Minute No. 150
Report - Standing Policy Committee on Property and Development – January 11, 2011

Item No. 12 **Joint Venture Agreement - Qualico Developments (Winnipeg) Ltd. - Lands Within River Park South (St. Vital Ward)**

COUNCIL DECISION:

Council concurred in the recommendation of the Standing Policy Committee on Property and Development and adopted the following:

1. That the Draft Joint Venture Agreement contained in the Report of the Winnipeg Public Service dated January 7, 2010, be entered into between Qualico Developments (Winnipeg) Ltd. and the City, subject to any other additional terms and conditions deemed necessary by the Director of Planning, Property and Development and the Director of Legal Services and City Solicitor.

2. That the City lands shown on Schedule "A" to the Report of the Winnipeg Public Service dated January 7, 2010 be declared surplus to the City's needs and reserved for the Joint Venture with Qualico Developments (Winnipeg) Ltd.

3. That the Chief Administrative Officer be authorized to finalize and approve the terms and conditions of all agreements required to implement matters as directed by Council.

4. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Report - Standing Policy Committee on Property and Development – January 11, 2011

DECISION MAKING HISTORY:

Moved by Councillor Browaty,

That the recommendation of the Standing Policy Committee on Property and Development be adopted by consent.

Carried

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On January 19, 2011, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On January 11, 2011, the Standing Policy Committee on Property and Development concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: **Proposed Joint Venture agreement with Qualico Developments (Winnipeg) Ltd. on lands within River Park South - Riel Community Committee**

Critical Path: **Standing Policy Committee on Property and Development – Executive Policy Committee - Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
B. Thorgrimson	D. Joshi	M Geer A/CFO	M Ruta A/CAO

RECOMMENDATIONS

That Council approves as follows:

1. That the attached Draft Joint Venture Agreement be entered into between Qualico Developments (Winnipeg) Ltd. and the City, subject to any other additional terms and conditions deemed necessary by the Director of Planning, Property and Development and the Director of Legal Services and City Solicitor.

2. That the City lands shown on Schedule “A” as attached, be declared surplus to the City’s needs and reserved for the Joint Venture with Qualico Developments (Winnipeg) Ltd.

3. That the Chief Administrative Officer be authorized to finalize and approve the terms and conditions of all agreements required to implement matters as directed by Council; and

4. That the Proper Officers of the City do all things necessary to effect the intent of the foregoing.

REASON FOR THE REPORT

Council approval is required for the Public Service to enter into a Joint Venture.

IMPLICATIONS OF THE RECOMMENDATIONS

- There are no regulatory or human resources implications associated with this report.
- The City of Winnipeg would benefit, firstly, from the immediate sale of the half interest in the land and, secondly, from development profits as they occur over the next seven to ten years. These funds, which would be credited to the Land Operating Reserve ("LOR"), would enable the LOR to continue to operating on a self-sustaining basis.
- It is projected that full development of the City Lands contained within the Joint Venture would involve approximately 10 years.
- During the initial phase of the Joint Venture, the City and Qualico would each be responsible to fund a total of approximately $2.0 million in Year 1, as their share of the development costs, which will be fully recovered in Year 1. The resulting total net income is equal to $12.5 million over 10 years for each Venturer. This translates into an average net income of $1.1 million per year to each Venturer.
- The Planning, Property and Development Department has examined the pro-forma and concluded that the projections contained therein are reasonable and achievable.
- The City's involvement within the proposed Joint Venture would improve opportunities for:
    - Completion of the existing community of River Park South in the most efficient and economical manner;
    - Planning and staging orderly growth in the St. Vital Area;
    - Accelerating the creation of new municipal tax revenues.

HISTORY

Qualico Developments (Winnipeg) Ltd. and the City of Winnipeg have had ongoing discussions over the last 10 years regarding the joint development of approximately 135 acres of land adjacent to the existing community of River Park South. These lands are located within the area bounded by the community of River Park South to the north, the Perimeter Highway to the south, St. Anne's Road to the east, and St. Mary's road to the west, as shown on Schedule "A" and hereinafter referred to as the "City Lands".

The City of Winnipeg has now finalized the expropriation of the City Lands, and the acquisition of the one-half interest owned by the Province of Manitoba in the City Lands. Qualico, over the last decade has developed its land and sold most to builders. As the majority of Qualico's land in the area is already developed, Qualico will purchase a one-half interest in the City owned land and enter into a Joint Venture with the City of Winnipeg. Qualico has agreed to pay a purchase price of $4,074,000.00 for the one-half interest in the City Lands.

This proposed Joint Venture will be structured generally in accordance with other successful joint ventures previously negotiated and approved between developers and the City of Winnipeg in other areas of the City. The City Lands are designated as "Neighbourhood" under Plan Winnipeg 2020.
The Director of Planning, Property and Development will negotiate the terms of a Joint Venture agreement with Qualico for the purposes of developing and marketing the City Lands in the St. Vital Area of the Riel Community, in accordance with the plans contained within their proposal.

FINANCIAL IMPACT

Financial Impact Statement

Date: January 7, 2011

Project Name: **First Year of Program** **2011**

Proposed Joint Venture agreement with Qualico in River Park South

	2011	2012	2013	2014	2015 to 2021
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 4,074,000	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	4,303,500	2,087,500	1,111,000	1,280,000	7,774,500
Net Cost/(Benefit)	$ (229,500)	$ (2,087,500)	$ (1,111,000)	$ (1,280,000)	$ (7,774,500)
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ (229,500)	$ (2,087,500)	$ (1,111,000)	$ (1,280,000)	$ (7,774,500)

Additional Comments: Direct costs in 2011 represents the cost of acquisition by the City of the Province of Manitoba's one-half interest in the City lands. Revenues in 2011 consist of estimated proceeds of disposition of $4.074 million from the sale of 50% of the City lands to Qualico + $229,500 (which is net of the City's $2 million share of estimated development costs) for the City's share of net profits of the JV. Revenues from 2012 to 2021 represent the City's share of net profits from the JV and total $12.253 million. Over the 10-year term of the proposed JV, estimated net profits of $12.483 million from the sale of lots will be credited to the Land Operating Reserve.

Note: Net profits from the JV are based upon the "Financial Proforma" prepared by Qualico in "Joint Venture Proposal" attached to this report.

"Original signed by"
Mike McGinn, CA
Manager of Finance

CONSULTATION

In preparing this report there was consultation with:

Legal Services

SUBMITTED BY

Department: Planning, Property and Development
Division: Real Estate
Prepared by: Barry Thorgrimson
Date: January 7, 2011
File No.

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THIS AGREEMENT made as of the day of , 2010.

BETWEEN:

THE CITY OF WINNIPEG
(hereinafter referred to as the "City"),

OF THE FIRST PART,

- and -

QUALICO DEVELOPMENTS (WINNIPEG LTD.
(hereinafter referred to as "Qualico"),

OF THE SECOND PART.

WHEREAS:

A. The City has title to approximately 135 acres of land in the St. Vital Community of Winnipeg, as outlined on Schedule "A" annexed hereto (hereinafter referred to as the "City Land") and the City has agreed to contribute the City Land for development pursuant to the terms of this Agreement;

B. Qualico has agreed to purchase a one-half interest in the City Land for development pursuant to the terms of this Agreement;

C. **On [insert applicable date] City Council adopted the Report of the Standing Policy Committee on Property and Development dated [insert applicable date] which** proposed the City enter into a Joint Venture with Qualico for the development of the City Land.

NOW THEREFORE this Agreement Witnesseth that in consideration of the terms and conditions herein contained, the parties hereto covenant and agree as follows:

1. **DEFINITIONS**

As used in this Agreement, the following terms shall have the following respective meanings:

(a) "**Agreement**" means the agreement herein describing the terms and conditions under which the Joint Venture is to operate and describing the respective rights, privileges, obligations, liabilities and duties of the Joint Venturers in respect of the development of the Lands;

(b) **"Auditor"** means the firm of chartered accountants acceptable to and agreed upon by the Management Committee responsible for performing the audit pursuant to sub-paragraph 6(k)(ii) hereof;

(c) **"Costs of Development"** means the following costs reasonably incurred by Qualico in the development of the Lands;

a) planning fees and disbursements;
b) engineering fees and disbursements;
c) legal survey fees and disbursements;
d) all costs of construction, operation and maintenance of all services, improvements and/or amenities;
e) soil tests and feasibility study fees and disbursements;
f) environmental assessment consulting fees including wetland and endangered species land delineation;
g) development cost charges including imposts, levies, and any other payments required to be paid in accordance with the policies of any regulatory bodies having authority;
h) subdivision application fees and disbursements;
i) inspection fees and disbursements;
j) legal counsel fees, which are incurred with respect to any matter affecting the project, but excluding those incurred as the result of any act of

negligence by Qualico as Manager or by the City;

k) legal costs and registration costs including land transfer tax, if any, incurred in the subdivision, development, sale and transfer of the Land or any part thereof;

l) annual audit fees and disbursements;

m) architectural fees and disbursements;

n) landscape fees and disbursements;

o) costs and/or fees of any and all professionals, technicians, consultants and supervisors, hired for and dedicated to the project and/or construction management of the project;

p) cost of bonds or security, such as letters of credit or as otherwise required, which are provided by Qualico from a financial institution of Qualico's choice, at a cost of the greater of actual cost or 1% of the face value of such bonds or letters of credit unless the Joint Venturers agree to each provide one-half of the bonding, security or letters of credit requirements at their own expense in which case, same shall not be included in the Costs of Development;

q) realty taxes and assessments on subdivided lots and subdivided blocks;

r) real estate commission where a licensed real estate agent is employed to sell lots or blocks on behalf of the Joint Venture;

s) all costs of insurance premiums as may be required by the Joint Venture;

t) such other costs as may occur from time to time that are not included as part of the services provided for the Management Fees;

u) recoveries payable to Qualico and/or the City, as the case may be, for prepaid municipal services and land improvements previously installed by Qualico and/or the City on the Lands and on adjacent land, which municipal services and land improvements benefit the Lands, as determined by the Project Consulting Engineer; and

v) such other costs as the Management Committee from time to time shall

determine.

(d) **"City Appointees"** means the representatives of the City appointed to the Management Committee pursuant to paragraph 8 hereof;

(e) **"Force Majeure"** means:

i)an Act of God;

ii) war, revolution, insurrection, riot, blockade, or any other unlawful act against public order or authority;

iii) a strike, lockout or other labour disturbance;

iv) a storm, fire, flood, explosion, lightning, earthquake, landslide, epidemic or similar catastrophe or inclement weather which makes performance impossible without extraordinary efforts by the party seeking to be excused from performance;

v) economic frustration.

(f) **"Qualico's Appointees"** means the representatives of Qualico appointed to the Management Committee pursuant to paragraph 8 hereof;

(g) **"Qualico's Solicitor"** means any solicitor who is in good standing with The Law Society of Manitoba and who has been nominated by Qualico to act in its behalf in respect of this Agreement;

(h) **"Incurred Costs"** means Costs of Development, Joint Venture Agreement Costs and Marketing Costs for which invoices or other documentation for payment have been received by Qualico, or for which Qualico has a binding obligation to pay in respect of the development of the Lands;

(i) **"Insurance"** means the insurance described in Schedule "B" attached hereto;

(j) **"Joint Venture"** means this Agreement for the development of the Lands by the

City and Qualico;

(k) **"Joint Venturers"** means the City and Qualico;

(l) **"Joint Venture Agreement Costs"** means:

i) reasonable legal costs incurred by Qualico for the preparation of the Joint Venture Agreement; and

ii) all third party due diligence costs for studies commissioned by Qualico.

(m) **"Real Property Act"** means C.C.S.M., c. R30;

(n) **"Land Titles Office"** means the Land Titles Office at Winnipeg, Manitoba;

(o) **"Lands"** means those lands and premises lying within the areas identified as City Land as outlined on Schedule "A";

(p) **"Management Committee"** means the committee consisting of the representatives of the City and Qualico pursuant to paragraph 8 hereof;

(q) **"Management Costs"** means the cost of any or all of the following:

i) all regional Qualico support personnel;

ii) support of Qualico's Corporate Office;

iii) Regional office overhead such as heat, light, rent, transportation, travel, computer time, etc.;

iv) accounting and administrative functions;

v) efforts required in lieu of brokerage fees in the sale of lots, blocks, or any part of the Lands where regulations do not require a licensed real estate agent or broker and where such sales are concluded by Qualico personnel;

vi) costs of attending any meetings required to advance the Lands through the

approval, development, and sales process and through the subdivision completion process; and

vii) architectural approval of homes for lots sold.

(r) **"Management Fee"** means a payment of six and one-half (6.5%) percent of Sales Proceeds paid to Qualico to cover all Management Costs;

(s) **"Marketing Costs"** means the following costs reasonably incurred by Qualico in the marketing of the Lands:

i) direct and/or indirect advertising or promotional costs, including the printing of brochures and any costs involved in providing a sales information office and show home models which may be shared with builders; and

ii) other marketing costs as may occur from time to time that are not included as part of the services provided for in the Management Fee.

(t) **"Profits"** means the balance of the Sale Proceeds described in subparagraph 6(o)iv);

(u) "**Project Consulting Engineer**" means the firm of consulting engineers acceptable to and agreed upon by the Management Committee responsible for performing the engineering requirements for the development of the Lands;

(v) **"Purchaser** or **Purchasers"** means a party or parties who purchase a Subdivided Lot or Lots from the Joint Venture;

(x) **"Sale Proceeds"** means the gross revenues, including any deposits and interest payments received by Qualico in respect of the sale of Saleable Lots and the

sale of all or any part of the Lands;

(y) **"Saleable Lot** or **Lots"** means the lot or lots or block or blocks actually or anticipated to be created by way of a subdivision or subdivisions within the Lands and which are to be offered for sale as residential lot or lots or block of blocks or for such uses as may be approved by the Management Committee, but does not include the lot or lots or block or blocks to be created and conveyed for the purpose of parks;

(z) **"Sold lot"** means a Saleable Lot for which payment of a deposit equal to fifteen (15%) percent of the purchase price has been made by a Purchaser pursuant to an executed sales agreement;

(aa) **"Subdivided Lot** or **Lots"** means a lot or lots or block or blocks created by the filing of a subdivision plan or plans in respect of the Lands pursuant to the Real Property Act in the Land Titles Office;

(bb) **"River Park South Joint Venture Bank Account"** means the bank account opened and maintained for the purposes of the Joint Venture pursuant to subparagraph 13(l) hereof;

(cc) **"Unsold Lots and Lands"** means any Subdivided Lot or Lots and/or any part of the Lands unsold to Purchasers at the time the Joint Venture is terminated pursuant to paragraph 10 and 11 hereof.

2. FORMATION OF JOINT VENTURE

The City and Qualico do hereby enter into and form the Joint Venture for the limited purpose and scope set forth in this Agreement pursuant to the laws of the Province of

Manitoba and the terms of this Agreement.

3. **NO CREATION OF PARTNERSHIP**

(a) Nothing contained herein or otherwise arising shall constitute the City and Qualico as partners, nor shall anything contained herein constitute, or be deemed to constitute, either as agent for the other.

(b) The parties hereto acknowledge and agree that nothing contained herein shall entitle the Joint Venturers to any preferential treatment by reason of the City being a party to the Joint Venture, and it is expressly understood and agreed that the City shall not be obligated or committed to extend any compromises or concessions to the Joint Venturers whenever exercising its regular and normal functions as a regulatory authority.

4. **COMMENCEMENT OF TERM OF JOINT VENTURE**

The Joint Venture shall become effective on the date this Agreement becomes legally binding and shall continue until the last part of the Lands has been sold, all undertakings pursuant to this Agreement completed, and all financial matters settled in accordance with the provisions hereinafter set forth or as otherwise terminated by the terms of this Agreement. Qualico shall not be entitled to carry out any construction or make any use of the City Land until the effective date of the Joint Venture, unless prior written permission is obtained from the City.

5. **INTEREST IN JOINT VENTURE ASSETS**

(a) Qualico acknowledges that the City is the registered and beneficial owner of the City Land identified on Schedule “A” and the City acknowledges that Qualico has

entered the City's form of purchase agreement for a one-half interest in the City Land.

(b) The City and Qualico mutually agree that the City is contributing the City Land and fifty (50%) percent of the Joint Venture cash flow requirements and that Qualico is contributing their one-half interest in the City Land and fifty (50%) percent of the Joint Venture cash flow requirements, and its Land development expertise. Upon the execution of this Agreement, the City and Qualico shall become the beneficial owners of an undivided one-half interest in the City Land. Qualico and the City shall indemnify and hold each other harmless from all liability of any nature and kind whatsoever that either party may incur with respect to all and any matters arising out of the land identified on Schedule "A". Without limiting the generality of the foregoing, it is expressly understood and mutually agreed that the City shall solely be liable for discharging all and any debt and obligations affecting the City Land where such debts and obligations relate to or have arisen out of matters not incurred for the purposes of the Joint Venture. It is further understood and mutually agreed that the City shall continue to be liable for the payment of all realty taxes (if any) affecting the City Land up to the date that a plan of subdivision affecting the City Land is registered at the Land Titles Office against the City Land.

(c) For the purposes of implementing the orderly development, servicing, marketing and conveyance of the City Land, the following procedure shall apply and be followed:

i) Whenever the Joint Venturers are prepared to register a plan of subdivision for all or a portion of the Lands, the City shall transfer and convey all that portion of the City Land to be subdivided in accordance with the plan of subdivision to Qualico; it being understood that the City shall retain title to

all of the City Land and the residual portions thereof until title to the City Land and the residual portions thereof are required to be transferred and conveyed to Qualico in order to accommodate the plan of subdivision registration;

ii) The City transfer of land to Qualico shall be registered at the Land Titles Office by a duly enrolled Barrister and Solicitor of Manitoba mutually acceptable to Qualico and the City in series immediately preceding the plan of subdivision;

iii) All Sales Proceeds and other revenues derived from the City Land shall be paid to Qualico, to be deposited into the River Park South Joint Venture Bank Account for subsequent disbursements as provided for in paragraph 6(o) of this Agreement;

iv) All Incurred Costs shall be paid from the River Park South Joint Venture Bank Account as and when same become properly due and payable. If at any time there are not sufficient funds available in the River Park South Joint Venture Bank Account to pay all and any Incurred Costs which are properly due and payable, the City and Qualico shall each promptly pay and deposit to the River Park South Joint Venture Bank Account an equal amount of money so that there will then be sufficient funds in the River Park South Joint Venture Bank Account to pay all such Incurred Costs which are then properly due and payable.

(d) The City and Qualico mutually agree that the Lands will be developed on a phased or staged basis.

(e) The City and Qualico acknowledge that the Lands may benefit from prepaid municipal services and land improvements on the Lands and on adjacent land

(including without limitation, services and improvements such as streets, sidewalks, street lights, traffic signals, sewer and water services, land drainage sewers and shallow utilities) previously installed by Qualico and/or the City. The Project Consulting Engineer shall identify and determine the fair market value of said prepaid municipal services and land improvements as they relate to the Lands. As the Lands are developed, the Project Consulting Engineer shall determine the amount to be paid to Qualico and/or the City for reimbursement towards the fair market value of said prepaid municipal services and land improvements in accordance with present industry practices and same shall be paid from the River Park South Joint Venture Bank Account to Qualico and/or the City, as the case may be, and treated as a Cost of Development.

6. APPOINTMENT OF MANAGEMENT AND DUTIES OF QUALICO

Qualico shall irrevocably be named the manager of the Joint Venturers and shall use its experience and expertise to advance and develop the Lands as rapidly as economically practical, for sale as Subdivided Lots. In this process Qualico will provide the following services:

(a) prepare development concepts and strategies;

(b) prepare pro forma cash flows and budgets;

(c) retain, supervise and instruct, on behalf of the Joint Venture, any consultants, planners, engineers, architects, surveyors, lawyers and other professionals and technicians required from time to time;

(d) negotiate and liaise with the appropriate authorities, for planning, zoning, engineering and environmental approvals and subdivision registration, etc.;

(e) execute subdivision improvement and/or other agreements with the appropriate authorities as may be required on behalf of the Joint Venture, and monitor development;

(f) provide subdivision surety, bonding, letters of credit and general liability insurance;

(g) negotiate and/or tender, finalize and enforce contracts for works and materials, and monitor and process invoices. All contracts will be at arms length, from both Qualico and the City;

(h) maintain development cost and sales records and provide periodic progress reports to the City based on actual costs and sales and comparison to the budget;

(i) negotiate and finalize agreements for sale of Saleable Lots and enforce compliance with such agreements. All sales will be at arms length from both Qualico and the City. Saleable Lots shall not be sold to Qualico or to the City unless approved by the Management Committee;

(j) manage and administer a marketing program, an architectural administration program and a landscaping and housekeeping program;

(k) administer the financial affairs of the Joint Venture including:

i) depositing Sales Proceeds, other revenue and project advances (capital contributions) as may be required from time to time to the River Park South Joint Venture Bank Account; and paying from the River Park South Joint Venture Bank Account, debts and obligations;

ii) maintaining financial records, expenditures, assets and liabilities and preparing the requisite financial statements within ninety (90) days of such fiscal year end for audit by the Auditor. An audit shall be made by the Auditor covering the assets, properties, liabilities and operations of the preceding fiscal year on all matters customarily included in such audit. A full copy of the audit shall, upon its completion, be furnished to each party to the Joint Venture, and each party shall have twenty-one (21) days after receipt of the audit to make an objection to the audit by giving notice in writing to the Auditor and to the other party, which objection shall set forth in reasonable detail the reason for such objection. If neither party shall give such notice within the twenty-one (21) day period, then the audit shall be deemed conclusive and binding upon the parties. Each party to the Joint Venture shall have the right to examine and inspect at any and all reasonable times the books, records and accounts of the Joint Venture. The fiscal year of the Joint Venture shall end on the 31st day of December in each and every year. The City shall have the right at its sole expense, to conduct an audit of the Joint Venture books, records and accounts;

(l) managing and administering the day-to-day affairs of the Joint Venture as well as advise and providing reviews for the Joint Venture Management Committee;

(m) retaining or employing, and coordinating the services of all employees, and other individuals required to enable Qualico to carry out its duties hereunder;

(n) maintaining the amount and the form of the Insurance in accordance with Schedule “B” attached hereto;

(o) causing the deposit of all Sale Proceeds and all other monies received in connection with the development and sale of all or any part of the Lands into the

River Park South Joint Venture Bank Account and to subsequently cause same to be disbursed as follows:

i) payment forthwith to Qualico of an amount equal to six and one-half (6.5%) percent of the Sale Proceeds as and when received from time to time. This sum shall constitute the Management Fee and shall cover all overhead, administration and other costs incurred by Qualico in carrying out its duties pursuant to this Agreement;

ii) payment of the Incurred Costs until same have been paid in full. It is understood and agreed that the Incurred Costs shall only be paid after invoices have been rendered and they become properly due and payable;

iii) subject to making appropriate allowances for adequate reserves to fund anticipated Incurred Costs, repayment of any of the cash contributions that are made pursuant to subparagraph 5(c) v) hereof, equally to Qualico and the City until they are repaid in full;

iv) payment out of the balance, if any, after making appropriate allowances for adequate reserves to fund anticipated Incurred Costs as follows:

   (a) 50% to the City

   (b) 50% to Qualico

v) the City and Qualico mutually acknowledge and agree that within ninety (90) days after the sale of the last part of the Lands, the total revenues and total costs shall be reviewed and the Profits paid pursuant to subparagraph 6(o)(iv) hereof shall be adjusted in the event that all Incurred Costs have not been fully paid for. In such an event, the City and Qualico each agree to promptly pay and deposit into the River Park South Joint Venture Bank

Account an amount equal to one-half of the unpaid Incurred Costs to ensure that all Incurred Costs will be fully paid prior to the division of any Profits;

(p) not use the City Land or any part thereof as security for financing for the benefit of Qualico, but Qualico shall be entitled to take back mortgages from purchasers or to enter into agreements for sale with purchasers.

7. THE CITY'S RESPONSIBILITIES

The City shall:

(a) Execute all documents pertinent to the Joint Venture in a reasonably expeditious manner;

(b) Convey title to such portions of the City Land in favour of Qualico free and clear of any liability, cross collateralization and encumbrances, save and except those encumbrances shown on title that are mutually approved by Qualico and the City whenever Qualico requires title in order to register a plan of subdivision on the City Land;

8. **MANAGEMENT COMMITTEE**

(a) The parties hereby agree to form the Management Committee which will consist of two individuals appointed by the City and two individuals appointed by Qualico.

The City appointees are:
The Chair of the Standing Committee of Planning, Property and Development, and
The Councillor for the St. Vital Ward or St. Norbert Ward, and an Appointee to be named by City Council, as an alternate.

The Qualico Appointees are:
Eric Vogan and John Daniels, and David Eggerman, as an alternate Appointee.

An alternate appointee for a party may attend any meeting of the Management Committee in the place and stead of that party's absent appointee without notice to the other party.

Either party shall be at liberty to change its appointees or alternate and shall give written notice of such change to the other party.

(b) The Management Committee shall:

i) meet as appropriate to review the progress of the Joint Venture, but, in any event, at least once annually. The Committee shall meet within ten (10) days of a request to do so being received from one of its members;
ii) be bound by the decision of such Committee. In the event of a tied vote,

Qualico shall cast the deciding vote except as to matters relating to the general ranges of pricing for sale of Saleable Lots and the general timing of development for the Lands, which shall be decided by mutual agreement. If mutual agreement cannot be reached, then either party at its option may refer the matter to arbitration in the following manner:

1 Either party desiring to submit the difference, dispute or question to arbitration shall give the other party notice in writing advising the other party of the name of the arbitrator appointed by the party giving notice. The party receiving notice shall, within ten (10) calendar days after receipt thereof, notify the party giving notice in writing of the name of its arbitrator and the two so named arbitrators shall within ten (10) days of being appointed select a third arbitrator who shall be the chairman. If the two named arbitrators are unable to agree upon a third arbitrator, then the third arbitrator shall be named by a Judge of the Manitoba Court of Queen's Bench. If the party receiving the original notice does not name an arbitrator within the time hereinbefore prescribed, the party receiving the original notice shall be deemed to have agreed to have the arbitrator named in the original notice be the sole arbitrator.

2 The arbitrator or arbitrators as the case may be shall establish the procedures under which the arbitration shall proceed, including but not limited to the calling and number of witnesses, submissions in writing or by hearings, whether either party may be interviewed separately by the panel; and other relevant matters; all within the requirements of The Arbitration Act of Manitoba; and shall render a decision and announce awards within the time limits of The Act.

3 The decision of the arbitrator or arbitrators as the case may be including the matter as to the allocation of costs of the arbitration shall

be final and binding upon the parties.

iii) make and establish

a) broad program and policy decisions; and

b) general limits within which Qualico may act, without recourse to the Management Committee in order to undertake the day to day management of the Joint Venture respecting:

i) general servicing programs;
ii) general marketing schedules and programs;
iii) general ranges of pricing for sale of Saleable Lots;
iv) annual budgets which shall set forth the estimated receipts and expenditures (including construction, capital, operation, etc.). for the Joint Venture for the period covered by the budget;
v) general timing of development for the Lands;
vi) general plan of development of the Lands.

(c) Where Qualico, in its day to day management of the Joint Venture acts to implement the policy and programs respecting:

i) servicing;
ii) pricing and sales;
iii) plan of development of the Lands;
iv) marketing;
v) other expenditures provided for in the annual budgets;

within the general guidelines established by the Management Committee pursuant to paragraph 8 hereof, such acts shall be binding and conclusive upon the Joint Venture without further recourse to or approval from the Management Committee or the City.

9. **FORCE MAJEURE**

If any party hereto is prevented by Force Majeure from carrying out any obligations hereunder, the obligations of such party, insofar as its obligations are affected by the Force Majeure, shall be suspended while (but only so long as) the Force Majeure continues to prevent the performance of the said obligations.

10. **TERMINATION OF AGREEMENT**

This Agreement shall be terminated upon the happening of any one of the following events:

a. ninety (90) days after the disposition of all of the Lands; or

b. by written agreement of Qualico and the City for whatever reason; or

c. on December 31, 2022 or such later date that is mutually acceptable to Qualico and the City; or

d. Qualico, after making an application for rezoning and subdivision of any part of the Lands or a Phase thereof, determines that the conditions of development imposed by the approving authority of the City are such that in Qualico's opinion the financial return does not justify proceeding with further development of the Lands.

Upon the termination of this Agreement arising from any of the events described above, the Unsold Lots shall be sold and any other assets of the Joint Venture excluding the undeveloped Lands shall be realized and the proceeds therefrom shall be deposited

into the River Park South Joint Venture Bank Account for distribution in accordance with the provisions of subparagraph 6(o) hereof.

11. **FRUSTRATION OF CONTRACT**

If this Agreement is frustrated because of a Force Majeure event, then either Qualico or the City may terminate this Agreement by giving written notice of termination to the other party. Following the notice of termination, the Unsold Lots shall be sold and any other assets of the Joint Venture excluding the undeveloped Lands shall be realized and the proceeds therefrom shall be deposited into the River Park South Joint Venture Bank Account for distribution in accordance with the provisions of subparagraph 6(o) hereof.

13. **GENERAL CONDITIONS**

(a) **Time of Essence**

Time shall be of the essence of this Agreement and every part hereof.

(b) **Notices**

All notices, requests, demands, or other communications by the terms hereof required or permitted to be given by one Joint Venturer to another shall, unless otherwise specifically provided for herein, be given in writing and be personally served or posted by registered mail, postage prepaid, addressed to such other Joint Venturer or delivered to such other Joint Venturer as follows:

To the City:

The City of Winnipeg
Planning, Property and Development Department
3rd Floor, 65 Garry Street
WINNIPEG, Manitoba

R3C 4K4
Attention: **Deepak Joshi, Director Planning, Property and Development**

To Qualico:

Qualico Developments (Winnipeg) Ltd.
One Dr. David Friesen Drive
WINNIPEG, Manitoba
R3X OG8
Attention: **Eric Vogan, Land Development Manager**

Any notice, request, demand or other communication given by mail as aforesaid and posted anywhere in the Province of Manitoba shall be deemed to have been received on the third business day following the posting thereof, except during times of disruption of normal postal service, in which case, any such notice, request, demand or other communication shall be deemed to have been received upon actual receipt thereof.

(c) **Assignment**

This Agreement shall not be assigned by Qualico except with the express written consent of the Standing Policy Committee on Property and Development for the City. This Agreement shall not be assigned by the City except with the express written consent of Qualico. Either party may withhold its consent in its absolute discretion.

(d) **Funds**

All capital investments and all references to funds herein shall be in Canadian currency, and all books, records and accounts shall be maintained in Canadian dollars.

(e) **Further Acts**

The Joint Venturers and each of them hereby covenant and agree to do such things, to attend such meetings and to execute such further documents, agreements, and assurances as may be deemed necessary or advisable from time to time in order to carry out the terms and conditions of this Agreement in accordance with their true intent.

(f) **Successors and Assigns**

This Agreement shall be binding upon and enure to the benefit of the parties thereto and their respective successors and permitted assigns.

(g) **Jurisdiction**

This Agreement shall be governed by and interpreted according to the laws of the Province of Manitoba.

(h) **Whole Agreement**

This Agreement constitutes and expresses the whole arrangement between the parties hereto. It is understood and agreed that there are no covenants, warranties, guarantees, promises or agreements (verbal or otherwise) between the parties other than those contained herein.

(i) **Amendments**

This Agreement shall not be amended except by an instrument in writing executed by the parties hereto.

(j) **Severability**

If any paragraph, subparagraph, clause or phrase of this Agreement is, for any reason, held to be invalid by the decision of any Court of competent jurisdiction, then the invalid portion shall be severed and the portion hereof that is declared

invalid shall not affect the validity of the remainder hereof.

(k) **Indemnification of the City**

Qualico shall indemnify and save harmless the City from all claims, actions, damages, liabilities and expenses for any breach, violation, default or nonperformance by Qualico of any term, covenant or obligation of Qualico under this Agreement.

(l) **Bank Account, Transfers of Land and Discharges of Mortgages**

A bank account shall be maintained on behalf of the Joint Venture. The bank account shall be kept in the name of "River Park South Joint Venture Bank Account". All monies received in respect of the development and sale of all or any part of the

Lands from time to time on account of the business of the Joint Venture shall be deposited immediately into the bank account. All disbursements as provided in subparagraph 6(o) hereof, shall be made by cheque on such account.

The signing authorities for the River Park South Joint Venture Bank Account and for transfers of land and discharges of mortgages relating to the Lands shall be any two authorized signing officers of Qualico.

IN WITNESS WHEREOF the parties hereto have caused this document to be executed on the day and year first above written.

QUALICO DEVELOPMENTS (WINNIPEG) LTD.

_____

Per: Vice-President

_____

Per: Assistant Secretary

THE CITY OF WINNIPEG

Per: _____
Director, Planning, Property and Development

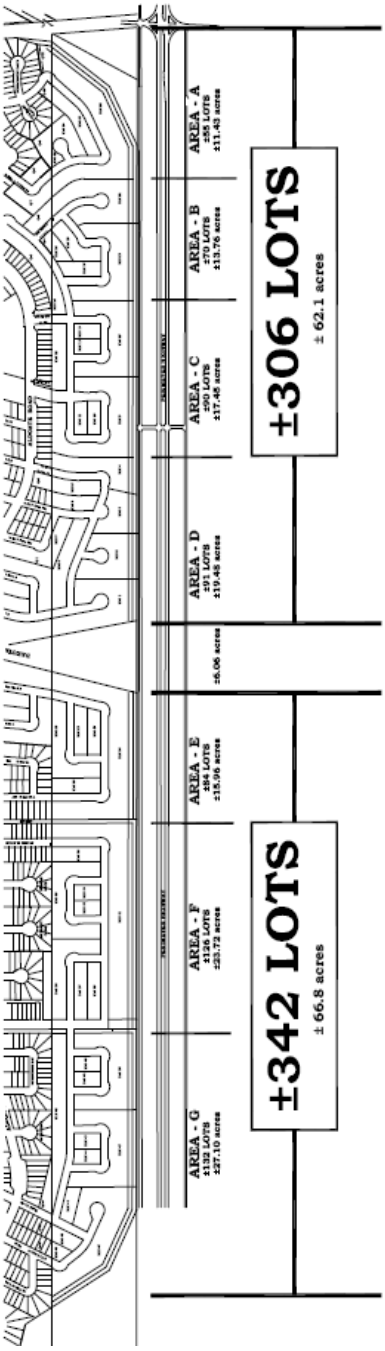
CERTIFIED AS TO FORM:

for City Solicitor

APPROVED AS TO DETAILS:

Director, Planning, Property and Development

This is Schedule "A" attached to and forming part of an Agreement in writing, made the _____ day of _____, 2010 between The City of Winnipeg, hereinafter referred to as the "City", of the first part and Qualico Development Company as Managing Partner of Qualico Development Partnership, hereinafter referred to as "Qualico", of the second part.



JOINT VENTURE PROPOSAL

RIVER PARK SOUTH

November, 2010

Presented by:

Qualico Communities
One Dr. David Friesen Drive
Winnipeg, Manitoba
R3X OG8

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Introduction

Qualico Communities is pleased to present a proposal to the City of Winnipeg for a joint venture development of City Lands directly south of the existing community of River Park South.



The following proposal highlights the background and experience of our company, provides an overview of the joint venture and development program, and includes financial proformas for your consideration.

Executive Summary

Qualico Communities has been instrumental in the development of River Park South since the mid-1970s. Since our first application in 1975, River Park South has grown to include several thousand homes, hundreds of apartments and condominiums, one hundred and fifty acres of park with several miles of trails, nine school sites and a central neighbourhood shopping centre. River Park South would rank among the largest and most successful neighbourhoods in Winnipeg.

Qualico and the City of Winnipeg have had ongoing discussions over the last 10 years regarding the joint development of lands adjacent to River Park South. The City of Winnipeg has now finalized the expropriation, and has attained full control of these lands. Accordingly, the City of Winnipeg is now in a position to entertain a joint venture.



We propose that the City of Winnipeg and Qualico come together in a joint venture to develop the approximately 135 acres of land located within the area bounded by the existing community of River Park South to the north, the Perimeter Highway to the south, St. Anne's Road to the east, and St. Mary's Road to the west, hereinafter referred to as the "City Lands".

As the majority of Qualico's land in the area is already developed, we would propose that Qualico purchase a one-half interest in the City Lands, and enter into a joint venture with the City of Winnipeg. Qualico is prepared to offer a purchase price of Four Million, Seventy Four Thousand ($4,074,000.00) Dollars for a one-half interest in the City Lands.

The City of Winnipeg would benefit, firstly, from the immediate sale of the one-half interest to Qualico in the City Lands and, secondly, from development profits as they occur over the next seven to ten years.

This proposal will integrate the City Lands into the existing neighbourhood of River Park South, and offer a variety of lot types in a neighbourhood already complete with retention lakes, transit service, schools, parks, a community centre and other amenities.

Qualico is the best choice as a joint venture partner for the City Lands in this area. We have proven our success in orchestrating a group of participating builders that have the ability to create lot sales and successful home completions at prices and rates that are the envy of other areas and developers in the City. In addition, Qualico's track record and reputation with the residents of River Park South makes us the obvious choice as the developer in the area.



We also believe that the City of Winnipeg will obtain maximum value for its land holding through the sale of a one-half interest to Qualico and subsequent joint venture to develop the City Lands. Preliminary financial projections generated through a project proforma indicate that the City would receive total net revenues of $12.5 million over 10 years in conjunction with the joint venture.

Background and Experience of the Developer

Qualico Communities has a very strong record in land development in Western Canada having delivered over 4,500 lots to home builders in the last three years alone, with nearly 30% of these lots being located in Winnipeg.

Qualico has been a leader in the development of master planned communities. These developments provide a variety of housing and price ranges with features such as wetlands, lakes, playgrounds, trails, walking and cycling paths and parks. By considering the future service requirements of the community, opportunities are also created for commercial development. It is our objective to create communities with superior value in the eyes of the consumer.

River Park South is only one of the many master planned communities developed by Qualico in Winnipeg. Other communities by Qualico include Sage Creek in South St. Boniface, All Seasons Estates in North Kildonan; Waverley Heights and Whyte Ridge in Fort Garry; River Pointe in St. Vital, and Harbourview South and Eaglemere in East Kildonan. In addition, Qualico has developed a number of residential communities outside of Winnipeg including Assiniboine Landing in Headingley, together with Glengarry West and Pritchard Farm Southlands in East St. Paul.



Qualico is a fully integrated privately owned real estate development company with operations in Calgary, Edmonton, and Vancouver as well as Winnipeg. Over the past three years, in excess of 6,300 families have chosen Qualico and its related companies – single family homes, apartments, and ground oriented condominiums. The company is also involved in development of commercial properties ranging from downtown office towers to community and neighborhood shopping centers to industrial subdivisions and operates thriving building materials sales and manufacturing enterprises.

With a sixty year history in real estate development, Qualico has both the financial strength and necessary resources to be a strong manager for the proposed venture.

Although land development is an inherently risky business, dependent upon the strength of the economy, household formation and such vagaries as consumer confidence and interest rates, Qualico mitigates these risks through appropriate phasing, and working with builders whose on-going presence and participation serves to reduce development risk and broaden demand. Qualico remains active in marketing the neighbourhood and administering architectural control to ensure homeowners' investments are protected.

Overview of River Park South Community

River Park South encompasses 8.2 square kilometers within the southeast quadrant of Winnipeg, approximately 1.8% of the total area of the City of Winnipeg. Qualico's first development agreement for River Park South was applied for in 1975, becoming AG 5/75. Subsequent major agreements included AG 12/82, 31/84 and 56/85.



The People of River Park South

Statistics Canada splits the River Park South area into the census tracts of River Park South and Dakota Crossing. The 2006 Census data provides the following demographic information:

Population: 21,080 people in River Park South

81.7% of the people are under the age of 55, compared to 75.5% for the City of Winnipeg overall.

46.6% of the people are between the ages of 25 to 55, compared to 43.5% for the City of Winnipeg overall.

Family Size: 80.2% of families in River Park South are married couples with an average of 2.8 people per household, compared to 69.5% for the City of Winnipeg overall with an average of 2.4 people per household.

Income: The average family income in River Park South is $89,645; compared to the average for the City of Winnipeg of $75,664.

In general, River Park South residents are both younger and more affluent than averages would indicate for the City. This type of demographic profile holds strong appeal for the first-time homebuyer. In addition, the move-up market of second and third homebuyers further fuels demand.

The total number of single-family homes in River Park South to date is as follows:

	Single-Family Homes
As of June 1, 2006 (Statistics Canada Census Data)	5,325
November 2005 to September 30, 2010 (City Permit Data)	420
As of September 30, 2010	5,745

Our proposal will provide approximately 648 additional homesites for single-family homes in the community of River Park South.

Features and Services of River Park South

Parks

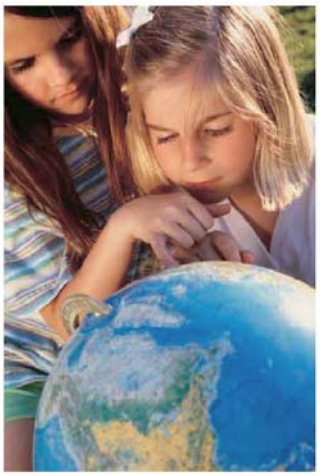
Qualico has dedicated over 100 acres of park in River Park South including a contribution to a significant portion of the large park adjacent to the Dakota Community Centre which in itself is in excess of 50 acres.

In addition to park development, Qualico has developed a network of pathways throughout the lake system and south to the subject lands. Improvements include paved walk, sodding and tree planting.

Schools

All nine existing school sites are adjacent to major park areas allowing easy access to recreation areas by students and the general population alike. There are currently eight schools open in River Park South, with a ninth site under option at Kamberwell and Aldgate.

Schools in River Park South have benefited from Qualico's willingness to be flexible in granting School Board options and other ventures with the community and the School Board such as landscaping, playing field amenities and play structure equipment. Indeed Qualico has developed much good will within the River Park South community through its relationships with community groups.



Recreation

One of the proudest achievements of the River Park South community is the Dakota Community Centre. This Community Centre, boasting enrollments of over 1,000 children in such sports as hockey, soccer and baseball, is the envy of most neighbourhoods in the City, comprising two indoor arenas, meeting rooms and a gymnasium. This Community Centre is a professionally managed facility that bustles with activity from dawn until past dusk. The area also boasts a water park and indoor and outdoor lawn bowling.



Since the late 1980's, Qualico and the participating builders of River Park South have shared in contributing $100 each to the Dakota Community Centre for every home sold in the area. The impact of this voluntary program is significant – as at October 2010, over $229,000 has been contributed to the Dakota Community Centre from the developer and the participating builders of River Park South.

Shopping

The St. Vital Shopping Centre now provides over 140 stores for convenient shopping for residents of River Park South. Commercial development within the community is strategically located to provide easy access for residents with minimal impact on the adjacent residents.

River Park Village offers a variety of neighbourhood services within the community.



In addition to the shopping amenities available in the area, River Park South boasts a Firehall and a Library.

Marketing

Product

River Park South offers a wide variety of home styles including everything from lakeside homes to single-family homes to apartments and condominiums. As the developer of River Park South, Qualico has attempted to integrate a number of housing choices in order to ensure that people are able to remain within the community as their housing needs change.

Participating Builders

Many of Winnipeg's largest and best builders, such as Qualico Homes, Randall Homes, Broadview Homes, Arlt Homes, Hearth Homes, Foxridge Homes and Sterling Homes have provided award-winning designs in a variety of styles, sizes and prices in River Park South. In addition, Qualico Communities regularly offered lots to custom builders.



Architectural Guidelines

Qualico Communities administered architectural guidelines within River Park South in order to ensure the highest standards of control. These guidelines helped to maintain consistent property values for homeowners and ensure that new areas provided superior visual appeal.

Summary of Marketing and Product Quality

As the developer of River Park South, Qualico was successful in meeting the demands of the various markets within this quadrant of Winnipeg. Strong markets were established for homes on large lots and small lots. Periodic offerings for custom builders and specialty segments were also well received. The result is a community that offers its residents great texture and its developer a broad market.

Highlights of Joint Venture Proposal

We propose a joint venture with the City because it is apparent that the City in the past has chosen the higher risks and rewards of joint venture participation over the yields from straight sale of the parcel of land. Furthermore, Qualico is the obvious partner because we have been integral to the building of River Park South since the mid-1970's, and have planned for and installed the infrastructure necessary to bring this final phase of River Park South to fruition.

Qualico and the City of Winnipeg have had ongoing discussions over the last 10 years regarding the joint development of the City Lands. The City of Winnipeg has confirmed finalization of the expropriation of the City Lands, and the acquisition of the one-half interest owned by the Province of Manitoba in the City Lands. Accordingly, the City of Winnipeg is now in a position to entertain a joint venture.

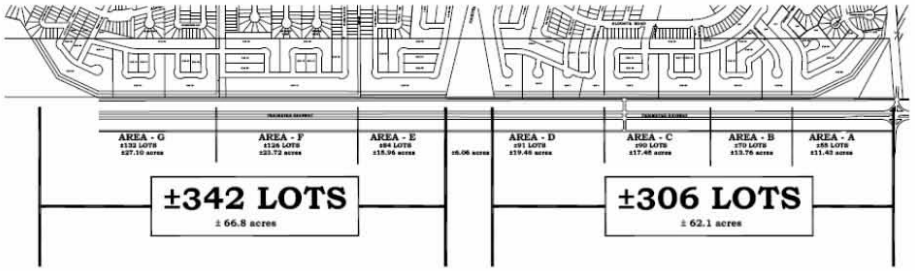
As the majority of Qualico's land in the area is already developed, we would propose that Qualico purchase a one-half interest in the City Lands and enter into a joint venture with the City of Winnipeg to develop the lands generally in accordance with this proposal.

The City of Winnipeg would benefit, firstly, from the immediate sale of the one-half interest to Qualico in the City owned land and, secondly, from development profits as they occur over the next seven to ten years.

Qualico, as manager, would recommend and supervise on-site development, marketing and sales and would also provide regular financial reports and cash flow management. Qualico would represent the joint venture in all applications and negotiations with the various administrative agencies of the City relating to the development approval process of the joint venture.

The Lands

The reader is directed to the map included in the addenda (Joint Venture Development Map) which illustrate areas and phasing of development as described in the proposal.



The lands to be included in the joint venture will include the approximately 135 acres of land located within the area bounded by the existing community of River Park South to the north, the Perimeter Highway to the south, St. Anne's Road to the east, and St. Mary's Road to the west. The City of Winnipeg presently holds title to the properties under Certificate of Title Number 2313308, subject to utility easements.

The Development Team

Qualico Communities will work with the following consultants on this joint venture:

Engineering – Genivar Engineering

Landscape Planning – David Wagner Associates Inc.

Marketing – Cordray Mustard Media Services Inc.

The expertise of these consultants has assisted in the success of the existing development within River Park South, and they have been intimately involved with the project for more than twenty years.

In addition, the Qualico Communities team provides strong planning, marketing and project management expertise to ensure a quality product is delivered and marketed to the public.

Market Analysis

Lot Prices

The sales activity of residential lots in the River Park South neighbourhood is summarized in the following table:

Residential Lot Sales History – River Park South (2002 to 2009)

	2002	2003	2004	2005	2006	2007	2008	2009
Lots Sold	130	153	197	176	150	149	66	27
Average Price per Lot	$35,997	$36,021	$41,343	$54,651	$68,246	$81,370	$90,688	$90,715
Average Price per FF	$845	$881	$993	$1,175	$1,591	$1,901	$2,056	$2,168

Source: Qualico Communities

Historical volume and price trends have been considered in the forecasting of sales and absorption rates that are presented in the Financial Proforma scenarios included in this report.

We anticipate a rate of 70 to 80 lot sales per year once momentum in the market is re-established.

Residential Resale Market

Resale Market – Single Family Dwellings

Strong demand for housing in River Park South continues to outperform the overall Winnipeg market. In general, price growth and marketing periods are superior to overall city averages.

New Construction

Historically, River Park South has been a leader as a source of new home sales in Winnipeg. During the period of 2001 to 2007, the community regularly captured 9% to 14% of the annual residential construction activity.

Residential New Construction – River Park South versus Winnipeg Overall (2001 to 2009)

Permits	2001	2002	2003	2004	2005	2006	2007	2008	2009
River Park South	95	111	186	203	178	137	132	90	49
Total Winnipeg	937	1,212	1,319	1,488	1,472	1,358	1,360	1,393	1,182
% of Total	10.1%	9.2%	14.1%	13.6%	12.1%	10.1%	9.7%	6.5%	4.1%

Source: City of Winnipeg

Development Program

Proposed Joint Venture

Phasing

The proposed joint venture development comprises 648 single-family lots based on an average width of 42'. In order to provide variety in housing product, the actual lot widths may vary from 40' to 50' in width.

Medium Market Segment

For developing this area, we propose a continuation of our previous strategy in River Park South. We would employ a show home village comprising four builders to target the value oriented double garage home. Builders such as Broadview, Qualico, Randall and Kensington would offer designs varying from 1,200 square feet to over 2,000 square feet on lots having a frontage of 44' or less. This market can be expected to produce 70% to 80% of our starts in any one year.

Luxury Market Segment

In addition to offering medium market lots as the exclusive territory for participating builders, we would also market larger lots for luxury and custom homes in a separate area. We would employ a higher level of architectural control and an increased level of finish on the streetscape within this luxury market segment. We can count on the luxury and custom lot sales to provide the other 20% to 30% of our expected starts in any one year.

We have planned our phase sizes in anticipation of demand at approximately 70 to 80 lots per year, with a possible increase depending on our ability to develop the luxury and custom market. Our projections reflect the challenge of re-establishing River Park South as a new home market, while offering a reduced variety of home sites located in close proximity to the Perimeter Highway.

Timeline

In order to be servicing in the summer of 2011, we should complete the approval process in the spring of 2011. This timing would allow builders to obtain permits by the fall of 2011. We would need to know of the City's intentions to finalize the venture well in advance of that in order to complete all necessary zoning and subdivision applications.

It is projected that full development of the City Lands contained within the joint venture would take 7 to 10 years.

Financial Proforma

The reader is directed to financial proforma schedules that are included in the addendum. The following information can be derived from these schedules.

Joint Venture Sales

- Based on projected absorption of approximately 70 lots per year, total joint venture lot inventory is sold over a 9 year period (2011 to 2019).
- Projected volumes are based on historical sales and building permit activity in River Park South.

Revenues

- Maximum joint venture lot sale revenues are generated in years 4 through 9 (2014 – 2019).
- Total revenues from land sales projected at $57.6 million over 10 years.

Servicing Costs

- Servicing cost projections were developed by Genivar Engineering.
- Costs are projected to total $25 million over a 10 year period.

Periodic Costs

- Annual property taxes are projected at 4% of value of serviced lot inventory and raw land holdings.
- Marketing costs are projected at 3.0% of lot revenue.
- Management costs are projected at 6.5% of lot revenue.

Net Cash Flow

- Total net cash flows of $24.9 million are realized for the project over a 10 year period.
- Net cash flow of $12.5 million to be realized by each venturer over the 10 year period.
- Cash flow maximized in year seven (7). Negative cash flow in year 1 due to projected servicing outflow peak, and delay in payout of serviced lots.

Financial Proforma Schedules

- Schedule 1 Sales and Revenue Projection
- Schedule 2 Cash Flow Summary

Schedule 1 - River Park South City Lands

Sales and Revenue Summary (in $1,000)

As at November, 2010

			2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
OPENING INVENTORY			0	0	82	17	63	72	83	98	23	18	
LOTS SERVICED													-
Stage 'G'		132		132									132
Stage 'F'		126				126							126
Stage 'E'		84					84						84
Stage 'D'		91						91					91
Stage 'C'		90							90				90
Stage 'B'		70									70		70
Stage 'A'		55										55	55
TOTAL LOTS SERVICED		648	0	132	0	126	84	91	90	0	70	55	648
LOT SALES													-
Stage	***Block***	***FF***	***Lots***										
G	39	972.0	23			16	7						23
G	40	204.0	5				5						5
G	41	204.0	5			5							5
G	42	1,062.0	25		10	10	5						25
G	43	204.0	5			5							5
G	44	204.0	5			5							5
G	45	1,003.0	24			24							24
G	46	255.0	6		6								6
G	47	1,146.0	27		27								27
G	48	215.0	5		5								5
G	49	103.0	2		2								2
F	31	1,840.0	44				23	21					44
F	32	378.0	9					9					9
F	33	974.0	23					23					23
F	34	204.0	5					5					5
F	35	204.0	5					5					5
F	36	803.0	20				20						20
F	37	421.0	10				10						10
F	38	431.0	10				10						10
E	26	1,717.0	41					12	29				41
E	27	336.0	8						8				8
E	28	358.0	8						8				8
E	29	776.0	18						18				18
E	30	379.0	9						9				9
D	1	882.0	20						20				20
D	2	552.0	12						12				12
D	3	290.0	6						6				6
D	4	609.0	14						14				14
D	5	390.0	9						9				9
D	6	326.0	7					2	5				7
D	7	260.0	6					6					6
D	8	680.0	17						9	8			17
C	9	1,402.0	32							32			32
C	10	250.0	6							6			6
C	11	247.0	6							6			6
C	12	503.0	12							6	6		12
C	13	206.0	5							5			5
C	14	206.0	5								5		5
C	15	983.0	24							12	12		24
B	16	157.0	4								4		4
B	17	299.0	7								7		7
B	18	137.0	3								3		3
B	19	441.0	10								10		10
B	20	936.0	22								22		22
B	21	1,008.0	24								6	18	24
A	22	1,394.0	34									34	34
A	23	531.0	13									13	13
A	24	303.0	7									7	7
A	25	54.0	1									1	1
TOTAL LOT SALES		27,439.0	648	0	50	65	80	75	80	75	75	75	73	648
CLOSING LOT INVENTORY				0	82	17	63	72	83	98	23	18	0	
SALES REVENUE	$88,923 @ $2,100/f.f.				$4,446	$5,780	$7,114	$6,669	$7,114	$6,669	$6,669	$6,669	$6,491	$57,622

Schedule 2 - River Park South City Lands

Cash Flow Summary (in $1,000)

Source: Genivar August 18, 2008

	Notes	TOTALS	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Lots Delivered:														
Stage 'G'		132		132										
Stage 'F'		126				126								
Stage 'E'		84					84							
Stage 'D'		91						91						
Stage 'C'		90							90					
Stage 'B'		70									70			
Stage 'A'		55										55		
TOTAL POTENTIAL LOTS		648	648	516	516	390	306	215	125	125	55	0	0	0
TOTAL LOTS SERVICED														
- Units		648	0	132	0	126	84	91	90	0	70	55		
- Acres	(1)	134.96	6.06	27.10	0.00	23.72	15.96	19.48	17.45	0.00	13.76	11.43	0.00	0.00
TOTAL LOT SALES														
- Units	(2)	648	0	50	65	80	75	80	75	75	75	73		
LOT INVENTORY			0	82	17	63	72	83	98	23	18	0	0	0
REVENUE														
Lot Price @ $2,100/FF	$ 88,923													
- Cash in - Deposits	10%	$ 8,643	-	667	867	1,067	1,000	1,067	1,000	1,000	1,000	974	-	-
- Receivable				3,779	4,913	6,047	5,669	6,047	5,669	5,669	5,669	5,518	-	-
- Cash in - Payouts	35%	$ 48,979		-	3,779	4,913	6,047	5,669	6,047	5,669	5,669	5,669	5,518	-
TOTAL LOT REVENUE		$ 57,622	-	667	4,646	5,980	7,047	6,736	7,047	6,669	6,669	6,643	5,518	-
EXPENDITURES														
Stage 'G'		$ 5,058		3,540	1,012	506								
Stage 'F'		$ 5,035				3,525	1,007	504						
Stage 'E'		$ 3,032					2,122	606	303					
Stage 'D'		$ 3,570						2,499	714	357				
Stage 'C'		$ 3,941							2,759	788	394			
Stage 'B'		$ 2,590									1,813	518	259	
Stage 'A'		$ 1,936										1,355	387	194
- Total Servicing (inc. Offsite costs)	(3)	$ 25,161	-	3,540	1,012	4,030	3,129	3,609	3,776	1,145	2,207	1,873	646	194
- Management Fees	6.5%	(4) $ 3,745		43	302	389	458	438	458	433	433	432	359	-
- Marketing	3.0%	(4) $ 1,729		20	139	179	211	202	211	200	200	199	166	-
- Taxes	4.0%	(5) $ 2,022		383	152	293	311	333	371	104	74	-	-	-
TOTAL EXPENDITURES		$ 32,657	$ -	$ 3,987	$ 1,605	$ 4,892	$ 4,109	$ 4,582	$ 4,816	$ 1,883	$ 2,915	$ 2,504	$ 1,170	$ 194
NET CASH FLOW		$ 24,965	$ -	$ (3,320)	$ 3,041	$ 1,088	$ 2,938	$ 2,154	$ 2,231	$ 4,786	$ 3,755	$ 4,138	$ 4,347	$ (194)
CUMULATIVE CASH FLOW			$ -	$ (3,320)	$ (279)	$ 809	$ 3,747	$ 5,900	$ 8,131	$ 12,918	$ 16,672	$ 20,811	$ 25,158	$ 24,965
Net Cash Flow @ 50% each		$ 12,482	$ -	$ (3,660)	$ 1,521	$ 544	$ 1,469	$ 1,077	$ 1,115	$ 2,393	$ 1,877	$ 2,069	$ 2,174	$ (97)

(1) Gross acres including 8.06 acres to be dedicated for Dakota right-of-way

(2) Historical permits in River Park South range from 200 in 2004 to 90 in 2008

(3) Offsite costs totalling $8,456,415 include the following:

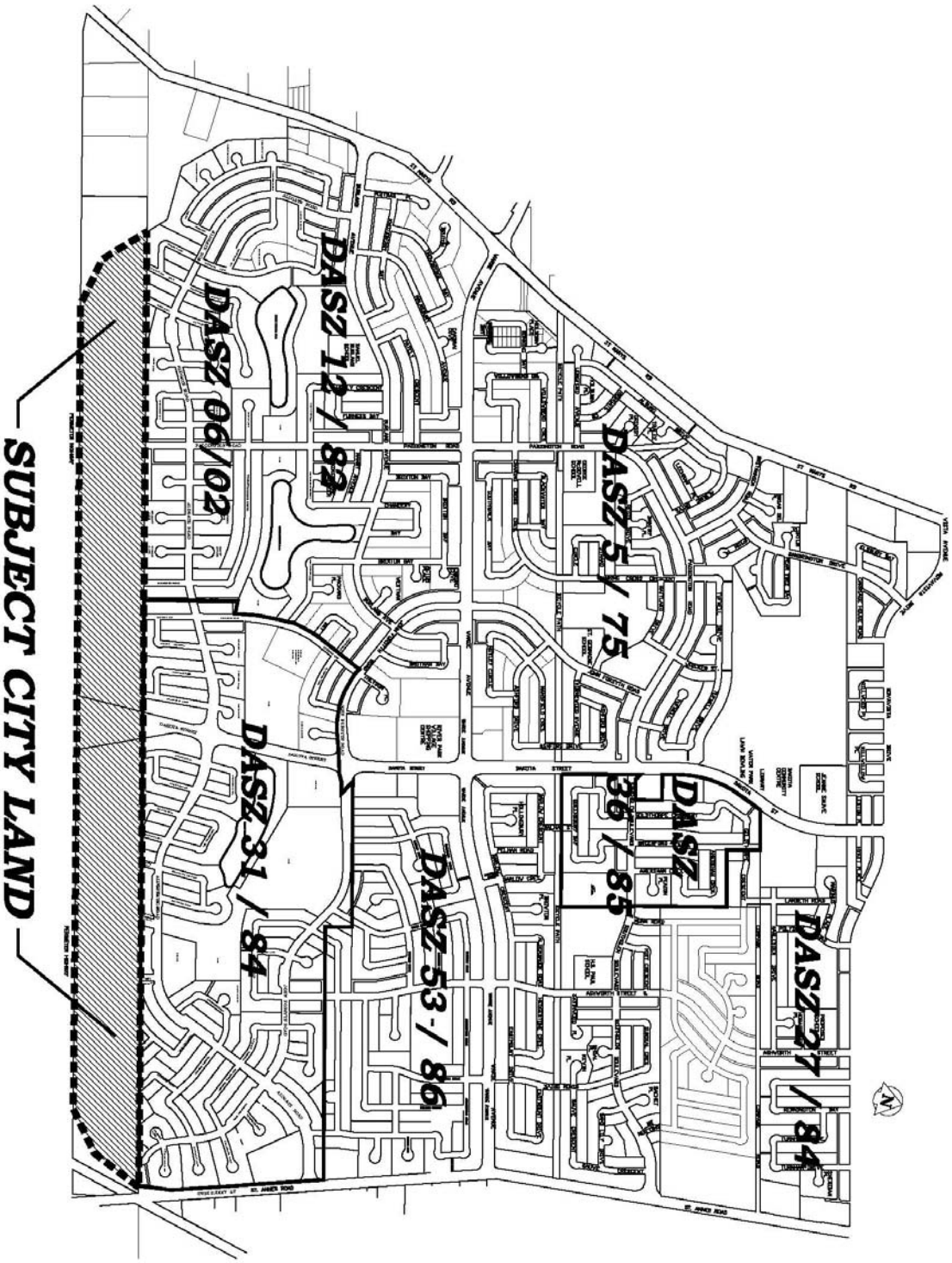
$ 1,288,900	- Cash-in-lieu of dedication for 10.31 acres and improvements to trail/parks
$ 2,039,423	- Berm construction, landscaping and fencing
$ 478,135	- Dakota Street from south limit of AG 31/04 to PTH 100
$ 2,125,773	- TSR Charges (St. Marys and Snine River System) based on 2009 rates
$ 2,404,902	- Offsite contributions based on historical costs only.
$ 119,282	- Future offsites payable based on 2009 dollars
$ 8,456,415	

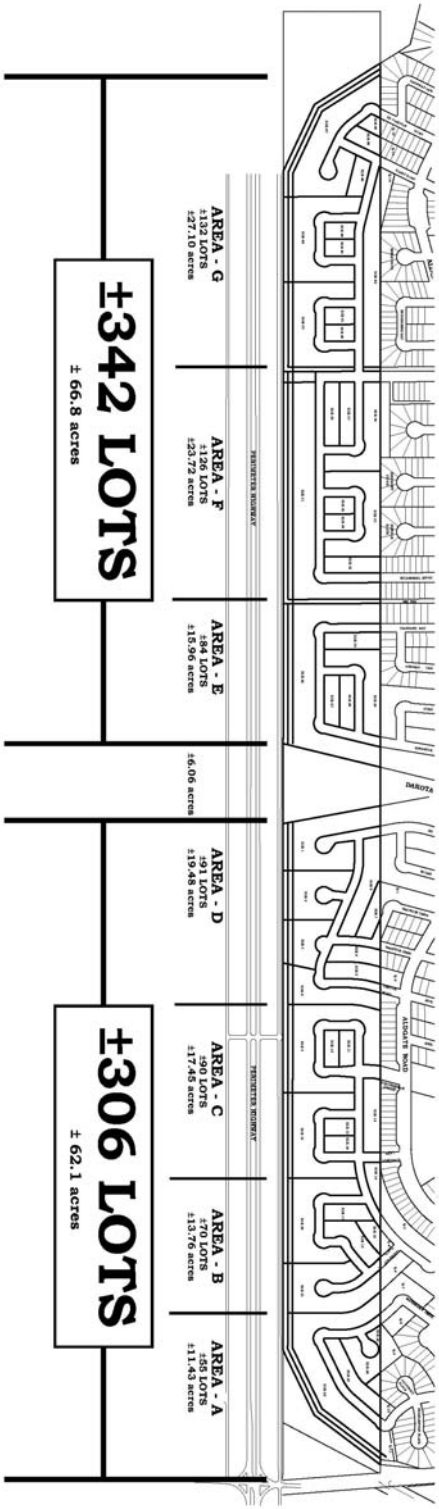
(4) Percentage of Lot Revenue

(5) Percentage of value of serviced lot inventory and raw land holdings

Maps

- City Lands for Proposed Joint Venture
- Joint Venture Development Map


SUBJECT CITY LAND
DASZ 06/02
DASZ 17 / 82
DASZ 5 / 75
DASZ 31 / 84
DASZ 53 / 86
DASZ 36 / 85
DASZ 27 / 84


±342 LOTS
± 66.8 acres
±306 LOTS
± 62.1 acres
AREA - G
±132 LOTS
±27.10 acres
AREA - F
±126 LOTS
±23.72 acres
AREA - E
±84 LOTS
±15.96 acres
±6.06 acres
AREA - D
±91 LOTS
±19.48 acres
AREA - C
±90 LOTS
±17.45 acres
AREA - B
±70 LOTS
±13.76 acres
AREA - A
±55 LOTS
±11.43 acres
PERIMETER HIGHWAY
PERIMETER HIGHWAY
ALDGATE ROAD