

NORTH PORTAGE
DEVELOPMENT CORPORATION

Approval of Purchase and Sale Agreement

Portage Place land lease and Portage Place parking

Background

Unanimous Shareholders Agreements

the Shareholders, in addition to the chairperson's remuneration as a director.

5:08 Shareholders to Facilitate Redevelopment

So far as it legally can and may, each of the Shareholders agrees to do all such acts and things as may be within its control and which may be necessary or desirable to permit or facilitate the redevelopment of the North Portage Area by NPDC, the redevelopment of the Forks Areas by FRC and the completion of any Future Plans by NPDC.

Taylor McCaffrey
03/28/96
PortageAmal\USA12acl

7:11 Counterparts

This Agreement may be executed in any number of counterparts with the same effect as if all parties hereto had all signed the same document. All counterparts shall be construed together and shall constitute one and the same agreement.

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

THE CITY OF WINNIPEG
By:
Mayor
City Clerk

THE PROVINCE OF MANITOBA
By:
Minister of Urban Affairs

THE GOVERNMENT OF CANADA
By:
Minister of
Western Economic Diversification

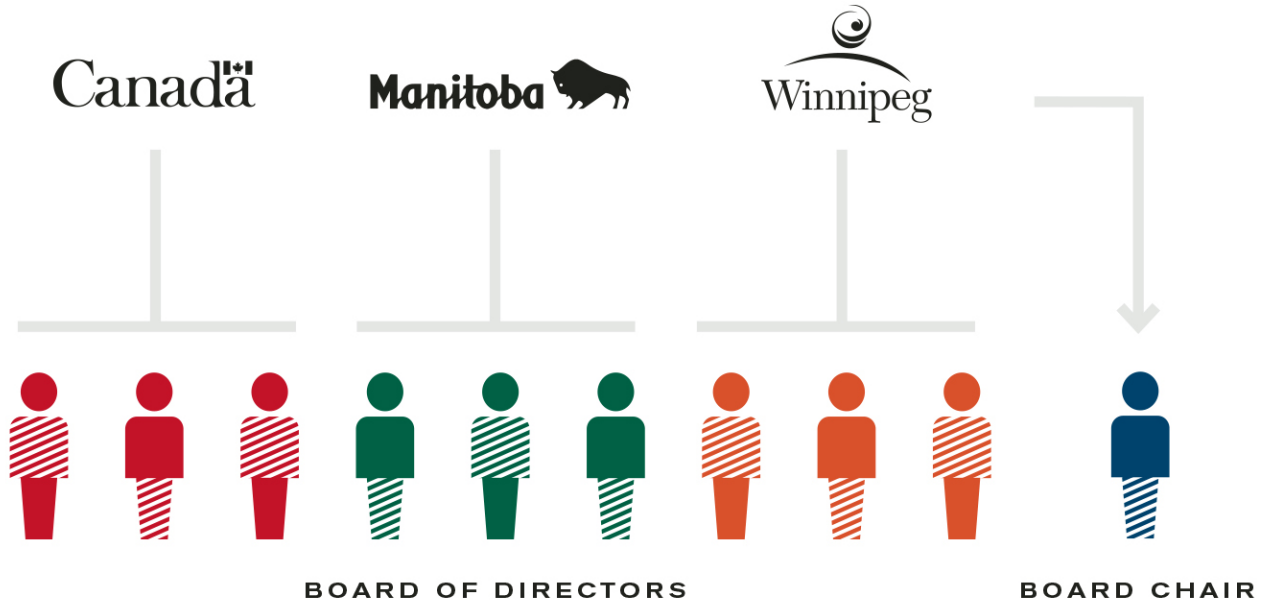
NORTH PORTAGE DEVELOPMENT CORPORATION
By:
Director
Director

THE FORKS RENEWAL CORPORATION
By:
Director
Director

Certified as to form:
for CITY SOLICITOR
File No. G.22/93(1)

Taylor McCaffrey
03/28/96
PortageAmal\USA12acl

GOVERNANCE



North Portage



North Portage shall be *a centre of commerce, culture and living, integrated to form a diverse downtown community through a mixture of public uses including: residential, commercial and institutional, recreational, educational, and entertainment facilities*.

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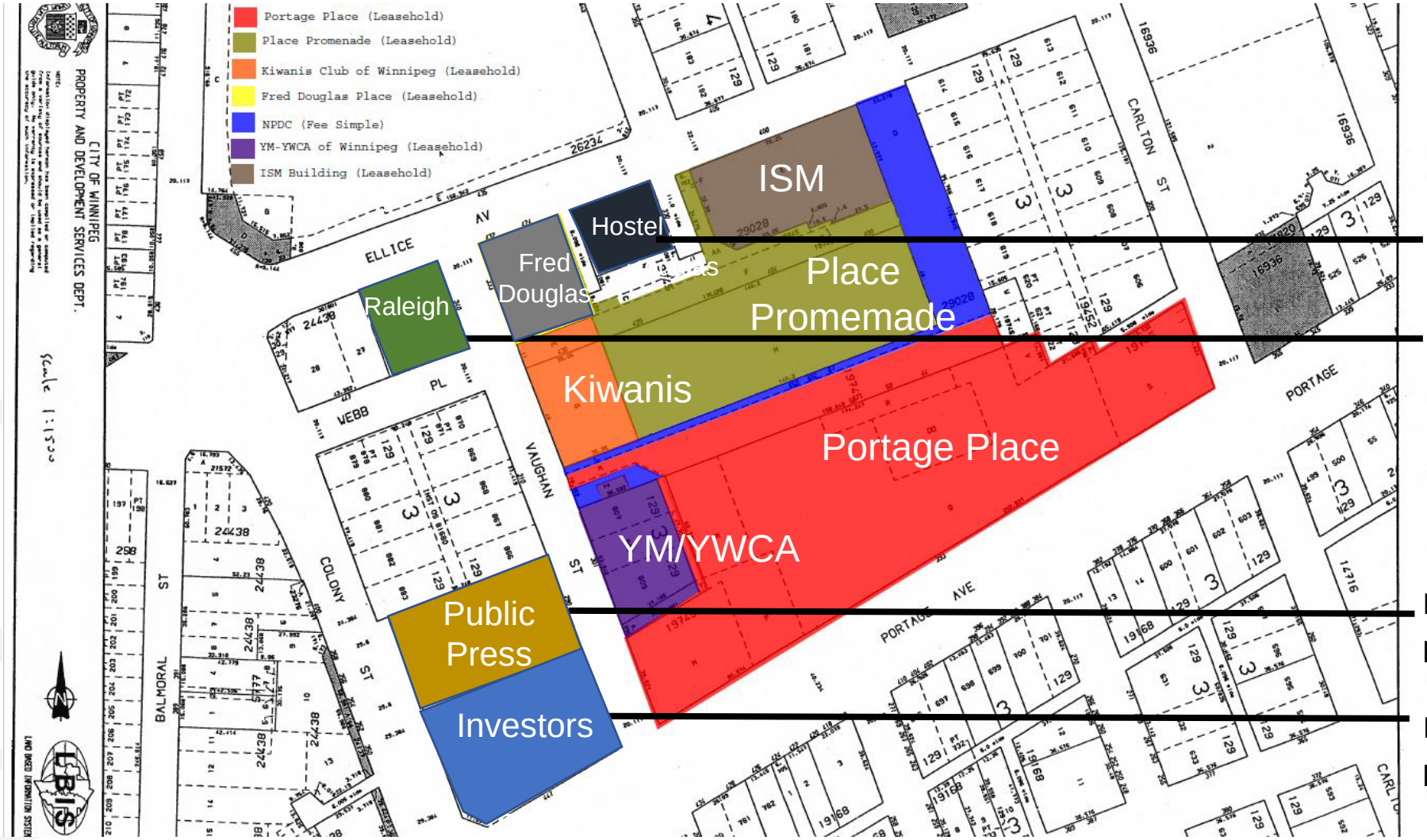

NPDC bought Gordon Downtowner – 2007 – leased to HI Hostel – sold in 2012

Raleigh – NPDC sold land in 2006

Public Press– NPDC sold land in 2002

Investors – NPDC sold land in 2006

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History of Portage Place Land lease

- Cadillac Fairview 1986 to 1995
  - Cadillac Fairview signed Ground Lease on March 14, 1986, went into receivership in March 1995

- P.P. (Portage) Holdings Inc. 1995 to 1997
  - Original debenture holders transferred their debentures to P.P. (Portage) Holdings Inc. in March 1996

- Consolidated Properties 1997-2005
  - Consolidated Properties bought the shares of P.P. (Portage) Holdings in 1997

- Spruceland/Peterson 2005-2018
  - Consolidated Properties sold their interest to Spruceland/Peterson in 2005
  - Indicated in 2015 that they are no longer interested in investing any further finances, resource, etc., in the mall. The board agreed to begin looking at a marriage of the assets.

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Shareholder Conditions

1. The Forks shall remain whole
2. The skywalks shall remain open
3. The buyer shall have a solid redevelopment plan and the capacity to deliver

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Key Dates and Decisions

- **2014** Vincenzo Barrasso approached NPDC and Spruceland/Peterson to purchase Portage Place mall and parking.
  Board decision: No sale approved due to track record of proponent

- **2015** Spruceland/Peterson indicated they are no longer interested in owning the mall or putting any funds into redevelopment
  Board decision: Begin look at feasibility of packaging land, parking, and mall for sale

- **2016** Altus Group performed analysis of the marketplace. NPDC determine sale price is sufficient for invested proceeds to equal revenue earned from the property, thereby keeping The Forks financially whole.
  Board decision: NPDC to work with Spruceland/Peterson on packaging land, parking, and mall and sell as one package

- **2016** *Board decision: NPDC join Spruceland/Peterson in putting the package on the market*

- **2018** Interest from Starlight.
  Board decision: Approves Letter of Interest from Starlight dated October 18, 2018; continue path of negotiation with Starlight, subject to shareholder approval

- **2018** Begin negotiation of Purchase and Sale Agreement

- **June 13, 2019** Board approved PSA to move on for Shareholder approval

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Why the Death of Malls Is About More Than Shopping





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New Brunswick

FEATURE

The mall is dead, long live the mall: The rise and fall of Saint John's suburban shopping meccas





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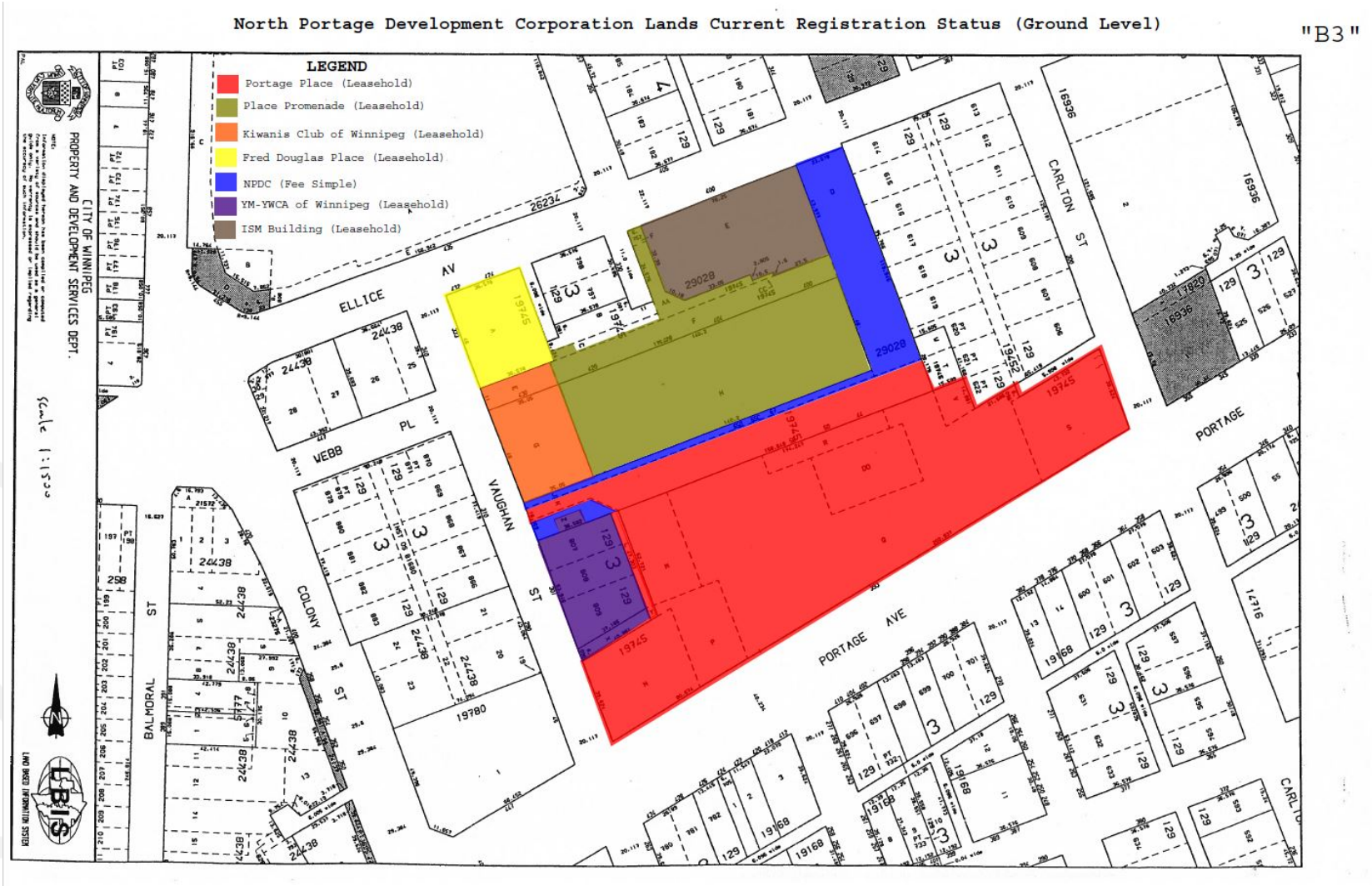
The Proponent and The Plan



What We Look Like Now

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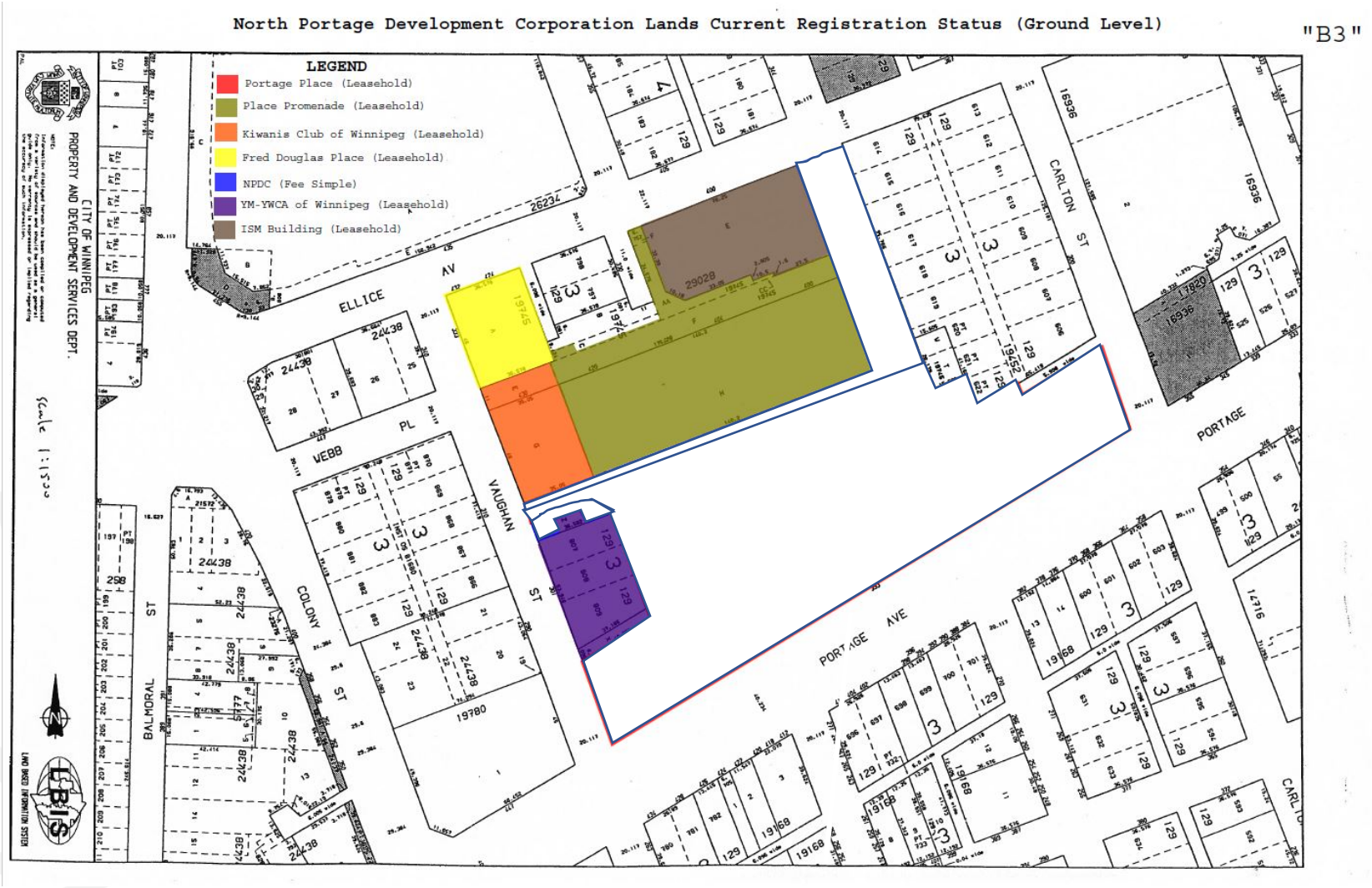

What We Would Look Like After The Proposed Sale

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Starlight Acquisitions Inc.

- A leading privately owned North American real estate investment and asset manager, with over 24 years of experience
- A focus on investment and active asset management of multi-family and commercial real estate
- Currently manages over $11.0B of assets in Canada and the US

Investment Opportunity:
Investing in Residential Real Estate to Address Dislocation

Address the supply shortfall in Canada's residential market, by creating new rental stock in several innovative ways

Invest through private, bespoke, off-market opportunities across Canada

1. Development

- Constructing residential apartments on underutilized portion (ex. parking lot) of existing real estate
- Redeveloping existing older apartment stock into higher-density rentals

2. Repurposing

- Converting other property types (ex. hotel) into upgraded rentals
- Creating new units from underused common areas and by splitting larger units

3. Unlocking Density: Real Estate Assembly

- Assembling significant real estate footprint
- Vision to redevelop into a high density mixed-use complex with rental housing, retail and office components

4. Student Centric Housing

- Improving unit quality and creating new units with focus on attracting secondary education students

Source: Starlight Prospectus

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Starlight Repurposing Portage Place
The Proposed Plan

- Starlight's plan in Winnipeg is to adapt and create a vibrant, inclusive mixed-use development with a core of purpose built rental on top of street level retail and services.
- Collaborative community, stakeholder and business consultation will follow any purchase to determine the market for rental.
- Preliminary research indicates that the area is in need of rental student housing, as is true in most urban Canadian centres.
- The project will also include street-level retail to serve the neighbourhood and any new residents in towers above the property.
- Any plan created will maintain the skywalk system through the site.

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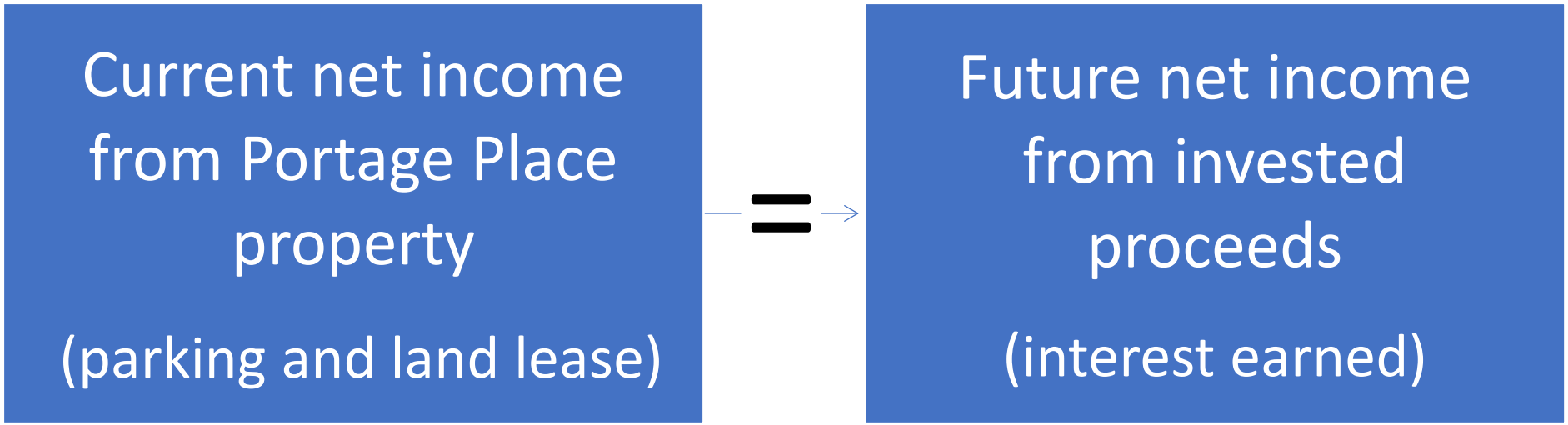
The Deal

Financial Sustainability



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Why Now?

- Peterson has indicated no interest in redevelopment of mall. It will only continue to decline.

- The price offered allows our organization to remain whole. What we currently earn from the property roughly equals what we could earn from the proceeds from the sale

- Private investment in the project is good for the community and will spur additional development in the neighbourhood.

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The Winnipeg Foundation

- We currently hold an endowment fund with the Winnipeg Foundation, the interest on which contributed to the costs of operating The Forks site (which runs at a loss of just over $4 million a year)

- The Winnipeg Foundation has indicated a return on invested funds of 4.5%, which we have used in financial analysis

- The Winnipeg Foundation is a community foundation with the following mission:

  To be a catalyst for strengthening community well being, now and for future generations, by promoting philanthropy, creating partnerships and supporting diverse charitable organizations

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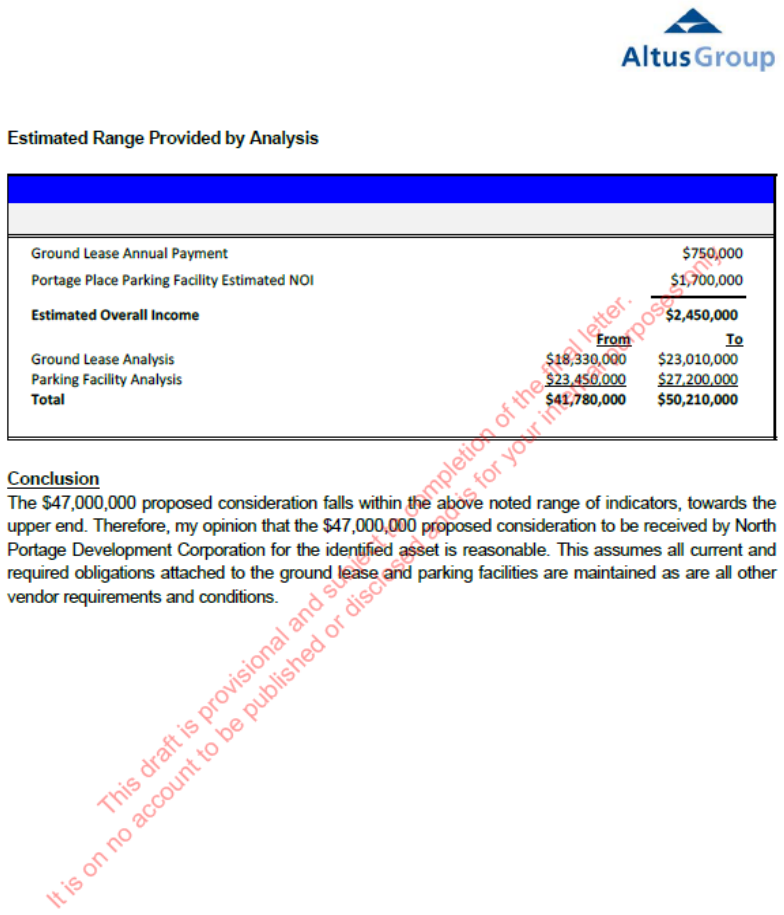
Altus Opinion of Fairness



Altus Group

Estimated Range Provided by Analysis

Ground Lease Annual Payment	$750,000
Portage Place Parking Facility Estimated NOI	$1,700,000
Estimated Overall Income	**$2,450,000**

	From	To
Ground Lease Analysis	$18,330,000	$23,010,000
Parking Facility Analysis	$23,450,000	$27,200,000
Total	**$41,780,000**	**$50,210,000**

Conclusion

The $47,000,000 proposed consideration falls within the above noted range of indicators, towards the upper end. Therefore, my opinion that the $47,000,000 proposed consideration to be received by North Portage Development Corporation for the identified asset is reasonable. This assumes all current and required obligations attached to the ground lease and parking facilities are maintained as are all other vendor requirements and conditions.

This draft is provisional and subject to completion of the final letter.
It is on no account to be published or disclosed (proposed only)

- David Atlin, Senior Vice President, Research, Valuation & Advisory Altus Group has long been advising on the valuation of Portage Place mall, land, and parking, and the fairness of related proposed transactions

- In the fall, Altus has issued and Opinion of Fairness on the deal on the table

NORTH PORTAGE DEVELOPMENT CORPORATION

Meyers Norris Penny Report

To: The Forks North Portage Partnership

Re: Financial impact of potential sale of the Portage Place land and parking

As agreed, we have performed the specific procedures in connection with The Forks North Portage Partnership's analysis of the financial impact of the potential sale of the Portage Place land and parking. The attached Schedule: Specified Auditing Procedures Findings, forms an integral part of this report and summarizes the procedures performed and our findings.

As a result of applying the attached procedures to the attached management's estimate of financial impact, we found no discrepancies. We were not engaged to, and have not performed an audit or review, and accordingly we do not express an opinion or provide negative assurance on the analysis of the potential proceeds of the sale referred to in the preceding paragraph.

Our audit of The Forks North Portage Partnership's financial statements for the year ended March 31, 2018 was not directed to the determination of assessing the financial impact of the potential sale of the Portage Place land and parking, nor have we audited the Organization's financial statements for the period subsequent to March 31, 2018.

This report is to be used solely for the information and use of The Forks North Portage Partnership in connection with assessing the financial impact of the potential sale of the Portage Place land and parking and is not intended to be and should not be used by anyone other than the specified users or for any other purpose.

Winnipeg, Manitoba
October 16, 2018

MNP LLP
Chartered Professional Accountants

- MNP is our audit firm for the term 2017-2021
- They were retained to review the internal work of assessing the financial impact of the proposed deal

NORTH PORTAGE DEVELOPMENT CORPORATION

Our Continuing Role in North Portage



Programs, strategies & collaborations with partners to address safety issues in the area

Quality of life – neighbourhood improvements fund targeted to Central Park neighbourhood

Investing in remaining assets for comfort, ease of access and high level of security and safety

Strategies to lever private investment for area revitalization

Source: Proposed for 2020-2030 Concept and Financial Plan

NORTH PORTAGE DEVELOPMENT CORPORATION

The Resolution Approved By The Board

The Resolution

The Board passed this resolution on June 13, 2019

The sale, pursuant to an agreement of purchase and sale (“PSA”) dated June 19, 2019 between the Corporation, Starlight Acquisitions Inc. ("Purchaser") and Spruceland Mall Limited Partnership, by the Corporation to the Purchaser of the Corporation's freehold interest in the land comprising Portage Place Shopping Centre (together with such additional lands described in the PSA) and the parking operations within the parking structure at Portage Place Shopping Centre, as described in the PSA, upon the terms set out in the PSA, be and is hereby authorized and approved and recommended to the Shareholders for their approval.

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Next Steps

Sequence of Steps

June 13:	Board approved resolution
June 13:	Shareholder approval requested
July 31:	“Consent date’” (60-day ‘Inspection Period’ begins 3 days later)
October 2:	End of inspection period
December 1:	Closing date

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