



September 13, 2011

Mr. Jeff Fielding
Chief Administrative Officer
The Corporation of the City of London
300 Dufferin Avenue
London, Ontario

Dear Mr. Fielding:

Re: Proposed Parking Garage –350 Ridout Street

We are pleased to offer The Corporation of the City of London (the “City”) a lease of approximately 300 parking spaces in the parking garage to be constructed by us on Ridout Street between King and York Streets (the “Parking Garage”). The Parking Garage will consist of four to five levels of parking at and above street level. The roof of the Parking Garage will incorporate a “green roof” consisting of approximately one acre of green space. We propose that the lease of the Parking Garage would be on the following terms and conditions:

Demised Premises: Approximately 300 standard parking spaces together with exclusive access and control of the entrance and exits ramps to the Parking Garage.

Term: An initial term of 25 years with 4 five year renewal options.

Rent: Base rent (“Base Rent”) during the first five years of the term will be \$2,600 per annum per parking space. Base Rent during each subsequent 5 year period of the Term will be the greater of the Base Rent during the preceding 5 years or an amount equal to the Base Rent during the preceding 5 years multiplied by the increase in Consumer Price Index over the same period.

Base Rent during the renewal terms will be determined on the same basis. Any applicable value added taxes including HST would be in addition to the Base Rent.

Additional Rent: The City will be responsible for all operating costs of the Parking Garage, including, without limitation, utilities, insurance, taxes, repairs and maintenance. We will only be responsible for structural repairs and upkeep and maintenance of the “green roof”.

3800 Colonel Talbot Road, London, Ontario N6P 1H5
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Rent Commencement: Payment of Base Rent would commence upon completion of the Parking Garage ready and operational as a parking garage. We estimate completion of the Parking Garage in the spring of 2013.

Construction: We would construct the Parking Garage at our expense in a good and workmanlike manner and in accordance with applicable building codes. We agree to submit for your approval a set of working drawings for the Parking Garage prior to commencement of construction.

The exterior façade of the Parking Garage would be similar or the same as the finish on our apartment building adjacent to the Parking Garage.

We would also be constructing a level of parking below grade which will not form part of the Parking Garage and there would not be any access to or from the Parking Garage to this level of parking.

Turn-Key: We would deliver the Parking Garage to you on a turn-key basis with all equipment necessary for the operation of the Parking Garage installed and operational.

Lease: We would negotiate in good faith, both parties acting reasonably, our form of lease subject to amendments agreeable to each of us and which incorporates these terms. Until we execute a lease this offer to lease would be deemed to constitute the lease between us.

Use: The Parking Garage would only be used as a parking garage and for no other purpose.

Maintenance: The City would be responsible for all repairs and maintenance of the Parking Garage save and except structural repairs and save and except the green roof which shall remain our responsibility. You would agree to maintain the Parking Garage in a clean and orderly manner throughout the Term. You would return the Parking Garage to us at the end of the Term or the final renewal term in a broom swept condition.

Environmental: You would agree to be responsible for any hazardous substance which is discharged or otherwise released into the environment or into or onto the Parking Garage if such discharge or release is a result of your acts or omissions or those for whom you are responsible.

Signage: Subject to our approval, not to be unreasonably withheld, you will be permitted to erect and maintain signage on the exterior of the Parking Garage.

Insurance: We will obtain and maintain all-risks insurance on a replacement cost basis for the Parking Garage the premium for which shall be reimbursed by the City as additional rent. You will maintain commercial general liability insurance in an amount not less than \$10,000,000 per occurrence with respect to your use and occupancy of the Parking Garage. We are to be named as an additional insured or loss payee.

Assigning & Subletting: You agree not to assign the lease or sublet the Parking Garage without our prior written approval which approval will not be unreasonably withheld.

Tenant's Conditions: Notwithstanding anything to the contrary herein, this offer to lease will be conditional upon approval by City Council of the terms of this offer to lease. This condition is inserted for the sole benefit of the City and may be waived by the City at any time within Thirty (30) business days from the date hereof.

Landlord's Condition: This offer to lease is conditional upon us obtaining approval from the City for construction of the Parking Garage within 120 days of the satisfaction or waiver of the Tenant's Condition and is a condition precedent to this offer to lease.

This offer to lease will be open for acceptance by the City until ^{OCTOBER 10} ~~September 30~~, 2011 after which time, if not accepted, will be null and void.

Yours very truly,

CARVEST PROPERTIES LIMITED

Per: _____
Joe Carapella, President

The provisions of this offer to lease, as set out above, are acknowledged, agreed to and accepted by the City subject to the Tenant's Condition, this day of September, 2011.

THE CORPORATION OF THE CITY OF LONDON

Per: _____
Name:
Title:

Per: _____
Name:
Title:

Partial List of Assumptions

To conduct this analysis, the following assumptions have been applied:

<p>Depreciation</p>	<ul style="list-style-type: none"> • Straight-line depreciation was used to estimate the yearly amortization and net book value (NBV) at the end of the lease term.
<p>Inflation for Consumer Price Index (CPI)</p>	<ul style="list-style-type: none"> • Inflation figures were set at 2% which is a generally accepted average for inflation in Canada.
<p>Construction and Land Costs</p>	<ul style="list-style-type: none"> • The cost per stall in the proposal is \$47,083.00 (inclusive of land and facility construction) for the lease option—calculated-\$14,125,000/300 stalls. • Based upon the timeframe for the project, and the involvement of the City, it is expected that higher construction and land costs would be likely than those proposed by the Tricar Group, although these figures would need to be verified by an RFP or in-depth market study. The cost of the City constructing the facility was set higher at \$51,667 (inclusive of land and facility construction)—calculated-\$15,500,000(estimated land and construction cost)/300 stalls.
<p>Parking Lot Use and Rates</p>	<ul style="list-style-type: none"> • 65%. A parking use study conducted for the City predicted usage rates in that area at over 80%. To be conservative, 65% has been chosen as the figure • Daily income per stall \$8.00.—Depending upon whether the City would set rates as monthly permits or daily rates the income could vary. \$8.00 per day was chosen as an average.
<p>Term of Analysis</p>	<ul style="list-style-type: none"> • 25 years-term of lease
<p>Discount Rate</p>	<ul style="list-style-type: none"> • 6%- Rate best reflecting City long-term borrowing rate
<p>Maintenance, Operating and Other Costs (includes utilities, routine maintenance-such as power-washing, sweeping, insurance, staff/resources, security and equipment maintenance charges)</p>	<ul style="list-style-type: none"> • Maintenance and operating costs include cost of operating the facility, insurance, utilities, and routine maintenance. • For the City build scenario, maintenance costs are set higher than for a City Lease scenario because the City would also be responsible any for structural maintenance and repair in the facility.