Four	
Property Name	Single Tenant Office	Multi Tenant Office		Multi Tenant Office		Multi Tenant Office		Multi Tenant Office	
Address	32 Atlantic Avenue	1670 Bayview		2 Temperance Street		379 Adelaide Street West, 383		1 Atlantic Avenue	
	Toronto, Ontario	Toronto, Ontario		Toronto, Ontario		Toronto, Ontario		Toronto, Ontario	
Transaction Date	—	3-Nov-11		1-Dec-11		16-Apr-12		9-Jul-11	
Transaction Status	—	Closed		Closed		Closed		Closed	
Transaction Price	—	$11,900,000		$7,000,000		$31,500,000		$19,807,290	
Property Type	Office	Office		Office		Office		Office	
Sub-Type	Downtown/CBD	Suburban		Downtown/CBD		Downtown/CBD		Downtown/CBD	
Rentable Area	53,088 SF	41,133 SF		17,500 SF		112,737 SF		57,600 SF	
Actual Occupancy	100%	TBC		TBC		TBC		91%	
Overall Capitalization Rate	—	6.33%		4.95%		5.22%		7.50%	
NOI/SF	$22.15/SF	$18.31/SF		$19.80/SF		$14.58/SF		$25.78/SF	
Transaction & Other Ad		Description	Adj.	Description	Adj.	Description	Adj.	Description	Adj.
Property Rights Conveyed	Leased Fee	Leased Fee	None	Leased Fee	None	Leased Fee	None	Leased Fee	None
Financing	—	Cash	None	TBC	None	Cash	None	Cash	None
Conditions of Sale	—	Arm's Length	None	Arm's Length	None	Arm's Length	None	Arm's Length	None
Market Conditions (Time)	17-Jul-12	257 days	Downward	229 days	Downward	92 days	None	374 days	Downward
Location	Very Good	Very Good	None	Excellent	Upward	Excellent	Upward	Very Good	None
Access	Very Good	Very Good		Excellent		Excellent		Very Good	
Physical Characteristics									
Site									
Size	0.850 Acres	0.460 Acres		0.150 Acres		1.180 Acres		1.750 Acres	
Topography	Level	Level		Level		Level		Level	
Configuration	Regular	Regular		TBC		Regular		Regular	
Density	1.43	2.05	None	2.68	Upward	2.19	Upward	0.76	Upward
Excess Density	No	No		No		No		Yes	
Zoning/Land Use	E D3 N15	T3.0 C2.0 R2.0-Mixed		CR 12.0		CRE		E D2 N15	
Access	Very Good	Very Good		Excellent		Excellent		Very Good	
Exposure	Very Good	Very Good		Excellent		Excellent		Very Good	
Improvements									
Size	53,088 SF	41,133 SF		17,500 SF		112,737 SF		57,600 SF	
Design / Layout	Very Good	Very Good		Very Good		Very Good		Good	
Year Built	1916	1957	None	1895	Upward	N/A	None	1953	Downward
Quality	Very Good	Very Good		Very Good		Very Good		Good	
Condition	Excellent	Very Good		Very Good		Very Good		Good	
Economic Characteristics									
Income Growth Potential	Very Good	Very Good		Very Good		Very Good		Excellent	
Tenancy Strength	Excellent	Very Good	Downward	Very Good	Downward	Very Good	Downward	Good	Downward
Income Stability	Excellent	Very Good		Very Good		Good		Very Good	
Non-Realty						Portfolio Mass	Upward		
Overall Comparability & Adjust.		Inferior	Downward	Superior	Upward	Superior	Upward	Inferior	Downward
Conclusion		Lower Than 6.33%		Higher Than 4.95%		Higher Than 5.22%		Lower Than 7.50%	

Capitalization rates tend to vary between properties depending to some extent on such factors as location, size and type of development, quality and condition of improvements, and amenities provided. Combining all of these features with considerations of leasing history and trends, strength of tenancy and income security, the overall capitalization rate tends generally to reflect the perceived quality and durability of the property's income earning capacity.

Analysis

The selected transactions pertain to activity that occurred between July 2011 and April 2012. The properties vary in size from 17,500 square feet to 112,737 square feet and were originally constructed between 1895 and 1957. These transactions represent capital investments that range from a low of $7,000,000 to $31,500,000 at the upper end of the range. The stabilized overall capitalization rates indicated by these transactions vary from a low of 4.95% to a high of 7.50%.

Transaction No. 1 pertains to the November 3, 2011 sale of a office development located at 1670 Bayview, Toronto, Ontario at a price of $11,900,000, and indicating a stabilized overall capitalization rate of 6.33%. This transaction involved the transfer of the owner's interest in the leased fee estate and therefore no adjustment was required for the property rights conveyed in this transaction. With regard to financing terms, no adjustment was considered warranted. In the time spanning the date of this transaction and the effective date of this valuation, market conditions have improved. As such, a downward adjustment is required for changing market conditions. This property occupies a very good overall location and possesses very good regional access characteristics. Relative to the locational attributes of the subject property no adjustment is required. The site area totals 0.46 acres, offers level topography, is regular in its configuration, and based on the gross leaseable area of the improvements, has been developed to a 2.05 times site area density. Relative to the characteristics of the subject site, these attributes are thought to be similar by comparison and therefore no adjustment for site characteristics is required. This property has a total gross leaseable area of 41,133 square feet, was constructed in 1957 and is considered to represent very good quality construction in very good overall condition. Relative to the improvements to the subject property, this comparable is similar and therefore no adjustment to the indicated overall capitalization rate is required. This property is considered to provide very good income growth potential, very good tenancy strength, and very good income stability. Therefore, and relative to the subject property, a downward adjustment is warranted. Overall, Index No. 1 is considered to be inferior to the subject property and therefore, an overall capitalization rate lower than 6.33% is considered appropriate.

Located at 2 Temperance Street, Toronto, Ontario, Transaction No. 2 relates to the sale of a 17,500 square foot office development at a price of $7,000,000, and reflecting an overall capitalization rate of 4.95%. The property rights transferred relate to those of the leased fee estate and therefore no adjustment was required for the property rights that were transferred. The financing terms associated with this transaction require confirmation.

As such, no adjustment has been made. Market conditions have improved between the date that this transaction occurred and the effective date of this valuation. Therefore, a downward adjustment is required for changing market conditions. With regard to location, this property occupies an excellent overall location with excellent access characteristics. When compared to the subject property, an upward adjustment is thought to be warranted. This property's site is regular in its configuration, is level with respect to topography, comprises a total area measuring 0.15 acres, and has been developed to a density of 2.68 times its area. When compared to the attributes of the subject site, these qualities are thought to be superior and an upward adjustment has been made. The improvements to this property were originally constructed in 1895 and represent very good quality construction in very good overall condition, providing very good functional utility and/or layout. The gross leaseable area of this property is 17,500 square feet, more or less requiring an upward adjustment. In terms of overall comparability, this property is thought to be superior to the subject and therefore an upward overall adjustment is warranted, suggesting that an appropriate overall capitalization rate for the subject property should be higher than 4.95%.

An office development comprising a total gross leaseable area of 112,737 square feet, Transaction No. 3 is located in Toronto, Ontario at 379 Adelaide Street West, 383 Adelaide Street West, 78 Spadina Avenue & 80 - 82 Spadina Avenue and pertains to a sale at a price of $31,500,000, and suggesting a capitalization rate of 5.22%. Involving the transfer of the owner's interest in the leased fee estate, no adjustment was required for the property rights conveyed in this transaction. Financing is not believed to be a factor influencing this transaction. As such, no adjustment has been made. In the time between the date of this transaction and the valuation date of the subject property, the market for real estate similar to the subject property has been stable and as a consequence no adjustment to this transaction has been made. Occupying an excellent overall location with excellent access, an upward adjustment is required for overall locational characteristics relative to those offered by the subject property. Regular in its configuration and offering level topography, this site comprises a total area of 1.18 acres, more or less. Based on the gross leaseable area of the improvements, the site has been developed to a 2.19 times density. These characteristics are, in general, superior to those of the subject and therefore an upward adjustment has been made. Comprising a gross leaseable area of 112,737 square feet, more or less, the improvements to this property represent very good quality construction in very good overall condition, providing very good overall design/layout characteristics. When these attributes are considered, no adjustment is warranted, reflecting the similar nature of the improvements when compared to the subject. In summary, this property is considered to be suprerior to the subject and consequently an upward overall adjustment is required, indicating that an appropriate overall capitalization for the subject should be greater than 5.22%.

Transaction No. 4 pertains to a sale of a office development located at 1 Atlantic Avenue, at a price of $19,807,290, and indicating a 7.50% overall capitalization rate. The property rights transferred relate to those of the leased fee estate and therefore no adjustment was required for the property rights that were transferred. Financing is not believed to be a factor influencing this transaction. As such, no adjustment has been made. In the time spanning the date of this transaction and the effective date of this valuation, market conditions have improved. As such, a downward adjustment is required for changing market conditions. With regard to location, this property occupies a very good overall location with very good access characteristics. When compared to the subject property, no adjustment is thought to be warranted. Regular in its configuration and offering level topography, this site comprises a total area of 1.75 acres, more or less. Based on the gross leaseable area of the improvements, the site has been developed to a 0.76 times density. These characteristics are, in general, superior to those of the subject and therefore an upward adjustment has been made. This property has a total gross leaseable area of 57,600 square feet, was constructed in 1953 and is considered to represent good quality construction in good overall condition. Relative to the improvements to the subject property, this comparable is inferior and therefore a downward adjustment is required to the overall capitalization rate indicated by this transaction. In terms of overall comparability, this property is thought to be inferior to the subject and therefore a downward overall adjustment is warranted, suggesting that an appropriate overall capitalization rate for the subject property should be lower than 7.50% as indicated by this transaction.

Direct Capitalization

On the basis of our Revenue and Expense Analysis, the Stabilized Net Operating Income for the forthcoming 12 months is projected to be **$1,401,261.**

As summarized on the previous page, capitalization rates for properties similar to the subject are trading at "going-in" returns of 4.95 % to 7.50 %. Taking into consideration the investment characteristics of the property including its location, size, building quality and security of income, it is our opinion that an overall capitalization rate of between 6.00 % and 6.50 % would be appropriate. Applying this rate to the projected Year One net operating income results in the following estimate of value, adjusted for holding and lease up costs and capital expenses, if required.

Value Matrix - Direct Overall Capitalization
32 Atlantic Avenue

OCR	Stabilized NOI	Value(1)
6.00%	$1,175,637	$19,590,000
6.25%	$1,175,637	$18,810,000
6.50%	$1,175,637	$18,090,000

(1) Rounded to nearest $10,000

Summary

The foregoing analysis indicates an estimated value by way of Direct Income Capitalization of between **$18,090,000** and **$19,590,000** (rounded) as of the effective date of this valuation.

Discounted Cash Flow Analysis

Revenue / Expenses	The revenues and expenses were discussed and set forth within the previous section. These revenues and expenses have been utilized within the forthcoming analysis.		
Investment Horizon	The property's value has been analyzed using a 11 year holding period from July 17, 2012.		
Growth Rates (Year One)	Market Rent	•	2.5% per annum
	Other Revenues	•	2.5% per annum
	Expenses	•	2.5% per annum
	Market rental rates and operating expense growth are forecast to increase at general inflation rates.		
Space Absorption	Current Vacancy	•	0 square feet
	No absorption period has been included in our forecast.		
Tenant Retention	It is estimated that over the holding period, tenant retention of 75% will be achieved.		
Lag Vacancy			
Rent Abatements / Free Rent	New Leasing	•	None
	Renewals	•	None
Tenant Inducements	New Tenants	•	$10.00 per square foot
	Renewals	•	$5.00 per square foot
Leasing Commissions	New Tenants	•	6.0 % of lease value
	Renewals	•	3.0 % of lease value
Net Effective Rates	New Tenants	•	Face $22.00 per SF per annum
	Renewals	•	Face $22.00 per SF per annum
	The above net effective rates exclude consideration of leasing commissions.		

Cash Flow Projections

Based on the foregoing, the Cash Flow Projections for the property are presented on the following page.

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32 Atlantic Avenue Cash Flow Projections
For the 12 month periods commencing July 17, 2012

For the Years Ending	Year 1 Jul-2013	Year 2 Jul-2014	Year 3 Jul-2015	Year 4 Jul-2016	Year 5 Jul-2017	Year 6 Jul-2018	Year 7 Jul-2019	Year 8 Jul-2020	Year 9 Jul-2021	Year 10 Jul-2022	Year 11 Jul-2023	Year 12 Jul-2024
Potential Gross Revenue												
Base Rental Revenue	$1,167,936	$1,167,936	$1,167,936	$1,167,936	$1,167,936	$1,274,112	$1,274,112	$1,274,112	$1,274,112	$1,274,112	$1,495,057	$1,495,057
Absorption & Turnover Vacancy											(124,588)	
Scheduled Base Rental Revenue	1,167,936	1,167,936	1,167,936	1,167,936	1,167,936	1,274,112	1,274,112	1,274,112	1,274,112	1,274,112	1,370,469	1,495,057
Expense Reimbursement Revenue												
Realty Taxes	225,657	231,299	237,081	243,008	249,084	255,311	261,693	268,236	274,942	281,815	265,135	296,082
Operating Costs	212,383	217,693	223,135	228,714	234,432	240,292	246,300	252,457	258,769	265,238	249,539	278,666
Total Reimbursement Revenue	438,040	448,992	460,216	471,722	483,516	495,603	507,993	520,693	533,711	547,053	514,674	574,748
Parking			24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000
Total Potential Gross Revenue	$1,605,976	$1,616,928	$1,652,152	$1,663,658	$1,675,452	$1,793,715	$1,806,105	$1,818,805	$1,831,823	$1,845,165	$1,909,143	$2,093,805
Effective Gross Revenue	1,605,976	1,616,928	1,652,152	1,663,658	1,675,452	1,793,715	1,806,105	1,818,805	1,831,823	1,845,165	1,909,143	2,093,805
Operating Expenses												
Realty Taxes	225,624	231,265	237,046	242,972	249,047	255,273	261,655	268,196	274,901	281,773	288,818	296,038
Operating Costs	212,352	217,661	223,102	228,680	234,397	240,257	246,263	252,420	258,730	265,199	271,829	278,624
Total Operating Expenses	437,976	448,926	460,148	471,652	483,444	495,530	507,918	520,616	533,631	546,972	560,647	574,662
Net Operating Income	1,168,000	1,168,002	1,192,004	1,192,006	1,192,008	1,298,185	1,298,187	1,298,189	1,298,192	1,298,193	1,348,496	1,519,143
Leasing & Capital Costs												
Tenant Improvements											424,732	
Leasing Commissions											560,646	
Total Leasing & Capital Costs											985,378	
Cash Flow Before Debt Service	1,168,000	1,168,002	1,192,004	1,192,006	1,192,008	1,298,185	1,298,187	1,298,189	1,298,192	1,298,193	363,118	1,519,143

Net Present Value

As discussed previously, in order to convert the cash flow projections in an expression of current value two rates must be selected for an application of the DCF process; a discount or internal rate of return and an overall capitalization rate used to determine the reversionary or terminal value.

Discount Rate

Having regard to the subject property's characteristics including its physical condition, location and leasing position, we have elected to use a discount rate of between 6.75 % and 7.25 %.

Reversionary Cap Rate

Taking into consideration the subject property's forecast income characteristics, its physical condition, locational characteristics and its anticipated future utility, a rate similar to that used for the Direct Capitalization Approach is be justified. In this regard, the Year Eleven Net Operating Income will be capitalized using rates of between 6.25 % and 6.75 %.

A copy of the full Discounted Cash Flow Analysis, as produced by Argus (v15.0) Financial Software, is contained in the addendum and is summarized as follows:

Discounted Cash Flow Analysis

For the Cap Rates	Net Proceeds From Sale	PV of Property 6.75%	PV of Property 7.00%	PV of Property 7.25%
6.25%	$24,306,288	$20,770,000	$20,360,000	$19,960,000
6.50%	$23,371,431	$20,310,000	$19,920,000	$19,530,000
6.75%	$22,505,822	$19,890,000	$19,500,000	$19,130,000

Values rounded to nearest $10,000

Summary

The foregoing analysis indicates an estimated value by way of Discounted Cash Flow Analysis of between **$19,130,000** and **$20,770,000** (rounded) as of the effective date of this valuation.

Direct Comparison Approach

Given the investment nature of the property, the sale transactions presented within the Income Approach are considered to be reasonable for use under this method of valuation. It is noted that investment producing properties such as the subject are most relevantly valued through their income characteristics, and therefore the net operating income per square foot also be given consideration within our analysis.

The transactions summarized and analysed in the table on the following page are considered to be suitably comparable to the subject property with respect to the characteristics below and to therefore provide a reasonable and reliable indication of value.

In valuing the subject property, it has been compared to each of the transactions. The basis for comparison included the consideration of the following:

- Property Rights Conveyed
- Financing Terms
- Conditions of Sale
- Market Conditions
- Location
- Physical Characteristics
- Economic Characteristics

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Office Transactions & Analysis

	Subject	Transaction One		Transaction Two		Transaction Three		Transaction Four	
Property Name	32 Atlantic Avenue	Multi-Tenant Office		Multi-Tenant Office		Multi-Tenant Office		Multi-Tenant Office	
Address	32 Atlantic Avenue	1670 Bayview		2 Temperance Street		379 Adelaide Street West, 383		1 Atlantic Avenue	
	Toronto, Ontario	Toronto, Ontario		Toronto, Ontario		Toronto, Ontario		Toronto, Ontario	
Transaction Date		3-Nov-11		1-Dec-11		16-Apr-12		9-Jul-11	
Transaction Status		Closed		Closed		Closed		Closed	
Transaction Price		$11,900,000		$7,000,000		$31,500,000		$19,807,290	
Property Type	Office	Office		Office		Office		Office	
Sub-Type	Downtown/CBD	Suburban		Downtown/CBD		Downtown/CBD		Downtown/CBD	
Rentable Area	53,088 SF	41,133 SF		17,500 SF		112,737 SF		57,600 SF	
Actual Occupancy	100%	100%		10000%		85% (approx.)		91%	
Sale Price/SF		$289/SF		$400/SF		$279/SF		$344/SF	
NOI/SF	$22.15/SF	$18.31/SF		$19.80/SF		$14.58/SF		$25.78/SF	
Transaction & Other Adjustments		**Description**	**Adj.**	**Description**	**Adj.**	**Description**	**Adj.**	**Description**	**Adj.**
Property Rights Conveyed	Leased Fee	Leased Fee	None	Leased Fee	None	Leased Fee	None	Leased Fee	None
Financing	—	Cash	None	TBC	None	TBC	None	Cash	None
Conditions of Sale	—	Arm's Length	None	Arm's Length	None	Arm's Length	None	Arm's Length	None
Market Conditions (Time)	17-Jul-12	257 days	Upward	229 days	Upward	92 days	None	374 days	Upward
Location	Very Good	Very Good	None	Excellent	Downward	Excellent	Downward	Very Good	None
Access	Very Good	Very Good		Excellent		Excellent		Very Good	
Physical Characteristics									
Site									
Size	0.850 Acres	0.460 Acres		0.150 Acres		1.180 Acres		1.750 Acres	
Topography	Level	Level		Level		Level		Level	
Configuration	Regular	Regular		TBC		Regular		Regular	
Density	1.43	2.05	None	2.68	Upward	2.19	Upward	0.76	Upward
Excess Density	No	No		No		No		Yes	
Zoning/Land Use	E D3 N1	T3.0 C2.0 R2.0-		CR 12.0		CRE		E D2 N1.5	
Access	Very Good	Very Good		Excellent		Excellent		Very Good	
Exposure	Very Good	Very Good		Excellent		Excellent		Very Good	
Improvements									
Size	53,088 SF	41,133 SF		17,500 SF		112,737 SF		57,600 SF	
Design / Layout	Very Good	Very Good		Very Good		Very Good		Good	
Year Built	1916	1957	None	1895	None	N/A	None	1953	Downward
Quality	Very Good	Very Good		Very Good		Very Good		Good	
Condition	Excellent	Very Good		Very Good		Very Good		Good	
Economic Characteristics									
Income Growth	Very Good	Very Good		Very Good		Very Good		Excellent	
Tenancy Strength	Excellent	Very Good	Downward	Very Good	Downward	Very Good	Upward	Good	Downward
Income Stability	Excellent	Very Good		Very Good		Good		Very Good	
Non-Realty		0	None	0	None	Portfolio Mass	Downward	None	None
Overall Comparability & Adjust.		Inferior	Upward	Superior	Downward	Superior	Downward	Inferior	Upward
Conclusion		Inferior $289/SF		Superior $400/SF		Inferior $279/SF		Inferior $344/SF	

Analysis

The selected transactions pertain to activity that occurred between July 2011 and April 2012. The properties vary in size from 17,500 square feet to 112,737 square feet and were originally constructed between 1895 and 1957. These transactions represent capital investments that range from a low of $7,000,000 to $31,500,000 at the upper end of the range. The unit prices per square foot indicated by these transactions vary from a low of $279 per square foot to a high of $400.

We have included some two sales specific to the Liberty Village area which provide insight into pricing and development trends within the neighbourhood. Although the majority of these sites were purchased for redevelopment purposes, we have included them for support.

60 Atlantic Avenue is a 25,000 square foot building with approximately 12,000 square foot basement component. The property sold April 23, 2012 for a consideration of $9,700,000 representing a rate per square foot of $383.

7 and 30 Fraser Avenue sold April 23, 2012 for a total consideration of $25,000,000. Industry professionals familiar with this transaction indicated that the purchaser intends to renovate the existing buildings and build new offices comprising a total of 422,000 square feet over the next few years, and build a parkade on 30 Fraser to serve the tenants at 7 and 15 Fraser.

Based on the preceding analysis, we are of the professional opinion that an appropriate unit value range for the subject property would be between $360 per square foot and $370 per square foot. Applying such unit values to the total leasable area of the property results in a range in estimated values as summarized in the table below.

Value Matrix - Direct Comparison 32 Atlantic Avenue		
Size	$/SF	Value[1]
53,088 SF	$360	$19,110,000
53,088 SF	$365	$19,380,000
53,088 SF	$370	$19,640,000

(1) Rounded to nearest $10,000

As the subject represents an investment property, and as additional support to the foregoing, we have also considered the relationship between net operating income per square foot and the indicated sale price per square foot of the comparables relative to that forecast for the subject property. The following chart summarizes this relationship between net operating income and price, on a per square foot basis, for each of the transactions analyzed, along with a forecast value per square foot for the subject property based on our projected net operating income. On an income adjusted basis, the range in unit values per square foot varies from a low of $295 per square foot to a high of $447 per square foot with a forecast value per square foot of $344. The results of this additional analysis support the conclusion above.

Income Adjustment	Subject	No. 1	No. 2	No. 3	No. 4
Unadjusted Price per SF	-----	$289	$400	$279	$344
NOI per SF	$22.15	$18.31	$19.80	$14.58	$25.78
NOI Adjustment	-----	$60.53	$47.37	$145.06	-$48.50
Adjusted Price per SF(1)	**$344**	**$350**	**$447**	**$424**	**$295**

(1) Adjusted sale price per square foot for subject is projected

Summary

The Direct Comparison Approach indicates an estimated value of between **$19,100,000** and **$19,600,000** (rounded) as of the effective date of this valuation.

Reconciliation and Final Estimate of Value

The approaches used in this valuation provide the following values:

Valuation Summary	
32 Atlantic Avenue	
Income Approach	
Overall Capitalization [1]	$18,090,000 to $19,590,000
Discounted Cash Flow Analysis	$19,130,000 to $20,770,000
Direct Comparison Approach[1]	$19,110,000 to $19,640,000
Cost Approach	Not Completed
Replacement Cost New [2]	Not Completed

(1) Adjusted for Holding/Lease Up Costs, if required

(2) Excludes consideration of land value and all forms of depreciation

For Investment properties such as the subject, potential purchasers would place considerable emphasis on the income earning potential of the property. In this regard, the Income Approach would be the favoured method of valuation. In general, the Direct Capitalization method is favored over Discounted Cash Flow Analysis, as it is less subjective. However, when valuing multi-tenant developments with varying rental rates, lease terms, etc., Discounted Cash Flow Analysis increases in significance, particularly when the net operating income is projected to change over the life of the investment.

The Direct Comparison Approach, which is primarily used with respect to the valuation of owner occupied building, is based on the price per square foot of similar property transactions. The Direct Comparison Approach, in this case, is supportive of the indications of value in the Income Approach.

Based on the foregoing, and with most weight applied to the Income Capitalization Method, it is our opinion that the market value of the property, subject to the assumptions set forth herein, and as at July 17, 2012, was:

Nineteen Million Five Hundred Thousand Dollars

$19,500,000

The above value estimate is predicated on an exposure period of three to six months and assumes a sale on the basis of cash being paid to the vendor.

Appendices

Appendix A

Contingent and Limiting Conditions

Contingent and Limiting Conditions

1. This report has been prepared at the request of **Norma Walton** of **The Rose and Thistle Group Ltd.** for the purpose of providing an estimate of the market value of **32 Atlantic Avenue Toronto, Ontario.** It is not reasonable for any person other than the person or those to whom this report is addressed to rely upon this appraisal without first obtaining written authorization from **Norma Walton** of **The Rose and Thistle Group Ltd.** and the author of this report. This report has been prepared on the assumption that no other person will rely on it for any other purpose and all liability to all such persons is denied.
2. This report has been prepared at the request of **Norma Walton** of **The Rose and Thistle Group Ltd.** and for the exclusive (and confidential) use of, the recipient as named herein and for the specific purpose and function as stated herein. All copyright is reserved to the author and this report is considered confidential by the author and **Norma Walton of The Rose and Thistle Group Ltd.**. Possession of this report, or a copy thereof, does not carry with it the right to reproduction or publication in any manner, in whole or in part, nor may it be disclosed, quoted from or referred to in any manner, in whole or in part, without the prior written consent and approval of the author as to the purpose, form and content of any such disclosure, quotation or reference. Without limiting the generality of the foregoing, neither all nor any part of the contents of this report shall be disseminated or otherwise conveyed to the public in any manner whatsoever or through any media whatsoever or disclosed, quoted from or referred to in any report, financial statement, prospectus, or offering memorandum of the client, or in any documents filed with any governmental agency without the prior written consent and approval of the author as to the purpose, form and content of such dissemination, disclosure, quotation or reference.
3. The estimated market value of the real estate that is the object of this appraisal pertains to the value of the **leased fee interest** in the real property. The property rights appraised herein exclude mineral rights, if any.
4. The concept of market value presumes reasonable exposure. The exposure period is the estimated length of time the asset being valued would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of valuation. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. The reasonable exposure period is a function not only of time and effort, but will depend on the type of asset being valued, the state of the market at the date of valuation and the level at which the asset is priced. (The estimated length of the exposure period needed to achieve the estimated market value is set forth in the Letter of Transmittal, prefacing this report).
5. The estimate of value contained in this report is founded upon a thorough and diligent examination and analysis of information gathered and obtained from numerous sources. Certain information has been accepted at face value, especially if there was no reason to doubt its accuracy. Other empirical data required interpretative analysis pursuant to the objective of this appraisal. Certain inquiries were outside

the scope of this mandate. For these reasons, the analyses, opinions and conclusions contained in this report are subject to the following Contingent and Limiting conditions.

6. The property has been valued on the basis that title to the real estate herein appraised is good and marketable.

7. The author of this report is not qualified to comment on environmental issues that may affect the market value of the property appraised, including but not limited to pollution or contamination of land, buildings, water, groundwater or air. Unless expressly stated, the property is assumed to be free and clear of pollutants and contaminants, including but not limited to moulds or mildews or the conditions that might give rise to either, and in compliance with all regulatory environmental requirements, government, or otherwise, and free of any environmental condition, past, present or future, that might affect the market value of the property appraised. If the party relying on this report requires information about environmental issues then that party is cautioned to retain an expert qualified in such issues. We expressly deny any legal liability relating to the effect of environmental issues on the market value of the property appraised.

8. The legal description of the property and the area of the site were obtained from Municipal Property Assessment Corporation and Geowarehouse. Further, the plans and sketches contained in this report are included solely to aid the recipient in visualizing the location of the property, the configuration and boundaries of the site and the relative position of the improvements on the said lands.

9. The property has been valued on the basis that the real estate is free and clear of all value influencing encumbrances, encroachments, restrictions or covenants except as may be noted in this report and that there are no pledges, charges, liens or special assessments outstanding against the property other than as stated and described herein.

10. The property has been valued on the basis that there are no outstanding liabilities except as expressly noted herein, pursuant to any agreement with a municipal or other government authority, pursuant to any contract or agreement pertaining to the ownership and operation of the real estate or pursuant to any lease or agreement to lease, which may affect the stated value or saleability of the subject property or any portion thereof.

11. The interpretation of the leases and other contractual agreements, pertaining to the operation and ownership of the property, as expressed herein, is solely the opinion of the author and should not be construed as a legal interpretation. Further, the summaries of these contractual agreements are presented for the sole purpose of giving the reader an overview of the salient facts thereof.

12. The property has been valued on the basis that the real estate complies in all material respects with any restrictive covenants affecting the site and has been built and is occupied and being operated, in all material respects, in full compliance with all requirements of law, including all zoning, land use classification, building, planning, fire and health by-laws, rules, regulations, orders and codes of all federal, provincial, regional and municipal governmental authorities having jurisdiction with respect thereto. (It is recognized there may be work orders or other notices of violation of law outstanding with

respect to the real estate and that there may be certain requirements of law preventing occupancy of the real estate as described in this report. However, such circumstances have not been accounted for in the appraisal process).

13. Investigations have been undertaken in respect of matters which regulate the use of land. However, no inquiries have been placed with the fire department, the building inspector, the health department or any other government regulatory agency, unless such investigations are expressly represented to have been made in this report. The subject property must comply with such regulations and, if it does not comply, its non-compliance may affect the market value of this property. To be certain of such compliance, further investigations may be necessary.

14. The property has been valued on the basis that there is no action, suit, proceeding or investigation pending or threatened against the real estate or affecting the titular owners of the property, at law or in equity or before or by any federal, provincial or municipal department, commission, board, bureau, agency or instrumentality which may adversely influence the value of the real estate herein appraised.

15. The data and statistical information contained herein were gathered from reliable sources and are believed to be correct. However, these data are not guaranteed for accuracy, even though every attempt has been made to verify the authenticity of this information as much as possible.

16. The estimated market value of the property does not necessarily represent the value of the underlying shares, if the asset is so held, as the value of the share could be affected by other considerations. Further, the estimated market value does not include consideration of any extraordinary financing, rental or income guarantees, special tax considerations or any other atypical benefits which may influence the ordinary market value of the property, unless the effects of such special conditions, and the extent of any special value that may arise therefrom, have been described and measured in this report.

17. Should title to the real estate presently be held (or changed to a holding) by a partnership, in a joint venture, through a Co-tenancy arrangement or by any other form of divisional ownership, the value of any fractional interest associated therewith may be more or less than the percentage of ownership appearing in the contractual agreement pertaining to the structure of such divisional ownership. For the purposes of our valuation, we have not made any adjustment for the value of a fractional interest.

18. In the event of syndication, the aggregate value of the limited partnership interests may be greater than the value of the freehold or fee simple interest in the real estate, by reason of the possible contributory value of non-realty interests or benefits such as provision for tax shelter, potential for capital appreciation, special investment privileges, particular occupancy and income guarantees, special financing or extraordinary agreements for management services.

19. Unless otherwise noted, the estimated market value of the property referred to herein is predicated upon the condition that it would be sold on a cash basis to the vendor subject to any contractual agreements and encumbrances as noted in this report as-is and where-is, without any contingent agreements or caveats. Other financial arrangements, good or cumbersome, may affect the price at which this property might sell in the open market.

20. Should the author of this report be required to give testimony or appear in court or at any administrative proceeding relating to this appraisal, prior arrangements shall be made beforehand, including provisions for additional compensation to permit adequate time for preparation and for any appearances that may be required. However, neither this, nor any other of these assumptions or limiting conditions, is an attempt to limit the use that might be made of this report should it properly become evidence in a judicial proceeding. In such a case, it is acknowledged that it is the judicial body which will decide the use of this report which best serves the administration of justice.

21. Because market conditions, including economic, social and political factors, change rapidly and, on occasion, without notice or warning, the estimate of market value expressed herein, as of the effective date of this appraisal, cannot necessarily be relied upon as of any other date without subsequent advice of the author of this report.

22. The value expressed herein is in Canadian dollars.

23. This report is only valid if it bears the original signature(s) of the author(s).

24. These Contingent and Limiting Conditions shall be read with all changes in number and gender as may be appropriate or required by the context or by the particulars of this mandate.

Appendix B

Definitions

Definitions

Property Interests

Fee Simple
- Absolute ownership unencumbered by any other interest or estate subject only to the four powers of government.

Leased Fee Estate
- An ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others; the rights of lessor or the leased fee owner and leased fee are specified by contract terms contained within the lease.

Leasehold Estate
- The right to use and occupy real estate for a stated term and under certain conditions; conveyed by a lease.

General Definitions

Adjusted or Stabilized Overall Capitalization Rate is usually derived from transactions with excessive vacancy levels or contract rents over/under market levels. In such cases, net operating income is "normalized" to market levels and the price adjusted to reflect expected costs required to achieve the projected net operating income.

The Cost Approach to value is based upon the economic principle of substitution, which holds that the value of a property should not be more than the amount by which one can obtain, by purchase of a site and construction of a building without undue delay, a property of equal desirability and utility.

Direct or Overall Capitalization refers to the process of converting a single year's income with a rate or factor into an indication of value.

The Direct Comparison Approach examines the cost of acquiring equally desirable and valuable substitute properties, indicated by transactions of comparable properties, within the market area. The characteristics of the sale properties are compared to the subject property on the basis of time and such features as location, size and quality of improvements, design features and income generating potential of the property.

Discount Rate is a yield rate used to convert future payments or receipts into a present value.

Discounted Cash Flow Analysis offers an opportunity to account for the anticipated growth or decline in income over the term of a prescribed holding period. More particularly, the value of the property is equivalent to the discounted value of future benefits. These benefits represent the annual cash flows (positive or negative) over a given period of time, plus the net proceeds from the hypothetical sale at the end of the investment horizon.

Two rates must be selected for an application of the DCF process:

- the internal rate of return or discount rate used to discount the projected receivables;
- an overall capitalization rate used in estimating reversionary value of the asset.

The selection of the discount rate or the internal rate of return is based on comparing the subject to other real estate opportunities as well as other forms of investments. Some of the more common bench marks in the selection of the discount rate are the current yields on long term bonds and mortgage interest rates.

Exposure Time is the property's estimated marketing time prior to a hypothetical sale at market value on the effective date of the appraisal. Reasonable exposure time is a necessary element of a market value definition but is not a prediction of a specific date of sale.

Highest and Best Use - The purpose of a highest and best use analysis is to provide a basis for valuing real property. Highest and best use is defined by the Appraisal Institute of Canada as:

> ***"that use which is most likely to produce the greatest net return over a period of time." The highest and best use must be legally permissible, physically possible, financially feasible and maximally productive.***

The Income Approach to value is utilized to estimate real estate value of income-producing or investment properties.

Internal Rate of Return is the yield rate that is earned or expected over the period of ownership. It applies to all expected benefits including the proceeds of sale at the end of the holding period. The IRR is the Rate of Discount that makes the net present value of an investment equal zero.

Market Value - The Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Institute of Canada define market value as:

> ***"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus."***

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised and acting in their own best interests;
- A reasonable time is allowed for exposure in the market; and
- Payment is made in cash in Canadian dollars or in terms of financial arrangements comparable thereto.

The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Net Operating Income is the actual or anticipated net income remaining after all operating expenses are deducted from effective gross income before debt service and depreciation. Net Operating Income is usually calculated for the current fiscal year or the forthcoming year.

Overall Capitalization Rate is an income rate that reflects the relationship between a single year's net operating income expectancy and the total property price. The Overall Capitalization Rate converts net operating income into an indication of a property's overall value.

Reasonable Exposure Time - Exposure time is always presumed to precede the effective date of the appraisal. It may be defined as:

> ***"The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. It is a retrospective estimate based upon an analysis of past events assuming a competitive and open market."***

A Yield Rate is applied to a series of individual incomes to obtain a present value of each.

Appendix C

Argus (v15.0) Output

Rent Roll / Tenant Roster

Argus v15.0 Supporting Schedules

Presentation Rent Roll & Current Term Tenant Summary

As of Aug-2012 for 53,088 Square Feet

	Tenant Name Type & Suite Number Lease Dates & Term	Floor SqFt Bldg Share	Rate & Amount per Year per Month	Changes on	Changes to	CPI & Current Porters' Wage Miscellaneous	Months to Abate	Pcnt to Abate	Description of Operating Expense Reimbursements
1	Vision 7 Communicatio Office Aug-2012 to Jul-2022 120 Months	 53,088 100.00%	$22.00 $1,167,936 $1.83 $97,328	Aug-2017	$24.00	-	-	-	See method: NET1
	Total Occupied SqFt	53,088							
	Total Available SqFt	0							

Schedule Of Prospective Cash Flow
In Inflated Dollars for the Fiscal Year Beginning 8/1/2012

For the Years Ending	Year 1 Jul-2013	Year 2 Jul-2014	Year 3 Jul-2015	Year 4 Jul-2016	Year 5 Jul-2017	Year 6 Jul-2018	Year 7 Jul-2019
Potential Gross Revenue							
Base Rental Revenue	$1,167,936	$1,167,936	$1,167,936	$1,167,936	$1,167,936	$1,274,112	$1,274,112
Absorption & Turnover Vacancy							
Scheduled Base Rental Revenue	1,167,936	1,167,936	1,167,936	1,167,936	1,167,936	1,274,112	1,274,112
Expense Reimbursement Revenue							
Realty Taxes	225,657	231,299	237,081	243,008	249,084	255,311	261,693
Operating Costs	212,383	217,693	223,135	228,714	234,432	240,292	246,300
Total Reimbursement Revenue	438,040	448,992	460,216	471,722	483,516	495,603	507,993
Parking			24,000	24,000	24,000	24,000	24,000
Total Potential Gross Revenue	1,605,976	1,616,928	1,652,152	1,663,658	1,675,452	1,793,715	1,806,105
Effective Gross Revenue	1,605,976	1,616,928	1,652,152	1,663,658	1,675,452	1,793,715	1,806,105
Operating Expenses							
Realty Taxes	225,624	231,265	237,046	242,972	249,047	255,273	261,655
Operating Costs	212,352	217,661	223,102	228,680	234,397	240,257	246,263
Total Operating Expenses	437,976	448,926	460,148	471,652	483,444	495,530	507,918
Net Operating Income	1,168,000	1,168,002	1,192,004	1,192,006	1,192,008	1,298,185	1,298,187
Leasing & Capital Costs							
Tenant Improvements							
Leasing Commissions							
Total Leasing & Capital Costs							
Cash Flow Before Debt Service & Taxes	$1,168,000	$1,168,002	$1,192,004	$1,192,006	$1,192,008	$1,298,185	$1,298,187

Appendix D

Comparable Transactions

Multi Tenant Office

1670 Bayview, Toronto, Ontario

Property Description

Tenancy Type	Multi-Tenant
Property Type	Office
Property Sub-Type	Suburban
Property Class	B Class
Construction	Concrete/Steel
Year Built	1957
Rentable Area	41,133 SF
Floor Area Ratio	2.05
Sprinkler	Yes

Transaction Details

Sale Price	$11,900,000 (100% Equivalent)
Interest Transferred	100 %
Sale Price per SF	$289
Status	Closed
Date	3-Nov-11
Occupancy	0.00 %
Vendor	1670 Bayview Holdings Inc.
Purchaser	Promed 1670 Bayview Inc.
Document No.	
Rights Conveyed	Fee Simple

Comments

The terms of this transaction were on the basis of cash to the vendor.

Record No. 28204

Location / Legal / Land Use

Address	1670 Bayview Avenue
Municipality	Toronto
Province	Ontario
District	
Roll No.	
Zoning / Land Use	T3.0 C2.0 R2.0- Mixed Use
Legal Description	

Income Analysis

Base Rent (stabilized)	$760,898
Recovery Income	$0
Other Income	$0
Potential Gross Income	$760,898
Less: Vac. Allow. (0.0 %)	$0
Effective Gross Income	$760,898
Less: Operating Expenses	$0
Less: Realty Taxes	$0
Less: Contingency (0.0 %)	$0
Net Operating Income	$760,898
NOI per SF	$18.50

Return / Yield Analysis

OCR – Stabilized	6.39 %
OCR - Actual	6.39 %
TCR	---
IRR (Not Avail./App.)	---

Multi Tenant Office

2 Temperance Street, Toronto, Ontario

Property Description

Tenancy Type	Multi-Tenant
Property Type	Office
Property Sub-Type	Downtown/CBD
Year Built	1895
Rentable Area	17,500 SF
Floor Area Ratio	2.68
Typ. Floor Plate	Properties SF

Transaction Details

Sale Price	$7,000,000 (100% Equivalent)
Interest Transferred	100 %
Sale Price per SF	$400
Status	Closed
Date	1-Dec-11
Occupancy	0.00 %
Vendor	Unknown
Purchaser	1862222 Ontario Inc.
Document No.	
Rights Conveyed	Leased Fee

Comments

There were no known factors influencing this transaction; further confirmation may be required. Details regarding any financing relating to this transaction require confirmation. Record No. 27170

Location / Legal / Land Use

Address	2 Temperance Street
Municipality	Toronto
Province	Ontario
Zoning / Land Use	CR 12.0
Legal Description	

Tenant Name	Leaseable Area	Expiry

Income Analysis

Base Rent (stabilized)	$350,000
Recovery Income	$0
Other Income	$0
Potential Gross Income	$350,000
Less: Vac. Allow. (0.0 %)	$0
Effective Gross Income	$350,000
Less: Operating Expenses	$0
Less: Realty Taxes	$0
Less: Contingency (0.0 %)	$0
Net Operating Income	$350,000
NOI per SF	$20.00

Return / Yield Analysis

OCR - Stabilized	5.00 %
OCR - Actual	5.00 %
TCR	---
IRR (Not Avail./App.)	---

Colliers INTERNATIONAL

Multi Tenant Office

379 Adelaide Street West, 383 Adelaide Street West, 78 Spadina Avenue & 80 - 82 Spadina Avenue, Toronto, Ontario

Property Description

Tenancy Type	Multi-Tenant
Property Type	Office
Property Sub-Type	Downtown/CBD
Property Class	AA Class
Construction	Concrete/Concrete Block/Steel
Rentable Area	112,737 SF
Floor Area Ratio	2.19

Transaction Details

Sale Price	$31,500,000 (100% Equivalent)
Interest Transferred	100 %
Sale Price per SF	$279
Status	Closed
Date	16-Apr-12
Occupancy	0.00 %
Vendor	Ballast Holdings Limited
Purchaser	Allied Properties Corporation
Document No.	
Rights Conveyed	Leased Fee

Comments

There were no known factors influencing this transaction; further confirmation may be required. The terms of this transaction were on the basis of cash to the vendor. Record No. 29070

Location / Legal / Land Use

Address	379 Adelaide Street West, 383 Adelaide Street West, 78 Spadina
Municipality	Toronto
Province	Ontario
District	
Roll No	
Legal Description	See Long Description

Income Analysis

Base Rent (stabilized)	$1,660,000
Recovery Income	$0
Other Income	$0
Potential Gross Income	$1,660,000
Less: Vac. Allow. (0.0 %)	$0
Effective Gross Income	$1,660,000
Less: Operating Expenses	$0
Less: Realty Taxes	$0
Less: Contingency (0.0 %)	$0
Net Operating Income	$1,660,000
NOI per SF	$14.72

Return / Yield Analysis

OCR – Stabilized	5.27 %
OCR - Actual	5.27 %
TCR	---
IRR (Not Avail./App.)	---

Multi Tenant Office

1 Atlantic Avenue, Toronto, Ontario

Property Description

Tenancy Type	Multi-Tenant
Property Type	Office
Property Sub-Type	Downtown/CBD
Property Class	B Class
Construction	Concrete/Steel
Year Built	1953
Rentable Area	57,600 SF
Floor Area Ratio	0.76

Location / Legal / Land Use

Address	1 Atlantic Avenue
Municipality	Toronto
Province	Ontario
District	
Roll No.	
Zoning / Land Use	IC D2 N1.5
Legal Description	

Transaction Details

Sale Price	$19,807,290 (100% Equivalent)
Interest Transferred	100 %
Sale Price per SF	$344
Status	Closed
Date	9-Jul-11
Occupancy	91.00 %
Vendor	One Atlantic Avenue Limtied
Purchaser	Minto Group
Document No.	
Rights Conveyed	Leased Fee

Income Analysis

Base Rent (stabilized)	$1,500,000
Recovery Income	$0
Other Income	$0
Potential Gross Income	$1,500,000
Less: Vac. Allow. (0.0 %)	$0
Effective Gross Income	$1,500,000
Less: Operating Expenses	$0
Less: Realty Taxes	$0
Less: Contingency (0.0 %)	$0
Net Operating Income	$1,500,000
NOI per SF	$26.04

Return / Yield Analysis

OCR - Stabilized	7.57 %
OCR - Actual	7.57 %
TCR	---
IRR (Not Avail./App.)	---

Comments

The terms of this transaction were on the basis of cash to the vendor.

Record No. 32296

Appendix E

Certification

Certification

32 Atlantic Avenue, Toronto, Ontario

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct;
- The reported analyses, opinions and conclusions are limited only by the reported Contingent and Limiting conditions, and are my personal, unbiased professional analyses, opinions and conclusions;
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved;
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- My engagement in and compensation for this assignment were not contingent upon developing or reporting predetermined results, the amount of the value estimate, or a conclusion favouring the client;
- My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Canadian Uniform Standards of Professional Appraisal Practice and with the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute of Canada;
- I made a personal inspection of the property that is the subject of this report on July 17, 2012;
- I have the knowledge and experience to complete the assignment competently.
- No one provided significant professional assistance in the preparation of this report;
- As of the date of this report the undersigned has fulfilled the requirements of The Appraisal Institute of Canada's Continuing Professional Development Program for designated and candidate members; and
- I am licensed to practice in the province of Ontario.

Final Estimate of Value

In accordance with your request, we have inspected the above property and have carried out an analysis in order to estimate its current market value as complete. Based on our investigations, it is our opinion that the current market value as complete of the leased fee interest in the property, as at July 17, 2012, is estimated to be as follows:

Nineteen Million Five Hundred Thousand Dollars
$19,500,000

This value is based on an exposure time of three to six months.

M. B

Matthew Bruchkowsky, AACI, P. App
Senior Associate, Toronto
Date: July 31, 2012

Self Contained Appraisal Report
Brick and Beam Office Building
241 Spadina Avenue
Toronto, Ontario
December 12, 2012

PREPARED FOR

Ms. Norma Walton
Twin Dragons Corp.
30 Hazelton Avenue
Toronto, Ontario
M5R 2E2

PREPARED BY

Michael Fairfield, AACI, P. App.

CBRE Limited
VALUATION & ADVISORY SERVICES
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December 12, 2012

Twin Dragons Corp.
Ms. Norma Walton
30 Hazelton Avenue
Toronto, Ontario, M5R 2E2

RE: 241 Spadina Avenue, Toronto, Ontario
CBRE File No. A12.383

Dear Ms. Walton;

At your request and authorization, CBRE Limited has prepared a Self Contained Appraisal Report of the above referenced property, in order to provide an "AS IS" market value estimate as at December 12, 2012.

The intended use of the appraisal report is to provide information for financing purposes.

The subject property is a five storey, ± 45,680 sq. ft. brick and beam office building that is currently 95% leased to 5 tenants and contains a gross leasable area of ± 34,205 sq. ft. including a partially leased basement. The subject is located on the east side of Spadina Avenue, south of Dundas Street West and north of Queen Street West in the downtown core of the City of Toronto. The building was originally constructed circa 1910 and recently received an extensive renovation in 2011/2012. It features approximately 5,169 square feet of retail area on the ground floor level. The building is described more fully within the following report.

Based on the analysis contained in the following report, the market value of the subject is concluded as follows:

FINAL MARKET VALUE CONCLUSION	
As Is Market Value (as at December 12, 2012)	$12,150,000
Source: CBRE Limited	

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The estimated market value is predicated on an exposure time of approximately 6-9 months and assumes sale on cash to vendor basis. The estimated value is contingent on the reported income and expenses are true and correct. Any variation will have a corresponding effect on the estimated value. Bank of America makes no warranties or representations regarding this document or the conclusions contained herein.

The following appraisal sets forth the most pertinent data gathered, the techniques employed, and the reasoning leading to the estimate of value. The report, in its entirety, including all Critical Assumptions, Assumptions and Limiting Conditions, is an integral part of and inseparable from this letter. The analyses, opinions and conclusions were developed based on, and this report has been prepared in conformance with, our interpretation of the guidelines and recommendations set forth in the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP), the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute of Canada.

It has been a pleasure to assist you in this assignment. If you have any questions concerning the analysis, or if CBRE Limited can be of further service, please contact us.

Respectfully submitted,
CBRE Limited
VALUATION & ADVISORY SERVICES

Michael Fairfield, AACI, P. App
Associate Director

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SUMMARY OF SALIENT FACTS

Location	241 Spadina Avenue, Toronto, ON
Owners	Twin Dragons Corporation
Property Type	Brick and Beam Office Building
Property Rights Appraised	Fee Simple Interest
Date of Inspection	November 27, 2012
Effective Date of Appraisal – As Is	December 12, 2012
Site Area	0.161 acres or 7,010 sq. ft.
Improvements	5 Storey office building with ground floor retail.
Rentable Area (office and retail area)	34,205 sq. ft. including some basement storage space.
Tenants	5 Tenants
Occupancy	95% (32,597 sq. ft.)
Current Vacancy	5% (1,608 sq. ft.) - Storage
Market Rents	Office: $17.75 to $27.50 per sq. ft. Retail: $21.40 to $40.00 per sq. ft.
Contractual Rent	Year 1 - $10.00 per sq. ft. – basement $35.00 - $40.00 per sq. ft. – ground floor $23.00 per sq. ft. – floors 3, 4 and 5 $22.00 per sq. ft. – floor 2
Tenant Expiries	**In Year 1** – (November 2012 to October 2013) – no expiries. **In Year 2** - (November 2013 to October 2014) – no expiries. **In Years 3 and 4** - (November 2014 – October 2016) approximately 8,151 sq. ft. or 24% of the total building area is projected to expire.

TENANT PROFILE

Maturity Date	Remain Term/yrs	Occupancy Date	Suite #	Tenant	Area %	Area Sq ft	Rate $	Income $
-	-	-		-	-	-	-	-
Dec-22	10.0	1/12	BSMT	Michael Rubino	4.1	1,417	$ 10.00	$ 14,170.00
Jan-22	9.1	6/12	BSMT	Idea Couture Inc.	2.9	1,000	$ 10.00	$ 10,000.00
Mar-16	3.2	3/13	BSMT	Jet Cooper Ltd.	0.6	200	$ 10.00	$ 2,000.00
Mar-23	10.2	1/13	2nd fl	Triangle Studios Inc.	0.6	200	$ 10.00	$ 2,000.00
			BSMT	Available	4.7	1,606	-	-
Dec-22	10.0	1/12	GF	Michael Rubino	9.8	3,363	$ 35.00	$ 117,705.00
Oct-15	2.8	10/12	GF	MEGA International Commercial Bank	5.3	1,806	$ 40.00	$ 72,240.00
Mar-23	10.2	1/13	2nd fl	Triangle Studios Inc.	18.0	6,145	$ 22.10	$ 135,828.00
Mar-16	3.2	3/13	3rd fl	Jet Cooper Ltd.	18.0	6,145	$ 23.00	$ 135,828.00
Jan-22	9.1	6/12	4th fl	Idea Couture Inc.	18.0	6,161	$ 23.00	$ 141,691.50
Jan-22	9.1	6/12	5th fl	Idea Couture Inc.	18.0	6,161	$ 23.00	$ 141,691.50
Total Project					100.0%	34,205	$ 22.60	$ 773,154.00

Market Value Estimates	
Direct Capitalization Method	
Stabilized NOI	$740,500 or $21.65 per sq. ft.
Capitalization Rate	6.00%
Market Value Estimate (As Is)	**$12,300,000 (Rounded) or $360 per sq. ft.**
Discount Cash Flow Method	
As Is NOI Yr 1	$578,050 or $16.90 per sq. ft.
Market Rent- Office	$22.10 to $23.00 per sq. ft.
Market Rent- Retail	$35.00 - $40.00 per sq. ft.
Discount Rate – As Is	7.00%
Terminal Cap Rate – As Is	6.50%
Market Value Estimate (As Is)	**$12,100,000 (Rounded) or $354 per sq. ft.**
Income Approach Conclusions	
As Is Market Value	**$12,200,000**
Direct Sales Comparison- As Is	$11,970,000 (Rounded) or $350 per sq. ft.
Final Value Conclusion As Is	**$12,150,000 (Rounded) or $355 per sq. ft.**

Subject Characteristics

Positive Aspects

- The subject property is located within the Chinatown neighbourhood in the downtown core of the City of Toronto and is surrounded by similar office uses as well as commercial and residential uses.

- The office building is a brick and beam building that is in overall very good condition having recently received an extensive renovation.

- The subject property is located on the east side of Spadina Avenue, south of Dundas Street West and north of Queen Street West within the City of Toronto downtown core.

- The building is 95% occupied with mostly long-term leases in place. There is the potential for limited rollover in Years 3 and 4 and then no rollover until Years 10 and 11. The remaining 5% of space comprises basement storage space.

Negative Aspects

- None noted.

INTRODUCTION

Property Identification

241 Spadina Avenue, Toronto, ON

Legal Description

PLAN D60 LOT 4 RP 63R4828 PART 2

Ownership and Property History

The property is currently vested in the name of Twin Dragons Corp. The subject property was last sold on October 18, 2010 from Mega International Commercial Bank (Canada) to Twin Dragons Corporation under a power of sale order in the amount of $4,500,000.

Property Rights Appraised

The interest appraised represents the Fee Simple Interest.

Realty Taxes & Assessment

- Roll Number: 19-04-06-5-190-00705-0000
- Assessment: $4,230,000 or $92.60 per sq. ft. (As per MPAC 2012)
- Realty Tax: $136,381.78 or $2.99 per sq. ft. (2012)

TERMS AND REFERENCES

Intended Use of Report

This intended use of appraisal report is to provide information for use in decision making purposes in financing the property. This report is for the sole use and benefit of, Twin Dragons Corporation and Rose & Thistle Group Ltd.

Property Rights Appraised

The interest appraised represents the Fee Simple interest (100%).

Purpose of the Appraisal

The appraisal estimates the current Market Value of the subject property, subject to the *Critical Assumptions* included herein. The report is a Full Narrative Appraisal and has been prepared in accordance with the standards set forth by the Appraisal Institute of Canada.

Market value is defined as follows:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in Canadian dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Scope of Work

The following steps were completed by CBRE Limited for this assignment:

1. identified and inspected the subject property;
2. understood the intended use of the report;
3. applied appropriate opinion methodology;
4. reviewed the area and neighbourhood influences.
5. undertook a review of zoning and planning issues.
6. analyzed the comparable data to arrive at a probable range of value via each approach to value used in this report;
7. reconciled the results of each approach into a reasonable final opinion of value for the subject, as defined herein; and

8. estimated a reasonable exposure time and marketing time associated with the value opinion.

CRITICAL ASSUMPTIONS

1) As Is Market Value as at December 12, 2012.
2) A soil analysis for the site has not been provided for the preparation of this opinion. In the absence of a soil report, it is a specific assumption that the site has adequate soils to support the highest and best use.
3) A formal title search was beyond the scope of this assignment. Except as described herein, CBRE Limited has no knowledge of any easements or encroachments. It is recommended that the client/reader obtain a detailed title search outlining all easements and encroachments on the property, if any, prior to making a business decision.
4) To our knowledge, there are no known covenants, conditions and restrictions impacting the site, which are considered to affect the marketability or highest and best use, other than zoning restrictions.
5) CBRE Limited, or the consultant(s), has not observed, yet is not qualified to detect, the existence of potentially hazardous material or underground storage tanks, which may be present on or near the site. It should also be noted that the existence of hazardous materials or underground storage tanks might have an affect on the value of the property.
6) CBRE Limited has not observed, yet is not qualified to detect, the existence of any potentially hazardous materials such as lead paint, asbestos, urea formaldehyde foam insulation, or other potentially hazardous construction materials on or in the improvements. The existence of such substances may have an affect on the value of the property. For the purpose of this assignment, we have specifically assumed that the subject is not affected by any hazardous materials, which would cause a loss in value.
7) It should be noted that neither CBRE Limited nor the valuation consultant are qualified to determine the structural integrity of the building. Finally, CBRE Limited and the valuation consultant make no representations or warranties as the condition or suitability of the electrical system, HVAC system or roof membrane.

EXPOSURE AND MARKETING TIME

Exposure and marketing time is not intended to be a prediction of a date of sale. Instead, it is an integral part of the opinion analysis and is based on one or more of the following:

- Statistical information about days on the market
- Information gathered through sales verification

- Interviews with market participants.

The reasonable exposure and marketing period is a function of price, time, and use. It is not an isolated estimate of time alone. Exposure and marketing time is different for various types of real estate and under various market conditions.

Exposure and marketing time is the estimated length of time the property would have been offered prior to a hypothetical market value sale on the effective date of opinion. It is a retrospective estimate based on an analysis of recent past events, assuming a competitive and open market. It assumes not only adequate, sufficient, and reasonable time but also adequate, sufficient, and reasonable marketing effort. Exposure and marketing time is therefore interrelated with opinion conclusion of value.

Based on the foregoing analysis, an exposure time of 6 to 9 months is reasonable. CBRE Limited assumes the subject would have been competitively priced and aggressively promoted regionally.

CITY OF TORONTO AREA OVERVIEW

Location

The subject property is located in the City of Toronto, the largest city in Canada. Toronto is centrally located in the Greater Toronto Area (GTA), which is on the northwestern shore of Lake Ontario. The city is within 1.5 hours flight of cities such as New York, Philadelphia, Hartford, Boston, and Chicago, with direct flights available to most major world cities.

The City of Toronto at present was formed on January 1st, 1998 with the amalgamation of the former municipalities of Toronto, Scarborough, North York, East York, York and Etobicoke with the upper tier Municipality of Metropolitan Toronto. Toronto is the capital of the Province of Ontario and is the corporate, business and entertainment centre of Canada.

Accessibility

Toronto is serviced by an extensive network of highways, railway lines, international and domestic air services and port facilities, as summarized below:

Highways: Primary vehicular access into Toronto is via Highway 401 that traverses the centre of the city and links the GTA with points east to Quebec and west to the border point of Windsor/Detroit. Highway 404, together with its southern extension known as the Don Valley Parkway (DVP), is the major north south route that connects, at its southern tip, to the Gardener expressway and runs along the lake shore. Easy access into the City is available via Queen Elizabeth Way (QEW), which travels east and west through the southern portion of the city and provides express access to the US border.

Railways: Two national railways - CP Rail Systems and Canadian National Railways (CN) provide rail freight access to Canada and North America from Toronto.

Union Station is the primary railway hub located in the south-central part of City of Toronto, commuter railways such as VIA rail, GO transit, and the Toronto Transit Commission (TTC) systems provide residents and visitors access into and out of the city, as well as throughout it.

Port Services: The Port of Toronto is one of Canada's largest inland ports and is situated on the northwest shore of Lake Ontario. It is located just minutes from the downtown Toronto and provides access to over a quarter of the country's population. The Port is within 1300 kilometres of many major North American cities.

Air Services: Pearson International Airport is the area's international airport, and is located in the northwest sector of the GTA in the City of Mississauga. The Airport is the fourth largest international airport in North America and the world's largest originator of traffic into the United Sates.

Located on the Toronto Island, the Billy Bishop Toronto City Airport handles short-haul commuter flights to over 15 cities in Canada and the U.S. The Toronto area is also serviced by three other notable airports; Buttonville, Oshawa and Hamilton International.

Population

The 2012 population estimate for the City of Toronto is approximately 2,757,909 reflecting an annual growth rate of 0.92% over the past six years, which is lower than the Provincial average of 1.16% over the same period. Toronto's population is expected to grow at an annual rate of 0.69% over the next five years, which is lower than the Provincial average of 1.34%. The overall short term outlook for population growth in Toronto is positive.

Population Statistics

Category	Toronto (City)	Ontario	Canada
2012 Estimate	2,757,909	13,576,228	34,931,599
Avg. Annual Growth '06-'12	0.92%	1.16%	1.17%
Projected Annual Population Growth (2012-2017)	0.69%	1.34%	1.21%
2012 Households Estimate	1,101,362	5,195,092	13,987,134

Source: Canadian Demographics 2012, FP Markets

Demographics

The table below indicates that 47.4% of the overall Toronto population falls within the prime working years of 25 to 54 years of age; higher than the Provincial average of 43.4%. Demographically, 14.0% of the population is over the age of 65, slightly lower to than the Provincial average of 14.5%. Further, 28.7% of the population over the age of 20 has some university education, as compared to the Provincial average of 19.6%.

Demographics Statistics						
	Toronto (City)		Ontario		Canada	
Category	Population	% of Total Population	Population	% of Total Population	Population	% of Total Population
Population 20 Years +	2,197,502	79.7%	10,498,144	77.3%	27,105,184	77.6%
Prime age group, 25-54	1,306,498	47.4%	5,891,821	43.4%	15,005,967	43.0%
Senior age group, 65+	386,847	14.0%	1,964,150	14.5%	5,157,601	14.8%
Level of Schooling, 20 years +						
With Some University Education	791,215	28.7%	2,661,705	19.6%	6,266,659	17.9%

Source: Canadian Demographics 2012, FP Markets

Economy

As the Table below indicates, Toronto is expected to generate a Total Municipal Income of over $104.107 billion in 2012. Income is expected to grow at an annual rate of 4.21% over the next five years; which is lower than the Provincial average of 4.91%. The estimated Income Per Capita in 2012 is $37,749, slightly higher than the Provincial average of $35,291. The overall short term outlook for the local economy is positive.

Municipal Income and Labour Market			
Category	Toronto (City)	Ontario	Canada
Total Estimated Income in 2012 ($)	104,107,529,907	479,119,551,963	1,199,986,671,572
Projected Annual Income Growth for 2012-2017	4.21%	4.91%	5.00%
Income Per Capita ($)	37,749	35,291	34,352
In the Labour Force	1,501,497	7,496,542	19,230,076

Source: Canadian Demographics 2012, FP Markets

Furthermore, Toronto has a diversified work force as shown in the Table below. The City has a higher concentration of jobs in Business, Finance & Administration sectors compared to the Provincial average, and a lower concentration of jobs in the Trades, Transport & Equipment Operations, and Primary Industry sectors as compared to the Provincial average in these areas, all other concentration of jobs are similar to the Provincial average.

Occupations by Major Groups (2012 Estimates)				
Category	Toronto (City)		Ontario	
Management	159,207	10.9%	773,204	10.5%
Business, Finance & Admin	303,682	20.7%	1,379,153	18.7%
Natural & Applied Sci. & Rel'd	120,835	8.3%	528,502	7.2%
Health	74,520	5.1%	393,587	5.3%
Social Sci., Gov't Serv's & Relig'n	80,781	5.5%	332,095	4.5%
Education	61,243	4.2%	299,050	4.1%
Arts, Culture, Recr'n & Sport	81,571	5.6%	236,019	3.2%
Sales & Service	326,337	22.3%	1,694,550	23.0%
Trades, Transp. & Equip. Ops. Etc.	143,718	9.8%	1,011,055	13.7%
Primary Industry	10,418	0.7%	192,727	2.6%
Processing, Mfg. & Utilities	101,392	6.9%	523,713	7.1%
Total Employment	**1,463,704**	**100.0%**	**7,363,655**	**100%**

Source: Canadian Demographics 2012, FP Markets

Retail Summary

The City of Toronto is a competitive retail market and accounts for 6.06% of the Canada's total. Overall, the retail sector is estimated to generate over $29.112 billion in retail sales. The Annual sales growth rate over five years is 3.15%, which is lower than the Provincial rate of 4.18%. The retail spending per household is estimated at $26,434, which is lower than the Provincial average of $33,234.

Retail Market

Category	Toronto (City)	Ontario	Canada
2012 Retail Sales Estimate $	29,112,918,689	172,654,454,431	480,420,342,154
% of Canadian Total	6.06%	35.94%	100%
2017 Projected Retail Sales $	34,003,006,405	211,897,272,661	593,661,302,473
Annual Sales Growth Rate	3.15%	4.18%	4.32%
2012 per Household $	26,434	33,234	34,347
2012 per Capita	10,556	12,717	13,753
2012 No. of Establishments	17,372	81,105	217,428

Source: Canadian Demographics 2012, FP Markets

ECONOMIC OVERVIEW

The following is current as of December 6, 2012

Bank of Canada

- The Bank of Canada maintained its target for the overnight rate at 1.0% at its most recent announcement of December 4, 2012. The rate has been on hold since October 2010. The next scheduled rate announcement is set for January 23, 2013.
- According to the Bank of Canada, the global prospects are unfolding largely as projected in the October 2012 Monetary Policy report – with US economic expansion being held back by the uncertainty related to the "fiscal cliff". Global financial conditions overall remain stimulative by vulnerable to any major shocks from the US or Europe.
- Third quarter activity in Canada was weak however the pace of economic growth is expected to pick up through 2013 with consumption and business investment continuing to be its principal drivers, reflecting very stimulative financial conditions.
- Historically high levels of housing activity are beginning to decline and household debt burden continues to rise.
- Canadian exports are expected to pick up gradually but continue to be restrained by weak foreign demand and ongoing competitive challenges, including the persistent strength of the Canadian dollar.
- In October's Monetary Policy Report the Bank revised its outlook and expected that the economy would grow by 2.2% in 2012, 2.3% in 2013 and 2.4% in 2014. A full update of the Bank's outlook will be published with the next MPR as at January 23, 2012.
- Core inflation has been lower than expected in recent months, reflecting somewhat softer prices across a wide range of goods and services. Core inflation is expected to increase gradually over coming quarters, reaching 2% by the middle of 2013 as the economy gradually absorbs the current small degree of slack.
- The Canadian dollar has averaged between $0.95 and $1.02 US since January and it is expected to remain at this level over the projection horizon.

TD Economics

Canada

- The forecast for 2012 was recently revised downward by TD Economics in the last Quarterly Economic Forecast of October 18, 2012. Economic growth for 2012 is now projected to be 1.8%. According to the TD, the Canadian economy is transitioning into a period of softer growth over the next couple of years. The pace of Canadian real GDP growth will likely head back a bit above 2% in 2013 and 2014.
- Canadian households have begun to show signs of fiscal restraint – cooling their pace of borrowing after a debt induced spending spree over the past several years. The household debt to income ratio sits at a record 152% and record debt levels are likely to remain an obstacle to economic growth over the medium term.
- Government sector is likely to refocus on deficit reduction and purse string tightening.
- Prospects for job creation in 2012 have not improved. The unemployment rate is expected to end the year at around 7.3%.
- An anticipated 10-15% correction in the Canadian housing market starting in early 2013 and extending over the next two years will further weigh on consumer spending and residential investment. The combination of market fatigue, stricter lending guidelines for insured mortgages and a deterioration in housing affordability is helping to put the brakes on housing activity. Recently the Feds reduced the maximum amortization period from 30 years to 25 years which will likely put a damper on sales and prices over the next few quarters.
- Bank of Canada has been on hold with its target overnight rate since October 2010. With continued threats to Canadian economic growth from abroad, the Bank of Canada is likely to remain cautious in raising interest rates over the next several years. The overnight rate is expected to remain on hold at 1.00% until mid-2013. From there the rate is expected to increase slowly, reaching 2.00% by the end of 2014 and 2.75% by the end of 2015 and 3.50% at end of 2016.

United States

- Strong headwinds to growth from the European recession, the drought in the Midwest, and uncertainty over domestic fiscal policy weighed on the economy in 2012 and as a result, real GDP likely grew at annualized 2.2% for the year.
- Fiscal austerity is likely to be a major factor restraining growth in 2013 which is estimated at 2.0% overall assuming the effects of the "fiscal cliff" are mitigated. As the headwinds fade, growth is expected to accelerate to 3.2% in 2014 and average 3.3% over the 2015 to 2016 period. Growth will be led by residential construction, durable goods, and business investment.

- The housing market continues to be a drag on the economy as the foreclosure inventory continues to work its way through the market. However, the corner appears to be turned in the housing market as the inventory of unsold homes continues to decline and as the unemployment rate improves, fewer mortgages have gone into default. Housing starts have risen to 750,000 annually and the return of growth in the construction sector will support overall job growth.
- As balance sheets continue to heal and credit markets return to normal, pent up demand for housing and for durable goods will become major supports for economic activity.

Global Outlook

- The global outlook remains unchanged at 3.1% for 2012 but has been revised downward for 2013 with growth now forecast at 3.3%, down from 3.5% in the June 2012 forecast.
- This growth revision reflects fiscal tightening in the US and Eurozone as well as weaker regional economic dynamics across emerging markets.
- Recent actions by the European Central Bank have significantly reduced the risk of an escalation of the European crisis. However, the fact that European governments will have to follow up with fiscal austerity and economic reform amidst an economic contraction means that the European situation remains a major risk to the global economic outlook.
- The US "fiscal cliff" also plays into the revised forecast. If nothing is resolved, the outcome would be a detriment to both the US and global economies.
- Japan's economic activity has rebounded following four quarters of contraction, with a 3.6% y/y increase in economic growth in the second quarter of 2012 lead by household consumption. The pace of growth is expected to remain moderate with a forecast of 2.6% for 2012 and 1.4% for 2013.
- China's economy, in contrast, has been losing momentum, posting 7.5% y/y growth in the second quarter. This deceleration prompted Chinese authorities to reverse their tightening bias and introduce both fiscal and monetary stimulus. With these measures the Chinese economy is expected to expand by 7.6% in 2012 and 7.8% in 2013.
- The emerging market economies mirrored China's moderate slowdown in economic activity as they assimilated the lag effects of prior tighter monetary policies and deteriorating global confidence.

Risks to the forecast are more balanced than in the previous forecast but significant downside risks remain which include the sovereign debt crisis in Europe and the "fiscal cliff" in the US.

GREATER TORONTO OFFICE MARKET Q2 2012

Toronto, Office MarketView

Q3 2012 — CBRE Global Research and Consulting

CPI 0.5% | GDP 0.5% | HOUSING STARTS -11.2% | RETAIL SALES -0.2%

SUBURBAN TENANTS LOOKING DOWNTOWN

Quick Stats

Q3 2012		Q-Q	Y-Y
Vacancy	8.4%	↑	↑
Net Rent (psf)	$17.57	↑	↑
Net Absorption (SF)	-343,378	↓	↓
Completions (SF)	[illegible]	↓	↑

The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

Hot Topics

- The GTA vacancy rate rose 40 bps in the quarter to 8.4% on the back of negative 343,378 SF of absorption.
- Vacancy increased and absorption has entered into negative territory across all major markets in the GTA. This is indicative of the leasing slowdown which has been afflicting the GTA for the last few quarters.
- Over the last three years, a number of large tenants have relocated from Suburban markets into Downtown in order to gain access to employees who prefer to live, work, and play Downtown. This trend is expected to continue as both office and residential construction intensifies, particularly in the Downtown South submarket.

Tempered by a slowing global economy, Canada has begun showing signs of economic weakness. In the third quarter, this turbulence has begun translating into the Greater Toronto Area (GTA) office market, which posted leasing slowdowns across all submarkets. The GTA vacancy increased by 40 basis points (bps) quarter-over-quarter (QoQ) to 8.4% as absorption waded into negative territory for the first time since the second quarter of 2009. The Suburban markets were hardest hit with vacancy rising 60 bps QoQ to 12.0%. Conversely, the Central markets remained relatively unchanged given the ongoing supply shortage, rising a mere 10 bps QoQ to 5.3%.

The supply crunch is most pervasive in the Downtown market, with an increasing number of Suburban tenants considering Downtown as an option in recent years. Since 2010, approximately a dozen large Suburban tenants sized 50,000 SF or greater have either completed deals or are currently shopping for space Downtown. Some prominent tenants relocating from Suburban markets include TELUS, who anchored 25 York Street, Coca-Cola, who kick-started development of 333 King Street East, and SNC-Lavalin, who pre-leased three floors at Bremner Tower, which is currently under-construction. Downtown has also seen the influx of a number of smaller tenants from Midtown markets, including Collins Barrow, DraftFCB Toronto, AOL Canada, and Mozilla Corporation. These moves underscore the desirability of the Downtown market, helping to explain the current supply crunch.

The major factor contributing to these migrations is employee retention. It appears that the downfalls of employee attrition outweigh the cost savings achieved by locating in suburban markets. Tenants were initially attracted to Suburban markets due to the competitive advantage they had on Downtown with respect to asking rents, taxes, highway access, airport access, and cheap (if not free) parking, and proximity to employees.

In recent years, the trend for young professionals to live Downtown has drawn the pool of human capital away from the suburbs. Consequently, companies with large young workforces have been coming under mounting pressures to relocate Downtown. Furthermore, downtown locations cater to both urban and suburban employees. Urban employees are drawn to the ability to live, work, and play Downtown in close proximity to their peer group. Conversely, given the location of Union Station and its ongoing revitalization project, suburban employees are attracted to the relatively short, hassle-free, and carless commute to work.

Despite growing vacancy, average asking rental rates have risen in most GTA markets, rising predominantly in Suburban markets. Technological advances are providing Downtown tenants with further cost savings in the way of more efficient buildings and floorplate build-outs. As the nature of work changes, so will alternative workplace strategies, which are slowly reducing average square footage per worker. Consequently, the trend for Suburban tenant relocation Downtown is not showing any signs of abating.

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Table 1: Market Statistics

Submarket	Inventory (SF)	Vacancy Rate (%)	Sublease as % of Vacant	3Q12 Net Absorption (SF)	YTD Net Absorption (SF)	3Q12 New Supply (SF)	3Q12 Under Construction (SF)	Net Rent ($ psf/yr)
CENTRAL	81,001,564	5.3%	19.8%	-55,507	-189,946	0	3,786,000	$22.66
Downtown	66,241,855	4.9%	19.1%	-49,372	-143,208	0	3,786,000	$24.63
Financial Core	24,683,928	5.1%	12.8%	69,420	18,685	0	980,000	$29.18
Greater Core	18,778,911	4.7%	17.2%	-21,850	-164,258	0	0	$22.03
Downtown South	4,037,165	3.5%	69.2%	48,572	68,469	0	1,596,000	$21.53
Downtown North	6,832,561	2.6%	23.2%	-27,958	-47,015	0	780,000	$18.19
Downtown East	2,669,359	5.2%	18.5%	5,818	-436	0	0	$16.42
Downtown West	9,167,951	6.7%	22.0%	-122,474	-18,663	0	430,000	$19.22
Midtown	14,759,709	7.1%	22.2%	-6,135	-46,738	0	0	$16.20
Bloor / Yonge	7,567,704	5.9%	30.9%	-32,394	74,221	0	0	$16.92
St. Clair / Yonge	2,118,893	8.9%	25.2%	9,583	-21,217	0	0	$18.24
Eglinton / Yonge	5,073,112	9.2%	13.6%	16,676	-99,742	0	0	$15.07
SUBURBAN	68,716,011	12.9%	18.5%	-287,871	11,917	201,605	1,025,233	$14.78
East	24,578,300	12.3%	21.5%	-96,958	-260,524	0	66,720	$13.14
Scarborough	3,639,108	14.7%	25.9%	-33,451	-137,527	0	0	$13.09
Mark. N. / R. Hill	7,578,383	10.9%	30.8%	29,872	47,386	0	66,720	$16.05
Steeles / Woodbine	2,724,532	8.4%	18.8%	-8,107	-7,661	0	0	$12.25
E. York / D. Mills S.	2,695,747	8.9%	17.9%	8,825	44,723	0	0	$10.47
Don Mills North	2,707,278	8.8%	19.9%	-28,580	-25,170	0	0	$11.00
Consumers Road	3,862,867	15.4%	10.5%	-39,579	-101,629	0	0	$11.98
G. Baker / Vic. Park	1,579,985	24.7%	20.4%	-37,429	-80,626	0	0	$13.49
North	11,685,437	5.2%	23.3%	-19,977	-111,306	76605	317,494	$17.88
North Yonge	7,707,355	4.9%	34.1%	-60,453	-130,567	0	75,000	$18.54
North York West	1,978,968	8.1%	20.0%	2,283	-8,478	0	200,000	$13.00
Vaughan	2,004,314	8.4%	0.0%	38,445	27,689	76,605	42,494	$18.03
West	32,460,379	14.2%	15.9%	-170,936	383,827	125,000	641,017	$15.30
Bloor / Islington	1,543,479	16.1%	6.7%	16,962	34,834	0	0	$16.43
427 Corridor	2,231,706	8.4%	15.5%	-8,867	-1,827	0	0	$12.15
Airport Strip	3,041,580	23.0%	22.4%	-82,563	-94,048	0	80,958	$12.08
Airport Corp. Centre	5,188,265	13.5%	20.0%	-35,749	95,933	0	0	$14.75
Mississauga South	1,883,107	6.0%	0.0%	1,506	36,897	0	0	$18.66
City Centre	3,724,140	13.2%	15.6%	-37,305	-18,917	0	60,000	$17.22
Hwy 10 / Hwy 401	3,813,076	13.5%	30.4%	18,116	-116,582	0	36,159	$12.93
Meadowvale	4,113,609	10.9%	8.1%	115,500	401,536	125,000	95,908	$17.11
Brampton	1,319,313	31.5%	19.4%	-27,775	-90,844	0	70,000	$16.26
Oakville	2,583,486	19.3%	0.8%	-117,494	-28,635	0	230,000	$17.92
Burlington	3,146,605	9.3%	12.5%	-15,764	108,210	0	60,000	$15.30
GTA	149,717,575	8.4%	11.8%	-343,378	-178,029	201,605	4,811,233	$17.64

Q3 2012 | Toronto, Office | MarketView

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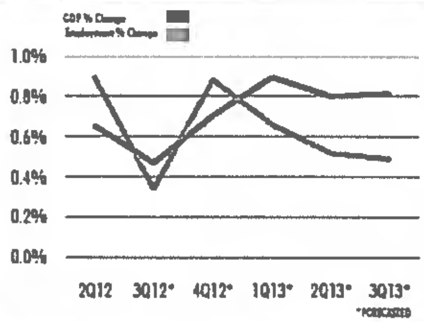
Table 2: Office Projects - Under Construction

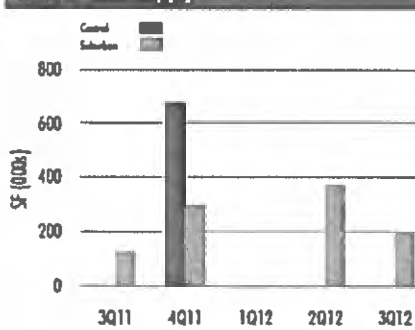
Submarket	Project	Developer	Size (SF)	Expected Completion	% Pre-Leased
North York West	[illegible]	[illegible]	200,000	2012.3	55%
Airport	Galaxy Airport Centre	[illegible]	80,950	2013.2	0%
Oakville	Offices at Trafalgar	First Gulf	152,000	2013.2	50%
Brampton	7685 Hurontario Dr	[illegible] Developments	71,000	2013.3	0%
Meadowvale	West Credit Centre	[illegible]	95,868	2013.3	0%
Oakville	239 Oak Park Blvd	The [illegible] Group	80,000	2013.4	0%
Downtown	RBC WaterPark Place	Oxford Properties	880,000	2014.3	63%
Downtown	Bremner Tower	[illegible]	718,000	2014.3	63%
Downtown	Bay Adelaide Centre East	Brookfield Properties	980,000	2016.1	43%

Chart 1: Economic Trends



Despite growing uncertainty in the global economy, the GTA added 52,100 jobs in the third quarter, up significantly from the 32,700 jobs added in the previous quarter. Overall, GTA employment and GDP are expected to grow by 0.7% and 2.3%, respectively, in 2012 and 2.5% and 3.1%, respectively, in 2013. Growth in the GTA economy is buoyed by a recovering manufacturing sector, a still-healthy housing market, and multiple non-residential construction projects. However, the recent changes to mortgage insurance rules have begun taking their toll on the housing market, with the Conference Board of Canada forecasting a 10.8% decline in housing starts 2013. Whether this decline can be offset by stronger growth in other sectors remains to be seen.

Chart 2: New Supply



The Suburban market is rife with activity, posting 201,605 SF of new supply in the third quarter. Completions include the 76,605 SF 610 Applewood Crescent in Vaughan and the 125,000 SF DuPont Building in Meadowvale, fully leased to DuPont and Maxxam Analytics. A further 91,000 SF of non-competitive space came online at Oakville's Great Lakes Business Park. Construction activity is expected to remain stable for the next year, with an average of 177,841 SF of new supply coming online each quarter. Completions are not expected to spike until the third quarter of 2013 as four buildings, including the 780,000 SF MaRS Phase III, are expected to be completed.

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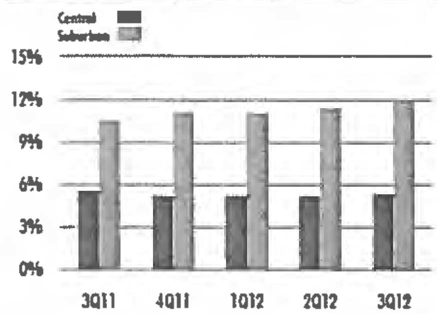
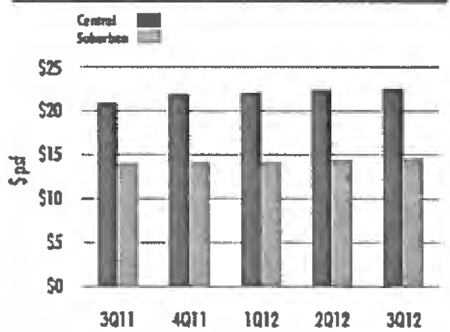
Chart 3: Vacancy Rates



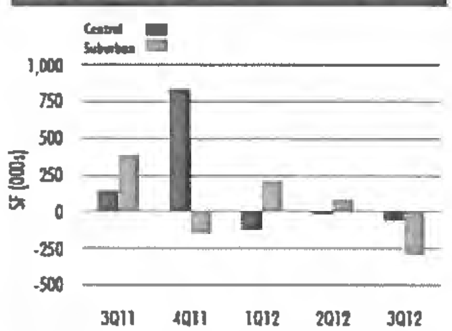
Vacancy rates increased in both Central and Suburban markets as users began taking a pause on leasing activity. Central vacancy rose by 10 bps to 5.3% while Suburban vacancy increased by 60 bps to 12.0%, driven primarily by large increase in the West markets. As has been the case for the last few quarters, Suburban tenants are uncertain about the direction of the market and are sitting on the sidelines until global economic activity begins rebounding. Conversely, Central markets remain incredibly supply-constrained, prompting tenants to hold out for the market to loosen. Further contributing to poor demand is the fact that many large tenants with expiries in 2013 and 2014 have completed their renewals and relocations in recent years. Therefore, few large deals remain to be done in coming quarters.

Chart 4: Rental Rates



Notwithstanding the growing vacancy, asking net rental rates continue to rise in all GTA markets, with the average overall asking rate up to $22.66 psf in Central markets and $14.70 psf in Suburban markets. This increase is caused predominantly by vacancy growth being more heavily weighted towards higher grade Class A and Class B buildings, which command higher asking rents. Further, certain supply-constrained markets, such as Bloor and Yonge, are seeing landlords push rents up to capitalize on the low availability of quality space. Consequently, Class A asking rents rose most significantly, up $0.14 psf to $25.42 psf in the Central markets and $0.41 psf to $16.75 psf in Suburban markets.

Chart 5: Net Absorption



Absorption in the GTA reached a three-year low, posting negative 343,378 SF in the third quarter of 2012. The Suburban markets were hardest hit, accounting for 297,871 SF of negative absorption, the bulk of which (negative 170,936 SF) was in the West markets. Similarly, Central markets accounted for 55,507 SF of negative absorption, posting the third consecutive negative quarter. These figures have caused year-to-date absorption to dip into negative territory, currently sitting at negative 178,029 SF. As Suburban tenants continue being wary of the global economy and Central tenants continue being squeezed for space, absorption is expected to remain muted for the remainder of the year.

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CENTRAL TORONTO

Following three quarters of stable vacancy, the Central market's vacancy edged up 10 bps to 5.3% in the third quarter. Nonetheless, vacancy remains well below the 10.5% historic average and is the lowest since the fourth quarter of 2008. Vacancy increases were most pronounced in the Downtown North and Downtown West submarkets and among renovated and converted buildings. Conversely, the Financial Core and Downtown South saw the largest vacancy declines and positive absorption gains. Absorption was negative for the third consecutive quarter, posting negative 55,507 SF in the third quarter of 2012. This lacklustre performance can be attributed to the significant supply crunch this market is experiencing, as there are a mere 13 blocks of space greater than 30,000 SF available in Class A buildings.

Despite slight vacancy increases, average asking rents continue rising, up $0.18 psf in the quarter to $22.66 psf on the back of gains in Class A and Class B stock. The largest gains were felt in the Downtown South and Downtown West submarkets, up $2.10 psf and $1.08 psf, respectively. Landlords of newer buildings have been pushing asking and net effective rents (NERs) up while landlords of older stock have been bearish.

Select Central market transactions this quarter include:

- Great Insurance renewed and expanded to 436,000 SF at 700 University Avenue
- Bennett Jones renewed 150,000 SF at 100 King Street West
- Postmedia Network Inc. leased 83,000 SF at 365 Bloor Street East

MIDTOWN MARKET

The Midtown market was the best-performing GTA market in the third quarter as it was the only market not to see vacancy rise. Vacancy remained at 7.1%, which continues being the lowest vacancy this market has posted since the third quarter of 2008. Absorption, albeit negative, was also the highest of all GTA markets, coming in at negative 6,135 SF this quarter. Midtown's success can be attributed to strength in the Eglinton and Yonge and St. Clair and Yonge submarkets, both of which saw vacancy decreases and positive absorption. The sole drag on the Midtown market comes from weak sublet performance in the Bloor and Yonge submarket, which saw sublets as a percentage of overall vacancy rise by 7% to 30.9%.

Average asking rents have decreased by $0.10 psf QoQ to $16.23 psf. This decrease is most pronounced in the Bloor and Yonge submarket, which saw a $0.74 psf decrease, attributed mainly to a sharp decrease in Class C rents. Conversely, the St. Clair and Yonge submarket, which saw a 40 bps drop in vacancy, saw a $0.76 psf jump in asking rents.

Select Midtown market transactions this quarter include:

- Postmedia Network Inc. leased 83,000 SF at 365 Bloor Street East
- Beutel Goodman & Company Ltd. renewed 19,000 SF at 20 Eglinton Avenue West
- TD Waterhouse expanded 10,691 SF at 2 St. Clair Avenue East

GREATER CORE

Vacancy in the Greater Core increased by 10 bps to 4.7% in the third quarter on the back of 21,950 SF of negative absorption. The largest vacancy increase occurred in Class C space, which rose by 40 bps to 7.0%. Sublet space as a percentage of overall vacancy also increased, now accounting for 17.2% of all vacant space. The slight leasing slowdown is partially attributed to the pervasive supply shortage witnessed throughout the Downtown market. Greater Core vacancy remains significantly below its long-term average of 9.4%. With no new construction occurring or proposed in the submarket, supply pressures are not expected to ease until potential movements of Greater Core tenants out of this submarket free up space.

The healthy Greater Core market continues to experience landlords push up rental rates, with average asking rents up $0.12 psf to $22.03 psf in the third quarter of 2012. While increases were felt across all asset classes, Class A and Class C buildings posted the highest jumps, increasing by $0.17 psf to $22.36 psf and $0.39 psf to $17.67 psf, respectively.

Select Greater Core transactions this quarter include:

- Computershare renewed 60,000 SF at 100 University Avenue
- Cadillac Fairview Corporation leased 30,463 SF at 20 Queen Street West
- St. Michael's Hospital renewed 24,000 SF at 2 Queen Street East

FINANCIAL CORE

The Financial Core was one of the better performing submarkets in the GTA in the third quarter, with vacancy down 40 bps to 5.1% and absorption rising to 69,420 SF. Class B and C space saw the largest vacancy declines while activity in Class A buildings remained muted. Quality, built-out space continues being in high demand, particularly in Premier Class A towers. Sublets remain in short supply, with sublet space decreasing to 12.8% of overall vacancy.

A major contributor to the drop in Class C vacancy was 100 Adelaide Street West being taken out of inventory as Oxford Properties served its tenants with notices of termination this quarter. The 91,559 SF building was 16.0% vacant as of the second quarter and its removal contributed to Class C vacancy decreasing by 2.6% to 8.9%.

Driven by the ongoing supply crunch, landlords remain aggressive on pricing, pushing net asking rates up by $0.05 psf QoQ. The most expensive buildings continue to be 181 Bay Street and 161 Bay Street, commanding the highest NERs in the GTA.

Select Financial Core transactions this quarter include:

- Bennett Jones renewed 150,000 SF at 100 King Street West
- TD Financial Group leased 107,751 SF in the TD Centre
- Ernst Mining leased 46,668 SF at 199 Bay Street

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SUBURBAN TORONTO

Hot on the heels of last quarter's 40 bps vacancy rate increase, vacancy in the GTA Suburban market climbed an additional 60 bps, ending the third quarter at 12.0%. Following two quarters of positive absorption, the Suburban market posted negative 287,871 SF of absorption this quarter, which can be attributed to leasing slowdowns across all submarkets. As has been the case for the last few quarters, Suburban tenants are hesitant about the economy and are sitting on the sidelines for the time being.

Hardest hit was the GTA West market, seeing vacancy rise 80 bps and absorption reach negative 170,936 SF in the third quarter. Close behind was the GTA North market, which posted a 70 bps vacancy increase and negative 19,977 SF of absorption. Vacancies rose across all asset classes, with Class A and B buildings being hardest hit.

Despite significant vacancy increases, average asking rental rates rose by $0.19 psf QoQ to $14.70 psf. This increase was most pronounced in Class A space, with rents up $0.41 psf to $16.75 psf, due mainly to new, higher-priced supply coming online this quarter.

Select Suburban market transactions this quarter include:
- Siemens leased 110,000 SF at 1565 North Service Road, Oakville
- PwC renewed 50,000 SF at 5700 Yonge Street, Toronto
- URS Cole Sherman leased 44,000 SF at 30 Leek Crescent, Richmond Hill

NORTH MARKET

The GTA North market exhibited the highest single-quarter vacancy increase since 2009, rising 70 bps to 5.2% in the third quarter of 2012. This large spike is partially attributed to the 55.4% vacancy rate at the 76,605 SF 610 Applewood Crescent, which was completed this quarter. Absorption, although remaining negative, increased slightly to negative 19,977 SF in the third quarter, reflecting the slight slowdown in activity the North market.

Sublets as a percentage of overall vacancy dipped slightly from 26.0% in the second quarter of 2012 to 23.3% in the third quarter. While sublet volume has remained relatively stable, the size of the sublets has increased as a number of large floor plate sized blocks have come to market.

Despite rising vacancy rates, average asking rents rose by $0.80 psf to $17.88 psf, the highest of all GTA markets with the exception of Downtown. Rate increases were most pronounced in Class A stock, which rose by a full $1.00 psf to $19.18 psf.

Select North market transactions this quarter include:
- PwC renewed 50,000 SF at 5700 Yonge Street, Toronto
- Bartson Ltd. leased 19,500 SF at 8000 Jane Street, Vaughan
- Green Shield Canada Inc. leased 13,000 SF at 5160 Yonge Street, Toronto

EAST MARKET

Vacancy in the GTA East market rose by 30 bps to 12.3% on the back of negative 96,958 SF of absorption. Vacancy increased in all submarkets except Markham North and Richmond Hill, which remains one of the strongest Suburban markets boasting a 60 bps vacancy decline since the beginning of the year. The East market continues having the highest Class A vacancy and lowest Class A rates of all GTA markets as tenants exhibit a slight downturn in leasing activity.

Construction on 55 Idema Road has begun this quarter, bringing space under construction to 66,720 SF. With the exception of 9130 Leslie Street, which was completed in the third quarter of 2011, the East market has not seen a building completed in three years. As Cadillac Fairview prepares to develop the Buttonville Airport lands, there is speculation in the market regarding other potential developments. Developers, many of whom have zoning approvals in place, are anxious to kick-start development with the right tenants, with some developers even rumoured to be considering building on speculation without securing a lead tenant before breaking ground.

Select East market transactions this quarter include:
- URS Cole Sherman leased 44,000 SF at 30 Leek Crescent, Richmond Hill
- MNP renewed and expanded 24,000 SF at 3100 Steeles Avenue East, Markham
- AGM Canada subleased 20,000 SF at 160 McNabb Street, Markham

WEST MARKET

Vacancy in the GTA West is the highest of all GTA markets, rising by 80 bps to 14.2% in the third quarter and representing heights unseen since early 2005. Absorption has also dipped into negative territory for the first time this year, reaching negative 170,936 SF. While the West market is exhibiting a healthy level of tenant activity, the rising vacancy rate can be attributed to increased transaction length. Tenants are taking longer to make leasing decisions as economic activity is holding back spending.

Class A and B space saw the largest vacancy jumps, both increasing by 100 bps to 12.5% and 17.5%, respectively. The largest drag on Class A vacancy is new completions, which reached a year-to-date figure of 375,000 SF this quarter. Nonetheless, quality space in Class A buildings is the quickest to be leased, particularly when priced appropriately. Average asking rental rates increased by $0.11 psf to $15.30 psf, rising across all asset classes and most submarkets; however, pricing is less consistent across this market and varies greatly with landlord vacancy and exposure.

Select West market transactions this quarter include:
- Siemens leased 110,000 SF at 1565 North Service Road, Oakville
- Glenn Davis Group leased 32,706 SF at 77 City Centre, Mississauga
- Novartis Canada leased 26,506 SF at 7125 Mississauga Road, Mississauga

Q3 2012 – DOWNTOWN WEST OFFICE MARKET OVERVIEW

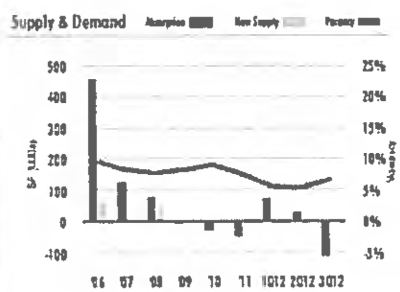
The Downtown West market is bound by Dufferin Street to the west, The east side of John Street to the east, Dundas Street to the north and the railroad tracks to the south.

MARKET PROFILE

Inventory (SF)	9.2 million	⬌	Absorption 3Q 2012 (SF)	-122,474	⬇
Vacant Space (SF) *direct & sublet*	612,000	⬆	Under Construction (SF)	420,000	⬌
Sublet Space (SF)	134,667	⬆	Weighted Avg. Net Rent (psf)	$19.22	⬆
Vacancy Rate *direct & sublet*	6.7%	⬆	Weighted Avg. Taxes & Oper. Costs (psf)	$13.41	⬆
Blocks of Contiguous Space (> 30,000 SF)			Weighted Avg. Net Rent (psf)		
A Class	1 Block	⬌	A Class	$ 20.92	⬆
B Class	1 Block	⬌	B Class	$18.26	⬇
C Class	1 Block	⬌	C Class	-	-
RC Class* *(Renovated & Converted)*	1 Block	⬌	RC Class	$18.75	⬆

RECENT TRANSACTIONS

TENANT	ADDRESS	CLASS	SIZE (SF)	DEAL TYPE
Softchoice Corp.	173 Dufferin Street	RC	50,000	Renewal
InstantClick Inc.	901 King Street West	A	24,159	Direct
LexisNexis Group Inc.	905 King Street West	A	10,000	Expansion



MARKET HIGHLIGHTS

- Following two quarters of positive absorption, the Downtown West submarket experienced the largest negative quarterly absorption in 10 years and a vacancy increase of 1.4% since the last quarter.
- The bump is due largely to 71,562 SF of previously future-dated space coming online at 931 King Street West. Consequently, A Class rents jumped significantly from $17.00 PSF to $20.92 psf as 901 King Street West commands a $3.00-$4.00 psf premium over other buildings. Excluding 901 King Street West, the remainder of the market exhibits a healthy vacancy of 6.0% with a significant lack of large blocks of space.
- The Renovated & Converted market remains incredibly supply-crunched, exhibiting a vacancy rate of 5.2% and only one large block of space. Consequently, quality built-out brick and beam space is incredibly hard to find, with tenants looking towards Downtown East for alternative space.

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Downtown West Office Market Analysis

- Vacancy in the Downtown West submarket rose slightly to 6.7% in Q3 2012 as opposed to the 5.3% noted in Q2 2012.
- Vacant office space accounted for ±612,030 sq. ft. of inventory at the end of Q3 2012, an increase from the ±492,014 sq. ft. that existed at the end of Q2 2012.
- Sublet space increased from 124,186 sq. ft. in Q2 2012 to 134,667 sq. ft. at the end of Q3 2012, a difference of 8% over the first quarter.
- Leasing momentum slowed in the second quarter with -122,474 sq. ft. of absorption compared to the positive absorption of 31,566 sq.ft. in Q2 2012.

NEIGHBOURHOOD ANALYSIS

Location

The subject property is situated on the east side of Spadina Avenue, south of Dundas Street West and north of Queen Street West in the Downtown West submarket of the City of Toronto.

Land Use

The immediate area is classified as the Downtown West submarket and is characterized by wide array of land uses that predominantly include office, commercial and residential uses. The surrounding land uses are summarized as follows:

North	Office, commercial and residential
South	Office, commercial and residential
East	Residential
West	Office, commercial and residential

Access

Primary north-south access to the neighbourhood is provided by Spadina Avenue, a two-way, four-lane major thoroughfare with dedicated public transit streetcar tracks in the centre. Primary east-west access to the neighbourhood is provided by Dundas Street West to the north and by Queen Street West to the south, both two-way, four lane travelling major thoroughfares.

Conclusion

The medium to long-term outlook for the subject neighbourhood is stable due to the established nature of this submarket and the proximity to the downtown core of the City of Toronto.

SITE DESCRIPTION

Location, Access and Visibility

The subject property is situated on the east side of Spadina Avenue, south of Dundas Street West and north of Queen Street West in the Downtown West submarket of the City of Toronto.

The frontage provides the property with excellent exposure and visibility onto Spadina Avenue in the heart of downtown China town.

Land Area, Shape and Dimensions

According to MPAC, the site contains approximately 0.16 acres or ± 7,010 sq. ft. The subject site is in generally regular shape with ±49.94 feet frontage along Spadina Avenue and a depth of ±140 feet.

Parking

There is no on-site parking but public pay parking is abundant in the surrounding area.

Topography and Drainage

The frontage along Spadina Avenue is at street level. During the inspection of the property, no drainage problems were observed and none are assumed to exist.

Soils

A soil analysis for the site has not been provided for the preparation of this appraisal. In the absence of a soil report, it is a specific assumption that the site has adequate soils to support the Highest and Best use.

Easements and Encroachments

CBRE Limited has no knowledge of any easements or encroachments. It is recommended that the client/reader obtain a detailed title search outlining all easements and encroachments on the property, if any, prior to making a business decision.

Covenants, Conditions and Restrictions

To our knowledge, there are no known covenants, conditions and restrictions impacting the site, which are considered to affect the marketability or highest and best use, other than zoning restrictions.

Utilities and Services

The site is within the jurisdiction of the City of Toronto and is provided with all municipal services, including police, fire and refuse garbage collection, paved roads, and overhead lighting. All utilities and site services including water, storm and sanitary sewers are assumed to be available to the site in adequate quality and quantity to service the highest and best use as if vacant and as improved.

Environmental Issues

CBRE Limited, or the consultant(s), has not observed, yet is not qualified to detect, the existence of potentially hazardous material or underground storage tanks, which may be present on or near the site. It should also be noted that the existence of hazardous materials or underground storage tanks might have an affect on the value of the property.

Adjacent Uses

The adjacent land use in the neighbourhood is dominated by a combination of office, commercial and residential uses.

Conclusion

The site is well-located and there are no known detrimental uses or physical factors in the vicinity that are adverse to the existing use of the site or would prevent the site from achieving its Highest and Best use, as if vacant.

DESCRIPTION OF IMPROVEMENTS

Type	5 Storey, brick and beam office building with a full basement and ground floor retail space.
Year Built	1910
Class	Brick and beam
Number of Tenants	5
Total NRA	34,205 sq. ft.
Construction	Brick and Beam.
Exterior	Clay brick façade
Windows	All new double glazed windows. Replaced in 2012.
Elevators	2 elevators. 1 passenger and 1 freight.
Parking	No on-site parking available.
Lighting	Combination of incandescent, halogen and fluorescent Lighting
Sprinklers	Fully sprinklered.
Roof	Good. Replaced in 2012.
Overall Condition	Very good.

CONCLUSION

The subject building has a typical design and construction for an older, heritage downtown brick and beam office building, having originally been built as an industrial loft. The building is improved with 5 floors with ground floor retail and upper level office uses and a full basement that is partially leased as storage space. Overall the building is considered to be in very good condition for its age and functional for its current uses.

Subject photographs are provided in Appendix A.

ZONING AND PLANNING

The following chart summarizes the zoning requirements applicable to the subject:

ZONING & PLANNING SUMMARY	
Official Plan Designation	
Permitted Uses	Mixed Use Areas Lands designated Mixed Use Areas permit an integrated mix of residential, office, retail and service, institutional, entertainment, recreational, cultural, park and open space land uses. The objective of Mixed Use areas is to provide areas where Torontonians live, work and shop, all in the same area, or even the same building, giving people an opportunity to depend less on their cars, and create districts along transit routes that are animated, attractive and safe at all hours of the day and night.
Zoning Designation	
Permitted Uses	CR T5.0 C2.5 R4.0 – Commercial Residential Permitted Uses include: (1) Mixed residential uses; (2) Limited parks, recreation, places of amusement and assembly uses; (3) Community services, cultural and arts facilities uses; (4) Institutional uses; (5) Retail and service shop uses; (6) Office uses; (7) Limited automotive related uses; and (8) Warehousing and storage uses Regulations Maximum total density: 5.0x lot area Maximum non-residential gross floor area: 2.5x lot area Maximum residential gross floor area: 4.0x lot area
Source: City of Toronto	

CONCLUSION

A review of the applicable zoning By-Law and Official Plan designations confirmed that the existing office use is permitted within the applicable Zoning By-Law and Official Plan. It is recommended that the appropriate Planning and Zoning personnel be contacted regarding more specific information that might be applicable to the subject, before any pertinent business decisions are made.

HIGHEST AND BEST USE

The term "Highest and Best Use" is generally considered to be that use which will result in the greatest net return over a given period of time. The "Highest and Best Use" is also known as the *optimal use*. A thorough Highest and Best Use analysis involves assessing the subject both as vacant and as improved and was beyond the scope of this mandate. In valuation practice, the concept of highest and best use represents the premise upon which value is based.

The four criteria the Highest and Best Use must meet are:

- legal permissibility;
- physical possibility;
- financial feasibility; and
- maximum profitability.

As Vacant

The subject site is zoned CR – Commercial Residential, which permits a range of office, residential, commercial and industrial uses. The subject property is located in the Downtown West submarket, on Spadina Avenue, which is characterized by a wide array of mixed uses that include office, residential and commercial uses. An office use would likely provide the highest investment rate of return.

Based on the above, it is concluded that the Highest and Best Use of the subject site, "As Vacant" is an office development with ground floor commercial uses.

As Improved

- The subject property is improved with a 45,680 square foot multi-tenant office building with ground floor retail and a full basement and a total net rentable area of 34,205 square feet. This use complies with the existing zoning by-law.

- The subject building was built in 1910 and it recently underwent a substantial renovation between September 2011 and September 2012 at a total cost of $2,710,000. The subject is considered to be in very good condition and is functional as a multi-tenant office building with ground floor retail space.

- The area is dominated by a combination of office, commercial and residential uses.

Based on the above, it is concluded that the Highest and Best Use of the subject site, as improved, is for an office use. It is important to note that a detailed Highest and Best Use study that would consider any possible development scenario(s) was beyond the scope of this assignment and was not carried out.

TENANT PROFILE

The subject property is 95% leased to 5 tenants with 3 lease start dates that commenced in January, August and October 2012, 1 that commences in January 2013 and 1 that commences in March of 2013. A remaining 1,608 square feet of basement storage space, or 5% of space is currently vacant. There is no potential for rollover until Years 3 & 4 when approximately 24% of the building including ground floor and third floor space expires. An overview of the property's leasing status is provided below and the property's Rent Roll is presented as follows:

Maturity Date	Remain Term/yrs	Occupancy Date	Suite #	Tenant	Area %	Area Sq ft	Rate $	Income $
-	-	-		-	-	-	-	-
Dec-22	10.0	1/12	BSMT	Michael Rubino	4.1	1,417	$ 10.00	$ 14,170.00
Jan-22	9.1	8/12	BSMT	Idea Couture Inc.	2.9	1,000	$ 10.00	$ 10,000.00
Mar-16	3.2	3/13	BSMT	Jet Cooper Ltd.	0.6	200	$ 10.00	$ 2,000.00
Mar-23	10.2	1/13	2nd fl	Triangle Studios Inc.	0.6	200	$ 10.00	$ 2,000.00
			BSMT	Available	4.7	1,608	-	-
Dec-22	10.0	1/12	GF	Michael Rubino	9.8	3,363	$ 35.00	$ 117,705.00
Oct-15	2.8	10/12	GF	VEGA International Commercial Bank	5.3	1,806	$ 40.00	$ 72,240.00
Mar-23	10.2	1/13	2nd fl	Triangle Studios Inc.	18.0	6,145	$ 22.10	$ 135,828.00
Mar-16	3.2	3/13	3rd fl	Jet Cooper Ltd.	18.0	6,145	$ 23.00	$ 135,828.00
Jan-22	9.1	8/12	4th fl	Idea Couture Inc.	18.0	6,161	$ 23.00	$ 141,691.50
Jan-22	9.1	8/12	5th fl	Idea Couture Inc.	18.0	6,161	$ 23.00	$ 141,691.50
Total Project					100.0%	34,205	$ 22.60	$ 773,154.00

No. of Tenants: 5

Major Tenants: Idea Couture Inc. (13,322 sq. ft. or 39%) – expiring January 2023.

Triangle Studios Inc. (6,345 sq. ft. or 19%) – expiring March 2023.

Jet Cooper Ltd. (6,145 sq. ft. or 18%) – expiring February 2016.

Michael Rubino. (4,780 sq. ft. or 14%) – expiring December 2022.

Term: Ranges from 2.8 years to 10.2 years.

Rental Range: Office: $22.10 per sq. ft. to $23.00 per sq. ft.
Retail: $35.00 per sq. ft. to $40.00 per sq. ft.
Basement: $10.00 per sq. ft.
Contractual: Year 1 - $10.00 per sq. ft. - $40.00 per sq. ft.

Total Rentable Area: 34,205 sq. ft.

Vacancy rate: 5% or 1,608 sq. ft. - Storage

Occupancy rate: 95% or 32,597 sq. ft.

Tenant Profile Conclusion

- The building is currently 95% occupied by 5 tenants, with no rollover until Years 3 and 4; which amounts to 24% of the building area. The majority of the building is under new long-term lease contracts with no rollover occurring until Years 10 and 11.

- The current office contract rents are at $22.00 per sq. ft. and $23.00 per sq. ft. which is within our estimated office market rent range of $17.75 to $27.50 per sq. ft. and considered reasonable given the newly renovated quality and condition of the subject and its location on the busy arterial roadway of Spadina Avenue in the centre of the downtown Chinatown neighbourhood. The current ground floor retail contract rents of $35.00 per sq. ft. and $40.00 per sq. ft. and the basement contract rents of $10.00 per sq. ft are considered reasonable and in line with our survey of comparable retail and basement leases.

VALUATION

Overview

The primary method of valuation is the Income Capitalization Approach using the Direct Capitalization Method and the Discounted Cash Flow Method. To support the Income Value Conclusions, the Direct Sales Comparison Approach was also considered.

Investment Characteristics

Positive Aspects

- The subject property is located on the major thoroughfare of Spadina Avenue in the established Chinatown neighbourhood of the downtown west submarket of the City of Toronto.

- The office building is a brick and beam building originally constructed in 1910 and extensively renovated in 2011/2012 that is in overall very good condition.

- The subject property is located on the east side of Spadina Avenue, midway between Dundas Street West to the north and Queen Street West to the south. It features good exposure and access to many major area thoroughfares and is easily accessible by public transportation.

- The leases in place are new with no rollover until Years 3 and 4 and then Years 10 and 11.

Negative Aspects

- None noted.

INCOME APPROACH

REVENUE & EXPENSE ANALYSIS

The following provides an overview of the revenue and expense assumptions used in our analysis.

Rental Income: Contractual rents were used to derive rental income, based on the leases and the Rent Roll for the Discounted Cash Flow Method. Contractual rents were used to derive the occupied rental income and market rents were applied to the vacant units in the Direct Capitalization Method.

Occupancy: As at the valuation date, the subject property is 95% leased to 5 tenants.

Vacancy & Bad Debt Allowance: The market vacancy rate in the Downtown West submarket was 6.7% in Q3 2012, up slightly from the 5.3% recorded in Q2 2012.

We have estimated a general vacancy allowance of 5% within the Discounted Cash Flow and the Direct Capitalization method.

Lag Vacancy: In addition to the Vacancy Allowance above, a 'lag' vacancy is applied when leases expire, to reflect the vacant time between tenants. A lag vacancy of 6 months is assumed for the office and retail tenants.

Actual Vacancy There is current vacancy of 5% as at the date of valuation.

Tenant Retention: A renewal probability of 75% upon lease roll over was used.

MARKET RENTAL RATES:

Based on a review of market leasing activity, office market rents range from $17.75 to $27.50 per sq. ft. net and retail market rents range from $21.40 to $40.00 per sq. ft..

Office Rents

As indicated in the chart on the following page, the subject has been recently renovated and all deals are new, indicating office rents between $22.10 per sq. ft. and $23.00 per sq. ft., ground floor retail rents between of $35.00 per sq. ft. and $40.00 per sq. ft. and basement rental rates of $10.00 per sq. ft gross. These were negotiated in 2011 and 2012 and have lease start dates that range from January 2012 to January 2013. The office market rents for recent deals in the market range from $17.75 to $27.50 per sq. ft., with an average of $20.63 per sq. ft. Therefore, in our opinion, given the quality and condition of the subject and the current vacancy, the current contractual office market rent of $22.10 to $23.00 per sq. ft. is deemed appropriate and will be used in our analysis.

No.	Name	Date	GFA (Sq. Ft.)	Term (Years)	Avg. Net Rent (Per Sq. Ft.)	Operating Costs (Per Sq. Ft.)	Gross Rent (Per Sq. Ft.)	Type of Deal	Comments
SUMMARY OF OFFICE LEASE TRANSACTIONS									
Subject: 241 Spadina Avenue									
	Michael Rubino	Jan-12	3,363	10 Years	$35.00 PSF	$15.00 PSF	$50.00 PSF	Net	Ground Floor. Rent increases $2.00 PSF in 2 years. Two, 5 year options to renew.
	Michael Rubino	Jan-12	1,417	10 Years	$10.00 PSF	$15.00 PSF	$25.00 PSF	Net	Basement Space. Increase to $15 PSF in January 2017. two, 5 year options to renew.
	Idea Couture Inc.	Aug-12	12,322	10 Years	$23.00 PSF	$13.00 PSF	$36.00 PSF	Net	Fourth and fifth floor office space.
	Idea Couture Inc.	Aug-12	1,000	10 Years	$10.00 PSF	$15.00 PSF	$25.00 PSF	Net	Basement Space.
	MEGA International Commercial Bank	Oct-12	1,806	3 Years	$40.00 PSF	$15.00 PSF	$55.00 PSF	Net	Ground floor space. Rent increases by $5.00 PSF annually.
	Triangle Studios Inc.	Jan-13	6,145	10 Years	$22.10 PSF	$13.00 PSF	$35.10 PSF	Net	Ground floor space. Rent increase to $23 PSF in January 2017, $24 PSF in January 2021 and $26 PSF in January 2022.
				Avg	$23.35				
Leased Transactions - Office									
	675 King Street West	May-12	2,746	5 Years	n/a	n/a	$26.00 PSF	Direct	Updated office space in modern building. King Street West/Bathurst Street.
	74 Stafford Street	Jan-12	1,975	5 Years	$18.00 PSF	$4.40 PSF	$22.40 PSF	Direct	Newly renovated brick and beam loft space at King/Dufferin.
	41 Britain Street	Dec-11	2,179	3 Years	n/a	n/a	$21.50 PSF	Direct	Brick and beam space with large windows located near Richmond/Sherbourne.
	99 Atlantic Avenue	Aug-11	5,847	5 Years	$17.75 PSF	$11.84 PSF	$29.59 PSF	Direct	Brick and beam located in Liberty Village.
	69 Queen Street East	Jul-11	3,200	5 Years	$19.25 PSF	$10.00 PSF	$29.25 PSF	Direct	Renovated space near Queen/Church.
	782 King Street West	Jun-11	2,255	5 Years	n/a	n/a	$13.30 PSF	Direct	Lower level space near King/Bathurst
	782 King Street West	Jun-11	2,340	5 Years	$27.50 PSF	$8.00 PSF	$35.50 PSF	Direct	Renovated brick and beam space near King/Bathurst
				Avg	$20.63 PSF				
Leased Transactions - Retail									
	474 Spadina Avenue	May-12	12,922	5 Years	$40.00 PSF	$3.95 PSF	$43.95 PSF	Direct	Corner of College/Spadina. Full building.
	159 Augusta Avenue	Apr-12	1,500	5 Years	$21.40 PSF	$14.79 PSF	$36.19 PSF	Direct	Mian floor retail space and basement in Kensington Market.
	284 College Street	Oct-11	5,142	5 Years	$24.00 PSF	$7.00 PSF	$31.00 PSF	Direct	Main floor College Street retail space. Near College/Spadina.
				Avg	$28.47 PSF				

Source: CBRE Limited

Retail Rents

A retail market rent ranging from $35.00 to $40.00 per sq. ft. was deemed appropriate for the ground floor retail space.

MISCELLANEOUS REVENUE

Other Income –

We were not provided with information that indicates any other revenue source.

OPERATING COST RECOVERIES:

The taxes, utilities, CAM, insurance and management fee are recoverable by the landlord. The tenants pay their pro rata share of the operating expenses. The administrative fee chargeable to tenants to off-set the costs of third party property management varies between tenants from 3.5% to 5% of gross rent and $1.00 per sq. ft. of rentable area.

OPERATING EXPENSES

Operating expenses were based on the 2013 budget as provided by the Client and taxes were based on the final 2012 tax bill plus an inflationary adjustment. The operating expenses are shown below:

241 Spadina Avenue 2013 Operating Expenses	
CAM	$58,148
Utilities	$102,615
Management Fee	$54,000
Total Operating Expenses - excl. taxes	**$214,763**
Realty Taxes	$139,792
TOTAL OPERATING EXPENSES	$354,555

Management Fee

We have estimated a management fee expense of 3.5% of EGR. Please refer to the recoveries section of the report to see individual recovery schedules.

NON RECOVERABLE EXEPENSES

Structural Reserve

We have estimated a structural reserve at 0.50% of effective gross income as per the budget and based on the extent of the recent renovation.

Leasing Costs

The subject is fully leased to 5 tenants with the exception of approximately 1,608 sq. ft. of basement storage space. No leasing costs have been deducted for the basement storage space.

Rent Abatements

Based on a review of the provided leases, total rent abatements have been calculated at $80,971 and deducted from the stabilized estimate of market value.

Net Operating Income Projections

The cash flow projections for the Direct Capitalization and Discounted Cash Flow Methods are presented within their respective sections in the following pages.

DIRECT CAPITALIZATION METHOD

Refer to the Revenue & Expense Analysis section above for information about the revenue and expense assumptions used for the Direct Capitalization Method.

Net Operating Income $740,500 or $21.65 PSF

Investor Surveys

The capitalization rate is estimated using the following three methods:

i) Investor Surveys;
ii) CBRE Canadian Cap Rate Survey; and
iii) Market Observation Method.

(i) Investor Surveys

We reviewed and analyzed the most current published InSite Survey, which was conducted in Q2 2012. The survey indicates a capitalization rate range for Downtown Class B office buildings between 6.3% and 7.3% and averaging 6.8%.

(ii) CBRE Canadian Capitalization Rate Survey

Produced by the CBRE Investment Team (Downtown Toronto), the CBRE Canadian Capitalization Rate Survey of Q2 2012 indicates a capitalization rate range of 6.00% to 6.50% for Downtown Class B office space in the GTA.

(iii) Market Observation Method

The sales charts below indicate an Overall Capitalization Rate (OCR) range from 5.00% to 7.60%, with an average around 6.15%. The high end of the range at 7.60% is represented by the September 2011 sale of 1 Atlantic Avenue in the popular Liberty Village neighbourhood of the downtown west submarket. The building was 91% occupied at the time of sale. Market conditions have improved since this sale was negotiated. The low end of the range is represented by the

August 2012 sale of 220 King Street West and the December 2011 sale of 2 Temperance Street which are considered to be superior to the subject in terms of location in the central business district. A capitalization rate of 6.00% is deemed appropriate on a stabilized basis.

Property	Sale Date	Sq. Ft.	Cap Rate	Sale Price	Price PSF	Occupancy
231-235 King Street East	31-Oct-12	14,400	6.70%	$4,500,000	$313	n/a
220 King Street West	30-Aug-12	27,500	5.00%	$12,800,000	$465	80%
379 & 383 Adelaide Street West, 78 & 80-82 Spadina Avenue	16-Apr-12	112,737	5.30%	$31,500,000	$279	89%
2 Temperance Street	1-Dec-11	17,500	5.00%	$7,000,000	$400	100%
1 Atlantic Avenue	27-Sep-11	57,600	7.60%	$19,807,290	$344	91%
252 Adelaide Street East	30-Sep-10	50,217	7.30%	$12,647,181	$252	100%
		Average:	6.15%			
CBRE Limited						

Overview

CONCLUSION- OVERALL CAPITALIZATION RATE			
Source	Range		Average
Insite Investor Surveys			
• Downtown Class B - Q2-2012	6.30%	7.30%	6.80%
CBRE Canadian Cap Rate Survey			
• Downtown Class B- Q2 2012	6.00%	6.50%	6.25%
Market Observation			
• Office Market	5.00%	7.60%	6.15%
CBRE Estimate	5.75% - 6.25%		

Based on a review of the subject property's characteristics including its excellent location within the Chinatown neighbourhood of the downtown west submarket and very good quality and condition based on its recent renovation, a capitalization rate of 6.00% was deemed appropriate, as stabilized.

Estimate of Market Value-As Is

After deductions are made to the stabilized value for non-recoverable structural reserve, carrying and lease up costs and rent abatements, the As Is value is concluded as follows:

Value Conclusion-

Direct Capitalization Method (As Is): **$12,300,000 or $360 per sq. ft. (rounded).**

DIRECT CAPITALIZATION METHOD
241 SPADINA AVENUE, TORONTO
VALUATION AS AT December 12, 2012

REVENUE			
Base Rental Revenue	Area		
Michael Rubino	3,363	$35.00	$117,705
MEGA International Bank	1,806	$40.00	$72,240
Triangle Studios Inc.	6,145	$22.00	$135,190
Idea Couture Inc.	12,322	$23.00	$283,406
Basement/Storage	2,816	$10.00	$28,160
Jet Cooper Ltd.	6,145	$23.00	$141,335
Speculative Basement	1,608	$10.00	$16,080
Total	34,205	$23.22	$794,116
Total Base Rent			$794,116
Recoveries			
CAM Recoveries		$1.70	$58,148
Utilities Recoveries		$3.00	$102,615
Admin Recoveries		$1.20	$41,000
Realty Taxes		$4.09	$139,792
Total Recoveries		$9.99	$341,555
GROSS REVENUE		$33.20	$1,135,671
Vacancy & Bad Debt (% of Gross Revenue)	5.00%	($1.66)	($56,784)
EFFECTIVE GROSS REVENUE		$31.54	$1,078,887
EXPENSES			
CAM		($1.70)	($58,148)
Utilities		($3.00)	($102,615)
Realty Taxes		($4.09)	($139,792)
Management Fee (% of EGR)	3.50%	($1.11)	($37,800)
TOTAL EXPENSES		($6.89)	($338,355)
NET OPERATING INCOME		$21.65	$740,500
Capitalization Rate			6.00%
Estimated Market Value - Stabilized		$360.77	$12,340,000
Structural Reserve- Non -Recoverable	0.50%		($5,394)
Rent Abatements			($80,971)
MARKET VALUE ESTIMATE - AS IS			$12,253,635
Rounded		$359.60	$12,300,000

VALUE MATRIX	Cap Rate	Per SF	Value
	5.50%	$391.76	$13,400,000
	5.75%	$374.21	$12,800,000
	6.00%	$359.60	$12,300,000
	6.25%	$344.98	$11,800,000
	6.50%	$330.36	$11,300,000

Source: CBRE Limited

DISCOUNTED CASH FLOW METHOD

Holding Period

A holding period of 11 years for the stabilized analysis is considered appropriate and has been utilized for the subject property.

Growth Rate Assumptions

We consider both income and expenses will increase at the average projected rate of inflation over the investment period.

Income Growth:

- Market rental rates and ancillary income are projected to grow at 2.50% per year.

Expense Growth:

- Expenses, including structural reserves are projected to grow at 2.50% per year.

Tenant Retention:

Renewal probability is 75% upon lease roll over.

Discount Rate Analysis

As the subject is a brick and beam downtown office building in the City of Toronto, we looked at the most current published InSite Survey. The most recent InSite Survey was published in Q2 2012 with a Downtown Class B Discount Rate of 7.30%.

Taking these factors into consideration, a discount rate between 6.50% and 7.50%, or **7.00%** was considered appropriate on an As Is basis given the existing vacancy.

Terminal Capitalization Rate

As the subject building is a brick and beam downtown office building in the City of Toronto we looked at the most current published InSite Survey. The most recent InSite Survey was published in Q2 2012 with downtown class B Terminal Cap Rates ranging from 6.00% to 7.00% with an average of 6.70%.

Taking these factors into consideration, a terminal capitalization rate of **6.50%** on an As Is basis was considered appropriate.

Cash Flow Projections & Valuation

The schedules for the cash flow projections and estimate of value are presented in the following pages.

CASH FLOW SCHEDULE

Idea Couture Building
241 Spadina
Toronto, Ontario

Schedule Of Prospective Cash Flow
In Inflated Dollars for the Fiscal Year Beginning 12/1/2012

For the Years Ending	Year 1 Nov-2013	Year 2 Nov-2014	Year 3 Nov-2015	Year 4 Nov-2016	Year 5 Nov-2017	Year 6 Nov-2018	Year 7 Nov-2019	Year 8 Nov-2020	Year 9 Nov-2021	Year 10 Nov-2022	Year 11 Nov-2023
Potential Gross Revenue											
Base Rental Revenue	$740,652	$810,817	$817,050	$815,403	$844,222	$877,417	$879,260	$891,059	$903,930	$948,313	$970,154
Absorption & Turnover Vacancy			-$5,673	-$31,674		-$3,106					
Base Rent Abatements	-$80,971			-$23,618							
Scheduled Base Rental Revenue	$659,681	$810,817	$811,377	$760,111	$844,222	$874,311	$879,260	$891,059	$903,930	$948,313	$970,154
CPI & Other Adjustment Revenue									$20,364	$29,670	$29,670
Expense Reimbursement Revenue											
Realty Taxes	$125,314	$140,572	$143,423	$142,406	$151,380	$151,356	$151,252	$155,035	$158,911	$162,883	$159,990
CAM	$52,127	$58,471	$59,658	$59,234	$62,969	$62,958	$62,916	$64,488	$66,101	$67,752	$66,549
Utilities	$91,988	$103,187	$105,282	$104,533	$111,121	$111,102	$111,028	$113,804	$116,649	$119,565	$117,440
Admin Fee	$36,795	$41,276	$42,111	$41,812	$44,449	$44,441	$44,411	$45,522	$46,658	$47,826	$46,977
Total Reimbursement Revenue	$306,224	$343,506	$350,475	$347,985	$369,919	$369,857	$369,607	$378,849	$388,319	$398,026	$390,956
Total Potential Gross Revenue	$965,905	$1,154,323	$1,161,852	$1,108,096	$1,214,141	$1,244,168	$1,248,867	$1,269,908	$1,312,613	$1,376,009	$1,390,780
General Vacancy	-$48,295	-$57,716	-$52,703	-$25,314	-$60,707	-$59,258	-$62,443	-$63,495	-$65,631	-$68,800	-$69,539
Effective Gross Revenue	$917,610	$1,096,607	$1,109,149	$1,082,782	$1,153,434	$1,184,910	$1,186,424	$1,206,413	$1,246,982	$1,307,209	$1,321,241
Operating Expenses											
Realty Taxes	$142,996	$146,570	$150,235	$153,991	$157,840	$161,786	$165,831	$169,977	$174,226	$178,582	$183,046
CAM	$59,481	$60,968	$62,492	$64,054	$65,655	$67,297	$68,979	$70,704	$72,471	$74,283	$76,140
Utilities	$104,967	$107,591	$110,281	$113,038	$115,863	$118,760	$121,729	$124,772	$127,892	$131,089	$134,366
Management Fee	$32,116	$38,381	$38,820	$37,897	$40,370	$41,472	$41,525	$42,224	$43,644	$45,752	$46,243
Total Operating Expenses	$339,560	$353,510	$361,828	$368,980	$379,728	$389,315	$398,064	$407,677	$418,233	$429,706	$439,795
Net Operating Income	$578,050	$743,097	$747,321	$713,802	$773,706	$795,595	$788,360	$798,736	$828,749	$877,503	$881,446
Leasing & Capital Costs											
Tenant Improvements				$65,823							
Leasing Commissions				$23,853							
Structural Allowance	$4,588	$5,483	$5,546	$5,414	$5,767	$5,925	$5,932	$6,032	$6,235	$6,536	$6,606
Total Leasing & Capital Costs	$4,588	$5,483	$5,546	$95,090	$5,767	$5,925	$5,932	$6,032	$6,235	$6,536	$6,606
Cash Flow Before Debt Service & INCOME TAX	$573,462	$737,814	$741,775	$618,712	$767,939	$789,670	$782,428	$792,704	$822,514	$870,967	$874,840

PRESENT VALUE ANALYSIS

Prospective Present Value
Cash Flow Before Debt Service plus Property Resale
Discounted Annually (Endpoint on Cash Flow & Resale) over a 10-Year Period

Analysis Period	For the Year Ending	Annual Cash Flow	P.V. of Cash Flow @ 6.50%	P.V. of Cash Flow @ 7.00%	P.V. of Cash Flow @ 7.50%
Year 1	Nov-2013	$573,462	$538,462	$535,948	$533,453
Year 2	Nov-2014	$737,614	$650,324	$644,260	$638,281
Year 3	Nov-2015	$741,775	$614,078	$605,510	$597,100
Year 4	Nov-2016	$618,712	$480,939	$472,012	$463,292
Year 5	Nov-2017	$767,939	$560,504	$547,530	$534,915
Year 6	Nov-2018	$789,670	$541,188	$526,191	$511,675
Year 7	Nov-2019	$782,428	$503,497	$487,256	$471,613
Year 8	Nov-2020	$792,704	$478,977	$461,361	$444,470
Year 9	Nov-2021	$822,514	$466,656	$447,393	$429,010
Year 10	Nov-2022	$870,967	$463,986	$442,756	$422,588
Total Cash Flow		$7,497,785	$5,298,611	$5,170,215	$5,046,397
Property Resale @ 6.50% Cap		$13,560,708	$7,224,142	$6,893,576	$6,579,573
Total Property Present Value			$12,522,753	$12,063,791	$11,625,970
Rounded to Thousands			$12,523,000	$12,064,000	$11,626,000
Per SqFt			$366	$353	$340
Percentage Value Distribution					
Assured Income			26.12%	26.52%	26.91%
Prospective Income			16.19%	16.34%	16.50%
Prospective Property Resale			57.69%	57.14%	56.59%
			100.00%	100.00%	100.00%

Value Conclusion As Is

Discounted Cash Flow Method: **$12,100,000 or $354 per sq. ft.**

CONCLUSION – INCOME APPROACH

The conclusions via the valuation methods employed for this approach are as follows:

MARKET VALUE CONCLUSION - INCOME APPROACH		
As Is	PSF	Value
Direct Capitalization Method	$360	$12,300,000
Discounted Cash Flow Method	$354	$12,100,000
Market Value Conclusions		
As Is	$357	$12,200,000
Source: CBRE Limited		

The above Direct Capitalization provides a stabilized market value estimate of $12,300,000. The Discounted Cash Flow analysis provides a stabilized value conclusion of $12,100,000. For the purposes of this analysis, an estimated market value of **$12,200,000** is concluded.

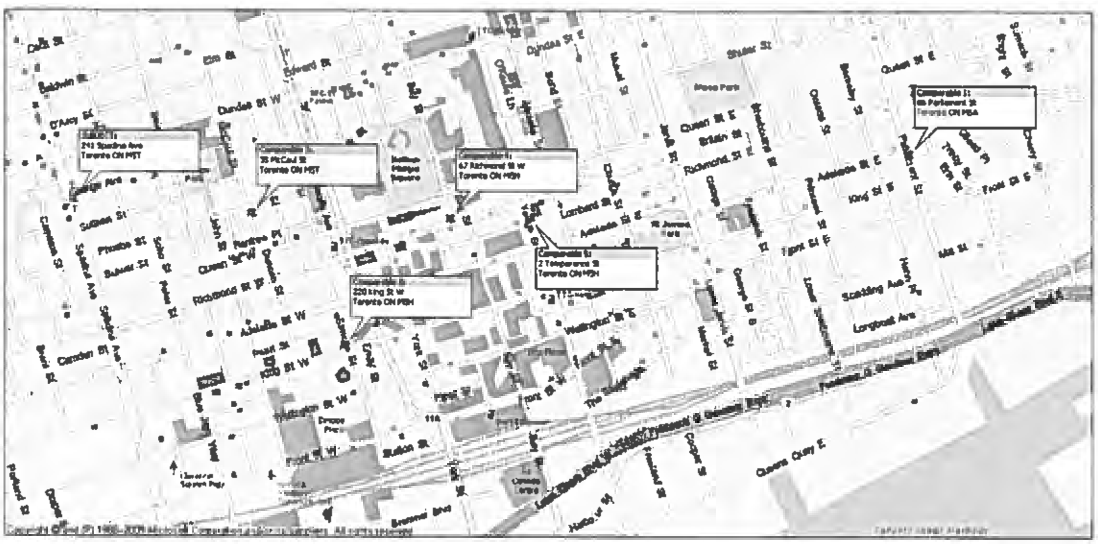
DIRECT SALES COMPARISON APPROACH

The Direct Sales Comparison Approach has been used to support the value conclusions in the Income Approach. A search was conducted for recent office property sales in downtown Toronto that are considered to be somewhat similar to the subject.

For this property, 5 transactions were reviewed, as summarized below:

- All sales occurred between December 2011 and September 2012.
- All sales represented multi tenant office buildings in downtown Toronto.
- Sizes ranging from 17,500 sq. ft. to 50,644 sq. ft.
- Building heights range from 4 to 7 storeys.
- Occupancies range from 80% to 100%
- Date of construction ranging from 1877 to 1947.
- Sale prices: Ranging from ±$7,000,000 to $13,500,000 or $266 to $465 per sq. ft.

A summary of the sales is attached on the following page:



OFFICE BUILDING SALES

No	Address	Vendor - Purchaser	Land Area AC - SF Density	#Storeys Yr Built Type	Bldg. Area Occupancy	Sale Date Sale Price $/sq. ft.	NOI PSF Cap Rate IRR Op & Tax	Remarks
1	86 Parliament Street Toronto (SW corner of Adelaide Street East and Parliament Street)	The Rose and Thistle Group Temple Street Productions Inc.	0.12 5,227 383%	4.0 1877 Multi	20,000 100%	7-Sep-12 $8,000,000 $400	n/a n/a – –	•Improved with a four storey, multi tenant office building that was extensively renovated. •Constructed in 1877 using brick and beam construction. •Fully occupied at the time of sale by two tenants, Sun Edison and Urban Amish. •There is no on-site parking and the building is serviced by a single elevator. •The seller had purchased the property in June 2009 for $2,800,000, prior to renovating it. •It is believed that the purchaser intended to use up to half of the building for its own business purposes subsequent to the date of sale.
2	220 King Street West Toronto (N side of King Street West, west of University Avenue)	Creative Restaurant Consultants Limited KingSett Capital (2333882 Ontario Inc.)	0.16 6,970 395%	5.0 1890 Multi	27,500 80%	30-Aug-12 $12,800,000 $465	$23.45 5.04% –	•Improved with a five storey, multi tenant office building with ground floor retail space. •Constructed in 1890 using a structural post and beam frame behind clay brick. •80% occupied at time of sale. Tenants included RealNet Canada Inc., Devtopia, Barootes Enterprises Inc. and Creative Restaurant Consulting. •The building was serviced with some on-site surface parking at the rear and one elevator.
3	35 McCaul Street Toronto (N of Queen Street West, west of University Avenue)	35 McCaul Street Inc. The Commercial Realty Group Ltd.	0.25 10,890 302%	4.0 1920-1940 Multi	32,854 100%	29-Feb-12 $9,450,000 $288	n/a n/a –	•Improved with a four storey, former industrial loft building that was converted to a multi office building around the 1970s. Originally constructed between 1920 and 1940. •100% accpied at time of sale - predominantly to local businesses. •There is no on-site surface parking available and there is no elevator service in the building.
4	67 Richmond Street West Toronto (S side of Richmond Street West, west of Bay Street)	Allied Properties Corporation Dundee REIT	0.16 6,970 727%	7.0 1947 Multi	50,664 100%	30-Jan-12 $13,500,000 $266	n/a n/a –	•Improved with a seven storey, multi tenant office building that was renovated in 2001 and features ground floor retail space. •Consructed in 1947 using a reinforced concrete frame behind a granite façade. •Fully occupied at the time of sale with predominantly national businesses. •There is no on-site parking available and the building is serviced by two elevators.
5	2 Temperance Street Toronto (S of Queen Street West, west of Yonge Street)	An individual 1862222 Ontario Inc.	0.15 6,534 268%	4.0 1895 Multi	17,500 100%	1-Dec-11 $7,000,000 $400	$20.00 5.0% –	•Improved with a 4 storey, multi tenant office building with ground floor retail space. •Constructed in 1895 using a post and beam frame behind a clay brick façade. •100% occupied at the time of sale by predominantly local businesses •The building features limited on-site surface parking but is not serviced by an elevator. •Buildings projected NOI for the 12 month period following the date of sale was $350,000, representing a going in yield of 5.0%.
Subj	241 Spadina Avenue Toronto		0.16 7,013 488%	5.0 1910 Multi	34,205 77.0%			•5 storey brick and beam office building having recently been renovated

Sale #1

Address:	**86 Parliament Street. Toronto**		
Age:	1877	**Building:**	20,000 sq. ft.
Class:	Brick and Beam	**Site Area:**	0.12 acres
# of Storeys:	4 storeys	**Floor Plate:**	±5,000 sq. ft.
Sale Date:	September 7, 2012	**Retail Area:**	±5,000 sq. ft
NOI per sq. ft. :	n/a	**Cap Rate:**	n/a
Vendor:	The Rose and Thistle Group	**Purchaser:**	Temple Street Productions Inc.
Sale Price:	**$8,000,000**	**Price per sq. ft.:**	**$400**

This sale at $400 per sq. ft. represents a single 4 storey brick and beam office building with ground level retail in Toronto located on the southwest corner of Parliament Street and Adelaide Street East, north of King Street East. The building was constructed in 1877 and has recently undergone an extensive renovation. At the time of sale the building was 100% leased to Sun Edison and Urban Amish. The building is serviced by a single elevator and there was no on-site parking. The seller had purchased the property in June of 2009 for $2,800,000, or $140 per sq.ft. The comparable features an above average corner exposure and is easily accessible with its close proximity to public transit and major area thoroughfares.

The comparable is smaller than the subject therefore a downward adjustment for size was required. This sale is considered inferior to the subject in terms of location and required an upward adjustment. At the time of sale the property was fully occupied necessitating a downward adjustment. Overall we have concluded at a downward adjusted price of $344 per sq. ft.

Sale #2

Address:	**220 King Street West, Toronto**		
Age:	1890	**Building:**	27,500 sq. ft.
Class:	Brick and Beam	**Site Area:**	0.16 acres
# of Storeys:	5 storeys	**Floor Plate:**	±5,500 sq. ft.
Sale Date:	August 30, 2012	**Retail Area:**	±5,500 sq. ft
NOI per sq. ft. :	$23.45	**Cap Rate:**	5.04%
Vendor:	Creative Restaurant Consultants Limited	**Purchaser:**	KingSett Capital
Sale Price:	**$12,800,000**	**Price per sq. ft.:**	**$465**

This sale at $465 per sq. ft. represents the sale of a five storey brick and beam office building with a full basement area within the Theatre District of the downtown core of the City of Toronto. The building featured a restaurant in the entire ground floor and basement portions of the building at the time of sale and was approximately 80% occupied. Tenants include predominately local businesses including RealNet Canada Inc., Devtopia, Barootes Enterprises Inc. and Creative Restaurant Consulting. The building is serviced by a limited amount of on-site surface parking at the rear and a single elevator.

The comparable is smaller than the subject therefore a downward adjustment for size was required. The building is considered to be slightly inferior to the subject in terms of condition and quality of improvements, with the subject having just recently been finished renovation and an upward adjustment was required. The location of the comparable in the heart of the Theatre District and within immediate proximity to the financial core area is considered to be superior to that of the subject, necessitating a downward adjustment. No adjustments were required for occupancy or building class. Overall we have concluded at a downward adjusted price of $372 per sq. ft.

Sale #3

Address:	**35 McCaul Street, Toronto**		
Age:	1920/1940	**Building:**	32,854 sq. ft.
Class:	Brick and Beam	**Site Area:**	0.25 acres
# of Storeys:	4 storeys	**Floor Plate:**	8,214 sq. ft.
Sale Date:	February 29, 2012	**Retail Area:**	0 sq. ft.
NOI per sq. ft. :	n/a	**Cap Rate:**	n/a
Vendor:	35 McCaul Street Inc.	**Purchaser:**	The Commercial Realty Group Ltd.
Sale Price:	**$9,450,000**	**Price per sq. ft.:**	**$288**

This sale at $288 per sq. ft. represents a 4 storey brick and beam office building located on the east side of McCaul Street, north of Queen Street West in downtown Toronto. The building was originally constructed in 1920 and 1940 as an industrial office and later converted to office use in the 1970's. At the time of sale the complex was fully leased to predominately local businesses including Tantrum Design, Topix Computer Graphics and Head Gear Animation. The building has no on-site surface parking and there is no elevator service.

As market conditions have improved since this sale was negotiated, a slight upward adjustment for time was required. The comparable is approximately the same size as the subject and no adjustments for size were required. The comparables location, just north of the main retail node on Queen Street West is considered to be superior to the subject, necessitating a downward adjustment. An additional downward adjustment was made for the comparables 100% occupancy at the time of sale. Overall we have concluded at an upward adjusted price of $302 per sq. ft.

Sale #4

Address:	**67 Richmond Street West, Toronto**		
Age:	1947	**Building:**	50,644 sq. ft.
Class:	C	**Site Area:**	0.16 acres
# of Storeys:	7 storeys	**Floor Plate:**	±6,650 sq. ft.
Sale Date:	January 30, 2012	**Retail Area:**	±5,804 sq. ft.
NOI per sq. ft. :	n/a	**Cap Rate:**	n/a
Vendor:	Allied Properties Corporation	**Purchaser:**	Dundee REIT
Sale Price:	**$13,500,000**	**Price per sq. ft.:**	**$266**

This sale at $266 per sq. ft. represents the sale of a Class C multi tenant office building located on the south side of Richmond Street West, west of Bay Street in the downtown core of the City of Toronto. The building was constructed in 1947 with the most recent renovation dating back to 2001. The building features just under 6,000 sq. ft. of ground floor retail space leased to several tenants and at the time of sale the building was fully occupied by predominantly national businesses. The building is serviced by 2 elevators and there is no on-site surface parking area provided.

As market conditions have improved since this sale was negotiated, an upward adjustment for time was required. The comparable is larger than the subject and an upward adjustment was required. The comparables location in the heart of the downtown core is considered to be superior to that of the subject and a downward adjustment to location was required. The comparable was last renovated in 2001 and is considered inferior in terms of condition when compared to the subjects newly renovated status, requiring an upward adjustment. At the time of sale the comparable was fully occupied which required a downward adjustment. Overall we have concluded at an upward adjusted price of $308 per sq. ft.

Sale #5

Address:	**2 Temperance Street, Toronto**		
Age:	1895	**Building:**	17,500 sq. ft.
Class:	Brick and Beam	**Site Area:**	0.15 acres
# of Storeys:	4 storeys	**Floor Plate:**	±4,375 sq. ft.
Sale Date:	December 1, 2011	**Retail Area:**	±3,800 sq. ft.
NOI per sq. ft. :	$20.00	**Cap Rate:**	5.0%
Vendor:	An Individual	**Purchaser:**	1862222 Ontario Inc.
Sale Price:	**$7,000,000**	**Price per sq. ft.:**	**$400**

This sale at $400 per sq. ft. represents the sale of a brick and beam multi tenant office building located on the northwest corner of Yonge Street and Temperance Street, south of Richmond Street West in the downtown core of the City of Toronto. The building was originally constructed in 1895 and features approximately 3,800 sq. ft. of ground floor retail space leased to several tenants. At the time of sale, the comparable was fully leased to predominantly local businesses. The building features limited on-site surface parking but has no elevator access.

As market conditions have improved since this sale was negotiated, an upward adjustment for time was required. The comparable is smaller than the subject a downward adjustment was required. The comparables location in the downtown core is considered to be superior to that of the subject and a downward adjustment to location was required. The comparable is considered inferior in terms of condition when compared to the subject's newly renovated status, requiring an upward adjustment. At the time of sale the comparable was fully occupied which required a downward adjustment. Overall we have concluded a downward adjusted price of $365 per sq. ft.

Summary of Adjustments

Based on the forgoing discussions, the following Table summarizes the adjusted sale prices for each of the properties, taking into account a broad set of parameters. The adjustment grid implies a level of accuracy that may not exist in the current market. However, the grid has been included to illustrate the magnitude of the warranted adjustments. Use of an adjustment grid in making quantitative adjustments is only appropriate and reliable when the extent of adjustment for each particular factor is well supported and the dollar or percentage adjustment is derived through either paired sales analysis or other data relevant to the market. In instances, such as this, where paired sales and market data is not readily available, the appraiser must use his best judgment to make a reasonable estimate for the appropriate warranted adjustment.

BUILDING SALES - ADJUSTMENT GRID

	Sale #1	Sale #2	Sale #3	Sale #4	Sale #5	Subject
Sale Date	7-Sep-12	30-Aug-12	29-Feb-12	30-Jan-12	1-Dec-11	---
Address	86 Parliament Street Toronto	220 King Street West Toronto	35 McCaul Street Toronto	67 Richmond Street West Toronto	2 Temperance Street Toronto	241 Spadina Avenue Toronto
Actual Sale Price	$8,000,000	$12,800,000	$9,450,000	$13,500,000	$7,000,000	---
Price (per sq.ft.)	$400	$465	$288	$266	$400	
Building Area (sq.ft.)	20,000	27,500	32,854	50,664	17,500	34,205
Land Area (sq.ft.)	5,227	6,970	10,890	6,970	6,534	7,013
Density	383%	395%	302%	727%	268%	488%
Land Area (acres)	0.120	0.160	0.250	0.160	0.150	0.161
Special Conditions	0%	0%	0%	0%	0%	
Market Conditions	0%	0%	6%	8%	10%	
Subtotal	$400	$465	$305	$288	$440	
Building Size	downward	downward	not required	upward	downward	
Building Condition	not required	upward	upward	upward	upward	
Location	upward	downward	downward	downward	downward	
Occupancy Level	not required	upward	not required	not required	not required	95%
Class	not required	not required	not required	not required	not required	
Total Overall Adjustments	downward	downward	upward	upward	downward	
Value Indication for Subject (per sq.ft.)	$364	$381	$317	$323	$387	

Source: CBRE Limited

The sales are all located in the City of Toronto downtown market. In general, the analyzed sales indicate an adjusted value range of $317 to $387 per sq. ft. Sale 3 at $317 PSF represents the low end of the range and is considered inferior in terms of condition. Sale 5 at $387 PSF represents the high end of the range and has a superior location and is smaller than the subject.

As the subject property is a newly renovated brick and beam building located in the heart of the China Town neighbourhood of the downtown west submarket of the City of Toronto with excellent access to public transportation and major area thoroughfares, we have estimated a value in the upper half of the range between $340 and $360 PSF for the subject property. It is our opinion that the subject property falls within this value range at $350 PSF on a stabilized basis.

Value Conclusion – As Is

To conclude an as is value for the subject, deductions for leasing costs and lost rent are required:

DIRECT SALES COMPARISON VALUE ESTIMATE				
34,205	x	$350	=	$11,971,750
Rounded:				$11,970,000

Source: CBRE Limited

RECONCILIATION & CONCLUSION

In the Direct Comparison Approach, the subject property is compared to similar properties that have sold recently and the required adjustments were based on reasonable rationale. In addition, market participants are currently analyzing purchase prices on investment properties as they relate to available substitutes in the market. In this instance the subject is an income producing investment grade property, consequently the Direct Comparison Approach provides a supportive function.

The Income Approach is applicable to the subject property since it is an investment grade income producing property. Market participants analyze investment properties such as the subject based on their income generating capability. Primary weighting was given to the Income Approach and fairly equal weighting was applied between the Direct Capitalization Method and the Discounted Cash Flow Method for the As Is Value.

Summary of the value indications is as follows:

MARKET VALUE CONCLUSION	
Income Approach	
As Is	$12,200,000
Direct Sales Comparison Approach (Supportive)	
As Is	$11,970,000
FINAL MARKET VALUE CONCLUSION	
As Is Market Value (as at December 12, 2012)	$12,150,000
Source: CBRE Limited	

CERTIFICATION

We certify to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and represents our personal, unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report and have no personal interest or bias with respect to the parties involved.
- Our compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event, such as the approval of a loan.
- This appraisal assignment was not based upon a requested minimum valuation, a specific valuation or the approval of a loan.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Canadian Uniform Standards of Professional Appraisal Practice of The Appraisal Institute of Canada and the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Michael Fairfield has completed the requirements of the continuing education program of the Appraisal Institute.
- Morgan Rueter made an interior inspection of the property on November 27, 2012.
- Morgan Rueter has provided professional assistance to the persons signing this report.
- Michael Fairfield has extensive experience in the appraisal/review of similar property types.
- Michael Fairfield is currently certified in the Province where the subject is located.
- Valuation and Advisory Services Group operates as an independent economic entity within CBRE Limited. Although other employees of CBRE Limited divisions may be contacted as a part of our routine market research investigations, absolute client confidentiality and privacy are maintained at all times with regard to this assignment without conflict of interest.

Final Estimate of Value

The estimated market value for 241 Spadina Avenue, as at December 12, 2012, As Is was:

As Is Value

$12,150,000

Respectfully submitted,

CBRE Limited

VALUATION & ADVISORY SERVICES

Michael Fairfield, AACI, P. App.

Associate Director

APPENDIX A – Subject Photographs

Front Elevation

Front Elevation

Front Entrance

Rear **Elevation**

Rear Elevation

Spadina Avenue – **Facing North**

241 Spadina Avenue, Toronto, ON

Spadina Avenue – Facing South

Rear Alleyway

Rooftop Terrace

Ground Floor Restaurant

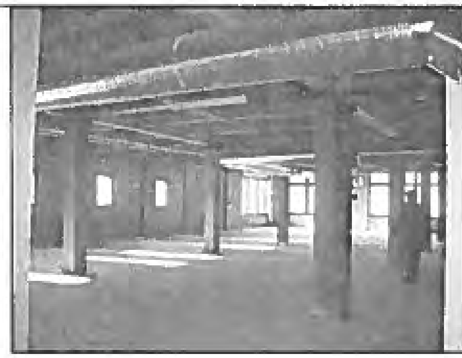
Ground Floor Restaurant

Ground Floor Restaurant

Ground Floor Restaurant - Kitchen

Office Lobby

Elevator



Vacant Office Area – 3rd Floor

Vacant Office Area – 3rd Floor

Triangle Studios – 2nd Floor

Triangle Studios – 2nd Floor

Triangle Studios – 2nd Floor

Idea Couture – 4th & 5th Floor

Idea Couture – 4th & 5th Floor

Idea Couture – 4th & 5th Floor

Idea Couture – 4th & 5th Floor

	
Main Power	Basement Storage Area
	
Basement Storage Area – Restaurant Refrigerator	Basement Storage Area

APPENDIX B – ASSUMPTIONS AND LIMITING CONDITIONS

1. Unless otherwise specifically noted in the body of the report, it is assumed that title to the property or properties appraised is clear and marketable and that there are no recorded or unrecorded matters or exceptions to total that would adversely affect marketability or value. CBRE Limited is not aware of any title defects nor has it been advised of any unless such is specifically noted in the report. CBRE Limited, however, has not examined title and makes no representations relative to the condition thereof. Documents dealing with liens, encumbrances, easements, deed restrictions, clouds and other conditions that may affect the quality of title have not been reviewed. Insurance against financial loss resulting in claims that may arise out of defects in the subject property's title should be sought from a qualified title company that issues or insures title to real property.
2. Unless otherwise specifically noted in the body of this report, it is assumed: that the existing improvements on the property or properties being appraised are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the property or properties have been engineered in such a manner that the improvements, as currently constituted, conform to all applicable local, provincial, and federal building codes and ordinances. CBRE Limited professionals are not engineers and are not competent to judge matters of an engineering nature. CBRE Limited has not retained independent structural, mechanical, electrical, or civil engineers in connection with this opinion and, therefore, makes no representations relative to the condition of improvements. Unless otherwise specifically noted in the body of the report: no problems were brought to the attention of CBRE Limited by ownership or management; CBRE Limited inspected less than 100% of the entire interior and exterior portions of the improvements; and CBRE Limited was not furnished any engineering studies by the owners or by the party requesting this opinion. If questions in these areas are critical to the decision process of the reader, the advice of competent engineering consultants should be obtained and relied upon. It is specifically assumed that any knowledgeable and prudent purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of building systems. Structural problems and/or building system problems may not be visually detectable. If engineering consultants retained should report negative factors of a material nature, or if such are later discovered, relative to the condition of improvements, such information could have a substantial negative impact on the conclusions reported in this opinion. Accordingly, if negative findings are reported by engineering consultants, CBRE Limited reserves the right to amend the opinion conclusions reported herein.
3. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraisers. CBRE Limited has no knowledge of the existence of such materials on or in the property. CBRE Limited, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

   We have inspected, as thoroughly as possible by observation, the land; however, it was impossible to personally inspect conditions beneath the soil. Therefore, no representation is made as to these matters unless specifically considered in the opinion.
4. All furnishings, equipment and business operations, except as specifically stated and typically considered as part of real property, have been disregarded with only real property being considered in the report unless otherwise stated. Any existing or proposed improvements, on or off-site, as well as any alterations or repairs considered, are assumed to be completed in a workmanlike manner according to standard practices based upon the information submitted to CBRE Limited. This report may be subject to amendment upon re-inspection of the subject property subsequent to repairs, modifications, alterations and completed new construction. Any estimate of Market Value is as of the date indicated; based upon the information, conditions and projected levels of operation.
5. It is assumed that all factual data furnished by the client, property owner, owner's representative, or persons designated by the client or owner to supply said data are accurate and correct unless otherwise specifically noted in the opinion report. Unless otherwise specifically noted in the opinion report, CBRE Limited has no reason to believe that any of the data furnished contain any material error. Information and data referred to in this paragraph include, without being limited to, numerical street addresses, lot and block numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating

expenses, budgets, and related data. Any material error in any of the above data could have a substantial impact on the conclusions reported. Thus, CBRE Limited reserves the right to amend conclusions reported if made aware of any such error. Accordingly, the client-addressee should carefully review all assumptions, data, relevant calculations, and conclusions within 30 days after the date of delivery of this report and should immediately notify CBRE Limited of any questions or errors.

6. The date of value to which any of the conclusions and opinions expressed in this report apply, is set forth in the Letter of Transmittal. Further, that the dollar amount of any value opinion herein rendered is based upon the purchasing power of the Canadian Dollar on that date. This opinion is based on market conditions existing as of the date of this opinion. Under the terms of the engagement, we will have no obligation to revise this report to reflect events or conditions which occur subsequent to the date of the opinion. However, CBRE Limited will be available to discuss the necessity for revision resulting from changes in economic or market factors affecting the subject.
7. CBRE Limited assumes no private deed restrictions, limiting the use of the subject property in any way.
8. Unless otherwise noted in the body of the report, it is assumed that there are no mineral deposit or subsurface rights of value involved in this opinion, whether they be gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered unless otherwise stated in this opinion report. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.
9. CBRE Limited is not aware of any contemplated public initiatives, governmental development controls, or rent controls that would significantly affect the value of the subject.
10. The estimate of Market Value, which may be defined within the body of this report, is subject to change with market fluctuations over time. Market value is highly related to exposure, time promotion effort, terms, motivation, and conclusions surrounding the offering. The value estimate(s) consider the productivity and relative attractiveness of the property, both physically and economically, on the open market.
11. Any cash flows included in the analysis are forecasts of estimated future operating characteristics are predicated on the information and assumptions contained within the report. Any projections of income, expenses and economic conditions utilized in this report are not predictions of the future. Rather, they are estimates of current market expectations of future income and expenses. The achievement of the financial projections will be affected by fluctuating economic conditions and is dependent upon other future occurrences that cannot be assured. Actual results may vary from the projections considered herein. CBRE Limited does not warrant these forecasts will occur. Projections may be affected by circumstances beyond the current realm of knowledge or control of CBRE Limited
12. Unless specifically set forth in the body of the report, nothing contained herein shall be construed to represent any direct or indirect recommendation of CBRE Limited to buy, sell, or hold the properties at the value stated. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.
13. Also, unless otherwise noted in the body of this report, it is assumed that no changes in the present zoning ordinances or regulations governing use, density, or shape are being considered. The property is appraised assuming that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, provincial, nor national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report is based, unless otherwise stated.
14. This study may not be duplicated in whole or in part without the specific written consent of CBRE Limited nor may this report or copies hereof be transmitted to third parties without said consent, which consent CBRE Limited reserves the right to deny. Exempt from this restriction is duplication for the internal use of the client-addressee and/or transmission to attorneys, accountants, or advisors of the client-addressee. Also exempt from this restriction is transmission of the report to any court, governmental authority, or regulatory agency having jurisdiction over the party/parties for whom this opinion was prepared, provided that this report and/or its contents shall not be published, in whole or in part, in any public document without the express written consent of CBRE Limited which consent CBRE Limited reserves the right to deny. Finally, this report shall not be advertised to the public or otherwise used to induce a third party to purchase the property or to make a "sale" or "offer for sale" of any "security". Any third party, not covered by the exemptions herein, who may possess this report, is advised that they should rely on their own independently secured advice for any decision in connection with this property. CBRE Limited shall have no accountability or responsibility to any such third party. This entire paragraph is subject to the points noted in the Intended Use of Report section.

15. Any value estimate provided in the report applies to the entire property, and any pro ration or division of the title into fractional interests will invalidate the value estimate, unless such pro ration or division of interests has been set forth in the report.
16. The distribution of the total valuation in this report between land and improvements applies only under the existing program of utilization. Component values for land and/or buildings are not intended to be used in conjunction with any other property or opinion and are invalid if so used.
17. The maps, plats, sketches, graphs, photographs and exhibits included in this report are for illustration purposes only and are to be utilized only to assist in visualizing matters discussed within this report. Except as specifically stated, data relative to size or area of the subject and comparable properties has been obtained from sources deemed accurate and reliable. None of the exhibits are to be removed, reproduced, or used apart from this report.
18. No opinion is intended to be expressed on matters which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers. Values and opinions expressed presume that environmental and other governmental restrictions/conditions by applicable agencies have been met, including but not limited to seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, licenses, etc. No survey, engineering study or architectural analysis has been made known to CBRE Limited unless otherwise stated within the body of this report. If the Consultant has not been supplied with a termite inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranty is made concerning obtaining these items. CBRE Limited assumes no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance.
19. Acceptance and/or use of this report constitutes full acceptance of the Contingent and Limiting Conditions and special assumptions set forth in this report. It is the responsibility of the Client, or client's designees, to read in full, comprehend and thus become aware of the aforementioned contingencies and limiting conditions. Neither the Appraiser nor CBRE Limited assumes responsibility for any situation arising out of the Client's failure to become familiar with and understand the same. The Client is advised to retain experts in areas that fall outside the scope of the real estate opinion/consulting profession if so desired.
20. CBRE Limited assumes that the subject property analyzed herein will be under prudent and competent management and ownership; neither inefficient nor super-efficient.
21. It is assumed that there is full compliance with all applicable federal, provincial, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the opinion report.
22. No survey of the boundaries of the property was undertaken. All areas and dimensions furnished are presumed to be correct. It is further assumed that no encroachments to the realty exist.
23. Client shall not indemnify Appraiser or hold Appraiser harmless unless and only to the extent that the Client misrepresents, distorts, or provides incomplete or inaccurate opinion results to others, which acts of the Client proximately result in damage to Appraiser. The Client shall indemnify and hold Appraiser harmless from any claims, expenses, judgments or other items or costs arising as a result of the Client's failure or the failure of any of the Client's agents to provide a complete copy of the opinion report to any third party. In the event of any litigation between the parties, the prevailing party to such litigation shall be entitled to recover from the other reasonable attorney fees and costs.

Appendix C
Land Registry Document

TERANET **GEOWAREHOUSE REPORT**

This Report was prepared for:

Gerald McCrindle
Email gerald.mccrindle@cbre.com

Property Detail Report

11/27/2012 05.37 PM

241 SPADINA AVE

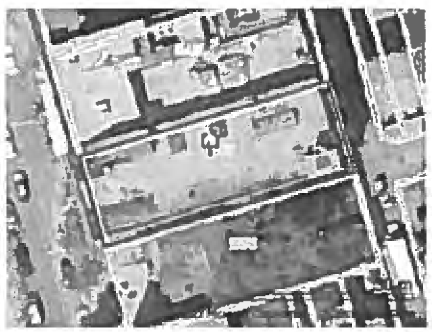
TORONTO

PIN 212060253

Property Details - PIN: 212060253

Address	241 SPADINA AVE				
Municipality	TORONTO	LRO	80	Land Registry Status	ACTIVE
Registration Type	LT	Area	654 m2	Perimeter	116 m
Short Description	LOT 4 ON PLAN D60 TORONTO DESIGNATED AS PART 2 ON PLAN 63R4828; CITY OF TORONTO				

Aerial View of Property



Street View

Assessment Information

2012 TAX YEAR, PHASED IN ASSESSMENT

ASSESSMENT ROLL NUMBER	2012 TAX YEAR, PHASED IN ASSESSMENT	ASSESSED VALUE BASED ON JAN 1, 2008	DEPTH (F)	FRONTAGE (F)	PROPERTY TYPE
190406519000705	$4,230,000	$4,230,000	0.00	49.94	402 Large office building (generally multi - tenanted, over 7,500 s.f.)

241 Spadina Avenue, Toronto, ON

TERANET

GEOWAREHOUSE® REPORT

Sales History

DATE	TYPE	AMOUNT
10/18/2010	TPSA	$4,500,000
07/12/2006	T	$0
12/12/1990	T	$0

Full Property Description

LOT 4 ON PLAN D60 TORONTO DESIGNATED AS PART 2 ON PLAN 63R4828; CITY OF TORONTO.

Reports Not the Official Record. Reports, other than the Parcel Register, obtained through Geowarehouse are not the official government record and will not necessarily reflect the current status of interests in land.

Currency of Information. Data contained in the Geowarehouse reports are not maintained real-time. Data contained in reports, other than the Parcel Register, may be out of date ten business days or more from data contained in POLARIS.

Coverage. Data, information and other products and services accessed through the Land Registry Information Services are limited to land registry offices in the areas identified on the coverage map.

Completeness of the Sales History Report. Some Sales History Reports may be incomplete due to the amount of data collected during POLARIS title automation. Subject properties may also show nominal consideration or sales price (e.g. $2) in cases such as transfers between spouses or in tax exempt transfers.

Demographic Information. Demographic Information is obtained from Generation5 Mathematical Technologies Inc. Every year, Generation5 uses census, spending, and postal information to predict the demographic attributes of postal code in Canada.

The Property Information Services, reports and information are provided "as is" and your use is subject to the applicable Legal Terms and Conditions. Some information obtained from the Land Registry Information Services is not the official government record and will not reflect the current status of interests in land. Use of personal information contained herein shall relate directly to the purpose for which the data appears in land registry records and is subject to all applicable privacy legislation in respect of personal information. Such information shall not be used for marketing to a named individual.

Parcel Mapping shown on the site was compiled using plans and documents recorded in the Land Registry System and has been prepared for property indexing purposes only. It is not a Plan of Survey. For actual dimensions of property boundaries, see recorded plans and documents.

MacKenzie Ray Heron & Edwardh

Current Appraisal of:

A Development Site Located at
1185 EGLINTON AVENUE EAST
Toronto, Ontario

Effective Date:

December 6, 2012

Report Date:

December 7, 2012

Prepared For:

Bannockburn Lands Ltd.

250 Dundas Street West
Suite 402
Toronto, Ontario
M5T 2Z5

www.mrhe.com

Phone: 416-591-1515
Fax. 416-591-1220

MacKenzie Ray Heron & Edwardh
Real Estate Appraisers & Consultants

December 7, 2012

Bannockburn Lands Inc.
30 Hazelton Avenue
Toronto, ON
M5R 2E2

Attention: Mr. Mark Goldberg

Re: Appraisal of a Development site located at
1185 Eglinton Avenue East
Toronto, Ontario

Dear Mr. Goldberg:

In accordance with your instructions, we have inspected the **Subject** and examined relevant data in order to provide an estimate of market value for 1185 Eglinton Avenue East, Toronto (hereinafter referred to as the **Subject**) and submit this report of our findings, opinions, and conclusions. The property rights appraised herein are those of the "fee simple" estate.

We inspected the **Subject** on December 6, 2012, which is the effective date of the appraisal. The purpose of this appraisal is to establish a *Market Value* for the **Subject** for Bannockburn Lands Inc., to be used for first mortgage financing purposes.

This Letter of Transmittal is accompanied by a narrative appraisal report. The term *market* value as discussed within the appraisal, is generally defined: as *the most probable price in terms of money which an estate (or interest) in real property should bring in an open and competitive market under conditions requisite to a fair and typical sale between a willing seller and a willing buyer, each acting prudently and knowledgeably and assuming the price is not affected by undue stimulus.*

The **Subject** is a 2.84-acre site located on the south side of Eglinton Avenue East just east of Don Mills Road. The site is currently vacant as of the effective date of this appraisal.

250 Dundas Street West, Suite 402, Toronto, Ontario, M5T 2Z5
Phone: 416-591-1515 Fax: 416-591-1220 Email: yvonnewhyte@mrhe.com

We have been requested to provide an estimate of the market value for the **Subject** based upon the following parameters. The **Subject** is proposed for development with a residential condominium project containing 598,123 square feet of GFA, resulting in a site density of 4.8 times the site area. ***To the best of our knowledge this density is not yet in place. Our appraisal is based upon the Extraordinary Assumption set out in this report which assumes that this density has been approved. Any alteration from this could affect the market value contained herein.***

Please note that the following estimate of value may not be relied upon unless it is accompanied by the signed, original appraisal report. The value estimate is contingent upon the **Subject** (site and improvements) being free of environmental contaminants and/or other latent building or site conditions that may impact on value. Furthermore, the section entitled Assumptions and Limiting Conditions is an integral part of the report and must be read. It is also **Subject** to the following Extraordinary Limiting Condition[1]: We did not obtain an opinion on the state of title or any of the encumbrances, and are not qualified in these legal matters and have not read the documents registered against the title.

This report has been produced in conformance with the Canadian Uniform Standards of Professional Appraisal Practice. All comments, opinions and conclusions are discussed and elaborated upon within the body of this report to the extent felt necessary to support the estimate of value. Working papers and background information on which our analysis was based have been retained in our permanent files.

[1] EXTRAORDINARY LIMITING CONDITION: a necessary modification or exclusion of a Standard Rule.

Having regard to the information, assumptions and analyses set forth in this report and based on an exposure time of four to six months, we estimate the market value of the fee simple estate in 1185 Eglinton Avenue East, Toronto, as a development site, **Subject** to the Extraordinary Assumptions contained herein, as of December 6, 2012, to be:

NINETEEN MILLION FOUR HUNDRED THOUSAND DOLLARS
$19,400,000

Extraordinary Assumption

It is an Extraordinary Assumption of this report that the density of 4.8 times and a GFA of 598,123 square feet is not in place, but is reasonably achievable as at the effective date of appraisal. Any alteration from this, i.e. if the density proposed is not attainable, this could impact the Market Value contained herein.

It is an Extraordinary Assumption of this report that the Subject has received Official Plan, Zoning amendments, and Site Plan Approval to permit the proposed development as described herein. Any alteration to this assumption could have an impact on the market value contained herein.

Yours truly,
MacKenzie Ray Heron & Edwardh

Yvonne M. Whyte
AACI, P. App.

TABLE OF CONTENTS

1185 EGLINTON AVENUE EAST, TORONTO

North side of Subject looking south.

Northeast corner of Subject looking southwest.

East side of Subject looking west.

Looking west along Eglinton Avenue East with Subject on left.

Looking east along Eglinton Avenue East with Subject on right.

1185 EGLINTON AVENUE EAST, TORONTO

Indicates Approximate Boundaries of Subject

STRENGTHS AND WEAKNESSES

LOCATION

STRENGTHS

- Excellent site situated on two arterial routes, providing good exposure to the **Subject** from both vehicles and pedestrians.
- The **Subject** is located in close proximity to the Don Valley Parkway, providing access to additional provincial transportation routes and downtown Toronto.

WEAKNESSES

- None of Significance.

PHYSICAL ATTRIBUTES

STRENGTHS

- Frontage on four streets.
- The **Subject** is level at grade with Eglinton Avenue East and Ferrand Drive and surrounding land uses.
- Development of surrounding properties indicates that the **Subject** can adequately support development.

WEAKNESSES

- None of Significance.

INVESTMENT

STRENGTHS

- In terms of commercial uses, Eglinton Street is a busy arterial route with heavy traffic. Mixed commercial and residential uses would benefit from this exposure.
- Once complete the residential development will provide attractive accommodation.

WEAKNESSES

- The residential condominium market within the GTA is reaching record levels of development, with numerous projects in closer proximity to the downtown core than the **Subject**. If demand falters then the supply which is located closer to the downtown core will likely attract buyers before developments in peripheral locations such as the **Subject**.
- The government of Canada recently introduced more stringent mortgage financing requirements, effectively reducing the ability of first time home buyers to obtain the necessary financing for residential purchases.

EXECUTIVE SUMMARY

PROPERTY TYPE	:	Vacant Development Site.
MUNICIPAL ADDRESS	:	1185 Eglinton Avenue East, Toronto.
REGISTERED OWNER	:	Skyline – 1185 Eglinton Avenue Inc.
PROPERTY RIGHTS APPRAISED	:	Fee Simple Estate.
SITE DESCRIPTION		
LEGAL DESCRIPTION	:	See the body of this report.
SITE DIMENSIONS	:	Irregular shape.
SITE AREA	:	123,764 square feet/ 2.84 acres. (Source: Land Registry)
PROPOSED DEVELOPMENT	:	HIGH RISE: 525,122 SQUARE FEET STACKED TOWNS: 73,001 SQUARE FEET TOTAL GFA: 598,123 SQUARE FEET DENSITY: 4.8 X SITE AREA
OFFICIAL PLAN	:	MIXED USE AREA.
ZONING	:	MO – Industrial-Office Business Park Zone.
MUNICIPAL SERVICES	:	All standard municipal services are available to the site.
ASSESSMENT (2012 Phased-in Value)	:	$14,413,000; Will be reassessed under new development.
REALTY TAXES (2012)	:	$471,465; Will be reassessed under new development.
HIGHEST AND BEST USE		
As Though Vacant	:	Development of a mixed use condominium building, primarily residential.
EXPOSURE TIME	:	4-6 months.
EFFECTIVE DATE OF APPRAISAL	:	December 6, 2012.

VALUE ESTIMATE

DIRECT COMPARISON APPROACH	:	$19,400,000
MARKET VALUE CONCLUSION	:	$19,400,000

EXTRAORDINARY ASSUMPTION

It is an Extraordinary Assumption of this report that the density of 4.8 times and a GFA of 598,123 square feet is not in place, but is reasonably achievable as at the effective date of appraisal. Any alteration from this, i.e. if the density proposed is not attainable, this could impact the Market Value contained herein.

It is an Extraordinary Assumption of this report that the Subject has received Official Plan, Zoning amendments, and Site Plan Approval to permit the proposed development as described herein. Any alteration to this assumption could have an impact on the market value contained herein.

BASIS OF THE APPRAISAL

PURPOSE AND USE OF THE APPRAISAL

The purpose of this appraisal is to estimate the market value of the **Subject** site as of the effective date - December 6, 2012. Our understanding is that this appraisal is to be used by **Bannockburn Lands Inc.,** in conjunction with first mortgage financing considerations.

PROPERTY RIGHTS APPRAISED

The property rights of the **Subject** being appraised are those of the fee simple estate. A fee simple estate is an "absolute ownership unencumbered by any other interest or estate, **Subject** only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat"[2]. Fee simple interest is thought of as the closest concept to complete ownership recognized under law. Any liens, mortgages, or other encumbrances now (or as of the effective date of this appraisal) registered against the property, unless stated otherwise, have been disregarded, and the property has been appraised as free and clear.

[2] Source: The Appraisal of Real Estate, Fifth Edition (2010).

EXTRAORDINARY ASSUMPTIONS AND LIMITING CONDITIONS

This report is **Subject** to the following Extraordinary Limiting Condition[3]:

- We did not obtain an opinion on the state of title or any of the encumbrances, and are not qualified in these legal matters and have not read the documents registered against the title.

Extraordinary Assumption

It is an Extraordinary Assumption of this report that the density of 4.8 times and a GFA of 598,123 square feet is not in place, but is reasonably achievable as at the effective date of appraisal. Any alteration from this, i.e. if the density proposed is not attainable, this could impact the Market Value contained herein.

It is an Extraordinary Assumption of this report that the Subject has received Official Plan, Zoning amendments, and Site Plan Approval to permit the proposed development as described herein. Any alteration to this assumption could have an impact on the market value contained herein.

This report is also **Subject** to the Assumptions and Limiting Conditions contained at the end of this report.

3 EXTRAORDINARY LIMITING CONDITION: a necessary modification or exclusion of a Standard Rule.

DEFINITION OF MARKET VALUE

"Market Value" is defined[4] as the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming that the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of the title from seller to buyer under conditions whereby:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in Canadian Dollars or in terms of financial arrangements comparable thereto; and
- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales or concessions granted by anyone associated with the sale.

EXPOSURE TIME

Exposure time is the estimated length of time the property interest being appraised would have been offered in the market prior to the hypothetical sale at the estimated market value on the effective date of the appraisal. Reasonable exposure encompasses not only adequate, sufficient and reasonable "time" but also adequate, sufficient and reasonable effort.

In addition to price, exposure time is also a function of use and type of real estate. The **Subject** is a redevelopment site situated on Eglinton Avenue East, an arterial route, and is within the midtown area of Toronto. The site is planned for development with high density residential uses having a proposed 598,123 square feet of GFA. Based on our statistical data regarding days on market, discussions with brokers and information derived through analysis of comparable data, it is our opinion a reasonable exposure time for the **Subject**, is four to six months.

SCOPE OF THE APPRAISAL

The preparation of this appraisal encompassed the necessary research and analysis to prepare a Complete Appraisal in accordance with the Code of Professional Ethics and the Canadian Uniform Standards of Professional Appraisal Practice of the Appraisal Institute of Canada. In regard to the **Subject**, this involved the following steps:

- Inspection of the **Subject** and surrounding area on December 6, 2012. The pictures at the front of this report were taken on this date, with the exception of the bird's eye and aerial shots.
- Review of the development material provided by ***Rose & Thistle Group Inc.*** including Official Plan, Zoning By-Law and Development Statistic information. Official Plan and Zoning By-Law information has been confirmed with the City of Mississauga Building Services Department.
- Analysis of land use controls pertaining to the **Subject**, which included discussions with the City of Mississauga planning department.
- An in-depth discussion and statement of Highest and Best Use.
- A discussion of the appraisal methodologies and procedures employed in arriving at indications of value.
- Search for, and analyses of, sales and listings of "index" or "comparable" properties that might reasonably be used to indicate value for the **Subject**.
- Compilation and analysis of the data and reconciliation thereof into an estimate of market value as at the effective date of the appraisal.
- In this appraisal the Direct Comparison Approach was used.
- Verification of proposed density relative to comparable projects.
- With respect to the residential market, we have contacted owners, lenders, tenants and other real estate specialists in our normal data gathering function in the appraisal process.
- No architectural renderings or drawings pertaining to the proposed development have been made available for analysis.

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[4] Source: Canadian Uniform Standards of Professional Appraisal Practice, January 2012 - Practice Notes.

LOCATION ANALYSIS

THE CITY OF TORONTO

On January 1, 1998, the "New" City of Toronto was created from the amalgamation of the original Metropolitan Toronto Communities of Toronto, Etobicoke, North York, York, and Scarborough (Cities) and the Borough of East York.

The intent of amalgamation was to merge all services such as planning, fire protection, parks, libraries, etc., while maintaining the identity of each former municipality. While the individual operation of the former municipalities has been dissolved, certain specific characteristics of each area will continue to identify them individually. As well, many functions such as urban planning, zoning, development services, fire protection, etc. have been reorganized and distributed to the "West", "East", "North" and "Downtown" Districts, with the former municipal offices being utilized for these operations. One quarter of Canada's population lives within a 160-kilometre (100-mile) radius of Toronto.

City Map

Toronto is Canada's corporate capital, with more nationally and internationally top-ranked companies than any other Canadian city. The TSX Group (TSX), Canada's prime securities market, is the largest in Canada and ranked in the top ten in the world.

Toronto's office market is the largest in Canada and larger than many other major American cities. One of Toronto's major attractions as a business location is its cost competitiveness. In both office and industrial surveys, Toronto's overall costs are among the most competitive among major North American cities.

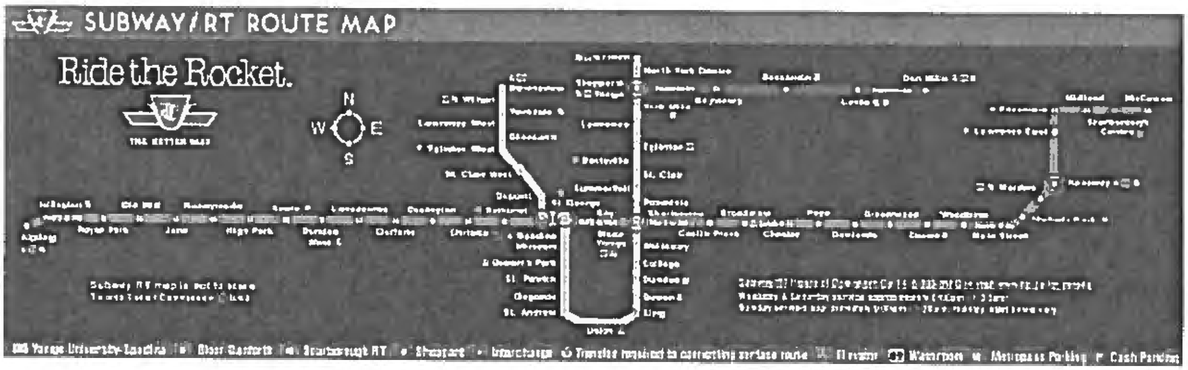
Infrastructure

Lester B. Pearson International Airport, the hub of 60 plus air carriers, is located west of the City of Toronto's west border, in the City of Mississauga. The airport accounts for approximately 40% of Canada's air cargo traffic.

The GTA is well served by transportation arteries. The network of limited access highways provides a framework for the myriad of truck operations.

The region is also well served by seven commuter rail lines operated by the Government of Ontario as GO Transit. Each line terminates at Downtown Toronto's Union Station. Go Transit also operates an extensive number of bus routes in the GTA.

The Toronto Transit Commission (TTC) operates a network of subway routes (four), streetcar lines (11) and over 170 bus routes. Some bus routes operate into neighbouring GTA communities such as Brampton, Mississauga, Vaughan and Markham. The TTC currently has more than 1,400,000 daily weekday riders. The subway, along with the excellent integrating bus service, facilitates easy access to all areas of the "new" City of Toronto.

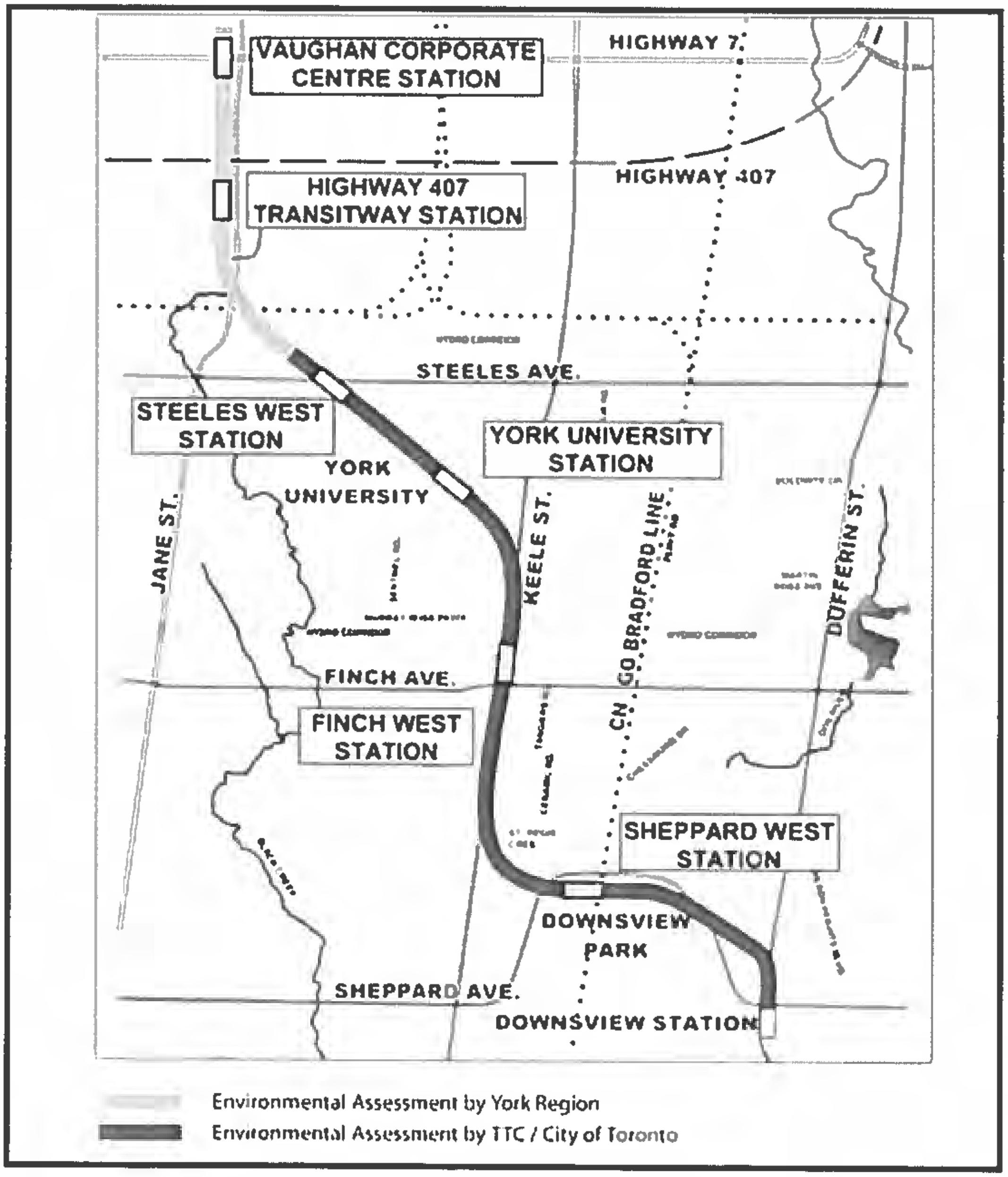


The Yonge Street subway line provides north-south subway service from Union Station in the south, to the Finch GO Station in the north, and a new east/west service has recently opened along Sheppard Avenue.

The Bloor Street subway line extends west from Kennedy Road in the former City of Scarborough, through the City of Toronto along Danforth Avenue and Bloor Streets, to Kipling Avenue in the former City of Etobicoke. (Above ground, rail service also extends north and east from Kennedy Road to Scarborough Town Centre at McCowan Road in the east.) The Bloor Street subway connects with the Yonge Street subway and the University-Spadina subway lines at three separate stations.

A New Subway Line to York

An 8.7 kilometer extension to the University-Spadina subway line is being built that will extend along Keele Street. The Toronto portion of the extension will measure 6.2 kms between the Downsview and Steeles West Stations, with the City of Vaughan portion measuring 2.5 kms between the Steeles West and Vaughan Corporate Centre Stations. Six new stations are to be added to the subway line, of which three are in the City of Toronto, two in York Region and one, Steeles West Station, straddles the City/Region boundary.



Eglinton Crosstown LRT[5]

The Government of Ontario is moving forward on its commitment to deliver the largest light rail transit (LRT) expansion in the history of Toronto. It features a network of 52 km of light rail transit – running underground and on the street. This new transit will connect Toronto with comfort, convenience, reliability and speed. It will keep our economy strong, ease congestion, and provide an easy connection to subways, buses and GO Transit.

The Eglinton Crosstown is the cornerstone of this project. It will link to 54 local bus routes, three TTC interchange subway stations and GO Transit. It will create thousands of construction jobs and provide lasting economic benefits to Toronto and its surrounding region.

For employers, public transit is how their workforce commutes. For thousands of students, it's how they get to class. For seniors, it's how they get to their medical appointments and maintain independence in their senior years. For people, The Crosstown project, once complete, will cut transit time in half along this important mid-town corridor.

Four New Lines = 52 Kilometres of New Transit

The Crosstown is part of a comprehensive light rail transit plan for Toronto. It will connect the whole city and high density neighbourhoods that need it most. The Government of Ontario has committed $8.4 billion in support of four LRT lines based on recommendations from Metrolinx:

- The Eglinton Crosstown LRT from Black Creek to Kennedy Station will be complete by 2020
- The Scarborough RT replacement and extension to Sheppard Avenue will be complete by 2020
- The Finch West LRT from the York-Spadina Subway to Humber College will be complete by 2020
- The Sheppard East LRT from Don Mills station east to Morningside Avenue will be complete by 2021.

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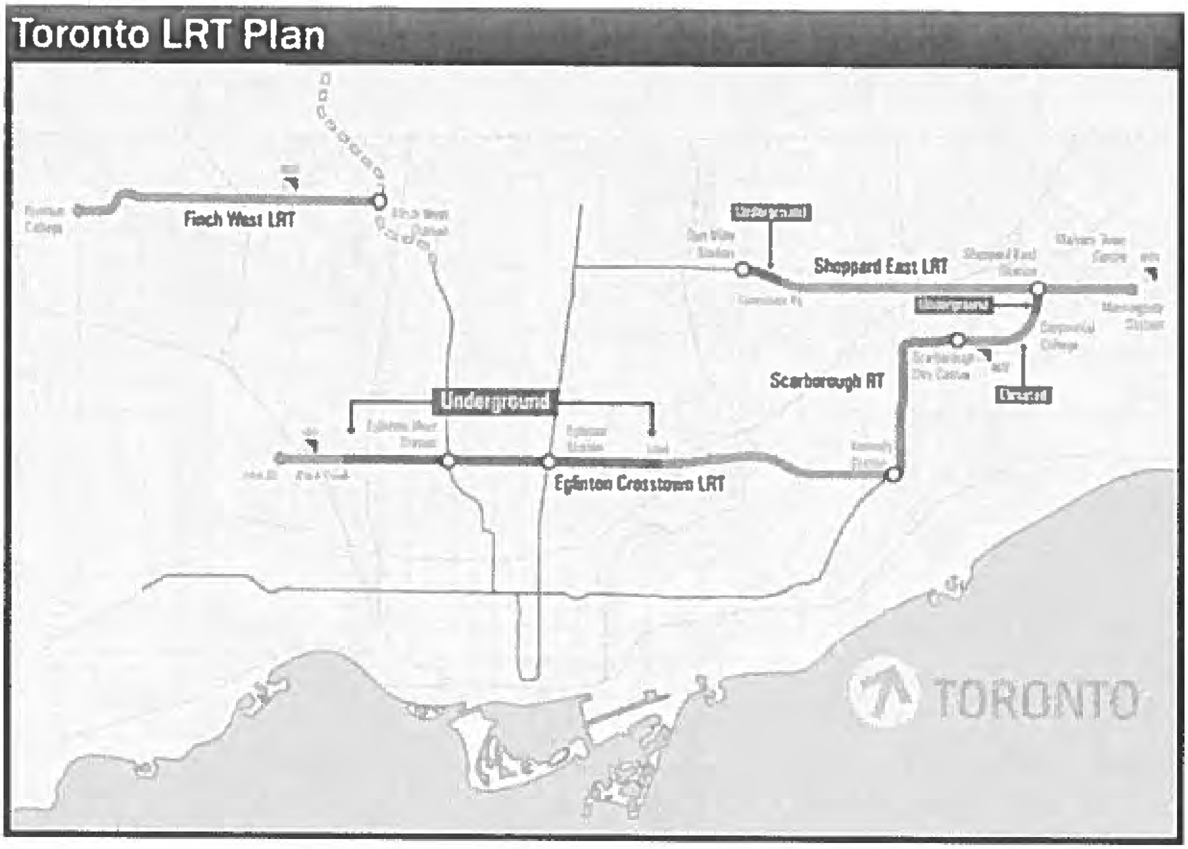
[5] http://www.thecrosstown.ca

The map below reflects Metrolinx's transit plan as approved by the Government of Ontario.



Conclusion

The City of Toronto and the surrounding GTA is Ontario's major financial and manufacturing engine. It has the mass and infrastructure to support a large, broad base of real estate development. Infrastructure plans are in place to accommodate the expected growth in the City of Toronto and the GTA.

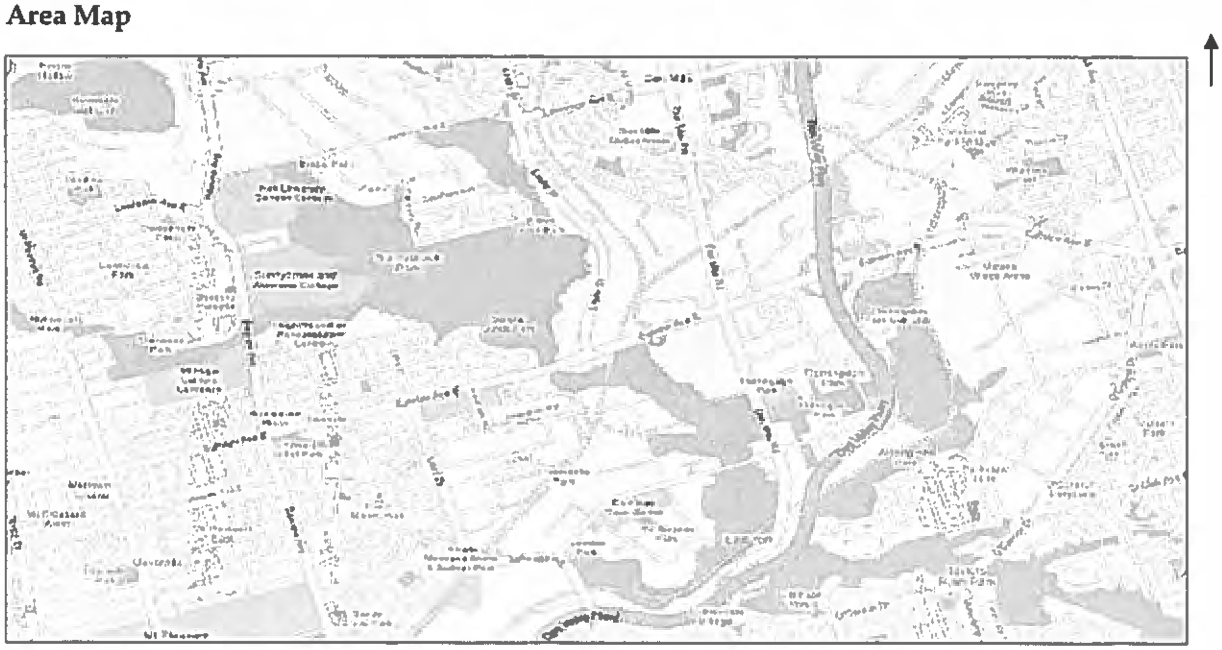
NEIGHBOURHOOD

The **Subject** is situated on the southeast corner of the intersection of Eglinton Avenue and Don Mills Road in midtown Toronto (formerly City of North York). The site is approximately half a kilometer west of the Don Valley Parkway (DVP) with access via Eglinton Avenue East.

The Property has an Eglinton Street address, but this will most likely change as there are two towers proposed directly in front of the **Subject**, which will front onto Eglinton Avenue and there will be a dividing street between this site and the **Subject** site.

Eglinton Avenue East is a major east-west arterial route carrying a high volume of traffic. The land uses along this route include a mixture of commercial and residential uses. To the west of the **Subject** is the Leaside neighbourhood, which includes predominantly retail uses along Eglinton Avenue East and established affluent low-density residential uses on the interior roadways. A big-box development is located at the southeast corner of Laird Drive and Eglinton Avenue East, including such tenants as Home Depot, Canadian Tire and Future Shop. The immediate area includes the Don Mills and Eglinton office node, with single and multi-tenant offices and some industrial, low-density and high-density residential uses. The immediate area includes such landmarks as Sunnybrook Park and Sunnybrook Hospital (northwest), a retail development at the southwest corner of Don Mills Road and Lawrence Avenue East (Shops at Don Mills), and the Ontario Science Centre (south).

Area Map



Neighbourhood Map

The **Subject**'s immediate area is generally bounded by Eglinton Avenue East to the north, the Don Valley Parkway to the east, Don Mills Road to the west, and Don Valley Parkway to the south.

Surrounding land uses include:

North
- Directly north of the **Subject** site is the Real Canadian Superstore retail plaza, which contains a pharmacy, photo lab, retail clothing store and cooking school. Directly east of the Superstore are three office towers. Northwest of the **Subject** is Celestica, a company that specializes in engineering design, printed circuit assembly (PCA), system assembly, test, design and repair.

South
- Directly south of the **Subject**, lies an apartment development comprised of midrise apartment buildings and townhouses, which look like they date from the 1960's to 1970's. There are multiple paved driveways entering this site, two from the north via Rochefort Drive and two from the south via St. Denis Drive.

East
- Directly east of the **Subject** is a subdivision of low-density two-storey homes followed by the Don Valley Parkway approximately half a kilometre away from the **Subject** site.

West
- Ernest Thompson Seton Park, part of a network of valleys that follows the DVP from downtown to north of Eglinton Avenue East, is located on the west side of Don Mills Road. Just south of the park is The Ontario Science Centre.

The **Subject**'s access to major transportation routes, commercial uses and local parklands make it well suited for a condominium development. The surrounding areas in this midtown location include such affluent neighbourhoods as Leaside, Hoggs Hollow and the Bridal Path.

TRANSPORTATION & ACCESS

Don Mills Road is an arterial 2-way, six-lane north-south route and is controlled with traffic lights at the intersection of Eglinton Avenue East. Eglinton Avenue East is an arterial 2-way, four to six-lane east-west route. Both roads have paved curbs and sidewalks, as well as street lights. North and south on-ramps to the Don Valley Parkway (DVP) are located approximately half a kilometer to the east, via Eglinton Avenue East. The DVP provides connection with the rest of the GTA highway system.

The immediate area is well-serviced by public transportation. Bus routes on Eglinton Avenue East and Don Mills Road connect passengers to stations on the Yonge-University-Spadina subway line to the west. The Don Mills Road bus connects to the Pape station on the Bloor-Danforth subway line to the south.

Eglinton Avenue, between Jane Street and Kennedy Road, is the site of the proposed Phase One Eglinton LRT light rail line that began construction in 2010 and is scheduled to open in 2016. This line would provide a midtown link between the Yonge and Spadina subway lines as well as providing access to Pearson International Airport in the west and Kennedy station in the east. There is a proposed stop at Don Mills Road.

SUMMARY & CONCLUSIONS

In conclusion, the **Subject** benefits from being in close proximity to major transportation routes and public transit. The **Subject** also benefits from not directly abutting the major routes and having quiet two-lane, two-way streets surrounding it instead. The surrounding land uses include a mixture of green space and established residential and commercial uses.

DESCRIPTION OF THE SUBJECT

IDENTIFICATION

The **Subject** is municipally referred to as 1185 Eglinton Avenue East, Toronto. The **Subject** site is currently vacant and ready for development.

LEGAL DESCRIPTION

The **Subject** is legally identified as follows:

PCL A1-2 SEC M834; PT BLK A1 PL M834 NORTH YORK; PT BLK A3 PL M834 NORTH YORK; PT LT 1 CON 3 EYS NORTH YORK; PT RDAL BTN CON 3 FTB & CON 3 EYS NORTH YORK PTS 1 TO 9 66R7408; T/W A ROW IN COMMON WITH ALL OTHERS ENTITLED THERETO FROM TIME TO TIME FOR PERSONS AND VEHICLES THROUGH, ALONG AND OVER THOSE PTS BLK A1 PL M834 PTS 10 TO 13 & 15 66R7408; T/W AN EASEMENT OR RIGHT IN THE NATURE OF AN EASEMENT IN COMMON WITH ALL OTHERS ENTITLED THERETO FROM TIME TO TIME, TO ENTER UPON THE LAND HEREINAFTER PARTICULARLY DESCRIBED, NAMELY: PT BLK A1 PL M834 PTS 10 TO 12 & 22 66R7408; FOR THE PURPOSE OF LAYING DOWN, CONSTRUCTING, INSTALLING, MAINTAINING, ALTERING, REPAIRING OR RECONSTRUCTING STORM AND SANITARY SEWERS AND WATER MAINS AND PIPES, IN AND UNDER THE SAID LANDS, AND FOR EVERY SUCH PURPOSE THE TRANSFEREE SHALL HAVE ACCESS TO THE SAID LANDS BY ITS CONTRACTORS, SERVANTS, EMPLOYEES AND WORKMEN: T/W AN EASEMENT OR RIGHT IN THE NATURE OF AN EASEMENT TO ENTER UPON THE LAND HEREINAFTER PARTICULARLY DESCRIBED, NAMELY: PT LT 1 CON 3 EYS PTS 20 & 21 66R7408; FOR THE PURPOSE OF LAYING DOWN, CONSTRUCTING, INSTALLING, MAINTAINING, ALTERING, REPAIRING OR RECONSTRUCTING WATER AND GAS MAINS AND PIPES, IN AND UNDER THE SAID LANDS, AND FOR EVERY SUCH PURPOSE THE TRANSFEROR SHALL HAVE ACCESS TO THE SAID LANDS BY ITS CONTRACTORS, SERVANTS, EMPLOYEES AND WORKMEN: T/W ROW OVER PT LT 1 CON 3 EYS PTS 20 & 21 66R7408, FOR THE PURPOSE OF VEHICULAR ACCESS TO THE LANDS HEREBY TRANSFERRED IN CONNECTION WITH THE MAINTENANCE OF HYDRO-ELECTRIC SERVICE TO THE LANDS HEREBY TRANSFERRED; S/T ROW THROUGH, ALONG AND OVER PT BLK A1 PL M834 PTS 8 & 9 66R7408; S/T PTS 8 & 9 66R7408 IN FAVOUR OF PTS 26 TO 28, 30 & 31 66R7408 AS IN A433053; T/W PT BLK A1 & A2, PL M834 & PT RDAL BTN CON 3 EYS & CON 3 FTB OVER PT 14 TO 19 66R7408, TORONTO, CITY OF TORONTO PCL BLK A1-4 SEC M-834 FIRSTLY: PT BLK A1 PLAN M-834, PT RDAL BTN CON 3 FTB & CON 3 EYS NORTH YORK PTS 17 & 18 66R7408; SECONDLY: PT BLK A1 PL M834 NORTH YORK PTS 14 TO 16 66R7408; T/W A ROW AS IN A193258; S/T PT 15 66R7408 IN FAVOUR OF PT 5 66R7408 AS IN A433053; THIRDLY: PT BLK A2 PL M834 NORTH YORK PT 19 66R7408, S/T PTS 14 TO 19, 66R7408, AS IN E124784; TORONTO , CITY OF TORONTO

OWNERSHIP AND SALES HISTORY

As at the effective date of this appraisal, ownership interest in the **Subject** was held by Rose and Thistle Group Inc. Rose and Thistle Group Inc. purchased Skyline – 1185 Eglinton Avenue Inc. as a business, which included the ownership interest in the **Subject**. The business was purchased in December of 2010 for $13,500,000. As this was a business purchase of which we have no further details, we cannot analyze this number relative to land value.

SITE DATA

Location	➢ Southeast corner of Eglinton Avenue east and Don Mills Road, within the midtown section of the City of Toronto.
Site Dimensions	➢ Irregular.
Land Area	➢ 123,764 square feet (2.84 acres) (Source: Land Registry).
Shape	➢ Irregular.
Topography	➢ The site is level and at grade with Eglinton Avenue East.
Hazardous Materials	➢ This report has been prepared on the assumption there are no hazardous materials or waste on or in the site, and that the property complies with all the requirements of the authorities having jurisdiction over environmental matters. No soil tests have been conducted in connection with this appraisal to determine the existence of any hazardous material that may or may not be present on the property, as the appraiser is not qualified to detect such substances. If contaminants are present, the estimate of value contained within this report may not reflect the actual market value of the property.
Soil Bearing Capacity	➢ Adequate, so far as we are aware.
Municipal Services	➢ All standard municipal utilities and services are available to the property.
Site Improvements	➢ Site is vacant and ready for development.
Off-site Improvements	➢ Eglinton Avenue East is an arterial four/six-lane, two-way route though the City of Toronto and the GTA. Don Mills Road is an arterial six-lane, two-way route running north-south. Both Streets have paved curbs and sidewalks, as well as street lights.

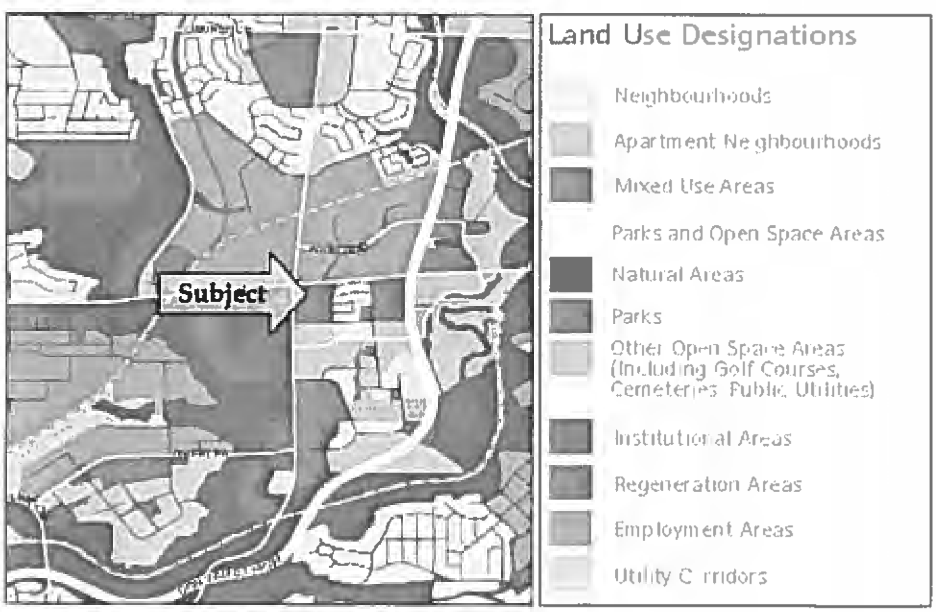
LAND USE CONTROLS

OFFICIAL PLAN

The Official Plan is a policy document that provides direction for planning and development activities. It is intended to co-ordinate the effects of change and future development in the best long-term interests of the Municipality. The intentions of the Official Plan are implemented through creation of Zoning By-laws and other local regulations.

The Official Plan for the City of Toronto designates the **Subject** site as being in a Mixed-Use Area. This designation permits a range of residential, commercial and institutional uses. The Mixed-Use Areas designation is applied to many of the properties within the GTA. It provides for a mix of residential uses, offices, retail and services, institutions, entertainment, recreation and cultural activities, and parks and open spaces. The policies for these areas will allow Torontonians to live, work and shop in the same area or even the same building, decreasing car dependence and creating districts along transit routes that are animated, attractive and safe at all hours of the day and night. The Plan proposes that Mixed Use Areas absorb a large share of the anticipated increase in housing, retail, office, and service employment in Toronto in the coming decades.

The proposed development as provided by the client is therefore in conformance with the Official Plan of the City of Toronto.



ZONING

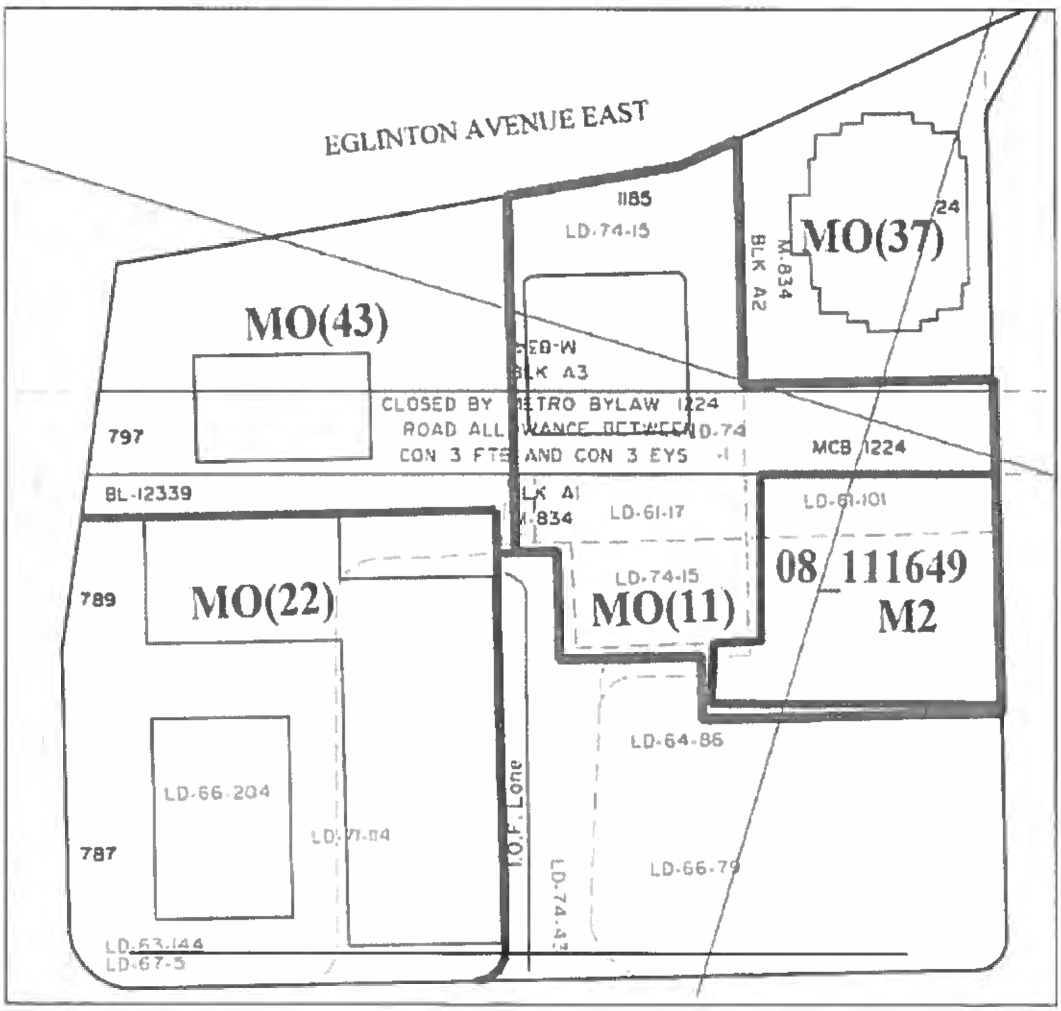
The **Subject** is currently zoned as follows (as per the City of Toronto Zoning Department):

> **MO (11[6])/M2 (Industrial-Office Business Park/Industrial Zone):**
> (North York By-law 7625)

No planning applications have been submitted to the City so far as we are aware.

Zoning Maps:

By-Law 7625



Indicates Approximate Boundaries of Subject

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[6] Exception 11 states that service shops may contain a maximum of 0.5% of the total GFA of an office building.

The current industrial "MO(11)/M2" zoning category permits a wide range of uses, including a bank, a restaurant, commercial or technical school, a banquet hall or club, an office use, parking structure or lot, a day nursery, or an industrial warehouse. The permitted density under this designation is 1.0x and there are no height restrictions in place for this type of zoning.

The current proposed development consists of 598,123 square feet, representing a density of 4.8x the site area. Site plan approval is not in place as of the report date. It is an Extraordinary Assumption of this report that approval has been granted for the proposed development.

Based on developments in the surrounding area and conversations with the City Planner we feel that achieving a change in zoning to permit the proposed development is highly likely.

This report and its conclusions are **Subject** to the following **Extraordinary Assumptions**[7]:

- As of December 6, 2012, the site had received approval for the proposed residential development consisting of 598,123 square feet of Gross Floor Area (GFA) divided as follows:

PROPOSED DEVELOPMENT	:	HIGH RISE:	**525,122 Square Feet**
		STACKED TOWNS:	**73,001 Square Feet**
		TOTAL GFA:	**598,123 Square Feet**
		DENSITY:	**4.8 X Site Area**

[7] **EXTRAORDINARY ASSUMPTION:** an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. **Extraordinary Assumptions (Hypothetical Conditions)** presume as fact simulated but untrue information about physical, legal or economic characteristics of the **Subject** or external conditions.

ASSESSMENT AND TAXES

The realty tax system in Ontario is based on current values[8]. For 2009 through 2012 the valuation date is January 1, 2008, but for most properties the increase in the 2008 assessment over that of 2005 is to be phased in over the 4 year term.

According to the Municipal Property Assessment Corporation (MPAC), the phased-in assessment value for the **Subject** is $14,413,000 for the 2012 taxation year. Final 2012 taxes totaled $471,465 the Subject. To the best of our knowledge, upon completion of the proposed development, the **Subject** will be reassessed and taxed accordingly.

The Municipal Property Assessment Corporation (MPAC) is currently carrying out a complete revaluation of all properties in Ontario for the next cycle of the phased-in tax assessment system, based on the assessed market value of properties in 2012. The difference between the 2012 assessed value and 2008 assessed value will be phased-in over the four-year period running from 2013-2016.

[8] Current value is defined as "in relation to land, the amount of money the fee simple, if unencumbered, would realize if sold at arm's length by a willing seller to a willing buyer." The Municipal Property Assessment Corporation (MPAC) interprets this to be the price a property might reasonably be expected to sell for, in its current condition, on the open market. (Source: Guide to Property Assessment in Ontario produced by MPAC.)

PROPOSED DEVELOPMENT

According to the information provided, the **Subject**, 1185 Eglinton Avenue East is proposed for development with two towers and 72 stacked townhouses. The first tower will consist of a 33-storey residential building; the second tower will be a 29-storey residential building. The total GFA as proposed is 598,123 square feet. The proposed gross floor area represents a density of 4.8x the site area.

The Site Statistics are below followed by a rendering of the proposed development on the next page, as provided to us by the client.

1185 Eglinton Avenue

May 8, 2012

PAGE+STEELE
ARCHITECTS PLANNERS

Preliminary Rezoning Statistics

1.) Total Site Area 11,499 sq.m.

Planned Road Allowance	674 sq.m.		
Net Site Area	10,825 sq.m.		
Planning Stats: (Note: Based on the Total Site Area)			
Coverage		5,133 sq.m.	45%
Planned Paved Vehicular Area*		2,269 sq.m.	20%
LOS		4,096 sq.m.	35%

*Note: Includes planned future Public Road and Service Lane.

2.) Residential FSI 4.83

Maximum Tower Typical Floor Plate 743 sq.m.

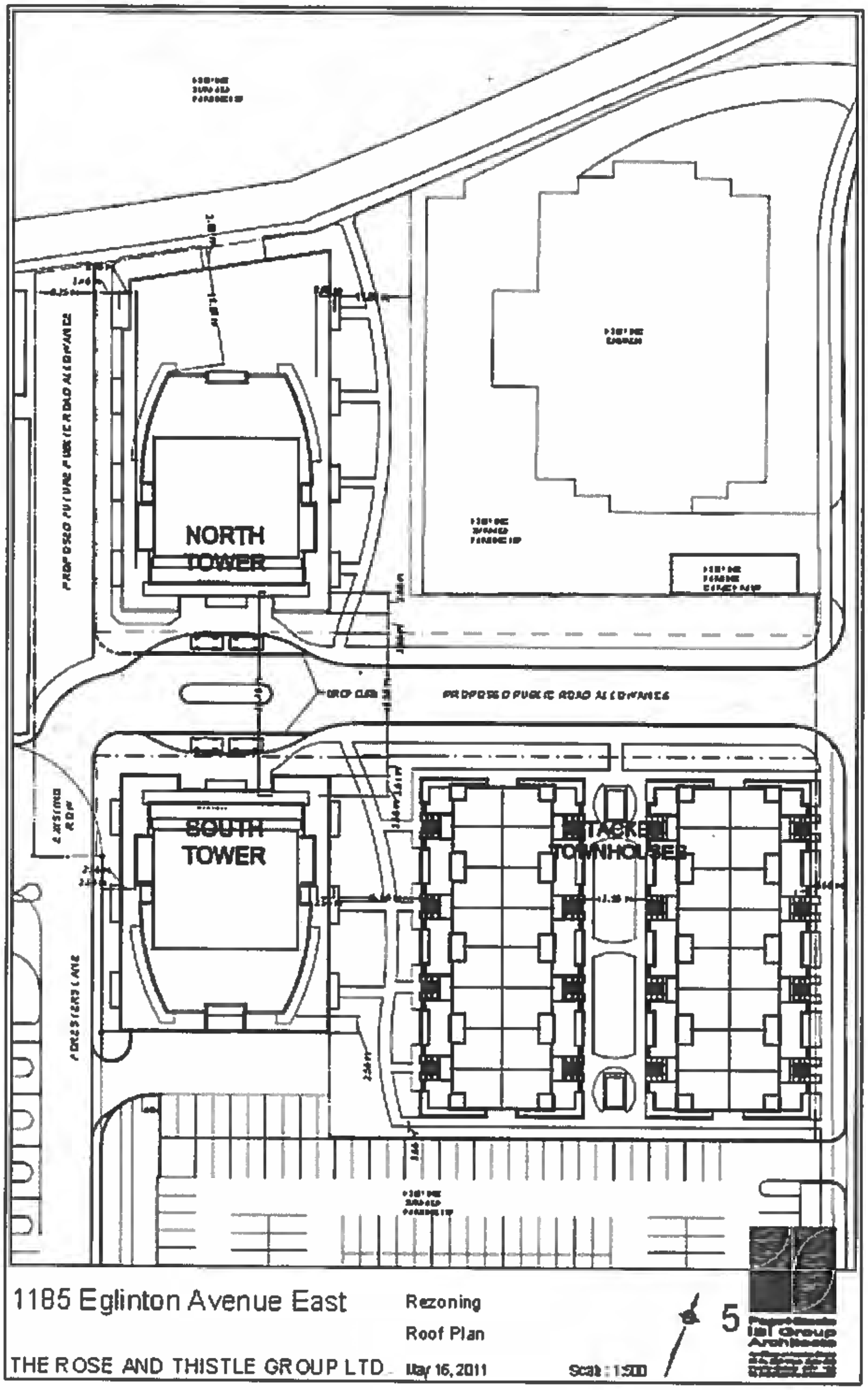
3.) Residential GFA / Units

	GFA	Units	Storeys
Ferrand Stacked Townhouses	6,782 sq.m.	72	4
North Tower	25,893 sq.m.	348	33
South Tower	22,893 sq.m.	308	29
Total GFA	55,567 sq.m.	728	

4.) Residential Amenity Space (Towers only)

	Indoor	Outdoor
Ground Floor	78.6	536.7
2nd Floor	815.9	447.3
3rd Floor	89.5	
Total	984	984
Rate (sqm/Unit)	1.5	1.5

PROPOSED DEVELOPMENT CONTINUED



CONDOMINIUM MARKET OVERVIEW – Q3-2012

Source Urbanation Inc. – Condominium Market Research Firm

New Condominium Market

New condominium unit sales in the Toronto CMA shrank again this quarter from 4,769 units in Q2-2012 to 3,317 in Q3-2012, a decrease of 30.4% quarter-over-quarter and 47.5% year-over-year (from 6,318 Q3-2011). Unit sales in Q3-2012 were the lowest quarterly sales since the first half of 2009. Following five consecutive quarterly increases in unsold supply, to a new condominium market high of 18,123 in Q2-2012, unsold inventory decreased 5.2% quarterly to 17,182 at the end of Q3-2012. The resale condominium market also declined to 3,413 unit sales from 4,400 a year prior, and experienced a modest 2.2% decline in price, quarter-over-quarter.

Table 1.1
Condominium Market Overview by Quarter
Toronto CMA

Quarter	Q3-2011	Q4-2011	Q1-2012	Q2-2012	Q3-2012
Active Market					
Projects	323	330	338	343	341
Total Units	79,941	81,274	84,698	87,386	86,108
Quarter Sales	6,318	7,226	6,070	4,769	3,317
Unsold Inventory	13,259	14,969	15,554	18,123	17,182
Avg. Sold PSF	$496	$509	$519	$525	$530
Avg. Unsold PSF	$562	$557	$566	$566	$573
Sales to Supply Ratio	31.9%	32.6%	31.3%	21.1%	15.5%
New Project Openings					
Projects	33	34	24	31	17
Total Units	6,563	8,934	6,141	7,072	3,215
New Projects Construction Status					
Construction Starts	5,364	5,644	5,856	7,343	6,962
Projects UC	158	170	173	196	207
Total Units UC	42,573	45,560	47,655	52,695	56,336
Resale Market					
Projects	1,214	1,228	1,240	1,259	1,269
Total Units	213,676	216,892	219,019	222,833	224,868
Quarter Sales	4,400	3,987	3,888	5,050	3,413
Avg. Price	$357,000	$361,000	$358,000	$370,000	$362,000
Avg. Price PSF	$400	$400	$396	$407	$407
Total Listings	9,491	7,610	8,556	10,163	9,032
Sales to Listings Ratio	46.4%	52.4%	45.4%	49.7%	37.8%
New Resale Additions					
Projects	16	13	12	19	10
Total Units	3,360	3,216	2,127	3,704	2,035
Proposed Developments					
Future/Potential	224,012	230,584	239,954	236,997	242,125

Source: Urbanation Inc., Toronto Real Estate Board

Average Sale Prices

The average sold index price in the new condominium market rose approximately 1.0% quarter-over-quarter ($530 psf versus $525 psf). Annually, prices increased 6.9% over Q3-2011 ($496 psf). The unsold index price increased slightly (by 1.2%) quarter-over-quarter at $573 psf in Q3-2012.

New Condominium Market Quick Facts:

In Q3-2012, Urbanation tracked a total of 374 condominium projects, which included 341 active projects containing 86,108 units, and 7,756 units in 33 sold-out or unregistered projects.

- As noted above, 3,317 new condominium units sold in Q3-2012, a 30.4% decrease from Q2-2012 (4,769) and a decrease of 47.5% from Q3-2011 (6,318).
- Unsold inventory dropped from the highest level recorded in the CMA last quarter to 17,182 in Q3-2012, but was nearly 30% higher than Q3-2011 (13,259 unsold suites).
- The average sold index price in the CMA new condominium market in Q3-2012 was $530 psf, an increase of nearly 1.0% over Q2-2012 ($525 psf) and 6.9% annually ($496 psf in Q3-2011).
- The average end-selling price increased to $396,000 in Q3-2012, an increase of less than 1% quarterly and 2.6% annually (from $386,000 in Q3-2011). The average unit size in the Toronto CMA was 747 sq. ft., down from 778 sq. ft. in the third quarter of last year.
- There were 6,962 construction starts and 2,927 completions in Q3-2012. Construction starts continued to outpace construction completions for the eighth consecutive quarter, with the number of units under construction setting another market high at 56,336.
- There were 3,215 new units launched in 17 new project openings in Q3-2012. The absorption rate among these projects was 38%; an increase from the 36% among new launches the previous quarter, although it is important to note that Q3-2012 is the second lowest rate since Q1-2009.

Proposed Developments

- Three large scale developments are scheduled to launch in Q4-2012; ***Ten York*** by Tridel and Build Toronto in the Harbourfront submarket of Toronto, ***King Blue Condominiums*** in the Downtown West by Easton's Group of Companies and ***Eau du Soleil*** by Empire Communities on the Etobicoke Waterfront. Overall 23 projects and approximately 5,500 units could launch in the fourth quarter.
- Urbanation is currently tracking approximately 242,000 units of future condominium supply in the Toronto CMA. The largest new project added to the future condominium section was ***Mirvish and Gehry Toronto*** project at 276 to 322 King Street West, which will feature three, 80-storey towers.

Resale Condominium Market

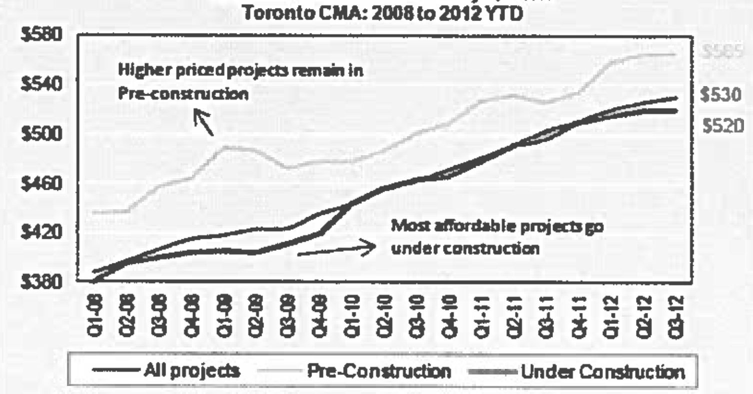
- Urbanation tracked a total 224,868 resale units in 1,269 condominium apartment buildings in the Toronto CMA in Q3-2012. Ten, newly-registered projects with a combined 2,035 units were added to the resale market in Q3-2012.
- The 3,413 resale transactions were down in comparison to both Q2-2012 (5,050) and Q3-2011 (4,400).
- The average resale index price in the Toronto CMA was unchanged quarterly at $407 psf, which represented an annual increase of just 1.8%, the lowest level of annual price growth since Q1-2009.
- Resale listings in the Toronto CMA decreased approximately 11% from Q2-2012 (10,163 listings) to a total of 9,032 listings in the third quarter.
- The Sales-to-Listings ratio of 38% was down from the second quarter and Q3-2011 (50% and 46% respectively).
- The Average "Days on the Market" (DOM) was 33 days in the Toronto CMA; the highest level since Q4-2010 (34 DOM).

Despite the decline in activity (and the Sales-to-Listings ratio), along with the increase in the average days on the market, resale index pricing remained unchanged quarterly in the Toronto CMA at $407 psf.

Effective July 9, 2012, the federal government placed further restrictions on mortgage financing, which includes lowering the maximum amortization period that the Bank of Canada will insure from 30 years to 25 years and reducing the maximum amount of refinancing to 80% from 85%. These recent changes in the mortgage insurance rules may have forced buyers to settle for smaller units than they had planned to purchase, as the average unit size traded in the resale market in Q3-2012 was 891 square feet (down from 910 square feet in Q2-2012) and the average end-selling price was down 2% from $370,000 in the second quarter to $362,000 in Q3-2012.

Figure 1.4 below presents data on the overall sold index price in the Toronto CMA for active projects, with the average index prices for pre-construction (orange) and under construction projects (blue) also included. Index prices for pre-construction projects are up 7.4% annually ($565 psf versus $526 psf) while under construction projects having increased just 3.6% ($520 psf versus $502 psf). The annual growth rate is trending up for pre-construction projects and trending down for under construction projects.

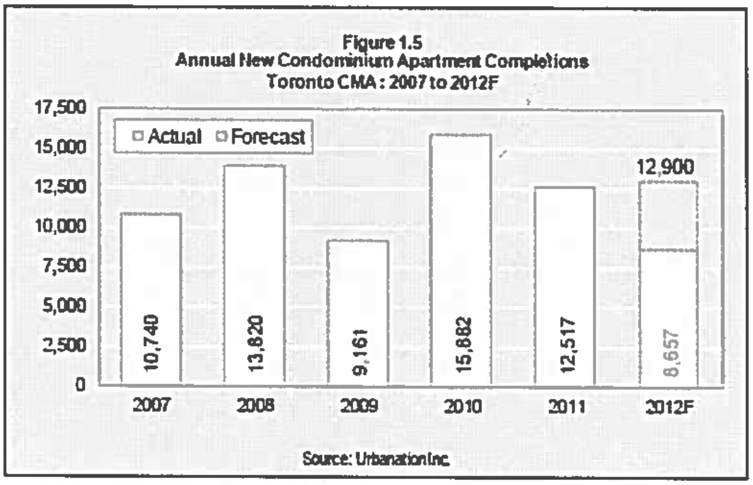
Figure 1.4
Active Pre-Construction, Under Construction and Overall Sold Condominium Index Prices by Quarter
Toronto CMA: 2008 to 2012 YTD



Source: Urbanation Inc., Toronto Real Estate Board

Despite talk of tighter condominium construction lending in 2011, it has yet to materialize, as there were 6,962 starts in Q3-2012 (20,161 in 2012 overall). With another quarter of relatively low completions (2,927), the number of units and developments under construction at the end of Q3-2012 has hit another market high of 56,336 suites and 207 projects.

With 4,243 completions scheduled for Q4-2012, the number of completions in 2012 would reach just 12,900, significantly lower than the 18,000 to 20,000 forecast at the end of 2011.



Summary

Declines in activity were felt across almost all Toronto CMA municipalities on a quarterly basis in Q3-2012[9]. New condominium developers in the Toronto CMA have been quick to react to the sharp sales downturn in Q2-2012, delaying their new project launches to reassess market conditions and pricing assumptions. Absorption rates are down substantially from Q1-2012. Urbanation believes that many investors have less and less desire for the Toronto condominium apartment market due to increasing pessimistic media coverage of the market, decelerating appreciation, the potential for negative rental income on occupancy and a large amount of sales that took place in 2011.

New condominium units have seen a shrinking in size over the past few years in an effort to ensure that new units are affordable for investors and end-users. Urbanation believes that this trend is not sustainable, as eventually demand for such small space will falter.

As well as smaller unit sizes, increasing pessimistic media coverage, decelerating appreciation, negative cash flow rentals and already significant exposure to the market, a potentially major contributing factor to a continued softening of the Toronto condominium market is the herd mentality of investors. Investors may continue to stay clear of the Toronto market simply because other investors are also doing so.

[9] Against the prevailing trend, substantive gains occurred in some suburban municipalities (Brampton, Vaughan, Mississauga, Pickering and Aurora).

CURRENT ECONOMIC CONDITIONS

The global economy has continued to sputter along with fits and starts throughout most of 2012, managing to avoid the downward spiral of late 2008. As 2012 has marched on, policy makers and economists the world over have repeatedly reduced growth forecasts, resulting in the consensus 2012 Global Economic Growth totaling a meager 3.0%, well below the pre-recession annual growth levels of 4.8%. Domestic economies the world over are feeling the ripple effect of the sovereign debt crisis in Europe and the resulting plunge in investor confidence. Numerous emerging economies are on the verge of experiencing a "hard-landing", Europe is mired in a recession and China has slowed its growth significantly to 7.8% annually; which is well below pre-recession levels.[10]

In response to the slowdown in the Chinese economy, policy makers in Beijing are currently creating and rolling out appropriate response measures to help revitalize the Chinese economy. Although Beijing has not been completely transparent with these impending policy measures, economic forecasters are confident that this round of economic stimulus should push Chinese annual economic growth back up to 8.5% in 2013.[11]

In contrast to the proactive response of the Chinese authorities, the governing bodies within the recession laden Eurozone have been plagued by indecision and inaction to date. The hardline austerity measures being demanded by Berlin have generally been met with resistance from countries who are recipients of financial aid packages. In contrast to hardline austerity measures, it is felt by economists that a combination of responsible public spending, coupled with growth oriented policies could kick start these floundering economies enough to pull out of the current recession. That being said, the general consensus is that should the Eurozone pull out of the current recession in 2013, it will likely post a sub 1% annualized economic growth.[12]

The economic picture for the United States is somewhat up in the air with the Federal Election set to take place in November of 2012, which each party having significantly differing views on how to remedy the slowing economic recovery.

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[10] CIBC World Market Inc. "Getting Through The "To Do" List", June 20, 2012 (Accessed August 28, 2012).
[11] CIBC World Market Inc. "Getting Through The "To Do" List", June 20, 2012 (Accessed August 28, 2012).
[12] CIBC World Market Inc. "Getting Through The "To Do" List", June 20, 2012 (Accessed August 28, 2012).

Some economists believe that if the current administration remains in office for another term that annual economic growth could reach 5% in 2013. On the other side of the coin, if the Republicans win the upcoming election, their plan for major spending cuts and federal austerity could restrict annual economic growth to the 2% range.

CANADA

Although not completely insulated from the fall out associated with Europe, the Canadian economy, real estate market and banking sector remain envied by the world due to the apparent stability and resiliency. Unlike many European countries which have unwillingly implemented fiscal restraint and spending cuts, the various levels of government in Canada have implemented self-imposed moderate spending cuts to position themselves for balanced budgets in the near future. These spending cuts are expected to somewhat restrict economic growth in the near future, but not endanger it to the point where the Canadian economy could falter.

Moving forward household spending is expected to grow at a minimal pace, as Canadians begin to reign in inflating debt burdens. Government spending cuts, coupled with lack of investor confidence and household debt reduction are expected to result in economic growth of approximately 2% in the immediate future. While business spending is expected to remain tepid for the balance of 2012, moving forward through 2013 and 2014 as the global economic climate recovers, it is expected that business will deploy their stockpiles of cash and help the global economy gain momentum and drive up commodity prices.[13]

A decade of reliable and steady housing prices, combined with record low interest rates has resulted in Canadian households reaching record levels of debt-to-income, currently at 152%. In response to these high interest rates the Bank of Canada has repeatedly issued strong warnings that should the interest rate increase these debt levels would quickly become unsustainable and put a great deal of strain on household spending levels. In response to these burgeoning debt levels CMHC has implemented more stringent borrowing regulations, effectively eliminating 30 year amortization periods and reducing the amount of equity households can extract to 80%, down from the previous level of 85%.

As a result of these new mortgage regulations some economists and real estate professionals foresee a 10% - 15% decrease in home prices over the next two years.

Overnight Interest Rate[14]

Since 2009, the Bank of Canada has effectively provided stimulus by cutting its overnight interest rate. Following earlier reductions, the rate was further reduced to a record low of 0.25% in April 2009 in order to achieve the Central Bank's inflation target.[15]. This rate was maintained until June 2010, at which time it increased to 0.5%, followed by increases to 0.75% effective July 20, 2010 and 1.0% effective September 8, 2010.

In its most recent public announcement, the Bank indicated the target for the overnight rate will be maintained at 1.0%. The decision by the Bank of Canada to hold the overnight lending rate at 1.0% has left considerable stimulus money on the table and is consistent with achieving the 2.0 percent inflation target in an environment of significant excess supply in Canada. The three main upside risks to inflation include the possibility of stronger than expected inflationary pressures in the global economy, stronger than expected growth in the U.S. economy and stronger than expected household spending in Canada. The two main downside risks involve sovereign debt and banking concerns in Europe and weaker than expected household spending in Canada.

Over the last several overnight rate announcements the Bank of Canada has used language that strongly indicates a rate increase in the near future. The exact date is not known and is largely dependent on the global economic climate, but it is generally expected that first rate hike to come at some point in 2013 and a 50 basis point rate increase over the course of 2013 is not considered unlikely.

Construction Starts[16]

Statistics Canada reported that the value of building permits in Canada totaled $6.837 billion in June, down 2.5% from May levels, which had grown 7.1% from April 2012. Of the reported $6.837 billion, $2.447 was accounted for by non-residential building permits, also down from $2.825 in May.

The Greater Toronto Area reported a total value of building permits equal to $1,502-million dollars in June 2012, up 40.0% from May 2012.[17]

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[13] Quarterly Economic Forecast, TD Economics; June 27, 2012 (Accessed August 28, 2012).

[14] Monetary Policy Report Summary, January 19, 2012; Bank of Canada, Government of Canada. Retrieved on 27 January 2012.

[15] In total, The Bank trimmed 4.25 percentage points from the overnight rate between December 2007 and April 2009.

[16] Statistics Canada Building Permits November 2011 (Accessed January 27, 2012).

ONTARIO

The provincial economic outlook for Ontario, as prepared by the Royal Bank of Canada, CIBC and TD Canada Trust highlight the following:

- Ontario's pace of economic growth in 2011 slowed significantly; however, this trend concealed a significant growth in auto manufacturing in the second half of the year. This trend has continued for the first half of 2012. There are still; however, some long term concerns about the competitiveness of Ontario's auto manufacturing sector.
- Ontario households are the most highly indebted in Canada, which is expected to manifest itself in the form of retail sales barely outpacing the rate of inflation for the next two calendar years.
- In Q2, Urbanation reported that the condo market in Toronto, the economic capital of Ontario, exhibited some signs of being oversupplied. This manifested itself in a record number of unsold new condominium units under construction or complete. Despite this high level of unsold inventory, new condominium prices edged slightly higher in Q2.
- Annualized Real GDP growth in Ontario is expected to maintain a steady level over the balance of 2012 and for 2013 at 2.1% and 1.9% respectively.
- The housing sector is expected to exhibit a slowdown in 2013, according to TD Economics Housing Starts are expected to fall by 18.8%, existing home sales are expected to fall 5.8% and the average existing home price is expected to fall by 3.8%.
- The Ontario provincial government is currently saddled by the largest deficit of all the provinces, totalling 2.2% of GDP. Current fiscal measures are being implemented in an attempt to eliminate this deficit by 2017-2018.
- Despite headwinds, TD Economics forecasts Ontario's economy to grind out a modest 2% economic growth over the next few years, ranking it in the middle of all the other provinces in terms of economic performance.[18]

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[17] Statistics Canada Building Permits March2012, Value of Building Permits, by Census Metropolitan Area.

[18] Quarterly Economic Forecast, TD Economics; June 27, 2012 (Accessed August 28, 2012).

GREATER TORONTO AREA

As of January 2012 Toronto demonstrated Canada's fastest economic momentum for the second quarter in a row, according to CIBC's ranking of the country's 25 largest municipalities. Edmonton is second, followed by the tech hub of Kitchener, Ont. "The consistently strong performance of Toronto reflects the growing diversity of the city's economic engine," wrote the bank's deputy chief economist Benjamin Tal. Though the "labour market is showing signs of fatigue, the quality of employment continues to improve."[19]

Office

The GTA office market has continued to improve over the course of 2012 despite growing economic uncertainty the world over. The overall GTA office market had a vacancy of approximately 7.2% at the end of Q2 2012, with the Financial Core registering 4.5% vacancy, GTA North at 4.8%, GTA West at 10.1%, GTA East at 9.1% and the Midtown market at 5.7%.The low levels of vacancy have spurred development, especially in the Financial Core, with Brookfield announcing the second phase of the Bay Adelaide Centre and bcIMC's building at 120 Bremner.

The downtown market has experienced steady demand over the last several quarters across all asset classes, particularly in the Financial Core which has largely been driven by expanding banking and professional services office space. Notable transactions in the Financial core include Deloitte leasing 419,000 square feet in the Bay Adelaide Centre East, to be delivered in 2016 and TD Canada Trust leasing an additional 51,000 square feet at 100 Bay Street.

Demand in the suburban markets has weakened in recent quarters due to the ongoing global economic uncertainty. According to Cushman Wakefield, the general trend observed in the suburban market is that tenants are remaining active by consolidating their needs and creating collaborative work spaces through redesign and intensification of office use.

[19] Bouncing back from recession, Toronto leads Canada's growth, The Globe and Mail, Jan 19, 2012.

Industrial

The weakened industrial market and rising Canadian dollar have been partially offset by the large space requirements of US retailer expansion in Canada. This coupled with modest expansionary demand resulted in the overall industrial vacancy level for the GTA to tick lower to 6.1% as of the end of Q2 2012, down from 6.3% in Q1 2012. Although there was a slight decrease is vacancy rates, overall asking net lease rates have remained stable in the face of stable demand and uncertain economic fundamentals.

The most active submarket within the GTA Industrial market is the GTA West market, where a number of big box format retailers have leased space to accommodate warehousing needs. A notable transaction within this market is Lowe's leasing 630,000 square feet in a facility to be completed by 2013.

Retail

Toronto's retail market has continued to perform strongly, being one of the healthiest markets in North America, operating at a vacancy rate of 8.9%. Retail space demand has been driven from a number of market segments including grocery store space (specifically ethnically target grocery stores), big box retailers, outlet retail space and restaurant space.

Despite the news on households clamping down on spending to reduce debt, a significant number of both domestic and US retailers are looking to enter into or expand within the Toronto market. In response to this trend, a number of large developers are in discussions to expand existing facilities, construct new retail centers or intensify current retail land uses.

HIGHEST AND BEST USE

Real estate is valued in terms of its Highest and Best Use. Highest and Best Use is defined[20] as:

> *"That reasonably probable and legal use of vacant land or an improved property which is physically possible, appropriately supported, financially feasible, and that results in the highest value."*

The Highest and Best Use of both the land as though vacant and the property as improved must meet four criteria: physically possible, legally permissible, financially feasible, and maximally productive. Of the uses that satisfy the first three tests, the use that produces the highest price or value consistent with the rate of return warranted by the market is the maximally productive use.

Subject

As Though Vacant

Physically Possible ▶ Analysis of the site characteristics and nearby improvements in the area indicates the **Subject** could adequately support physical development.

Legally Permissible ▶ The **Subject** is zoned for industrial/office uses, allowing for a wide range of uses as previously outlined. We feel that a zoning amendment is feasible for this site given the current and potential surrounding developments as well as conversations that we had with the City Planner. This report is **Subject** to ***the Extraordinary Assumption that the Subject has received approval for the proposed development previously indicated as of the effective date of this report.***

Financially Feasible ▶ Redevelopment of many older buildings and unimproved sites to residential condominium developments has been an on-going occurrence in recent times. Similar residential development has occurred along many of the main arteries in the central area, with the construction of multi-family residential properties underway.

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[20] *Source:* Canadian Uniform Standards of Professional Appraisal Practice 2012

Similar residential uses with intensive densities are constantly being sought out and achieved and are found in the surrounding neighbourhoods. Therefore the proposed development is considered to be financially feasible at this time.

Maximally Productive ▸ The **Subject** is located in the east end of Midtown Toronto, which has several condominium developments either under construction or in the pre-marketing stages. The market evidence would therefore suggest that development of the site for multi-family residential purposes would be maximally productive.

Commentary

As Though Vacant

As the **Subject** site is vacant as of the effective date of this appraisal, the Highest and Best Use is estimated to be for a high-density residential project, in conformance with the land use regulations.

Considering the surrounding uses that include high-rise residential uses and Toronto's Official Plan for the immediate area, a development such as that described herein represents the Highest and Best Use, as if vacant.

As Improved

The **Subject** is currently vacant as of the effective date of this report. We have been requested to provide an estimate of the current market value based upon the proposed development being approved, and this is an Extraordinary Assumption of this report. After having conversations with the City Planner for the area, even though the current zoning is MO(11)/M2 (Industrial-Office Business Park/Industrial Zone), we feel that this can be easily amended given the surrounding developments in place and proposed in the future.

The site is currently vacant and the proposed development likely produces the highest value warranted by the market; therefore the Highest and Best Use would be for the proposed re-development.

APPRAISAL PROCEDURES

The market for any real estate consists of those entities that can benefit from the Highest and Best Use of a particular property and, accordingly, are willing and able to pay a competitive price. In most cases, for any particular property the market is represented by a fairly clearly defined group of individuals or financial entities. In the case of the **Subject**, the purchaser profile would ordinarily be a developer/investor. The valuation contained in this document attempts to replicate the analysis that a prospective purchaser would likely use.

The appraisal process consists of the application of one or more of the three approaches to value. These three approaches to value are as follows:

Cost Approach - involves determining the current cost of reproducing an improvement less accrued depreciation from all causes plus the current market value of the land.

Income Approach - involves converting the projected current net operating income into an estimate of current value through the use of an overall capitalization rate (Direct Capitalization) or through an analysis of anticipated growth in earnings during the length of the prescribed investment horizon (Discounted Cash Flow).

Direct Comparison Approach - is based on the direct comparison of recent arm's length transactions of similar properties in the open market.

All three approaches rely on relevant market data and as such, all three are market data approaches. However, each approach nonetheless could possibly lead to a different estimate of value for the same property. Each value estimate is reviewed with regard to purpose of the appraisal, type of property and the degree of reliability of the data used. The final estimate of value is usually the product of the most applicable approach to the given appraisal problem.

Conclusion

In estimating the market value of a specific property, the appraiser must rely upon the approaches that are best suited to estimate value for that property.

The **Subject** under its Highest and Best Use is a site with a proposal for residential condominium apartment development. Based on these criteria, the **Subject** is not considered to be an income producing property and therefore, the Income Approach to value will not be utilized.

The Cost Approach was not utilized due to the difficulties in estimating replacement costs new and accrued depreciation from all causes for a property such as the **Subject**. Furthermore, the Cost Approach is not currently a method on which market participants rely to make purchase/sale decisions. Further, where there is adequate market information to employ the other two approaches, the Cost Approach is not typically relied upon in estimating current market value.

The Direct Comparison Approach has been included as a viable method to estimate the current market value of a vacant site based on the proposed development. At the present time in the City of Toronto there are a variety of condominium projects currently being marketed and we have relied upon the data produced by these projects in reaching our final estimate of value.

LAND VALUATION

There are six different valuation techniques/procedures used to value land. These are listed and discussed briefly as follows:

Abstraction – is based on the principle of balance and the related concept of contribution, which affirm that there is a normal or typical ratio of land value to property value for specific categories of real estate in specific locations. This technique is not relevant in this case insofar as the value of the proposed development is not known and/or determined at this time.

Extraction – is a similar procedure in which land value is extracted from the sale price of an improved property by deducting the value contribution of the improvements, which is estimated from their depreciated costs. The remaining value represents the value of the land. This technique is most useful when the depreciated value of the improvements can be determined and the sale price is known. When there are adequate sales for Direct Comparison that technique is more reliable.

Subdivision Development – is used to value land when subdivision development represents the Highest and Best Use of the land being appraised and sale data on finished lots or product are available. The subdivision development method of land valuation is used in feasibility studies and in appraisals when comparable sales are scarce. We have not utilized this technique in our report.

Land Residual – is used when sales data on similar parcels of vacant land are not available. To utilize this procedure, known or estimable Net Operating Income for the property is required. In addition, market extracted building and land capitalization rates are required. A variant to this procedure is where the total value of the property as improved is determined from which the cost of improvements are deducted along with an entrepreneurial profit.

Ground Rent Capitalization – is used to value land when the ground rent corresponds to the value of the landowner's interest in the property. Market driven capitalization rates are used to convert ground rent into an indication of market value of the land. The **Subject** site is not **Subject** to ground rent and as such this technique is not relevant to this appraisal.

Direct Sales Comparison - is the most commonly used and preferred method to value land when comparable data are available. This approach to valuing the **Subject** site is therefore utilized in this appraisal.

Summary

As a redevelopment site, the Direct Sales Comparison Approach has been included as a viable method to estimate the current market value. At the present time in the Greater Toronto Area there are a variety of high density development sites with similar proposed uses, which have recently sold and we have relied upon the data produced by these projects in reaching our final estimate of value.

DIRECT COMPARISON APPROACH

The Direct Comparison Approach to value is one of the most applied approaches to value, for all types of properties. As the name implies, it involves the in-depth comparison of sales data with the **Subject**. Property rights, dates of sale or listing, motivation, financing, legal, physical, location and economic characteristics are among those criteria analyzed in sales and listings of "index properties," used to indicate a value for the **Subject**.

The reliability of the results is directly attributable to the quality of the comparable data available. The following are five generally accepted steps for this method of appraisal.

1. Survey the area to locate reasonably comparable properties that have sold recently, that are listed for sale, or on which offers have been made.
2. Gather and validate all pertinent information about each comparable property.
3. Analyze sales, listings and offers, the length of time the property was listed for sale; the advertising and sales effort involved; the terms of sale; and the motivations of both buyer and seller.
4. Compare data pertaining to each index property to the **Subject** in detail, and make the necessary adjustments.
5. Reconcile the data to arrive at an indicated value.

The most common unit of comparison, for land to be developed with high density residential development, is the *price per square foot of permitted as-of-right, or approved "buildable" gross floor area*. The gross floor area is based on the permitted or approved gross floor area (approved by City Council, or by the Ontario Municipal Board). If there is no known proposal for development, then the "As of Right" gross floor area based on the site's existing zoning, is utilized.

We searched for recent sales and listings of land projected for high-density residential development, in the downtown and midtown areas of Toronto. Those which are considered to be in the same competitive market have been used to estimate the value of the **Subject**.

This method is considered the most appropriate for development land valuations. The development's gross floor area is either approved by the City Council, or in certain instances, by the Ontario Municipal Board. We are not aware of any rezoning applications or Official Plan applications; however we have been asked to appraise the **Subject** based on its Highest and Best Use, which we have concluded is a high-rise residential condominium and based on a Proposed GFA as given.

A wide range of properties have been researched. Those which are considered to be in the same competitive market have been charted. The comparable site areas do however vary somewhat.

All indexes were compared to the **Subject**. Adjustments were considered for influencing factors, such as time, location, access, site conditions, density, land use controls, property rights and motivation.

ADJUSTMENTS

The following is an outline explanation of the adjustments that were utilized in the comparable sales analysis in order to arrive at an adjusted unit sale price. The sequence in which adjustments are applied to the comparable sales is listed below.

Property Rights Conveyed

Different types of property rights entail different benefits and rights to the owner. A transaction price is predicated on the real property interest conveyed. The three main components of real property rights are ownership entities, financial interests, and legal estates. The underlying property rights derived from these are fee simple, leased fee and leasehold. When a property is of a fee simple estate and considered free and clear of all existing leases and loans, its value is normally based on the market value that it can command and the financing that can be obtained for it.

Financing

Adjustments are made to reflect financing conditions, such as vendor-take-back mortgages or the purchaser assuming an existing mortgage, at an interest rate significantly different than the prevailing rate at that time.

Conditions of Sale

There are various conditions that can result in a property selling above or below market value. An adjustment is required in a situation where either the vendor or the purchaser was under pressure to complete the transaction, such as a bankruptcy, foreclosure or power of sale.

Time

The date of sale identifies the economic and market conditions under which a comparable sales transaction occurred. Similarly, appraisals are made as of a specific date and reflect the conditions at that point in time. Therefore, the sale price of each comparable must be adjusted to reflect the changes in economic and market conditions that may have occurred between the time the comparable was sold and the effective date of the appraisal. The methods utilized in this appraisal are outlined below.

Sale and Resale

This method is an analysis of sales and resales of the same property within a specified time period, with the price variance being measured. Since most properties do not usually resell in short time frames, the overall market must be reviewed to determine any trends being experienced.

Public Statistical Data

The method relates to the macro market information which is usually obtained from Canada Mortgage and Housing, The Toronto Real Estate Board, and Statistics Canada.

Location

The **Subject's** locational characteristics and those of the comparable properties require very careful consideration. Issues analyzed under this factor are community facilities, retail amenities, public transportation, general appeal and character/appearance of the area for residential purposes, among others.

Physical

There are a number of factors to be considered under this adjustment. Sites can vary in terms of configuration (shape), frontage, depth, overall area, topography, soil conditions, etc. While individual adjustments can be made for each physical aspect of a comparable, it is more reasonable to do an overall comparison of the site to the **Subject**, i.e., superior, inferior, or similar, and then make a single adjustment. All things being equal, a small site usually might command a higher unit rate compared to a larger site. Hence, based on our analysis, reflective adjustments were necessary to the reported prices in order to equate them to the **Subject**.

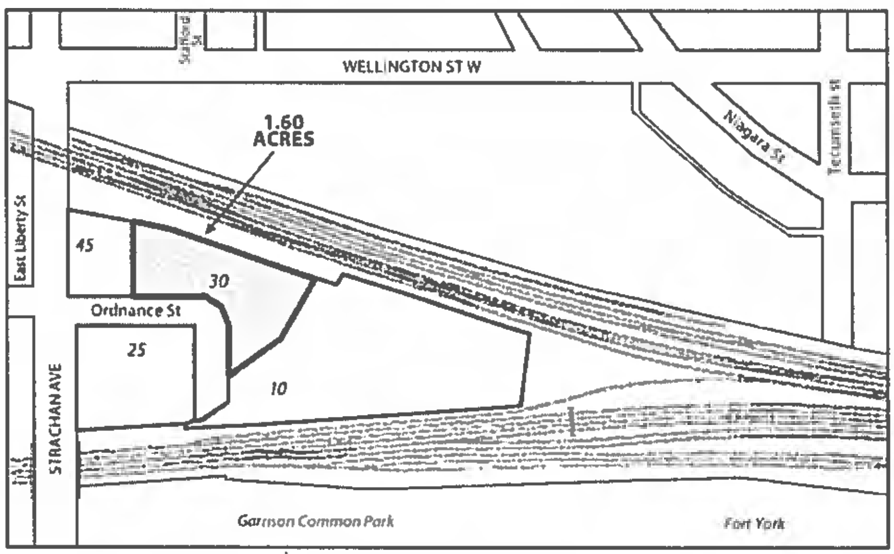
MARKET DATA

We have reviewed sales information on numerous transactions which have taken place during the last year in the GTA. We have selected transactions considered most relevant for the purposes of comparison. These sales are summarized on the following Table of Land Sales and discussed in further detail following the Table.

Index	Address	Sale Registration Date	Site Area (s.f.)	Consideration	Development Approved	Buildable Gross Floor Area (S.F)	Sale Price/S.F. of Buildable GFA
1	30 Ordnance Street, Toronto	29-Oct-12	69,639	$27,000,000	Application Submitted	550,297 7.9 X	$49
2	599 Lyons Lane, Oakville	30-Aug-12	96,573	$14,000,000	Approved	460,116 4.8 X	$30
3	18 Graydon Hall Drive, Toronto	29-Feb-12	54,450	$6,950,000	Approved	285,400 5.2 X	$24
4	2 Holiday Drive, Etobicoke	1-Jan-12	235,224	$14,750,000	Approved	870,300 3.7X	$17
Subject	*1185 Eglinton Avenue East, Toronto*		*123,764*		*Approved*	*598,123* *4.8 X*	

INDEX NUMBER ONE

30 ORDNANCE STREET, TORONTO



Location	:	Northeast side of Ordnance Street just east of Strachan Avenue
Vendor	:	Eldonview Investments Inc. & Build Toronto Inc.
Purchaser	:	Fernbrook Homes (Strachan) Ltd.
Date Transfer Registered	:	October 29, 2012
Site Area (SF)	:	69,639 square feet (1.60 acres)
Consideration	:	$27,000,000
Proposed Buildable Gross Floor Area (GFA)	:	550,297 square feet
Density	:	7.9x Site Area
Sale Price per SF of GFA	:	$49

INDEX NUMBER ONE (CONTINUED)
30 ORDNANCE STREET, TORONTO

Comments:

At the time of sale, this site contained an old vacant industrial building that is slated for development near a main railway line in the City of Toronto. This property was on the east side of Strachan Avenue, west of this property is the Liberty Village neighbourhood that has seen a large amount of development over the past 10 years.

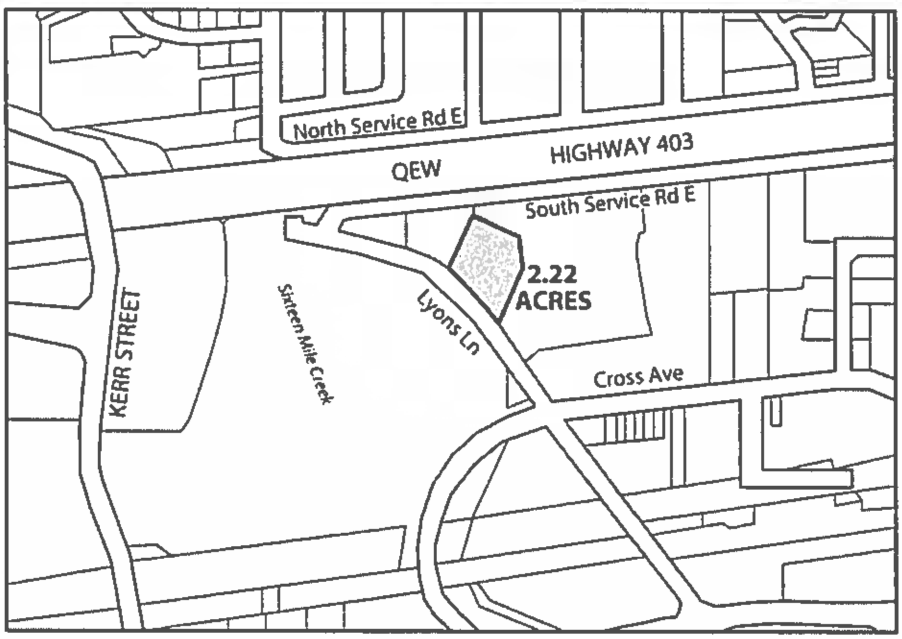
On February 7, 2012, the old owners received approvals for an Official Plan and Zoning By-law amendment, under File 10-164790 STE 19 OZ, to allow a mixed-use development containing residential and commercial space. As of December 2012, Site Plan Application File # 12-282863 STE 19 SA, is still pending approval. The proposed development has the following specifications:

Number of Towers	:	2
Storeys	:	32 & 27
# of Apts.	:	629
Residential GFA	:	526,293 sf.
Commercial GFA	:	24,004 sf.
Total GFA	:	550,297 sf.
Ratio of GFA to land area (density)	:	7.9x

Based on this estimated development size, the purchase price indicates a rate per square foot of GFA of approximately $49.

INDEX NUMBER TWO

599 LYONS LANE, OAKVILLE



Vendor	:	Creekbank Properties (Lyons Lane) Ltd.
Purchaser	:	Emerald Group Ltd.
Date Transfer Registered	:	August 30, 2012
Site Area (SF)	:	96,703 square feet
Consideration	:	$14,000,000
Approved (GFA)	:	460,116 square feet
Approved Density	:	4.8x the site area
Sale Price per SF of GFA	:	$30

INDEX NUMBER TWO (CONTINUED)
599 LYONS LANE, OAKVILLE

Comments:

This site was flat, rectangular in shape, and occupied by a three storey institutional building that had been abandoned and was fenced off for demolition. There is a tree line in front of the building creating a barrier from Lyons Lane. The rear of the property had frontage onto the South Service Road and the site was just north of the Oakville GO Station.

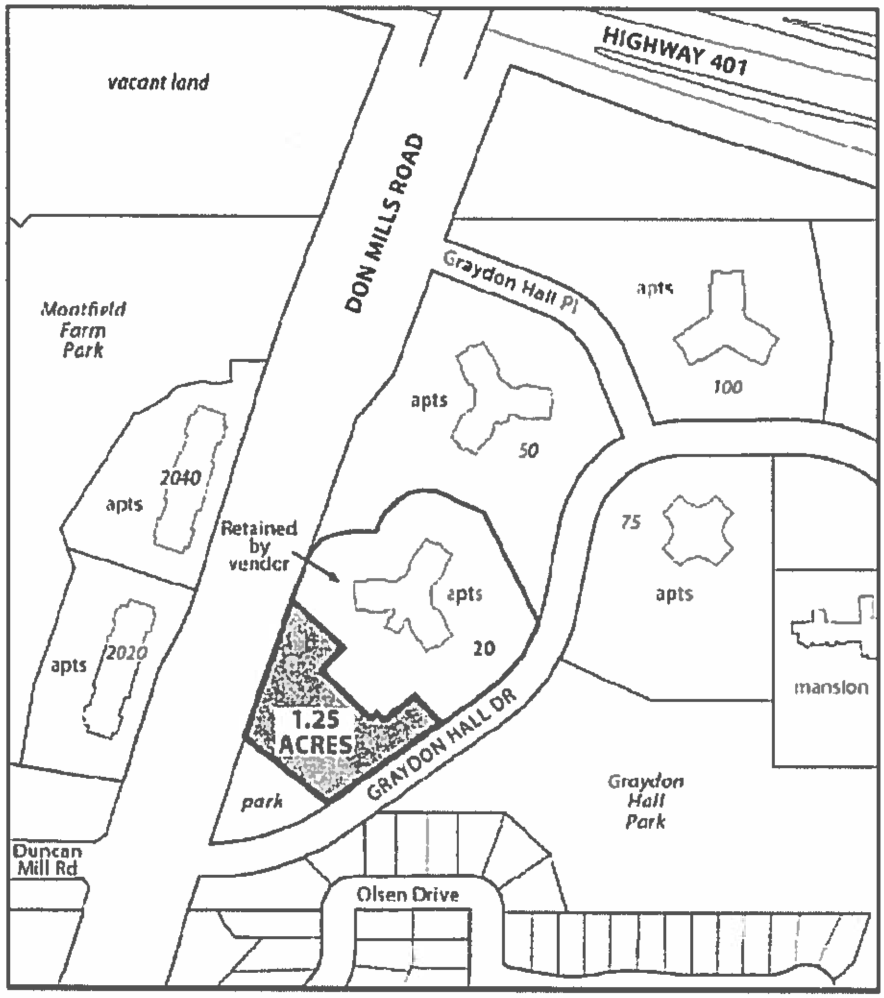
An Official Plan Amendment and Rezoning Application (No. Z.1614.68) was submitted in June, 2008 pertaining to the land in this transaction and was subsequently amended and approved in 2011. The Applications proposed the development of two condominium towers with a total of 420 units and a GFA of approximately 460,116 square feet.

# of Buildings	:	2
# of Apts.	:	420
Residential GFA	:	460,116 sf.
Commercial GFA	:	Nil
Total GFA	:	460,116 sf.
Ratio of GFA to land area (density)	:	4.8x
Parking	:	TBD

Based on the total proposed GFA of 460,116 square feet, this sale indicates a unit rate per square foot of GFA of $30.

INDEX NO. THREE

18 GRAYDON HALL DRIVE, TORONTO



Location	:	North of Duncan Mill Road, South of Highway 401
Vendor	:	Devonshire Properties Inc.
Purchaser	:	Residences at Argento Inc.
Date Transfer Registered	:	February 29, 2012
Site Area (SF)	:	54,450 (1.25 acres)
Consideration	:	$6,950,000
Approved Buildable Gross Floor Area (GFA)	:	285,400
Approved Density	:	5.2x
Sale Price per SF of GFA	:	$24

INDEX NO. THREE (CONTINUED)
18 GRAYDON HALL DRIVE, TORONTO

Comments:

This Index is located at the intersection of Don Mills Road and Graydon Hall Drive, in between York Mills Road and Highway 401. This site was part of the unused land around the apartment tower at 20 Graydon Hall, most of it had been lawns and shrubs.

Tridel proposed to build the "Argento Condominiums" for which marketing was underway in early 2012. The apartments would be small, mostly in the range of 550 square feet to 780 square feet, priced from $524 per square foot including one parking space.

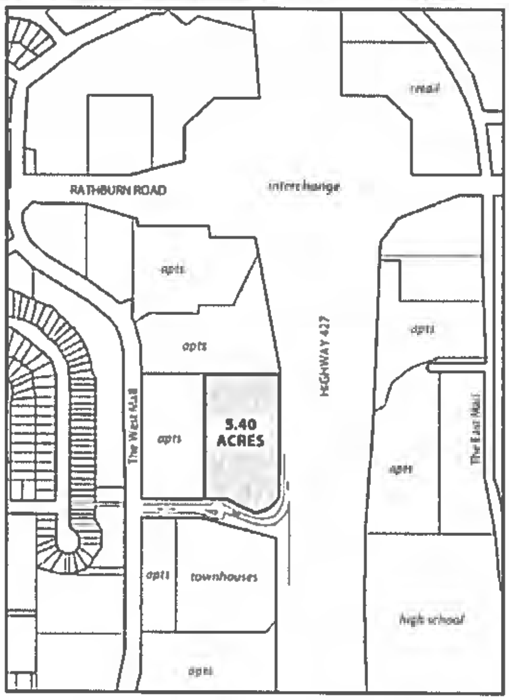
A rezoning, under File 07 181 792 NNY 34 02, had been approved by the City in November 2007, with the following specifications:

Storeys	:	26
Dwelling Units	:	300
Residential GFA	:	285,400 sf.
Non-residential GFA	:	None
Ratio of GFA to land area	:	5.2x

The 1.25 acre site sold on February 29, 2012 for $6,950,000 representing $24 per square foot of approved GFA.

INDEX NUMBER FOUR

2 HOLIDAY DRIVE, ETOBICOKE



Location	:	North side of Holiday Drive on the west side of Highway 427
Vendor	:	Bydixer Holdings Inc.
Purchaser	:	Menkes Holiday Drive
Date Transfer Registered	:	January 16, 2012
Site Area (SF)	:	5.40 acres (235,224 square feet)
Consideration	:	$14,750,000
Approved Buildable Gross Floor Area (GFA)	:	870,300 square feet
Approved Density	:	3.7X
Sale Price per SF of GFA	:	$17

INDEX NUMBER FOUR (CONTINUED)
2 HOLIDAY DRIVE, ETOBICOKE

Comments:

This site is situated immediately west of the limited access Highway 427 on the border of Etobicoke and Mississauga. At the time of this transaction this index was improved with a vacant hotel facility which required demolition prior to commencement of redevelopment.

On April 29, 2008, the City of Toronto passed Zoning By-law 392-2008, permitting a high-density residential development with the above development statistics, totalling 870,300 square feet of gross floor area. Of the preceding total 2,400 square feet was proposed for ground floor retail space, with the balance being for residential purposes and associated amenity space.

It should be noted that approximately 10 months after this sale transaction the purchaser had filed an application with the City of Toronto (application 12 255414 WET 03 OZ). As of the effective date of this report the application was still in circulation and under review.

This index registered sold on January 16, 2012, for a total consideration of $14,750,000, indicating a unit rate of $17 per square foot, based on the approved GFA of 870,300 square feet

Summary

As noted, a sequence of adjustments are required, and have been analyzed and applied in a consistent order where considered reasonable and applicable. Adjustments for development sites are somewhat conjectural, since the properties trade primarily based on their existing (to some extent) or reasonably possible development potential.

The adjustment discussion is primarily intended as a step-by-step process to identify and account for value influencing differences between the comparable properties and the **Subject**, and should be viewed accordingly. Adjustments for property rights conveyed and financing, in our opinion, are not required in this instance.

As previously outlined in this report, the **Subject** is located in a desirable residential location, close to public transit, highways and local commercial and retail uses. The popularity of the area is witnessed by the numerous residential projects either planned or currently under construction.

The sales analyzed represent residential development sites in comparable locations and offer similar redevelopment potential. The preceding sales have a wide range in price from $17 to $49 per square foot of buildable Gross Floor Area (GFA).

Index No. 1, 30 Ordnance Street, Toronto - This index is located on the northeast side of Ordnance Street just east of Liberty Village and Strachan Avenue. This index is just west of the heart of downtown Toronto. This index involves an irregularly shaped site which has a total lot area of 69,639 square feet. At the time of sale this property was occupied by a vacant industrial building that is slated for demolition.

Adjustments: The **Subject** is in midtown Toronto whereas this Index is in the downtown core which is considered superior to the **Subject**; therefore a downward adjustment is required. With regards to site characteristics, this site and its proposed development are very similar to the site and development for the **Subject** therefore no adjustment for site characteristics is necessary. In terms of time no adjustment is warranted given the sale date of October 2012. This development has an Official Plan and Zoning amendment that has recently been approved but still requires Site Plan approvals and the **Subject** is assumed to have all approvals in place, as such an upward adjustment is necessary. After adjustments the **Subject** should attract a price per square foot of gross floor area below the unadjusted $49 per square foot of GFA that this sale indicates.

Index No. Two, 599 Lyons Lane, Oakville - This index is located on the north side of Lyons Lane just south of Highway 401, in between the Dorval Drive and Trafalgar Road interchanges. This index is far removed from downtown Toronto, but has the Oakville GO Station within walking distance. This index involves an irregularly shaped site which has a total lot area of 96,573 square feet. At the time of sale this property was occupied by a vacant institutional building that is slated for demolition.

Adjustments: This index has an August 30, 2012 sale date and is therefore indicative of current market rates; as such no adjustment for time is necessary. The approved development size is considered to be similar to the **Subject** therefore no adjustment is required due to development size. With regards to location, this index is located on Lyons Lane in Oakville, which is considered inferior to the **Subject**; therefore an upward adjustment is required. This index has the zoning in place to allow the proposed development and we are appraising the **Subject** as though approved therefore no adjustment is necessary. We have also assumed that the proposed development for the **Subject** has received Site Plan approval and this index has approvals in place; therefore no adjustment is necessary due to higher holding costs. This index requires demolition of the existing improvements, but a sophisticated purchaser such as a developer would consider this and incorporate this cost into the purchase price paid, the **Subject** is vacant and ready for development, as such no adjustment is necessary. Overall, the **Subject** should attract a price higher than the unadjusted $30 per square foot of gross floor area as indicated by this sale.

Index No. Three, 18 Graydon Hall Drive, North York: This index is located on the northeast corner of Don Mills Road and Graydon Hall Drive in North York; it involves an irregularly shaped site which has a total lot area of 54,450 square feet. This Index has received Rezoning and Site Plan Approvals for the development of a 25-storey tower with an approved GFA of 285,400 square feet. Although the development for this index was approved in 2007, the density approved is similar to what we would expect for a project in this area as of the date of sale.

__Adjustments:__ This sale took place 10 months ago and market conditions have improved slightly since then, therefore an upward adjustment for time is considered necessary. This property has an approved GFA smaller than that of the **Subject's**; therefore a downward adjustment is necessary for this index with regards to site characteristics. This Index has all the necessary approvals in place to construct the approved development, as we are appraising the **Subject** under the assumption of approvals being in place, no adjustment for holding costs is necessary. The location of this site is inferior to that of the **Subject**, therefore requiring an upward adjustment. The **Subject** should attract a price per square foot of GFA higher than the unadjusted $24 per square foot of buildable this sale indicates.

Index No. Four, 2 Holiday Drive, is a rectangular site that contains a vacant hotel building dated from the 1960s. The City passed By-law 392-2008 on April 29, 2008, allowing a condominium development including four towers of approximately 24 storeys atop a low-rise podium containing a total GFA to 870,300 square feet. This in turn would create a site density of 3.7x the site area. Although the development for this index was approved in 2008, the density approved is similar to what we would expect for a project in this area as of the date of sale.

__Adjustments:__ In terms of location, this property is inferior to that of the **Subject**. This Index is located in Etobicoke adjacent to the 427 Highway; therefore there should be a significant upward adjustment to this index due to locational characteristics. There should be an upward adjustment with regards to timing as this site sold in January 2012 and market values have increased slightly over the past year. This index requires demolition of the existing improvements, but a sophisticated purchaser such as a developer would consider this and incorporate this cost into the purchase price paid, the **Subject** is vacant and ready for development, as such no adjustment is necessary.

The overall development size of 870,300 square feet of GFA is larger than the **Subject's** development of 598,123 square feet. Typically, the greater the development size, the lower the price per square foot of GFA due to the added risks associated with a larger development, such as variable costing assumptions and construction and presale timelines, etc. Given the larger development size of this site, an upward adjustment would be warranted. Overall, we are of the opinion that the **Subject** should attract a rate much higher than the $17 per square foot of GFA indicated in this sale.

Adjustment Process – Elements of Comparison

As indicated a sequence of adjustments have been analyzed and applied in a consistent order, where considered reasonable and applicable. Adjustments for development sites are somewhat conjectural since the properties trade primarily based on their existing or reasonably possible development potential.

The adjustment discussion is primarily intended as a step-by-step process to identify and account for value influencing differences between the comparable properties and the **Subject** and should be viewed accordingly.

The unit rates for all of the indices were based on approved densities contained in site-specific By-laws or applied for densities which were consistent with market trends, and were reasonable. Typically the approved density is higher than the As-of-Right density, which results in lower unit rates. Therefore, it would appear that the various purchasers maximized or are attempting to maximize their opportunities for each site. The overall level of comparability offered by all of the sales is considered to be reasonable.

The **Subject** site is a large, irregularly shaped site that is well suited for high-rise condominium development. An application to develop the site has been submitted to the City; however, it is still pending approval and we have been requested to provide a market value for the **Subject** based on a GFA of 598,123 square feet, a density of 4.8 times the site area, which we feel is a typical density for this location. Of course there are costs associated with any application for an increase in density, probably the largest of which is the carrying costs, i.e. mortgage, and the risk element in terms of timing a product to come to market. The indices represent a mix of approved and proposed developments. Those that are not approved appeared to have reasonable proposed densities based on our research of the market.

The most important element when valuing development sites is understanding the purchase price paid and the density in place. In many instances the purchaser agrees to the sale price based on a particular density then proceeds with application to increase the density beyond the in-place or As-of-Right limit.

Incorporated in the unit price paid is the risk of achieving increases and is typically related to the level of density required and its appropriateness in the marketplace. In more recent times, many vendors have been seeking to take advantage of potential increases by requiring bonuses based on achieved densities beyond the in-place limit.

Typically, particularly when referring to large developments, the length of time between the negotiation of sale, achieving maximum density, and obtaining building permit can be between 6 and 24 months. This can be quite costly when considering carrying costs, etc. However, in many cases, the purchaser proceeds with the application process with closing typically occurring later down the road.

We acknowledge that a purchaser would pay a premium for a site that has an As-of-Right gross floor area consistent with market levels, where there is no lag time between purchase and construction.

The **Subject's** location and site configuration are the major factors in terms of demand and must be strongly considered. The site location, near the intersection of Eglinton Avenue East and Don Mils Road in conjunction with easy access to the Don Valley Parkway and connections to the 401 highway and Gardiner Expressway are drivers in terms of the potential achievable sale prices.

Conclusions

The selected indices were chosen from a larger pool of transactions due to their similarities to the **Subject**. They provided a wide range of unit rates from $17.00 to $52.00 per square foot of GFA. As discussed above, there were several factors impacting each index that required consideration, and we feel that we have considered all of these major factors.

Of the five indices, most weight was placed on Indices One (30 Ordnance Street, Toronto) and Three (18 Graydon Hall Drive, Toronto). The range of rates indicated by these sales was from $24 and $49. These indices had proposed density levels between 5.2 and 7.9 times their respective site areas.

In terms of location we feel the **Subject** is inferior to Index One requiring a downward adjustment and superior to Index Four requiring an upward adjustment.

Regarding site characteristics and the size of development, Indices One has a similar GFA as compared to the **Subject**, thus requiring no adjustment to its reflective unit rate, whereas Index Four has a smaller GFA and in turn requires an downward adjustment. This is due to the fact that the greater the development size, the lower the price per square foot of GFA due to the added risks associated with a larger development, such as variable costing assumptions and construction and presale timelines, etc.

Also, before we select a final unit rate there is another thing to consider. As stated earlier the **Subject** was acquired in the purchase of the business entity Skyline – 1185 Eglinton Avenue Inc. To reiterate, the term *market* value as discussed within the appraisal, is generally defined: as *the most probable price in terms of money which an estate (or interest) in real property should bring in an open and competitive market under conditions requisite to a fair and typical sale between a willing seller and a willing buyer, each acting prudently and knowledgeably and assuming the price is not affected by undue stimulus.*

Therefore the best indication of value for a property is what the market will pay for the property itself. Since we know that the business owning the **Subject** was purchased by The Rose and Thistle Group (the "Purchaser") from Skyline – 1185 Eglinton Avenue Inc. (the "Vendor") in December, 2010, we have to be prudent and give this consideration in our analysis. The purchase price of $13,500,000 included the Skyline Corporate Center, the **Subject**.

However, as this was a business purchase of which we have no further details, we cannot analyze this number relative to land value.

There are also three more developments that are being proposed on the same block as the **Subject** which will be direct competitors, this will put downward pressure on achievable sales prices for the condominium units. There are no development applications for these projects as per City Planning, but they are expected in the near future. The **Subject** has a first mover advantage, because they will most likely be the first to market. This will mitigate the downward pressure on achievable sales prices.

After careful consideration of the foregoing discussion and taking into account the physical, locational and other attributes of the **Subject**, and the selected indices and their respective density levels, we feel that a narrowed range from $30 to $40 per square foot of proposed Gross Floor Area is reasonable.

Another parameter that has to be taken into consideration is the townhouse component of this development. All else being equal a townhouse condominium will attain a higher price per square foot than a condominium apartment in a high rise tower. The reason for this is the fact that there is less density in the general vicinity, units are larger and typically offer some garden amenity and parking facilities in proximity to the individual unit, this in turn adds a premium to the price people are willing to pay for the this type of product.

We have completed research for stacked townhouse condominiums in the area versus regular condominium apartment units in a high rise tower and have found that there is approximately a 10% to 15% premium paid for townhouse condominiums with a similar level of amenities. Given these results we have applied a premium to the selected rate for the stacked townhouses. The townhouses comprise a total GFA of 73,001 square feet, which is 12% of the whole development, a relatively small component.

Further in light of the **Subject**'s location in Midtown Toronto, which typically results in a lower sell-out price per square foot relative to downtown locations, we feel that the appropriate unit rate for the **Subject** is just below the midpoint of the range at $32.50 per square foot of Gross Floor Area.