BUILD
TORONTO

2010 Annual Report

Growth

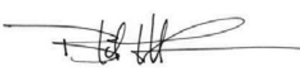
Growth is defined as increase in development activity, growth in land asset values and greater annual reviews for the corporation, the City and/or our partners.

Value

Value will be realized in the improved value of our real estate assets, value for the taxpayer and value for neighbourhoods and local businesses where BUILD TORONTO is active.

Results

Results for our great City include enhancements to our financial, economic and environmental well-being and the provision of jobs and housing. The bottom line for BUILD TORONTO is to achieve our results while achieving a range of public policy and City-Building outcomes.



Blake Hutcheson
Chair

J. Lorne Braithwaite
President & CEO

Message from the Chair and President & CEO

On behalf of BUILD TORONTO and its Board of Directors, we are pleased to share with you BUILD TORONTO's Annual Report for 2010. This document captures a year of great momentum for our organization and provides an opportunity to share some important milestones in only our first full year of operation.

First and foremost, our people. We have continued to build best-in-class industry expertise by adding to our Senior Management Team. Recognized leaders joined us, in both development and professional services, with the required track record and market expertise to get the job done in a highly competitive marketplace.

Equally important in 2010 was our commitment to disciplined and accountable processes and operational standards. Our governance model, supported by our industry and government stakeholders, is now fully implemented, and we have put in place clear, equitable and transparent policies that will help us efficiently expedite our business plan.

With these strong building blocks firmly in place, we've achieved measurable results. In September, we officially opened Corus Quay, the new headquarters for Corus Entertainment and the first commercial office building in Toronto's East Bayfront. We sold our first property, 154 Front Street East, a deal which generated significant proceeds and critical start-up capital. Finally, considerable pre-development work took place with development deal approvals and deals in progress, including our first residential 'Value Add' Joint Venture disposition deal at 120-130 Harbour Street, which will replace a parking lot with a spectacular 60-storey landmark building that will transform the City's skyline.

Toronto has recognized, as part of its role as a major international city, the importance of City-Building, and there is a strong recognition for the contribution that development and residential real estate sales can offer in meeting the existing and future needs of our City. As a result, BUILD TORONTO's mission has never been more important than it is today, so we approach our business plan with a renewed commitment and sense of urgency and anticipation.

We had a strong beginning in 2010. On behalf of BUILD TORONTO and our Board of Directors, we are thrilled to be part of this important new venture for our City.

Downsview Corporate Centre, part of the 1035 Sheppard Avenue West mixed-use community.

Report to the City of Toronto
Chief Financial Officer

4050 Yonge Street, a proposed seven-storey office complex on a two-acre site nestled within the Don River Valley System at the prestigious intersection of Yonge Street and York Mills Road.

Report to the City of Toronto Chief Financial Officer

Mandate

Created by the City of Toronto, BUILD TORONTO is an independent real estate and development corporation that focuses on maximizing the value of underutilized real estate previously owned by the City. With a mandate to develop in a responsible, innovative and integrated manner, we enhance the economic competitiveness of Toronto and further the City's public policy objectives.

Representing a new model for a City-owned real estate entity, BUILD TORONTO works to engage both private and public sector organizations in the development of City-owned property. BUILD TORONTO offers creative and innovative solutions to unlock the value of underutilized real estate through Value Add Land Sales and Development and Leasing. This value creation is done within the framework of delivering a financial dividend to the City and achieving City-Building over time by:

- Executing land exit strategies through Value Add Joint Venture Partnerships;
- Enhancing opportunities to attract and retain employment in the City;
- Focusing on high quality, urban design and environmental sustainability; and
- Acting as a catalyst for responsible neighbourhood regeneration.

Unlocking the value of real estate holdings means developing underutilized lands and enhancing the use of the City's operating properties that have development potential. The real estate holdings to be developed are generally underutilized and surplus to the needs of City programs. In some cases, sites have an existing program use that must be accommodated, but have capacity for additional development, and therein lies the opportunity that defines that portion of BUILD TORONTO's mandate.

The Shareholder Direction includes a set of specific objectives for BUILD TORONTO, including:

- Building in an environmentally responsible manner and demonstrating leadership in sustainable development; and
- Maintaining standards for architecture, design and public open space with the intent of promoting urban design innovation and excellence that meets or exceeds the expectations of the community.

In addition to the Shareholder Direction, City of Toronto Council has given specific direction on how BUILD TORONTO relates to the City of Toronto's Real Estate Services Division and how it is to assist in the delivery of market housing for the City.

BUILD TORONTO will manage its real estate portfolio in a financially prudent manner, ensuring that a reasonable return on investment is achieved and development risks are managed appropriately.

Audited Financial Statements

"We have experienced and executed an exceptional start-up program in 2010 — this sets a strong foundation."

J. Lorne Braithwaite
President & CEO, BUILD TORONTO

As stated in the Shareholder Direction and in keeping with the established governance model, with expert real estate industry Board oversight, the Corporation's financial statements are audited annually by an external audit firm.

For the fiscal year ending December 31, 2010, the Corporation generated net income of $11 million on revenues of $21.8 million, compared to a start-up loss of $2.3 million on revenues of $3,000 in the prior year. As of December 31, 2010, total assets grew to $69.9 million from $47 million in the prior year. Shareholders' equity also grew, to $24.4 million from $13.4 million a year earlier, consisting of retained earnings of $8.7 million and contributed surplus of $15.7 million.

The 2010 audited financial statements are attached in the Appendix.

The seven-storey central atrium at 4050 Yonge Street is designed to establish a natural and sustainable connection to the environment by allowing abundant natural light and fresh airflow into all interior spaces.

“The Corus Quay development is the embodiment of an interactive and publicly engaged facility that fosters new business and recreational growth.”

J. Lorne Braithwaite
President & CEO, BUILD TORONTO

Corus Quay at 25 Dockside Drive opened in September 2010 as the first commercial office building in Toronto’s East Bayfront.

2010 Highlights

As its first full year of operation, 2010 was a seminal year for BUILD TORONTO. The company officially launched on May 11 at the Toronto Board of Trade, where the vision, mandate and initial properties were presented to industry peers. A key part of this launch was the development and communication of the first Strategic Plan. Approved by BUILD TORONTO's Board of Directors in March 2010, the 2010-2014 Strategic Plan served to set expectations for the new revenue-producing real estate and development company for the City of Toronto. More specifically, it outlined the business model being used in the management of assets transferred to BUILD TORONTO from the City, the financial and non-financial targets for the corporation and the priorities for the five-year period ahead.

In addition to solidifying organizational personnel, governance and oversight, the focus for BUILD TORONTO in 2010 was the transfer of properties, preparing properties for pre-development work and completing and approving a number of significant transactions in order to begin generating income. In this regard, BUILD TORONTO achieved its most important result to date, completing its first sale at 154 Front Street East. This generated significant proceeds of just over $19 million.

The 2,200 square foot Demonstration Green Roof, planted on the second-floor setback roof of BUILD TORONTO's downtown office at 200 King St. West.

By year-end, BUILD TORONTO also arranged a $34.5 million loan through Infrastructure Ontario for one of its income-generating properties, Pinewood Toronto Studios (formerly Toronto Waterfront Studios Inc). The loan provided the ability to secure funding that would enable the growth and viability of Pinewood as part of a significant film production and sound industry in the City of Toronto.

Finally, management continued to work and identify areas of improvement with the City of Toronto and its various stakeholder organizations to ensure that appropriate regulations were in place to allow for the proper conduct of business, land transfers and approvals, all of which are critical for BUILD TORONTO to fulfill its mandate. While important progress has been made in the areas of pre-development and property planning, as well as turnovers and transfers, we identified a number of areas where continued focus and effort is required to address process and regulatory change.

BUILD TORONTO's semi-intensive Demonstration Green Roof showcases sustainable building practices that offer valuable economic and environmental benefits.

The 2010-2014 Strategic Plan sets out the business context for BUILD TORONTO and identifies four key strategies for the organization:

1. Creating short-term Value Add Sales;
2. Building revenues through development of properties transferred from the City of Toronto;
3. Generating a long-term sustainable financial plan; and
4. Delivering City-Building value for the City of Toronto.

The expected result from the Strategic Plan is the creation of a skilled, self-sustaining real estate and development company that creates value for the City of Toronto through:

- Marketing of properties for sale and securing zoning on surplus lands (both activities generate revenues in the short term);
- Developing an investment portfolio of properties in which BUILD TORONTO retains an active interest and generates ongoing revenues from lease payments;
- Undertaking catalytic development, primarily through transit-oriented projects that have economic development, social policy and development stimulus benefits for neighbourhoods; and
- Demonstrating a commitment to supporting the City's affordable housing plan and achieving high environmental and urban design standards.

As a guide to operations, in its first five years, BUILD TORONTO will have greater focus on accelerated property sales. More specifically, it is expected that 75% of the value created will come from Value Add Sales and 25% from development activities, with an annual review of the strategic split between the two distinct businesses. In doing so, BUILD TORONTO will be highly active in identifying opportunities that will create a robust land transfer pipeline to achieve the desired financial results for the shareholder.

Organization

In 2010, BUILD TORONTO added several key members to its Senior Management Team. Expertise was added to the development team to support residential, commercial and retail properties. Professional staff and operational functions were also added in order to support focused organizational priorities and policies.

In order to leverage efficiencies during its start-up period, BUILD TORONTO established a shared services model in partnership with Invest Toronto and Toronto Port Lands Company (TPLC). This included Human Resources, Administration, Information Technology and Desktop Support Services. Hosted by BUILD TORONTO, the shared service costs are charged to TPLC and Invest Toronto on a cost recovery basis.

Later in the year, following the municipal elections, BUILD TORONTO was fortunate to have new representation on the Board with the addition of Councillors Doug Ford and Michael Thompson as elected representation. Blake Hutcheson became Chair and Councillor Doug Ford became Vice Chair, as the Mayor's designate. Jon Love completed his two-year term on the Board.

The Board committee structure and governance model is now solidified, with three committees reporting to the Board, including the Real Estate Investment and Development Committee (REID), the Audit and Risk Management Committee (ARM) and the Human Resources and Corporate Governance Committee (HRCG).

The atrium at Corus Quay and host to the City of Toronto's 2011 Keeping Business Connected evening for the development and real estate industry.

Transfer of Assets

The core business of BUILD TORONTO is unlocking value from the City of Toronto's real estate portfolio in a responsible, innovative and integrated manner. In 2009, 30 properties were identified as being of potential interest to BUILD TORONTO; six of these properties were formerly owned by the Toronto Economic Development Corporation (TEDCO). In 2010, in partnership with the City's Real Estate Services department, significant work was started to assess the properties and determine their development potential. Although working through the turnover and transfer process is ongoing, important progress has been made to recognize the complexity of this process, and a recommendation has been made to work more collaboratively with the City, its departments and agencies.

As expected, in 2010 certain TPLC assets earmarked for development or asset management were handed over to BUILD TORONTO.

BUILD TORONTO and the City have developed a template agreement for the transfer of lands currently held by the City. This agreement allows BUILD TORONTO to use and develop the lands and to proceed with transfers at a future date once regulatory matters concerning property taxes are resolved.

"Lightning Bolt" is a 40-foot high replication of nature and one of three art installations at Corus Quay.

2011 Business Plan Summary

Background

Significant discussion and planning was undertaken in 2010 to develop a comprehensive Business Plan for 2011. This process was informed by the outcomes of 2010, the context of the operating environment of the company, stakeholder assessment of priorities, updated financial analysis and management review in order to take action to maximize BUILD TORONTO's mandate.

The 2011 Business Plan is a key piece of the five-year Strategic Plan approved by the Board in March 2010. The business plan targets are based on:

- Existing portfolio of sites identified in 2009 for transfer/turnover to BUILD TORONTO; and
- Existing run rate for acquisition of new sites from the City.

There were three key Strategic Priorities outlined:

1. Revenue Growth
2. Development of a Sustainable Financial Plan
3. Shareholder Alignment

Each are described in detail below:

1. Revenue Growth: In order to meet the financial targets desired by our sole shareholder and the need for more immediate dividend potential, BUILD TORONTO must accelerate its growth and activity level so that property is moved from the City more quickly, allowing the value creation process to begin to yield greater revenues to fund ongoing operations and potential future shareholder dividends.

2. Development of a Sustainable Financial Plan: BUILD TORONTO experienced a strong launch and significant progress was made on site preparation for sale and development activities on a number of property ventures. However, a long-term financial plan that provides for financial self-sufficiency, value creation and increased dividend opportunity is critical, all while providing sources of equity capital for investments.

3. Shareholder Alignment: The creation of BUILD TORONTO was a unique opportunity to build specific expertise in real estate and development. Alignment with the City, Real Estate Services and City ABCC's on issues such as master planning and delivering on the expectations of "catalytic" development are essential.

Financial Plan

Key to achieving the 2010-2014 Strategic Plan and future-year targets is the implementation of a financial plan that achieves financial sustainability and a financing facility for the development of investment properties.

Management plans to fund operating and capital cost requirements by using a combination of property sales and new financings. City Council has approved a guarantee for a BUILD TORONTO bank loan of up to $160 million for the next five years to be secured by vacant, unencumbered land. With the guarantee, BUILD TORONTO will arrange external financing in order to provide development and equity capital for BUILD TORONTO investment properties.

BUILD TORONTO will also over time develop a specific dividend payout policy to provide financial returns to its Shareholder.

The Infrastructure Ontario (IO) financing agreement was negotiated at the end of December 2009, as part of the approach to a long-term refinancing arrangement for the Toronto Waterfront Studios (TWSI) operation, at favourable interest rates over a 28-year period. Due to ongoing negotiations with the TWSI shareholders, the negotiated IO financing agreement did not close until March 2011.

Conclusion

In only its first full year of operation, BUILD TORONTO is already making important progress and delivering measurable success in the marketplace. Value creation through the sale of 154 Front Street East generated significant results and provided a clear demonstration of real estate sales expertise by preparing properties for up-sell opportunities. A Joint Venture with a leading industry player was initiated and is further proof of a flexible and efficient business model through which creative solutions will allow the City to participate in development and greater market valuation. These two significant deals set the stage for other properties in BUILD TORONTO's portfolio in the pre-development stage.

With a strong market and favourable capital financing conditions, BUILD TORONTO is well positioned to build on this foundation and accelerate market opportunities in 2011.

1035 Sheppard Avenue, a planned two-million square foot mixed-use community in the Downsview neighbourhood, including 150,000 square feet of retail and over 3,000 high-rise and low-rise residential units.

4050 Yonge Street
at York Mills Road.

Appendices

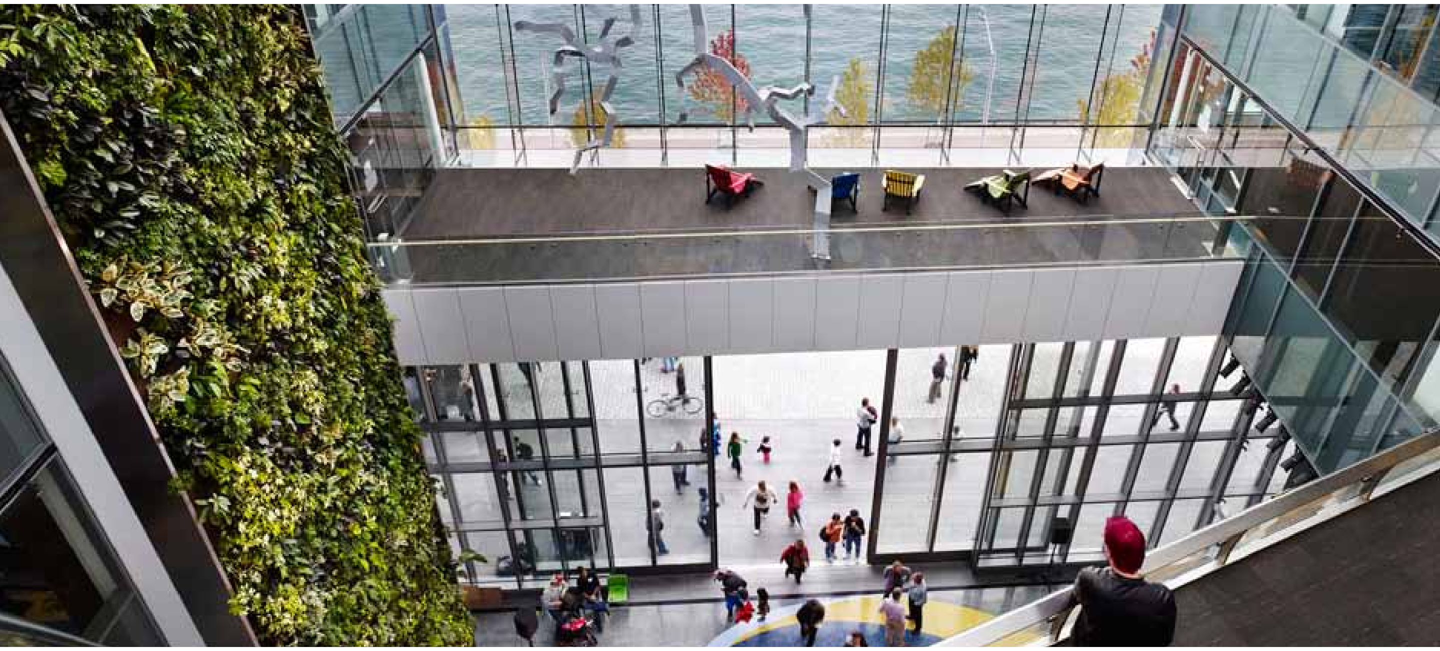
2010-2014 Strategic Plan Summary

A Growth and Revenue Producing Development Company for a Growing Portfolio of City Properties

The inaugural strategic plan for BUILD TORONTO sets the organization on its journey of growth. The Strategic Plan outlines the business model being used in the management of assets transferred to BUILD TORONTO from the City, the financial and non-financial targets for the corporation and the priorities for the five-year period ahead.

The company represents a new entrepreneurial model for a City-owned real estate entity. The top-rated team of development leaders will partner with private and public sector interests, and access equity markets to develop properties and produce real results specifically, investment properties with long-term value that yield dividend streams, economic growth, new employment and targeted City-Building – all to the benefit of the City of Toronto.

The Corus Quay atrium features a five-storey high bio-wall that offers natural ventilation and 30-foot high rolling glass doors that offer spectacular views of Lake Ontario.



Mandate

BUILD TORONTO is a development company with a City-Building mandate to:

- Facilitate land exit strategies through Value Add Sales;
- Undertake catalytic development opportunities;
- Undertake development that attracts and retains employment in the City; and
- Create a financial dividend for the City.

There are two primary objectives for BUILD TORONTO: to build a portfolio of investment properties that will yield an annual financial dividend for the City of Toronto and to direct Value Add Sales or development of assets in order to achieve City-Building results.

BUILD TORONTO was one of two corporations created following the 2008 Toronto City Council approval of A New Model to Enhance Toronto's Competitiveness, a collaborative report with recommendations from two major reviews of the City and its economic development and real estate activities. BUILD TORONTO Inc. was incorporated in November 2008, and began full operations in May 2010, following the appointment of a Board of Directors and the President & CEO, J. Lorne Braithwaite.

Business Model

BUILD TORONTO has completed a detailed evaluation and analysis of current lands transferred to it by the City and calculates a build-out potential of close to 14 million square feet of new leasable area. BUILD TORONTO's current land inventory is appraised at close to $200 million. The value of properties available to BUILD TORONTO is expected to grow to $350 million over the 2010-2014 period.

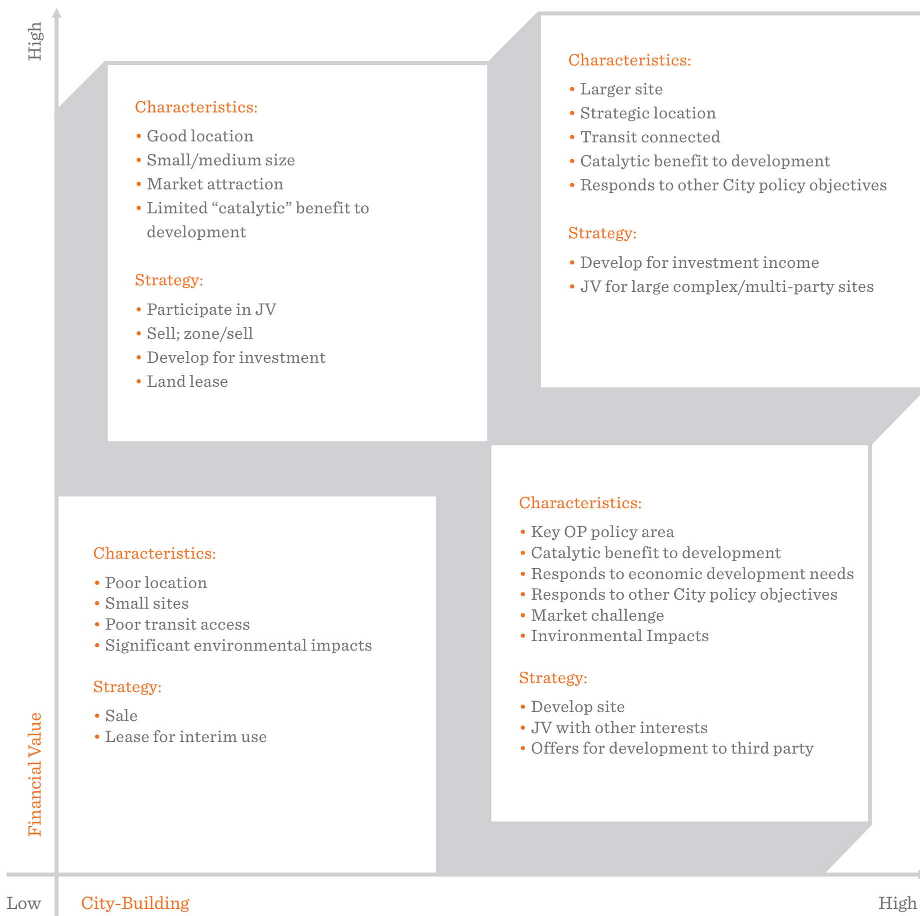
Major "investment properties" (commercial, industrial and mixed-use) will likely be undertaken as Joint Ventures with the private sector, with BUILD TORONTO raising or managing the aggregation of equity capital. The result: long underutilized properties across the City (including prime sites in Downsview, Scarborough, North York and North Toronto) will be transformed and "value-enhanced" into first-class mixed-use and new revenue-generating communities. Properties that have a limited value as long-term commercial investment, or those that are primarily targeted for residential development, will be sold on an improved or unimproved basis. This process will be done on a case-by-case basis, following detailed market and business opportunity analysis.

Fig. 1 – Build Toronto Business Model

Outcomes

The outcomes for BUILD TORONTO are based on what can be achieved from available land inventory or other assets put at BUILD TORONTO's disposal. The above diagram (Fig.1) illustrates the types of sites in the BUILD TORONTO land inventory and how these support the needs of the corporation. The highest outcome for BUILD TORONTO is the development of investment properties with high value (NOI) and a high contribution to City-Building outcomes (Fig.2).

Fig. 2 – Matrix of Build Toronto Values / Outcomes



Priorities
1. Building Revenues

Key goals for BUILD TORONTO are to create a financial dividend for the City of Toronto and to meet City-Building objectives. A long-term sustainable revenue stream will benefit the City, as this annuity can be built into long-term operating and financial plans. Over time, this value can be captured through asset sales. Building an income stream to support all operating needs will take seven years. This assumes a modest build-out and a period of close to four years before the first commercial development revenues are realized. In order to sustain BUILD TORONTO and generate some equity capital, an aggressive asset management plan is required that maximizes value from the lands that are available for non-commercial purposes or that do not fit with the long-term asset profile.

An important milestone for BUILD TORONTO is the payback of a $10 million interim loan fund from the City by 2016 and generating sufficient capital for equity investment in key projects. Operating funds through this period will be generated through the sale of lands which are not "mission-critical" (estimated at $64 million), together with monies from asset management activities and land loans.

With over 50% of current assets in the residential category, Build Toronto will either sell or participate in development of these lands, while meeting the City's targets of providing land for the construction of 1,250 affordable ownership and rental units over five years. BUILD TORONTO will oversee the development of this portfolio working with non-profit or private developers and will work with the City's Affordable Housing office to fund and deliver this affordable housing.

"Toronto needs to set audacious goals. Our perception of success is critical - firms want to be on a winning team."

Blake Hutcheson
Chair, BUILD TORONTO

Fig. 3 – Process for Acquisition and Development of Properties

To truly create value, we must look at our business decisions and their impact holistically and create solutions that are good for the economy, good for the community and good for business
- that's our triple bottom line.

J. Lorne Braithwaite
President & CEO, BUILD TORONTO

2. Financial Sustainability

There are two key financial challenges facing BUILD TORONTO in the short and medium term: generating sufficient income for equity investment in projects and reaching operational self-sufficiency. In consultation with our shareholder, the key focus for BUILD TORONTO was readjusted to focus on generating short-term value creation opportunities and a dividend policy from "now revenues." The timely transfer of properties to BUILD TORONTO is paramount in achieving financial sustainability, growth in revenues and value to the City. BUILD TORONTO will work closely with the City to identify lands with development potential and unlock this value to rapidly achieve operating self-sufficiency, as well as generate funds for equity investment in key projects.

In the initial period of this plan, it will be imperative that larger projects with requirements for high-level BUILD TORONTO equity participation start into production in order to create the net operating income that will provide support for a future financial dividend to the City. Equally important is the continued identification of surplus properties by the City of Toronto and their transfer to BUILD TORONTO in order to maintain an inventory against which BUILD TORONTO can secure a source of equity capital for growth. Value Add Land Sale dispositions will be the most important source of capital in the early years of BUILD TORONTO.

3. Delivering City-Building Value

BUILD TORONTO is responsible for achieving Toronto's City-Building objectives and meeting its triple bottom line of economic, social and environmental results. All projects will meet or exceed the City's green building standards and demonstrate the highest level of design and architectural excellence. In addition, as many projects as possible will support transit expansion, the City's priority neighbourhoods growth, and future Transit City business corridors infrastructure.

A key success for BUILD TORONTO is to develop investment properties that have a positive catalytic impact in neighbourhoods.

The planned outdoor patio and connecting landscaped walkways at 4050 Yonge Street are designed to take advantage of the surrounding natural environment.

Implementing the Strategic Plan

Council set up BUILD TORONTO with the stated objective to "use its lands to enhance Toronto's economic competitiveness by attracting new commercial development that creates desirable jobs, and to improve the livability of Toronto by rejuvenating neighbourhoods and providing infrastructure and amenities." BUILD TORONTO's Board of Directors is chaired by Blake Hutcheson and vice chaired by Councillor Doug Ford, and represents an incredibly strong and experienced Board with exceptional expertise in the real estate and development business in Toronto and in Canada.

The Strategic Plan covers the period to 2015, and foresees continuing transfer of lands to BUILD TORONTO, including underutilized properties already occupied by City facilities such as libraries, parking lots and the Toronto Transit Commission (TTC). Many of these turnover properties have high potential for intensification and revenue generation. BUILD TORONTO will rely on the willingness of City operating departments to partner on accommodation solutions for existing facilities that will free up high-value sites, of which there are many in highly desirable locations.

Northwest view of Toronto's East Bayfront, an area that started its revitalization after the development of Corus Quay.

Toronto City Hall in the
heart of downtown Toronto.

The Team

BUILD TORONTO is led by a team with deep experience in public and private sector development. J. Lorne Braithwaite, BUILD TORONTO's President & CEO, is a dynamic and internationally known real estate developer with a strong strategic vision and business acumen gained through public and private sector experience in Canada and abroad during a 32-year prominent real estate development career.

Rounding out BUILD TORONTO's Senior Management Team are Don Logie, Senior Vice President, Development; Winston Young, Chief Financial Officer & Senior Vice President; John Macintyre, Senior Vice President, Corporate Affairs; Frank Bajt, Vice President, Asset Management & Land Acquisition; Prakash David, Vice President, Development; Michael Whelan, Vice President, Development; Carlo Bonanni, Director of Planning; Bruce Logan, Senior Director, Corporate Affairs; and Kathryn Truman, Controller. Collectively, BUILD TORONTO's Senior Management Team has the development expertise, financial acumen and intimate knowledge of the City of Toronto and its unique stakeholder environment required to achieve BUILD TORONTO's vision.

Board of Directors

Blake Hutcheson
Chair

Blake Hutcheson is President and Chief Executive Officer of Oxford Properties Group, the investment and management arm of OMERS global real estate portfolio. He is responsible for Oxford's long-term business strategy and objectives, and plays a vital role in leading Oxford's capital under management strategy and relationship-building efforts with key partners in markets around the world.

Most recently, Blake was the Head of Global Real Estate with Mount Kellett Capital Management and President of the Canadian, Latin American and Mexican operations for CB Richard Ellis.

Councillor Doug Ford
Vice Chair

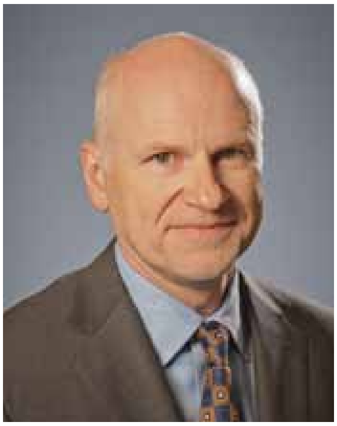
Councillor Doug Ford represents Ward 2, Etobicoke North. A life-long resident and involved community member of Etobicoke, Doug is the son of late MPP Doug Ford Sr. and brother of Mayor Rob Ford.

Doug has over 25 years of international and domestic business experience, most recently as President of Deco Labels & Tags, which employs 250 people in Toronto, Chicago and New Jersey.

Councillor
Michael Thompson
Director

Councillor Michael Thompson represents Ward 37, Scarborough Centre, and is the Chair of the Economic Development and Culture Committee and Vice Chair of the Toronto Police Services Board. He is a strong advocate for community-based programs for business development, public safety and education.

Prior to being elected in 2003, Michael worked in the financial services industry and later founded and ran a successful business services company.



David Barry
Director

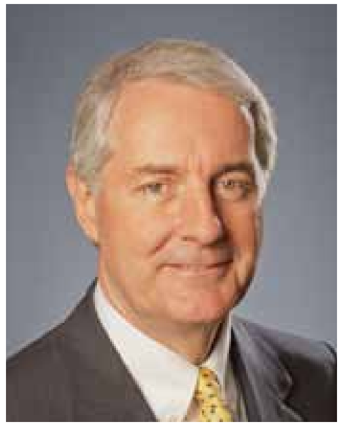
David Barry is Executive Vice President and Portfolio Manager at Bentall Kennedy, the largest real estate investment advisory and services organization in Canada, and one of the largest real estate investment advisors in North America. David has overall responsibility for the PenRetail opportunity funds and other specialty funds, and recently also joined the portfolio management team for Westpen Properties Ltd.

Formerly with RT Realty Advisors and The Prudential Insurance Company of America, David has over 20 years' experience in the real estate investment industry in Canada.

Bruce Bowes
Director

Bruce Bowes is the Chief Corporate Officer for the City of Toronto. He is responsible for the City's Facilities Management, Real Estate Services and Fleet Services Divisions.

Bruce has been in municipal government since 1990. Before being appointed in 2005, Bruce was also Executive Director of Facilities & Real Estate for the City of Toronto, Director of Facilities and Property Management for the City of Mississauga and Director of Public Works in the Town of Aurora.



Paul Finkbeiner
Director

Paul Finkbeiner is President of GWL Realty Advisors Inc., one of Canada's largest real estate investment advisors and a wholly owned subsidiary of Great-West Life Assurance Company. Paul is responsible for the overall management and growth of GWL Realty Advisors' $12 billion real estate portfolio, including strategic direction, business development, asset and property management and specialized real estate advisory services.

Paul has over 22 years' experience in the real estate industry, and previously worked for Trizec Corporation, Brookfield Properties and Trilea Shopping Centres.

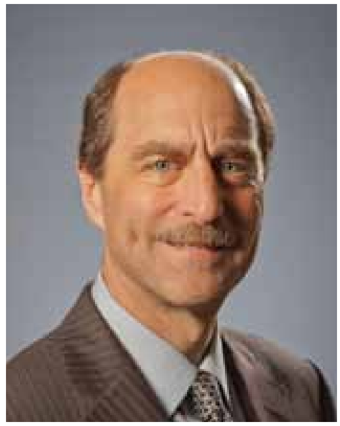
Stuart Lazier
Director

Stuart Lazier is the President of Axia Corporation, a commercial real estate investment company with holdings in opportunity and income-oriented real estate investment funds.

Prior to his role at Axia Corporation, Stuart was Co-founder and Partner with KingSett Capital Inc., President of O&Y Enterprise and National Managing Partner of Enterprise Property Group.

Ucal Powell
Director

Ucal Powell is the Executive Secretary Treasurer of the Carpenters' District Council of Ontario, an affiliation of 20 Local Unions representing approximately 21,000 working men and women. Ucal first joined the Carpenters' Union in 1970 and has become the driving force behind the success it enjoys as one of Ontario's most progressive and modern labour organizations.



Brigitte Shim
Director

Brigitte Shim is a Principal at Shim-Sutcliffe Architects and an Associate Professor at the University of Toronto's John H. Daniels Faculty of Architecture, Landscape and Design. Her firm has been honoured with eleven Governor General's Medals and Awards for Architecture from the Royal Architectural Institute of Canada, along with design recognition from the American Institute of Architects, and the American and Canadian Wood Councils awards program.

Ken Silver
Director

Ken Silver is Senior Vice President, Corporate Strategy and Real Estate, with Canadian Tire Corporation Limited, and President of Canadian Tire Real Estate Limited, a subsidiary company. Ken is accountable for all real estate development, construction, disposition and property management activities for Canadian Tire and its business units. He is also responsible for the Corporation's strategy development, business development and sustainability initiatives.

Ken has spent more than 25 years in the development and retail industries in Canada and the United States, with experience in retail, residential, industrial and commercial development.

Mike Williams
Director

Mike Williams is the General Manager of the Economic Development and Culture Division of the City of Toronto. He is responsible for leading the team that contributes to an economically strong and culturally vibrant city with a high quality of life, advancing Toronto's prosperity, opportunity and livability. In addition to Build Toronto, Mike represents the City of Toronto on the following Boards: Casa Loma Corporation, Invest Toronto, Toronto Financial Services Alliance, Toronto Port Lands Company and is ex officio on the Board of Tourism Toronto.

For most of his career, Mike worked in senior management in consulting, sales, marketing and international operations with a variety of Canadian and U.S. companies.

Executive Management Team

J. Lorne Braithwaite
President & CEO

J. Lorne Braithwaite is an entrepreneurial developer, visionary and industry leader with specialized expertise in regional mall real estate and retailing across Canada.

Prior to joining BUILD TORONTO, Lorne was Founder, Chairman, President and CEO of Cambridge Shopping Centres, where he amassed 40 large enclosed malls after leading the leveraged management buyout in 1980. Internationally, Lorne served as the Worldwide Chairman of the International Council of Shopping Centres 1995 to 1996. He was President of the Canadian Institute of Public and Private Real Estate Companies (formerly CIPREC, now REALpac) from 1995 to 1997.

Winston Young
Chief Financial Officer & Senior Vice President

Winston Young is an innovative financial executive who excels in strategic and financial planning and has extensive business experience in both the private and public sector. A Chartered Accountant, he has more than a decade of real estate and development experience.

Winston also serves as the CFO for the City of Toronto Economic Development Corporation (TEDCO)/ Toronto Port Lands Company (TPLC) and Interim CFO for Invest Toronto. Prior to his current roles, Winston was Vice President, Finance and Controller at Famous Players Inc., and during its megaplex theater expansion phase, he was Vice President, Business Planning. Winston has also served as Director, Planning at Markborough Properties Inc.

Don Logie
Senior Vice President, Development

Don Logie is a senior real estate executive with extensive experience in the development and operation of commercial, industrial and residential real estate, with particular emphasis on mixed-use developments.

In 2008 Don was Acting President & CEO and as well as Vice President, Development for the City of Toronto Economic Development Corporation (TEDCO). Prior to TEDCO, Don performed various development and asset management roles for Magna International, O&Y Enterprise, Brookfield Properties and Markborough Properties Inc. His international experience includes work in the United States, Europe, Mexico, the United Kingdom, China, Africa and the Middle East.

John A. Macintyre
Senior Vice President, Corporate Affairs

John Macintyre has more than three decades of government and business experience, holding senior policy and operational roles in both the amalgamated City of Toronto and the former City of Etobicoke.

Prior to his appointment at BUILD TORONTO, John was Acting CEO of Invest Toronto, Vice President of the City of Toronto Economic Development Corporation (TEDCO) and Director of Parks, Forestry and Recreation for the City of Toronto. John is also a Director of the Toronto Blue Jays Charitable Foundation, Ontario Chair for the Governor General's Canadian Leadership Conference and former Chair of Parks and Recreation Ontario.

Financials

Corus Entertainment's ground floor radio stations, broadcasting three of the City's major radio stations, are designed for pedestrian interaction.

Consolidated Financial Statements
December 31, 2010

July 21, 2011

Independent Auditor's Report

To the Shareholder of
Build Toronto Inc.

We have audited the accompanying consolidated financial statements of Build Toronto Inc. and its subsidiary, which comprise the consolidated balance sheet as at December 31, 2010 and the consolidated statements of net and comprehensive income (loss) and retained earnings (deficit) and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Build Toronto Inc. and its subsidiary as at December 31, 2010 and the results of their operations and their cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other matter
Without modifying our opinion, we draw attention to note 3 to the consolidated financial statements, which explains that certain comparative information for the year ended and as at December 31, 2009 has been restated. The consolidated financial statements as at December 31, 2009 and for the year then ended, prior to restatement of the comparative information, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements in their report dated May 11, 2010.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Build Toronto Inc.

Consolidated Balance Sheet
As at December 31, 2010

	2010 $	2009 $ (restated - note 3)
Assets		
Land and land improvements (note 7)	12,865,677	13,158,812
Project development costs	2,656,286	-
Equity accounted investment (note 5)	2,361,985	3,165,364
Office equipment and leasehold improvements (note 10)	1,191,912	126,062
Loan receivable (notes 5 and 9)	27,615,179	29,221,553
Short-term investments (note 8)	17,800,037	-
Amounts receivable (notes 6 and 9)	3,637,265	919,229
Prepaid expenses	63,202	287,226
Cash	1,672,027	120,072
	69,863,570	46,998,318
Liabilities		
Loan payable (note 12)	29,000,000	30,000,000
Due to related party (note 9)	12,242,072	3,558,086
Amounts payable and accrued liabilities (note 11)	4,227,473	77,632
	45,469,545	33,635,718
Shareholder's Equity		
Capital stock Authorized and issued 1 common share	1	1
Contributed surplus	15,724,175	15,724,175
Retained earnings (deficit)	8,669,849	(2,361,576)
	24,394,025	13,362,600
	69,863,570	46,998,318

Commitments (note 15)

Approved by the Board of Directors

_______________ Director _______________ Director

The accompanying notes are an integral part of these consolidated financial statements.

Build Toronto Inc.

Consolidated Statement of Net and Comprehensive Income (Loss) and Retained Earnings (Deficit)

For the year ended December 31,2010

	2010 $	2009 $ (restated - note 3)
Revenues		
Land sale (note 4)	18,785,388	-
Rental income		
Land (note 9)	2,051,494	1,500
Other (note 9)	79,033	1,500
Interest income (note 5)	920,374	-
	21,836,289	3,000
Expenses		
Rental properties	61,794	13,758
General and administrative (note 14)	6,038,929	2,032,904
Property taxes	1,529,395	-
Depreciation and amortization	463,070	-
Project development costs	785,935	299,110
Interest	1,022,362	-
Loss on equity accounted investment (note 5)	903,379	-
	10,804,864	2,345,772
Net income and comprehensive income (loss) for the year	11,031,425	(2,342,772)
Deficit - Beginning of year	(2,361,576)	(18,804)
Retained earnings (deficit) - End of year	8,669,849	(2,361,576)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows
For the year ended December 31, 2010

	2010 $	2009 $ (restated - note 3)
Cash provided by (used in)		
Operating activities		
Net income and comprehensive income (loss) for the year	11,031,425	(2,342,772)
Items not affecting cash		
Loss on equity accounted investment	903,379	-
Depreciation and amortization	463,070	-
Amortization of loan receivable premium	262,828	-
Changes in non-cash operating working capital		
Amounts receivable	(2,718,036)	(782,768)
Prepaid expenses	224,024	(287,226)
Accounts payable and accrued liabilities	3,454,007	77,632
Due to related party	8,683,986	2,802,821
	22,304,683	(532,313)
Investing activities		
Project development costs	(1,960,452)	-
Purchase of office equipment and leasehold improvements	(1,235,785)	(126,062)
Advance to equity accounted investment	(100,000)	-
Repayment (purchase) of loans receivable	1,343,546	(29,221,553)
Purchase of short-term investments	(17,800,037)	-
	(19,752,728)	(29,347,615)
Financing activities		
Repayment of loan payable	(30,000,000)	-
Proceeds from loans payable	29,000,000	30,000,000
	(1,000,000)	30,000,000
Increase in cash during the year	1,551,955	120,072
Cash - Beginning of year	120,072	-
Cash - End of year	1,672,027	120,072
Supplementary cash flow information		
Interest paid	681,496	-
Accrued project development costs	695,834	-

The accompanying notes are an integral part of these consolidated financial statements.

1 Incorporation and mandate

Build Toronto Inc. (the Corporation) was incorporated under the Ontario Business Corporations Act on November 13, 2008. The Corporation is a wholly owned subsidiary of the City of Toronto (the City). As a municipal corporation under Section 149(1) of the Income Tax Act (Canada), the Corporation is exempt from income taxes.

On December 16, 2009, Build Toronto Holdings One Inc. (BTHOI), a wholly owned subsidiary, was incorporated to hold the investment and related obligations in Toronto Waterfront Studios Inc. (TWSI).

2 Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for profit oriented enterprises. The significant accounting policies are as summarized below.

Basis of consolidation

These consolidated financial statements include the assets, liabilities and results of operations of the Corporation and its wholly owned subsidiary, BTHOI. All intercompany balances and transactions between the subsidiary and the Corporation have been eliminated.

Future accounting policy changes

In September 2009, the Public Sector Accounting Standards Board approved an amendment to the Introduction to Public Sector Accounting Standards. Under the amendment, government business enterprises will adhere to standards for publicly accountable profit oriented enterprises, meaning the adoption of International Financial Reporting Standards (IFRS), for fiscal years beginning on or after January 1, 2011. Government business-type organizations (GBTOs) classification in the Public Sector Accounting Handbook would be eliminated and government organizations currently classified as GBTOs may be categorized as other government organizations (OGOs) or government not-for-profit organizations. The Corporation has been identified as an OGO and accordingly must determine the appropriate financial reporting framework between Public Sector Accounting Standards or IFRS. Management is currently evaluating the criteria applicable to the Corporation's business to determine the appropriate financial reporting framework, and an assessment of the impact on the Corporation's financial reporting.

Financial instruments

The following table presents the classification of financial instruments:

Assets	Category	Measurement
Cash	held-for-trading	fair value
Short-term investments	held-to-maturity	amortized cost
Amounts receivable	loans and receivables	amortized cost
Loan receivable	loans and receivables	amortized cost
Amounts payable and accrued liabilities	other liabilities	amortized cost
Due to related party	other liabilities	amortized cost
Loan payable	other liabilities	amortized cost

Short-term investments

Short-term investments include investments with original maturities of one year or less and are recorded at cost plus accrued investment income, which approximates fair value.

Equity accounted investment

The Corporation's equity accounted investment is accounted for using the equity method, whereby the investment is initially recorded at cost and adjusted thereafter to recognize the Corporation's share of the entity's net income (loss). Any distributions received are accounted for as a reduction in the investment.

Revenue recognition

Revenue from the sale of properties is recognized once all significant conditions have been met and collection of proceeds from the sale is reasonably assured.

Rental income represents revenue from land lease and ancillary revenue. The Corporation uses the straight-line method of accounting for free rent inducements granted in lease agreements.

Land and land improvements

Land and land improvements are recorded at cost less any impairment loss. An impairment loss is recognized when the carrying amount of the asset is not recoverable from the estimated undiscounted future cash flow generated from its use and disposition. An impairment loss represents the difference between the asset's carrying value and its estimated fair value. Any impairment loss is recorded in the consolidated statement of net income and comprehensive income (loss).

Land improvements are recorded net of accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the land improvements, which is 40 years.

The costs of land and land improvements include all expenditures incurred in connection with the activities of acquiring, developing, leasing and constructing. These expenditures consist of all direct costs including initial leasing costs.

Project development costs

Project development costs consist of direct costs of development relating to the commercial development of land owned by the Corporation or properties designated and approved for transfer to the Corporation by the City. Project development costs are transferred to properties under development upon commencement of the project or to properties held-for-sale where the Corporation's intent is to dispose of the developed property. For projects that are abandoned, any costs incurred are immediately expensed.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Office equipment and leasehold improvements

Office equipment and leasehold improvements are recorded at cost. Amortization is provided on a basis designed to amortize the costs of the assets over their expected useful lives as follows:

Leasehold improvements	straight-line over the term of the lease
Furniture and fixtures	5 years straight-line
Computer equipment	3 years straight-line

The Corporation reviews the valuation of office equipment and leasehold improvements whenever events or changes in circumstances indicate the carrying amount may not be recoverable. When indicators of impairment of the carrying value of office equipment and leasehold improvements exist, and the carrying value is greater than the projected undiscounted future net cash flows, an impairment loss is recognized to the extent the estimated fair value is below the carrying value.

Office occupancy costs, deferred lease inducements and deferred lease escalations

The Corporation entered into an operating lease to occupy its current head office premises. Rent expense is recorded in office occupancy costs on a straight-line basis over the term of the lease. Differences between the straight-line rent expense and the payments, as stipulated under the lease agreement, are included in deferred lease escalations. Deferred lease inducements represent cash benefits the Corporation has received from its landlord pursuant to the lease agreement. Lease inducements received are amortized into office occupancy costs over the term of the related lease on a straight-line basis.

3 Restatement

In the prior year, a premium in the amount of $2,299,752 paid to a financial intermediary to acquire the loan receivable was expensed. It has subsequently been determined that this amount should have been included in the carrying value of the loan and amortized into income over the remaining term of the loan using the effective interest rate method. The consolidated financial statements for December 31, 2009 have therefore been restated as follows:

	As reported December 31, 2009 $	**Adjustments $**	**As restated December 31, 2009 $**
Consolidated balance sheet			
Loan receivable	26,921,801	2,299,752	29,221,553
Deficit	(4,661,328)	2,299,752	(2,361,576
Consolidated statement of net income and comprehensive income (loss) and retained earnings (deficit)			
Transaction costs	2,299,752	(2,299,752)	-
Net income and comprehensive income (loss) for the year	(4,642,524)	2,299,752	(2,342,772
Retained earnings (deficit) - End of year	(4,661,328)	2,299,752	(2,361,576
Consolidated statement of cash flows			
Net income and comprehensive income (loss) for the year	(4,642,524)	2,299,752	(2,342,772
Purchase of loans receivable	(26,921,801)	(2,299,752)	(29,221,553

Land sale

In 2010, the Toronto Transit Commission transferred land to the Corporation for a nominal amount. This land was subsequently sold by the Corporation for $18,785,388.

Toronto Waterfront Studios Inc.

The Corporation holds a 20% equity interest in TWSI. The investment is accounted for using the equity method.

Transfer of assets

In 2009, the Corporation acquired shares that represent a 20% equity interest in TWSI as well as the lands and land improvements currently leased by the Corporation to TWSI when City Council declared specific City of Toronto Economic Development Corporation (operating as the Toronto Port Lands Company or TPLC) properties and other City owned properties as surplus to be transferred to the Corporation or its subsidiary. The Corporation adopted the recommendations of The Canadian Institute of Chartered Accountants (CICA) Handbook Section 3840, Related Party Transactions and as a result properties and related assets or liabilities transferred to the Corporation were recorded at their carrying amount or net book value with the corresponding increase recorded in contributed surplus.

On December 31, 2009, the following assets were transferred to the Corporation from TPLC:

Asset transferred	**Transfer price $**	**Consideration $**	**Contributed surplus $**
Investment in shares	2,565,368	5	2,565,363
Land and land improvements	13,158,817	5	13,158,812
Loan receivable	600,001	600,001	-
Straight-line rent receivable	136,461	136,461	-
	16,460,647	736,472	15,724,175

The assigned ground lease with TWSI for the land is for a term of 99 years and was originally executed on August 25, 2005.

The consideration for the loan receivable and straight-line rent receivable are included in amounts due to TPLC as at December 31, 2010.

Equity accounted investment

For the year ended December 31, 2010, TWSI reported the following financial position and results from operations:

	$
Assets	50,316,014
Liabilities	37,697,648
Equity	12,618,366
Revenue	5,506,034
Expenses	10,022,929
Net loss for the year	(4,516,895)

The Corporation's share of the losses from TWSI for fiscal 2010 at its 20% equity share is $903,379 (2009 - $nil).

The equity accounted investment as at December 31, 2010 included the following:

	2010 $	**2009 $**
Investment in shares	2,565,363	2,565,363
Advances	700,001	600,001
	3,265,364	3,165,364
Accumulated losses	(903,379)	-
	2,361,985	3,165,364

The equity investment amount also includes $700,001 advanced to TWSI, of which $600,001 was originally funded by TPLC and was transferred to the Corporation as part of the transfer of assets. This amount was advanced as a shareholder's working capital contribution. The rate of interest and the repayment for this advance is subject to the approval of the Board of Directors of TWSI. The amount is not expected to be repaid within the year.

Loans receivable

In 2009, BTHOI acquired a loan receivable with a principal balance outstanding of $26,921,802 owing from TWSI from a financial intermediary who had originally lent the funds to TWSI. To acquire the loan receivable, the Corporation paid a premium of $2,299,752. The Corporation financed the loan receivable with funds borrowed from a financial institution and refinanced this loan payable in fiscal 2010 with funding from a government agency.

As at December 31, 2010, the principal amount outstanding on the loan receivable balance is $25,578,255. The loan receivable is due on September 1, 2018 and will be settled with a balloon payment of $12,213,980. The loan has a fixed annual interest rate of 5.6%. The loan is collateralized with a leasehold mortgage and $5,000,000 in guarantees from the shareholders of TWSI and $9,000,000 is guaranteed by TPLC.

In 2010, the Corporation and TWSI entered into negotiations to refinance the loan receivable. The Corporation and TWSI also agreed that the interest rate differential between the interest charged on the loan receivable and the interest paid on the loan payable (note 12) would be loaned back to TWSI. As such, $538,554 in interest income that would otherwise have been earned in fiscal 2010 will now be recognized over the remaining term of the loan receivable. The Corporation has recorded a receivable of $154,853 as at year-end, which represents the present value of the interest income receivable.

The Corporation completed its renegotiation of the terms of the loan receivable with TWSI on March 18, 2011. The terms of the new loan receivable facility match the terms of the new facility with the government agency described in note 12. The Corporation did, however, withhold funds to the extent of the transaction costs incurred in fiscal 2009 (note 3), which TWSI has agreed to reimburse the Corporation over the 28-year term of the loan receivable.

In addition, as part of the financing arrangement with PT Studios Inc., TPLC and the Corporation have entered into a promissory note for approximately $3.6 million, in May 2011, in favour of BTHOI, a wholly owned subsidiary of the Corporation. The loan bears interest at 6% per annum and interest is calculated and payable in arrears annually with the first payment of interest due June 23, 2011; maturity is on June 23, 2014.

6 Amounts receivable

Amounts receivable consist of the following:

	2010 $	2009 $
Property taxes due from TWSI	1,529,395	-
Amount held in escrow	-	654,207
Loan interest due from TWSI	273,057	128,561
Tenant inducement - due from landlord	565,000	-
HST receivable	379,803	-
Straight-line rent receivable (i)	395,018	136,461
Financing cost recoverable	343,602	-
Other receivables	151,390	-
	3,637,265	919,229

i) Pursuant to the deferred rent clause in the ground lease between BTHOI (as landlord) and PT Studios Inc. (as tenant), TWSI was given a deferral of 50% of basic rent payable for a period of five years, starting from June 22, 2009. This deferral is on an interest free basis.

7 Land and land improvements

Land and land improvements consist of the following:

	2010 $	2009 $
Land	2,019,688	2,019,688
Land improvements	11,139,124	11,139,124
	13,158,812	13,158,812
Less: Accumulated amortization	(293,135)	-
	12,865,677	13,158,812

8 Short-term investments

	2010 $	2009 $
Guaranteed investment certificates - various maturities within one year	17,800,037	-

9 Related party transactions

Included in amounts receivable is an amount of $61,912 (2009 - $12,929) due from Invest Toronto Inc., an affiliated company, and $2,228,634 due from PT Studios, a wholly owned subsidiary of TWSI. The transactions with the related parties that are in the normal course of operations are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Rental income includes an amount of $571,158 recognized as land and licence rent from PT Studios as well as $1,529,395 in receivable property taxes.

All other related party transactions with TWSI or its subsidiaries have been described in note 5 and note 6.

Due to related parties includes an unsecured amount of $12,242,072 (2009 - $3,558,086) owing to TPLC, an affiliated company. There is no set term of repayment of this amount and no interest is being charged by TPLC.

10 Office equipment and leasehold improvements

	2010 $	2009 $
Leasehold improvements	801,595	-
Furniture and fixtures	453,019	-
Computer equipment	107,233	-
Construction-in-progress	-	126,062
	1,361,847	126,062
Less: Accumulated amortization	(169,935)	-
	1,191,912	126,062

11 Amounts payable and accrued liabilities

Amounts payable and accrued liabilities consist of the following:

	2010 $	2009 $
Deferred lease inducement	519,435	-
Deferred lease escalations	97,964	-
Accounts payable and accrued liabilities	3,610,074	77,632
	4,227,473	77,632

(8)

12 Loan payable

On December 31, 2009, the Corporation entered into an interest only bridge loan of $30,000,000 with a Canadian financial institution expiring on May 31, 2010 bearing interest at prime. The loan was secured by the Corporation's properties.

On May 28, 2010, the Corporation refinanced its loan payable by entering into an interest only bridge loan of $29,000,000 with a government agency, which matures on May 28, 2011 and bears interest at prime. The loan is secured by various assets of BTHOI and corporate guarantees of BTHOI and the Corporation.

On March 18, 2011, the Corporation refinanced its loan payable with a government agency. The new facility is for $34,500,000 of which $29,080,508 replaces the bridge loan that was provided by the same government agency, and an additional $5,419,492 is available to be drawn. The new facility bears interest at 1.95% reset monthly to the government agency's borrowing rate until the rate is fixed after three years based on the agency's funding model. The first three years of the facility require only interest payments. As such, the principal portion of the loan will be repaid over 25 years. The Corporation has the ability to fix the interest rate on the new facility within the first three years of its term.

13 Employee benefits

The Corporation makes contributions to the Ontario Municipal Employees' Retirement Fund (OMERS), which is a multi-employer pension plan, on behalf of some of its employees. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan.

Since OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees. As a result, the Corporation does not recognize any share of the OMERS pension surplus or deficit. The Corporation's current service contributions to the OMERS pension plan in 2010, which were expensed, totalled $299,605 (2009 - $28,520) and are included in salaries and benefits expense.

14 General and administrative costs

General and administrative costs consist of the following:

	2010 $	2009 $
Salaries and benefits	4,679,559	1,359,704
Office services	390,782	75,257
Office occupancy costs	303,418	28,755
Professional fees	458,474	539,228
Marketing and promotion	206,696	29,960

15 Commitments

a) Future minimum annual lease payments are as follows:

	$
2011	282,500
2012	282,500
2013	282,500
2014	282,500
2015	296,625
Thereafter	1,398,375
	2,825,000

b) The Corporation, through its subsidiary, is required to advance working capital requests from PT Studios Inc. in the amount of $160,000 due at various times through 2011.

16 Financial instruments

Fair value

The Corporation's financial instruments consist of cash, short-term investments, amounts receivable, loan receivable, advances to TWSI, accounts payable and accrued liabilities, due to related party and loan payable. With the exception of cash, all other financial instruments are recorded at cost or amortized cost, which approximates fair value.

CICA Handbook Section 3862 requires disclosure of a three-level hierarchy for fair value measurements based on the transparency of inputs to the valuation of an asset or liability as of the financial statement date. The three levels are defined as follows:

- Level 1 - Fair value is based on quoted market prices in active markets for identical assets or liabilities. Level 1 assets and liabilities generally include equity securities traded in an active exchange market.

- Level 2 - Fair value is based on observable inputs other than Level 1 prices, such as quoted market prices for similar (but not identical) assets or liabilities in active markets, quoted market prices for identical assets or liabilities in markets that are not active, and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes mutual and pooled funds, hedge funds, Government of Canada, provincial and other government bonds, Canadian corporate bonds and certain derivative contracts.

- Level 3 - Fair value is based on non-observable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This category generally includes private equity investments and securities that have liquidity restrictions.

As at December 31, 2010, cash of $1,672,027 (2009 - $120,072) is classified as a Level 1 category.

Risk management

The Corporation's investment and operating activities expose it to a range of financial risks. These risks include credit risk, liquidity risk, interest rate risk and currency risk, which are described as follows:

- Credit risk

  Credit risk on financial instruments is the risk of financial loss occurring as a result of default or insolvency of a counterparty on its obligation to the Corporation. The total carrying value of the assets as presented in the consolidated balance sheet represents the maximum credit risk exposure at the date of the consolidated financial statements.

  The Corporation, in the normal course of business, is exposed to credit risk from its tenants. This risk is mitigated by the fact that management believes the Corporation has thorough and rigorous credit approval procedures. The Corporation provides for an allowance for doubtful accounts to absorb potential credit losses when required. No allowance for doubtful accounts was recorded as at December 31, 2010 and 2009.

  The loans receivable are collateralized by a leasehold mortgage and $5,000,000 in guarantees from the shareholders of TWSI, and $9,000,000 is guaranteed by TPLC. As such, in the event of default, the Corporation can take title and liquidate the assets of TWSI and enforce the guarantees.

  The cash deposit is held by a Schedule 1 Canadian financial institution, which management believes is reputable. Management believes the Corporation's exposure to credit risk is low.

- Liquidity risk

  Liquidity risk is the risk of being unable to settle or meet commitments as they come due. Management believes the Corporation's exposure to liquidity risk is low. As at December 31, 2010, all obligations of the Corporation, with the exception of certain amounts due to TPLC, are due within one year.

- Interest rate risk

  Interest rate risk is borne by an interest bearing asset or liability as a result of fluctuations in interest rates. The Corporation is exposed to interest rate risk through its floating loan payable, whose interest rate is based on prime, and its cash balances. As at December 31, 2010, a 1% change in the variable interest rates on the average balances for the year would have resulted in an annualized change in interest expense of

- Currency risk

  Virtually all of the Corporation's transactions are denominated in Canadian dollars. As at December 31, 2010, the Corporation held no financial instruments that were denominated in other than Canadian currency.

17 Capital management

In managing capital, the Corporation focuses on liquid resources, defined as cash and short-term investments, available to fund its operations. The Corporation's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The Corporation does not have any externally imposed capital requirements.

18 Comparative figures

Certain prior year comparative figures have been reclassified to conform to the current year's consolidated financial statement presentation.

19 Subsequent events

In 2008, two parcels of land were designated by the City to be transferred to the Corporation. During 2010, the properties were sold by TPLC and the net proceeds of $10,800,000 were authorized by the TPLC Board of Directors to be transferred in April 2011 as a payment in lieu and to be recorded as a reduction of the amount due to related party (note 9). The Corporation will record an increase in contributed surplus in 2011

Build Toronto Inc.
200 King Street West, Suite 200
Toronto ON, M5H 3T4

T: 416 981.3889
F: 416 981.3800
www.buildtoronto.ca

Printed on recycled paper.