

KILMER BROWNFIELD MANAGEMENT LIMITED
SUITE 2700, SCOTIA PLAZA
40 KING STREET WEST
TORONTO, ONTARIO, M5H 3Y2

January 20th, 2012

Mr. John Fleming
Director of Land Use Planning and
City Planner
City of London Planning Division
300 Dufferin Avenue – Planning Division
P.O. Box 5035
London, ON N6A 4L9

Dear Mr. Fleming:

Re: Public Utilities Commission Lands – 111 Horton Street East

The City of London's Public Utilities Commission (PUC) land, located at 111 Horton Street East (the Property), is strategically located in the City due to many factors including: its close proximity to downtown; its large acreage; extensive frontage along the Thames River; and its location at a major intersection. Although it is currently being used for offices and a works/storage yard, the approximately 14 acre property has the potential to be redeveloped for higher and better land uses allowing for an intensified mixed use phased development which would:

- Extend the downtown area to the river and support existing retail, businesses and services including the public transportation system;
- Introduce new land uses in this area and new forms of housing to this neighbourhood that are not currently available. Providing a variety of housing types which will appeal to a greater range of potential residents, family structures and income levels; and
- Enhance the river frontage and create new linkages to it, which will encourage more public interaction with the river and pedestrian activities.
- Be the major first phase in the redevelopment of properties along the Thames River.
- Beneficially impact the City of London as a whole by supporting a more sustainable form of development and improving the vitality of the existing community.

Although the detailed environmental condition of the Property is unknown, due to the presence of a former gasification plant in the vicinity, substantial environmental remediation will likely be necessary given the Property's potential new uses and the applicable environmental regulations.

The purpose of this letter to you is to discuss how the Property could be repositioned to enable its redevelopment for higher and better land uses while managing its environmental challenges, specifically, the environmental remediation obligations associated with brownfield properties. Over the past several months we are aware that you have had on-going discussions with Ron Koudys in this regard.

Redevelopment of the Property

It appears that the potential to redevelop the Property will be primarily impacted by two main items:

- 1) If it is considered to be a brownfield, it will be impacted by associated challenges. Specifically, potential developers will have concerns for some or all of the following reasons:
 - Inability to obtain financing to purchase the Property. Banks will not lend against environmentally impaired sites;
 - Inability to assess the level of risk they would be accepting;
 - Difficulty in efficiently integrating the environmental and planning considerations; and
 - Inability/unwillingness to accept the environmental risks (regulatory and civil) that may be associated with the Property.

Addressing the environmental issues and obtaining regulatory site closure by filing a Record of Site Condition (RSC) with the Ontario Ministry of the Environment (MOE) for the new intended land uses in a manner acceptable to the market would assist in addressing some of this impact.

- 2) The area is impacted by the planning process that will implement the vision for this area, which the City of London has recently begun to consider. Once approved by Council, the new land use designations will be in place to permit redevelopment applications to be submitted and approved for higher and better mixed land uses. This would remove the “planning uncertainty” that presently exists with the Light Industrial and Open Space designations.

In addition, the acceptability in the marketplace of this area as a place to live and work would be enhanced by the approval of higher-order land uses for the Property.

The Kilmer Brownfield Equity Fund’s Approach to Brownfield Investments

Kilmer Brownfield Equity Fund L.P. (the Fund) is the first private equity fund in Canada dedicated exclusively to the redevelopment of brownfields and was established in 2006. The Fund has over \$90 million of capital committed and is thereby well-capitalized and one of the few brownfield redevelopers in Canada able to take on larger redevelopment projects. The Fund’s projects are fully financed with equity and do not rely on the availability of debt. The Fund’s ability to self-finance even larger remediation projects to completion should be viewed as an asset by sophisticated vendors who are concerned about managing their liabilities in a responsible and conservative manner. The Fund’s process-driven approach to risk management was designed specifically to address the needs of responsible vendors and to assist them in managing their underutilized assets in a more sustainable way.

The Fund is managed by Kilmer Brownfield Management Limited (Kilmer), whose management team collectively brings a great deal of experience in brownfield redevelopment and possesses the requisite skills in brownfield redevelopment, environmental risk management and project finance. The Fund is sponsored by Kilmer Van Nostrand Co. Limited, a private investment holding company in Toronto with three generations of construction industry experience and 25 years of private equity investing experience. The Fund is also supported by its strong development and environmental consulting network within Canada.

Kilmer specializes in the redevelopment of environmentally-impacted properties. Kilmer purchases properties on an “as is, where is” basis and provides indemnification to property vendors. This indemnification addresses both civil and regulatory liability. Kilmer has the expertise to manage the complexities of environmental remediation and brownfield redevelopment, as well as the financial

resources to ensure that environmental remediation and associated site works are properly completed. The Canadian Urban Institute (CUI) awarded the Fund and its investors a Special Brownie Award in recognition of their contribution to the advancement of the brownfield industry in Canada. The CUI Brownie Awards recognize leadership, innovation and environmental sustainability in brownfield redevelopment across Canada.

Kilmer's collective experience in the brownfield redevelopment business has established Kilmer as a leader in brownfield redevelopment in Canada. Kilmer is uniquely focused exclusively on the remediation and redevelopment of brownfields –its core business – and therefore Kilmer is consistently considering the latest advancements in remediation technology, brownfield regulations, and industry trends. This allows Kilmer to tackle each brownfield redevelopment project according to the site-specific nature of each property to determine the most appropriate remediation strategy that will optimize redevelopment potential while appropriately addressing a property's specific environmental issues.

What Kilmer Can Provide to the City of London

Kilmer's business structure and collective in-house expertise allow Kilmer to tackle challenging brownfield redevelopment projects that are difficult for traditional real estate developers to pursue. Kilmer can uniquely address the various issues associated with the Property. It is proposed that the Property be transferred to Kilmer so that the development and environmental complexities can be addressed and that the Property may become "shovel ready" for the end builder. Addressing these complexities will maximize the value of Property. Kilmer proposes to share this additional value with the City of London. Kilmer can also assist the City with the Property in the following manner:

- **Purchase Property on an "As is, Where is" Basis**

Kilmer would purchase the City lands in a phased manner on an "as is, where is" basis, without any improvements required by the City of London.

- **Financial Surety to Complete the Job**

Kilmer does not require third-party financing to complete transactions. One of the persistent barriers to brownfield redevelopment in Canada has been the difficulty in accessing capital, since traditional lenders do not normally provide loans on environmentally-impacted properties. Kilmer's ability to self-finance all projects is a unique characteristic not available to many traditional developers.

- **Provide Environmental Release to the City of London**

Kilmer can provide the City with an environmental release for the Property. This release has two components, including Kilmer's commitment to obtain regulatory site closure and the provision of a site-specific environmental insurance package (further described below) with significant coverage. One of the benefits of this structure is that both Kilmer's and the City's interests are strongly aligned in ensuring the completion of the remedial program. Once Kilmer takes charge of a site, Kilmer is subject to the full force of any regulatory orders and not limited in its exposure. As a result, Kilmer will not take on commitments unless it believes that the risks can be comfortably and effectively managed. With the redevelopment focus and remediation activities that results in regulatory environmental site closure, the work that Kilmer performs on a given site increases its value and minimizes the potential of on-going future liability exposure. This is why

Kilmer's approach to redevelopment is completed in such a way that meets the demands of key stakeholders and ensures that marketplace acceptance is maximized. Kilmer will deliver the remediated property in a "shovel ready" condition for build-out given the intended site-specific use.

- **Address the City's Regulatory and Civil Environmental Liability**

Kilmer would obtain regulatory site closure for the Property through the filing of a RSC with the MOE which provides protection to the City from regulatory environmental liability.

The placement of environmental insurance policies, specifically Pollution Legal Liability (PLL) insurance, is an important supporting risk management tool that Kilmer uses on its brownfield redevelopment projects to provide additional support for regulatory and civil liability exposure. In general, PLL insurance addresses pre-existing conditions for the site (both known and unknown contaminants) as well as third party claims for property devaluation and bodily injury. Kilmer obtains coverage with a top-rated insurance company.

In this situation, both Kilmer and the City would be named insured parties on the policy. Future builder(s) would be added to the policy and measures taken to ensure that the policy remains intact, providing full coverage to any of the named parties.

Kilmer's ability to obtain regulatory site closure through the RSC process, combined with the placement of PLL insurance, can provide comfort to the City of London by providing a form of release to the regulatory and civil liability associated with the environmental condition of the properties.

- **Ensure the Property is Acceptable to Builders**

Kilmer would obtain RSCs for the intended land uses based on the outcomes of the City's current Official Plan planning process for this neighbourhood, which will result in a new vision for the area, including the Property. The City will involve the development community in the visioning exercise to ensure its acceptability for redevelopment in the marketplace.

With the surety of the RSC's, the Property can then be divided and purchased by builders in phases. At that time, regular financing would be available, as lenders look favourably once the environmental liabilities have been addressed. The size of the phases being sold to the builders would consider land uses, built form and maximization of value creation.

With the comfort of the environmental issues addressed and the RSCs in place, the Property would appeal to a greater number of builders creating the maximum interest in the Property and its sale price.

The redevelopment of the Property can occur and its value creation maximized if:

- Realistic land use designation(s) are approved for the Property; and
- The complexities of brownfield redevelopment are addressed.

Kilmer is able to address the brownfield complexities and work with the City, which will result in marketable land uses for the Property. This would enable a key area of the City to be redeveloped and

would allow the City share in the value creation process. The proposed structure of an arrangement between the City and Kilmer to enable this to occur is outlined below.

Proposed Structure for Purchase of the Property by Kilmer

The following are the suggested steps to enable the redevelopment of the Property, assuming that Council approves of this concept and that Kilmer and the City enter into an agreement that outlines the following arrangement:

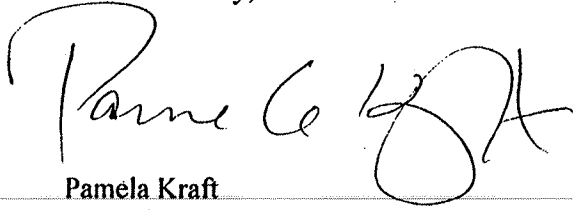
- i) Kilmer is provided a Due Diligence Period to investigate redevelopment opportunities and constraints of the Property including:
 - Environmental and geotechnical conditions;
 - Market opportunities;
 - Servicing capacity;
 - Phasing and timing potential; and
 - Other City interests or requirements including potential new land uses, built form, parkland contribution, etc.
- ii) The sale of the Property to Kilmer will occur shortly after Due Diligence has been waived and the new Official Plan designation for the Property is in effect. Upon purchase, Kilmer will:
 - a. Complete the planning approvals, including rezoning. The rezoned land will require flexible land uses and built form to address the MOE RSC process and specific builder requirements, and will conform to the Official Plan;
 - b. Complete site restoration which will include any demolition works as well as soil and groundwater remediation to obtain a RSC for the new intended land uses; and
 - c. Sell the Property upon receipt of the planning approvals and upon obtaining environmental closure by filing of the RSC with the MOE.

From the proceeds of the sale, Kilmer will be reimbursed for their expenses along with a predetermined preferred rate of return. All additional funds will be split with the City on a percentage previously agreed to by both parties.

In summary, redevelopment of the Property presents a tremendous opportunity for the City of London to enhance the existing vibrancy of the downtown area and to better utilize a key piece of land along the Thames River, which can make a substantial difference to the City's downtown and other properties along the river. Kilmer has the expertise and proven ability to manage the remediation of complex brownfield properties to facilitate urban intensification and to support redevelopment with social, economic and environmental benefits for the communities in which they are located.

We would be pleased to meet with you to further discuss this potential opportunity. I look forward to hearing from you.

Yours truly,

A handwritten signature in black ink, appearing to read "Pamela Kraft". The signature is fluid and cursive, with a large loop at the end of the last name.

Pamela Kraft
Managing Director, Planning and Development
416-814-3437

Cc: Ron Koudys (Ron Koudys Landscape Architect)

Kilmer's Management Team

Each member of the team has distinguished himself/herself in his/her area of expertise and each is highly committed to making a success of the Fund, and to contributing to the advancement of brownfield redevelopment policy initiatives within Ontario and Canada.

Kilmer's team leader is Mr. Kenneth Tanenbaum, who oversees the strategic direction of the Fund and is a member of the Fund's Investment Committee. Mr. Tanenbaum has led a distinguished career in the construction and building materials industry. Mr. Tanenbaum has a B.Sc. in Economics from the Wharton School of Business at the University of Pennsylvania.

David Harper, Kilmer's Managing Partner, Environmental Risk Management, is responsible for the environmental risk management activities of the Fund. Mr. Harper is a highly-regarded expert in the brownfield industry in Canada. He is a specialist in remediation and risk management and has acted on both the purchasers' and vendors' sides of numerous brownfield transactions. Mr. Harper is the Vice President of the Canadian Brownfields Network (CBN). Mr. Harper is involved with Brownfield Stakeholder Advisory Group, established by the MOE, to provide feedback regarding the amendments to Ontario's brownfield legislation to enhance the previous brownfield regulations. He has a M.Sc. in isotope geochemistry from the University of Western Ontario and is a Professional with the Association of Geochemists of Ontario (P.Geo.). Mr. Harper is also designated as a "Qualified Person" under the Ontario brownfields legislation and recipient of the 2011 Brownfielder of the Year Award for his contributions to the brownfield community. In announcing this award, the Canadian Urban Institute noted "In his volunteer role with the CBN, Dave has been a tireless advocate for the sector, and has skillfully brought together stakeholders focused on technical, policy, regulatory and financial feasibility issues towards a common goal. "His leadership has served the interests of brownfielders across disciplines and across the country over many years," the jury indicated."

Andrew Himel, Kilmer's Managing Partner, Finance, is responsible for the financial activities of the Fund. He brings project analysis, finance and reporting experience from his involvement and management of various real estate investment and redevelopment projects in Germany and in Canada.

Mr. Himel has a B.Sc. from the University of Toronto and an M.B.A. from the Harvard Graduate School of Business, and is a chartered property finance and investment surveyor, a member of the Royal Institution of Chartered Surveyors, and the CBN's Finance and Insurance Committee.

Pamela Kraft, Kilmer's Development Manager, is responsible for the planning and land development activities of the Fund. Ms. Kraft brings over 25 years of planning and land development experience to the Fund through her roles at several real estate companies, planning firms and municipal planning departments. Ms. Kraft has an Honours Bachelor of Environmental Studies from the University of Waterloo. She is a Registered Professional Planner, member of the Ontario Professional Planners Institute and is a Professional Land Economist. Ms. Kraft is a member of CBN's Government Relations Committee and is involved with several industry policy initiatives, including working closely with the Federation of Canadian Municipalities (FCM) to improve federal financing for municipal infrastructure, and working with the Ontario Real Estate Association to improve property tax regulations for brownfield properties.

Together, the Kilmer team possesses a wealth of knowledge and experience in key interdisciplinary areas of finance, environmental risk management, planning and development. Kilmer's track record of successful management of the remediation of various brownfield properties across Ontario and in Quebec demonstrates the team's ability to transform underutilized properties in a challenging regulatory and economic environment.
