



Town of Markham – Markham Arena Opportunity

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Section 1

Situation Overview



Background Information

- The Town was approached by an investor group (“Equity Investors” or “Developers”) with the possibility of constructing an arena in Markham Centre (“Markham Arena”, or the “Project”)
- Raymond James (“RJ”) was engaged by the Town of Markham (“Markham” or the “Town”) in December 2010 to assist in evaluating financing and capital structure alternatives for the Project (this report is not intended for other uses)
- Conversations with Equity Investors and the Town began in August 2010
- Equity Investors are currently utilizing the following advisors:

Advisor Name	Role
BBB Architects & Stadium Consultants International (“BBB”)	Architectural Design Consultants
Canaccord Genuity Corp. (“CanGen”)	Financial Advisor to the Equity Investors
Global Spectrum, L.P. (“GS”)	Arena Venue Management Consultants
PCL Constructors Canada, Inc. (“PCL”)	Construction Firm

- In December 2010, RJ began discussions with advisors to the Equity Investors.
 - Since its engagement, RJ has held numerous conference calls and reviewed available diligence prepared by the Equity Investors, their advisors and the Town
- RJ has relied on the information provided by the Town, the Equity Investors and/or its representatives, and has assumed such information is complete and accurate. Raymond James does not take responsibility for such estimates and projections, or the basis on which they were prepared. Nothing contained herein is an expression of view on valuation

RJ Objectives

- Markham has been given an opportunity, whereby the Equity Investors would invest \$175 million used towards the development of a marquee destination in the Town
- RJ was engaged to assist Markham in evaluating the options for raising the additional capital required to construct the Markham Arena
- The Markham Arena proposal from the Equity Investors assumes a \$350 million total development cost, 50% of which the Equity Investors assume is funded by Markham or other sources of capital raised by Markham
- RJ's objectives in assessing the opportunity include:
 - Analyzing the cost of completion estimates for the Project
 - Analyzing the pro-forma financials of the Project
 - Addressing the potential financing alternatives
 - Addressing the potential capital structures
 - Evaluating the funding sources and financial qualifications of the Equity Investors
- This report assumes there is no Major League tenant residing in the Markham Arena

Current Proposal from Equity Investors (“Proposal”)

Term	Description
Markham Arena Construction Cost	▪ \$350 million ▪ Includes the hard and soft construction costs plus Harmonized Sales Tax (“HST”) and other costs ▪ Fixed cost contract
Equity Contribution	▪ \$175 million raised by the Equity Investors
Portion Funded / Supported by Markham	▪ The Equity Investor group has asked that the remaining funds equal to \$175 million be raised by the Town in the form of debt
Additional Infrastructure Costs	▪ All infrastructure projects necessary to support the Markham Arena are expected to be facilitated and funded by the Town
Project Cash Flow Waterfall	▪ Equity Investors would receive access to the cash flows from operations ▪ A \$1 million annual payment would be made to the Town (may have the ability to increase such payments if a Major League or other substantial tenant is attracted)
Capital Expenditure Reserves	▪ Assumes costs are not funded by the Equity Investors
Tax Payments	▪ No tax payments assumed to be due from the Project to the Town or other municipalities on an ongoing basis
Legal Structure	▪ Proposal is not specific, however based on discussions with Markham external counsel, a Municipal Capital Facility or a Municipal Services Corporation would likely be required based on the current discussions with the Equity Investors



Section 2

Cost of Completion



Summary Observations

- The Equity Investor's estimated total development costs are \$350 million comprised of (i) \$208 million hard construction costs, (ii) \$91 million soft construction costs and (iii) \$51 million non-construction related costs
- PCL's estimated total construction costs of \$299 million for a 19,500 seat arena appears reasonable based on the company's experience with building similar arenas
 - Firm cost contract provides some cost over-run protection (paid on a monthly basis until completion)
 - Construction period would start as soon as practical and run through the last quarter of 2013
- Hard construction costs of \$208 million are reflective of current market conditions
 - Based on certain comparables, PCL's estimated \$297/ft² of hard costs appears reasonable
 - However, certain modifications can be made to slightly reduce these construction costs
- Soft construction costs of \$91 million are generally in line with the Town's estimate excluding \$14 million of development charges, bringing the total soft costs to \$105 million
- The Equity Investors assumed \$51 million of non-construction related costs appears understated and may be approximately \$61 million, which includes \$39 million of HST and a general contingency of \$22 million ⁽¹⁾
- Additionally, \$42 million of identified infrastructure costs were excluded from PCL's cost estimates

Total Project Costs	
Hard Costs	\$ 208
Soft Costs	\$ 105
Non-Construction Related Costs	\$ 61
Other Infrastructure Costs	\$ 42
Total Project Costs	\$ 416

Source: PCL Presentation to the Town, Town Memos and Correspondence with the Town

(1) Includes an estimated \$10 million for a one year interest reserve

Additional Infrastructure Costs

- Based on the Town's current estimates, there is approximately \$42 million of additional infrastructure costs necessary to support the project
 - Costs are incremental; not anticipated to be incurred by Town absent the Project
 - Costs are directly attributable to arena construction, but not included in PCL construction budget
 - Equity Investors are not proposing to cover any of these costs

Additional Infrastructure Costs (\$'s in MM's)		Typical Funding Source
Parking	\$ 23.8	Equity Costs
407 Pedestrian/Shuttle Concourse	0.5	Equity Costs
Go Sports Facility Pedestrian Bridge	1.0	Equity Costs
Local Road Costs	2.5	Equity Costs
Sanitary Watermain Upgrade	3.7	Equity Costs
Storm Water Management (Onsite)	1.5	Equity Costs
Total Project Costs	\$ 33.0	
407/Warden Ramp Reconfiguration	3.0	Development Charges ⁽¹⁾
Road From Warden to Parking Lot	6.0	Development Charges ⁽¹⁾
Additional Infrastructure Costs	\$ 42.0	

Source: Town Memo "Re: Markham Centre" to John Livey, CAO dated 12/2/2010 & meetings with the Town

(1) For illustrative purposes the cost associated with the service road from Warden to the parking lot are included, although typically funded with development charges

Section 3

Pro-Forma Financial Forecast

Annualized Profit & Loss ("P&L") from Standalone Arena

- Global Spectrum is a venue management company engaged by the Equity Investors to manage the proposed Markham Arena
- Global Spectrum provided a forecast of the Project's stabilized EBITDA contribution of \$3.1 million, which does not appear to be based on unreasonable assumptions given our diligence to date
- A supplemental forecast provided to the Town by Equity Investors indicated a \$10 - \$11 million annual EBITDA contribution opportunity, which RJ determined to be unfounded
- The forecast did not account for any capital reserves, estimated at \$0.5 million/year⁽¹⁾

Project Level Summary P&L - Global Spectrum Pro-Forma (\$'s in MM's)	
Number of Events	131
Attendance	767,724
Rental Revenue	\$ 1.9
Ticket Revenue	2.0
Ancillary Revenue (Concessions, Catering, etc.)	1.8
Total Event Revenue	\$ 5.7
Other Income	
Advertising (Net after Comm.)	\$ 1.2
Naming Rights (net after Comm.)	0.8
Luxury Seating	2.8
Miscellaneous	0.4
Total Other Revenue	5.1
Total Revenue	\$ 10.8
Expenses	
Salaries & Benefits (Full & Part-Time)	\$ (3.2)
Materials, Supplies & Services	(4.5)
Total Expenses	\$ (7.7)
Earnings Before Interest, Taxes, Depreciation & Amortization ("Project EBITDA")	\$ 3.1

Source: Global Spectrum Pro-Forma, presented to Town 11/10/2010

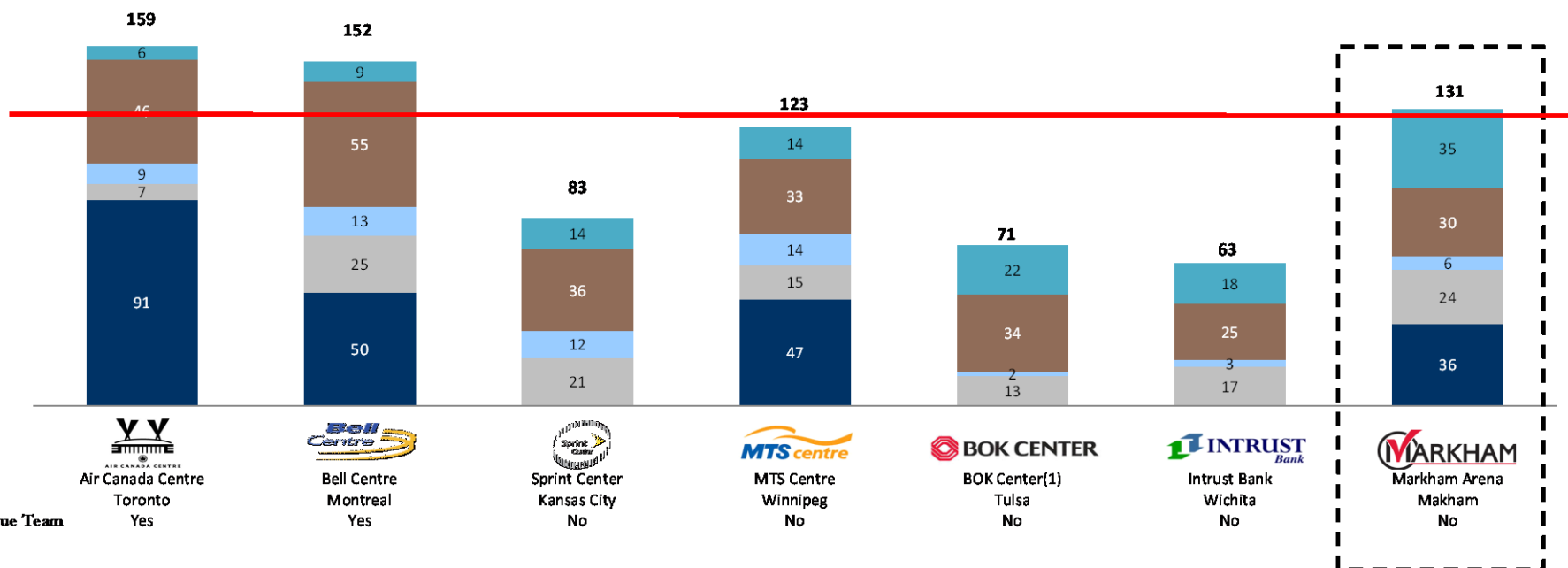
(1) This is typically represented as 5% of annual gross revenue or 5% of combined hard and soft construction costs over the life of the project, assumed to be 30 years (in this case both measurements are approximately \$0.5 million)

Observations – Comparable Events

- Global Spectrum's forecast of 131 events is within the range of comparable arenas provided

Comparable 2010 Programming⁽¹⁾

■ Major Tenant ■ Family ■ Sports ■ Concerts ■ Misc.



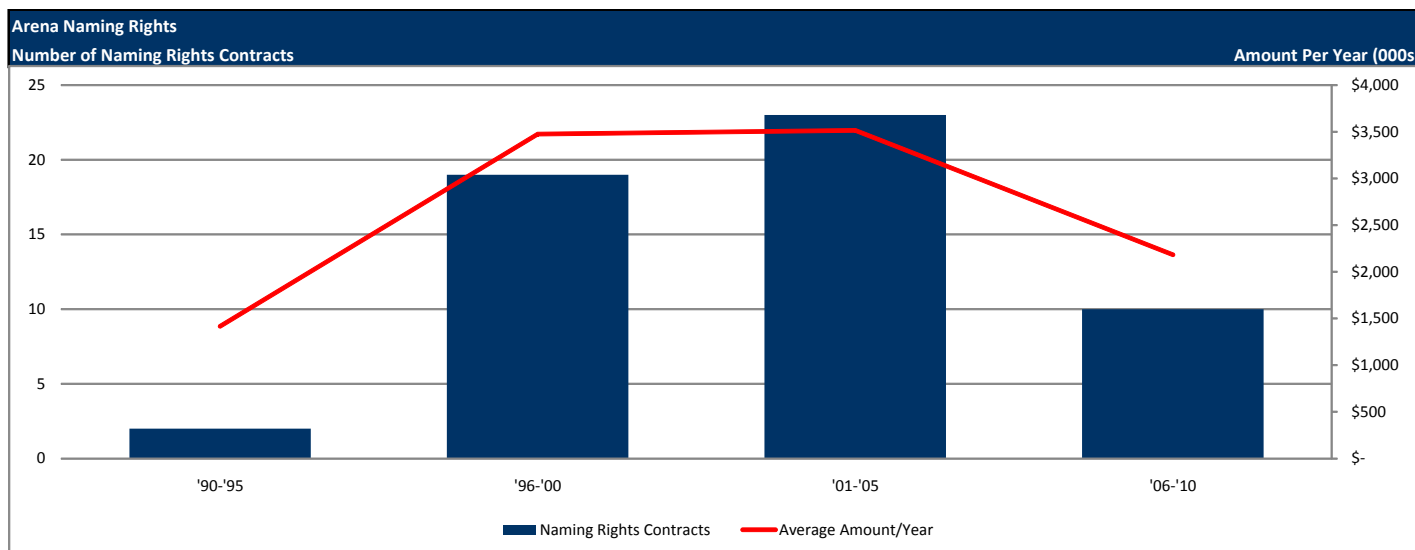
Source: Company Websites
 RJ Source: Canaccord

⁽¹⁾ BOK Center for 2009

Note: Markham projections provided by Global Spectrum, major tenant is not a Major League team

Observations - Naming Rights Detail

- There is a wide range of annual revenues associated with naming rights
 - The Sprint Center in Kansas City is a large scale arena without a Major League team; however, the arena was awarded a 25 year naming rights contract at \$2.5 million per year
 - Two recent large metropolitan arenas currently have obtained \$20 million/year bids for 20 year contracts (e.g. Barclays Center, New York and the L.A. Project- Farmers Insurance)
 - Naming rights contracts fell from their peak pricing, but appear to be on the rebound
 - Current naming right contracts are averaging approximately \$2.5 million/year
 - Based on this information, it appears that there is upside potential to Global Spectrum budget of \$800K



Source: Public Resources

Summary Observations

- Project EBITDA and key assumptions may be achievable based on the comparable data provided
- Solely based on Markham's population, the Markham Arena falls below its peers in terms of population per seat, however when considering the larger York Region or other similar Metro areas (a more appropriate metric), the results are within the range of its peers (see page 37)
- 131 event assumption is not based on any existing commitment from promoters or contracts. Mix of events and attendance could change significantly
 - Meaningful risk to cash flows and operating profitability
 - Potential ramp-up period before 131 event schedule is normalized
 - Nearby comparable facilities that can accommodate over 15,000 attendees include the Air Canada Centre, Copps Coliseum and Rogers Centre
 - An arena venue in Markham may be a more accessible alternative to those living in the York Region than existing venues in the Greater Toronto Area
- Potential upside in cash flows
 - Improved naming right contracts
 - Incremental advertising revenue
 - Greater utilization of luxury seating
- Opportunity for the Town to negotiate ability to utilize non-event days and evenings to supplement cash flow



Section 4

Sources and Uses

Sources & Uses Summary

- As detailed previously, the total construction costs are estimated at \$416 million
- Based on a \$175 million equity investment, the funding requirements expected to be borne by the Town are approximately \$241 million

Sources & Uses At Closing (\$'s in MMs)			
Sources of Cash		Uses of Cash	
Equity Investor Contribution	\$ 175	Hard Costs ⁽¹⁾	\$ 208
Markham- Initial Funding Ask from Equity Investor	175	Soft Costs ⁽²⁾	105
Markham- Additional Funding Needs ⁽³⁾	66	HST/Other ⁽¹⁾	61
		Other Infrastructure Costs	42
Total Sources	\$ 416	Total Uses	\$ 416

⁽¹⁾ Based on discussions/documents provided by PCL, Canaccord, and/or the Equity investors

⁽²⁾ Based on meetings/correspondence with the Town, includes additional \$14 million of Development Charges not accounted for in the PCL forecast

⁽³⁾ Additional funding gap based on the above is assumed, by the Equity Investors, to be funded by a party other than the Equity Investors (i.e. Markham and its investors)

Annual Funding Summary - Based on the Proposal

- Based on Proposal, available annual cash flow to support a debt raise includes:
 - Proposed \$1 million payment from operating cash flow
 - Plus: estimated additional parking revenue of \$1 million / year
 - Less: capital reserves of \$0.5 million / annum
- Based on the above cash flow, the total annual funding shortfall prior to including amortization is approximately \$10 million⁽¹⁾
- Assuming a 20 year term (with straight line amortization) the annual funding shortfall is approximately \$17 million⁽¹⁾
- In summary, the Town's initial funding cost, not funded by the Equity Investors, is estimated at \$241 million with an annual funding obligation of \$10 - \$17 million (with and without principal amortization, respectively)
 - Lack of amortization would create significant refinancing risk
- Opportunities and risks exist that may increase or decrease both the total Project construction costs as well as the annual cash flows available to service debt, as discussed in following section

⁽¹⁾ Assumes 5% interest rate

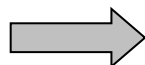
Section 5

Financing & Structuring Alternatives

Overview - Financing Alternatives Based on Proposal

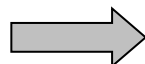
RJ assessed availability of financing from the following sources based on economics of the Proposal:

3rd Party Financing (Alternative 1)



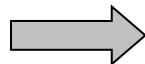
- Arena to be funded with no support from Markham
- Access debt capital markets (bank/bond market)
- Despite attractive equity contribution by Equity Investors, 3rd party financing is not available due to lack of stable cash flow stream

Markham Guarantee of 3rd Party Financing (Alternative 2)



- Markham to provide a limited or complete guarantee of the debt
- Guarantee could come in various forms/sizes (typical guarantee, pledge of certain assets)
- Practically, Markham would need to guarantee principal and interest and would be responsible for making the debt service payments

York Debentures (Alternative 3)



- Markham makes request for debentures to the Regional Municipality of York
- Investors receive credit support from York Region, and York Region looks to Markham to fulfill the obligations to the investor
- Practically, Markham would be supporting the guarantee of principal and interest and would be making the debt service payments

Developer Debt with Limited Markham Guarantee (Alternative 4)

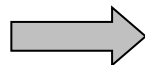


- A combo alternative was also considered whereby the Developer raised the debt and, given the lack of cash flows, the Town would provide a limited guarantee to help reduce the interest rate to more favorable market terms
- As discussed above, 3rd party financing is not available without a full guarantee of debt and interest as well as a source to fund debt service

Add'l Alternative: Negotiated Transaction and 3rd Party Funding Sources

- The Proposal does not provide a credit package necessary to access a market-based loan due to significant anticipated ongoing cash flow obligations and risks
- The following outlines a “Negotiated Transaction” alternative that Markham may consider pursuing to enhance the feasibility of this opportunity from a finance perspective:

Negotiated Transaction (Alternative 5)



- Negotiate more standard cash flow waterfall
- Additional contributions/concessions from the Equity Investors or other potential parties of interest
- Reduce / phase project scope and associated costs
- Enhanced ability to access 3rd party debt, but more likely utilize Alternative 2⁽¹⁾ or Alternative 3 to raise debt

⁽¹⁾ Alternative 2, under a Negotiated Transaction, may provide incremental structuring flexibility vis-à-vis Alternative 3 (e.g. repayment schedule, drawdown mechanics, etc.)

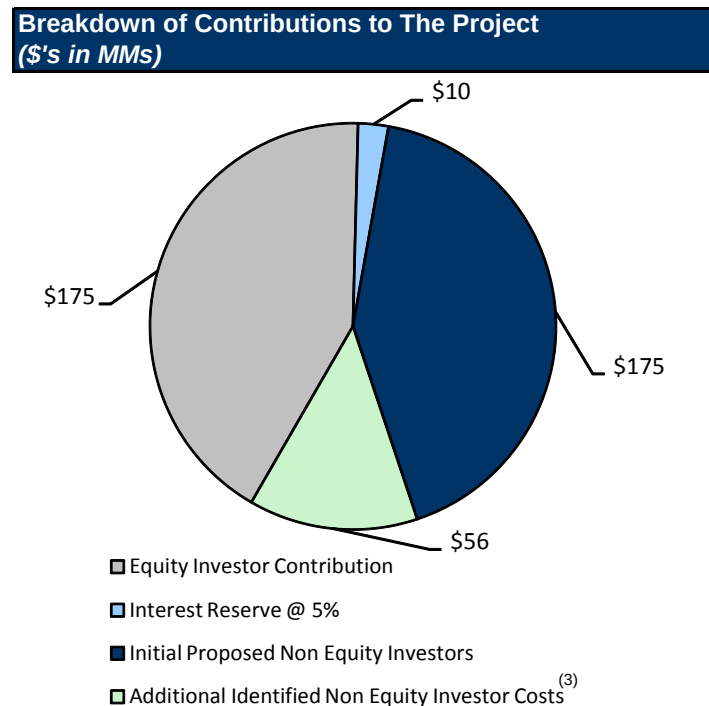
Negotiated Transaction – Overview

- Multiple opportunities are available to the Town to reduce the initial Project funding requirements and consequently the ongoing debt service amounts. Such benefits could come from:
 - Credit enhancements provided by Markham
 - Contributions to the initial funding (e.g. community use funds, deferral of development charges, etc.)
 - Utilization of initiatives funded from other programs (e.g. parking structures that may be developed with an award from the Pan Am Games)
 - Future revenue streams (e.g. bonusing payments)
 - Additional contributions/concessions from Equity Investors
 - Less expensive build out of the Markham Arena
 - Contractual rights to all of certain cash flow streams (particularly naming rights and advertising revenue)
 - Additional equity contribution
 - Contributions from alternative funding sources
 - Additional contributions could be made from Provincial, Federal or other sources

Negotiated Transaction - Potential Contributions and Deferrals

- It may be possible to reduce total Project costs of \$416.0⁽¹⁾⁽²⁾ million by an identified \$34.0 million from one-time cash contributions, deferrals or waivers of amounts due to the Town and/or the Region
 - Adjustments for such potential benefits to the Project result in an estimated \$382.0 million of net costs to be raised in support of the Project or \$207.0 million of additional financing from Markham

Project Costs (\$'s in MM's)	
Hard Costs	\$ 207.9
Soft Costs	104.8
Non-Construction Related Costs	61.3
Other Infrastructure Costs	42.0
Total Capital Costs	\$ 416.0
<u>Less: Potential Cost Deferrals</u>	
Development Charges Deferral	\$ (16.5)
Service Road from Warden to Parking Lot	(6.0)
407/Warden Ramp Reconfiguration	(3.0)
District Energy Program ⁽²⁾	(8.5)
Potential Deferrals Contributions from Town	\$ (34.0)
Total Funding Estimate	\$ 382.0
Equity Investor Funding	\$ 175.0
Non Equity Investor Funding	207.0
Total Funding Estimate	\$ 382.0



⁽¹⁾Includes estimated interest reserve net of interest income under a Negotiated Transaction

⁽²⁾There are differences in view between PCL and the Town in this regard. Further work to be performed

⁽³⁾Represents the total potential contributions/deferrals from the Town plus the \$2.5 million development charges included in the Equity Investor's Proposal

Negotiated Transaction – Cash Flow, Debt Capacity and Funding Gap

- The potential annual cash flows broadly associated with the Project on a stabilized basis, including concessions from both the Town and the Equity Investors are illustrated below

Project and Associated Cash Flows⁽¹⁾		
(\$'s in MM's)		
Project EBITDA ⁽²⁾	\$	3.1
Capital Reserves ⁽³⁾		(0.5)
Parking Revenue ⁽⁴⁾		1.2
Annual Project Cash Flows		3.8
Annual District Energy Costs ⁽⁵⁾		(0.6)
Tax Increment Financing-Like (Within Markham Centre) ⁽⁶⁾		2.7
Voluntary Builder Contribution on all Units in Markham Centre ⁽⁶⁾		2.5
Section 37 Bonusing Within Markham Centre ⁽⁶⁾		0.7
Town-Based Annualized Enhancements		5.3
Net Cash Flow Available to Service Debt	\$	9.0

- The implied debt amount that may be raised based on the above cash flows and the Town and/or Region's credit is \$118 million resulting in a funding shortfall ("Funding Gap") of \$89 million⁽⁷⁾
 - Any shortfalls in the assumed available net cash flow in a given year would have a corresponding dollar-for-dollar shortfall to the debt service payment obligations
 - Implied debt raise is not a market based approach (i.e. debt providers would not attribute similar value to cash flow stream utilized in this alternative)

⁽¹⁾Cash flow schedule assumes that the negotiated deferrals and contributions are made to their full extent, based on the identified items

⁽²⁾EBITDA includes the \$1 million payment to the Town

⁽³⁾This is typically represented as 5% of annual gross revenue or 5% of combined hard and soft construction costs over the life of the project, assumed to be 30 years (in this case both measurements are approximately \$0.5 million)

⁽⁴⁾Source: Correspondence with Town Staff, shown net of certain parking revenues shown in Global Spectrum Pro Forma

⁽⁵⁾Source: Correspondence/Feedback from Town Staff (Note: to the extent the total initial capital savings is less than \$8.5 million the associated costs above would decrease)

⁽⁶⁾Source: Correspondence/Feedback from Town Staff

⁽⁷⁾The \$118 million is assumes a 5% interest rate, as does the \$89 million in addition to a 20 year amortization period

Negotiated Transaction - Summary Observations

- As it stands, the Proposal does not provide for market-based debt, however there is potential to negotiate an improved, more palatable agreement for the Town
 - Given the structure of cash flows, 3rd Party debt would not be available absent significant credit support and payment guarantees from Town
- A Negotiated Transaction may provide sufficient cash flows on a stabilized basis to justify a debt raise
- Assuming all assumptions in the Negotiated Transaction are achieved, there is an \$89 million Funding Gap
- Other parties of interest could justify bridging the Funding Gap based on economic benefits⁽¹⁾ and other benefits not quantifiable at the current time
- The Funding Gap could be bridged with additional equity (developers, provincial and federal)
 - On an average, annualized basis, funding of the Funding Gap would require \$5.2 million / year
- Other ideas that may be explored with the existing constituents include:

Town

- Pursuit of grants and donations
- Pursue lease / grant of land acquired for parking lot
- Potential structure which may avoid HST obligations (approx. \$39 million)⁽³⁾

Equity Investors

- Building an arena with a smaller construction budget
- Contributions to future capital expenditure and reserve requirements
- Pre-sale of luxury boxes
- Commitments to development surrounding Markham Arena

⁽¹⁾ Please refer to the report being prepared by Director of Economic Development for the Town, Stephen Chait, on the Economic Benefits of the Project

⁽²⁾ Assumes 5% interest rate and a 20 year amortization period

⁽³⁾ Based on PCL's assumed construction cost estimates

Section 6

Next Steps & Recommendations

Recommendations

- Equity Investor group composition and investment proportions are not yet fully formed. RJ has obtained some verbal assurances of financial wherewithal from two of the potential investors, and an investment firm on their behalf, but further financial qualification diligence is needed
 - Absent other motivations, the Project does not appear to provide adequate equity like returns to the proposed Equity Investors, creating additional execution risk
 - Require substantial equity investment from lead proponent of Equity Investor group
- The Proposal would not permit a debt raise from a 3rd party capital provider on a stand-alone basis
 - The debt can be raised by a 3rd party given Markham credit enhancement or via the York Region
- Structural protections to the benefit of the Town, such as a first lien / foreclosure right should be negotiated
- The debt under the Proposal would place significant annual cash flow burden on Markham and carries significant risk
 - At this point, from a pure financial point of view, the Town does not appear to be earning an adequate return for its involvement in extending or facilitating the debt raise
- A \$175 million equity investment to help fund a marquee destination in the Town is attractive and may be worth pursuing alternatives with respect to the project's feasibility
- There are numerous factors that impact a) the Project's costs and b) the Project's cash flows, that could be negotiated and/or revised to mitigate the burden and risk to the Town
 - A Negotiated Transaction, as illustrated, will be difficult to achieve given multiple parties and interests
 - Might still leave a Funding Gap of \$89 million (assuming 20 year amortizing period and 5% rate)
- Based on the Town's draft economic study, there may be justification for provincial support to fund this gap⁽¹⁾
 - On an average, annualized basis, funding of the Funding Gap would require \$5.2 million / year⁽²⁾

⁽¹⁾Please refer to the report being prepared by Director of Economic Development for the Town, Stephen Chait, on the Economic Benefits of the Project

⁽²⁾Assumes 5% interest rate and a 20 year amortization period

Next Steps

- Obtain Town Council approval to move forward with evaluation of the opportunity
 - Do not provide any substantial commitments before significant progress on various improvements to the Proposal have been negotiated
- Engage Raymond James to continue to “quarterback” assessment of Project, assist in negotiations with the Equity Investors and pursue necessary debt capital to consummate any agreements or transactions
- Complete financial qualification review of Equity Investors
- Negotiate letter of intent / term sheet with the Equity Investors
 - Assess and finalize the legal / funding structures
 - Determine actual tangible costs / benefits (i.e. cash in/outflow) of the Project
 - Determine the tangible and intangible benefits of the Project
 - Document timeline and milestones
 - Socialize/obtain approvals from York Region and others that may be required

Appendix

Supplemental Schedules

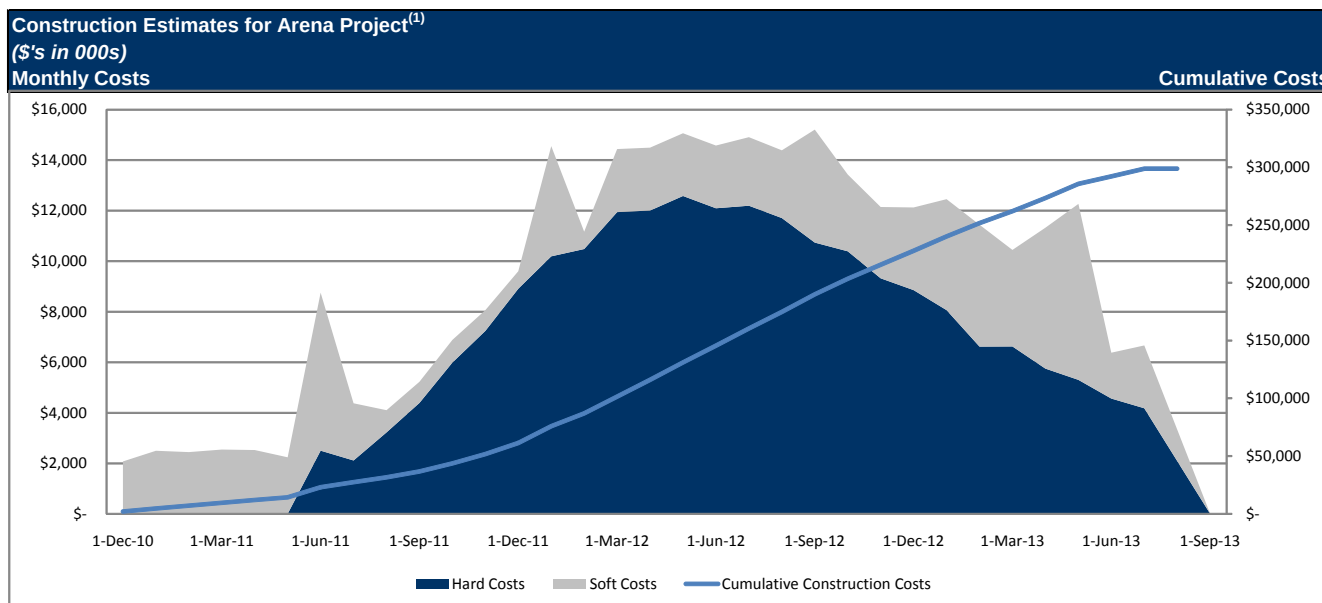
PCL Overview

- PCL is a construction firm working with the Equity Investors to construct the Arena
 - Provided preliminary projection estimates to construct the Arena
 - Has been engaged by the Equity Investors to construct the Arena should the Project get approved
- PCL has extensive experience in arena building (over \$2.7 billion in construction value in North American in the last 10 years⁽¹⁾), including the construction of a number of arenas in Canada in the last 10 years
 - PCL is currently engaged by the Town for the construction of the East Markham Community Centre and Library
- PCL has estimated the cost of completing a 19,500 seat Arena at \$350 million
 - Hard Costs- \$208 million
 - Soft Costs- \$91 million
 - Non-Construction Related Costs - \$51 million
- Construction period would start as soon as practical and run through the last quarter of 2013

⁽¹⁾PCL facts from PCL official website <www.pcl.com>

Summary of Total Costs and Timeline

- Equity Investors have indicated that PCL would provide a firm committed cost of completion (typically with a contingency factor)
- Further design schematics by BBB are needed and will require two months to complete
- Provided below is an estimate of the monthly and cumulative spend though project completion⁽¹⁾
 - Within PCL's construction contracts there is often a 10% contingency for cost overruns due to overtime, requested acceleration of development, etc. Such costs are not included below



Source: PCL Presentation to Town 10/20/2010

⁽¹⁾ Hard and soft costs are based on current PCL estimates as of 10/20/10. Please note that PCL estimates total cost holdbacks to be \$20.7 million and \$4.6 million for hard and soft costs respectively (to be paid 45 days after project completion)

Hard Construction Costs

- Hard construction costs are typically based on the total gross floor area of the arena but vary dramatically from project to project
 - The Markham Arena hard costs are estimated at \$297/ft²
 - The main components of the building hard costs include site work, excavation, foundations, structure, roofing, interior construction, equipment/furnishings, conveying, mechanical & electrical, etc
- Based on four composite projects in Canada⁽¹⁾ the cost per ft² and cost per seat are generally in range with the comparables
 - Project D's relatively high cost is attributable to various factors including ratio of steel, higher quality curtain wall, tenant fit out costs, etc., which may not be required for the Markham Arena or may be funded by the developer at a later date

PCL Hard Construction Cost Comparison										
Description	Project A		Project B		Project C		Project D	Markham Arena		
Gross Floor Area (ft ²)	650,000		430,000		608,455		736,000	700,000		
Cost	\$	216,212,000	\$	126,055,000	\$	176,619,000	\$	306,969,000	\$	207,900,000
Cost/ft ²	\$	333	\$	293	\$	290	\$	417	\$	297
Seats	18,500		15,015		20,000		18,300	19,500		
Cost/Seat	\$	11,687	\$	8,395	\$	8,831	\$	16,774	\$	10,662
Ft ² /Seat	35.1		28.6		30.4		40.2	35.9		

Source: PCL Presentation to Town 10/20/2010

⁽¹⁾ Three were completed during the last 10 years and one, Project D, is under consideration

Soft Construction Costs

- Preliminary PCL projections of soft costs for the Project are approximately \$91 million:
 - However, discussions with PCL revealed approximately \$14 million of additional development charges were not budgeted. The schedule below is adjusted to reflect their estimated costs on a fully-loaded basis

Soft Costs Summary Detail (\$'s in MM's)			
Description	PCL Costs ⁽¹⁾	Direct to Owner ⁽²⁾	Total
Tenant Fitout Areas	\$ 25.1	\$ 2.0	\$ 27.1
Consultants and Administrative Expenses	17.2	4.1	21.3
Fixtures, Furnishings & Equipment	3.8	15.4	19.2
Legal/Insurance/Bonding	-	15.1	15.1
Land Development Fees & Permits ⁽³⁾	-	5.7	5.7
Marketing	-	1.5	1.5
Capitalized Pre-Opening Costs	-	0.9	0.9
Artwork ⁽⁴⁾	-	-	-
Total Per PCL's Estimates	\$ 46.2	\$ 44.7	\$ 90.8
Adjustment for Additional Development Charges	-	14.0	14.0
Total Adjusted Soft Costs	\$ 46.2	\$ 58.7	\$ 104.8

Source: PCL Presentation to Town 10/20/2010

(1) Denotes costs that will initially be outlaid by PCL, but would be reimbursed by Project funds

(2) Denotes costs incurred directly by the owner and paid with Project funds

(3) Includes development fees, site services, municipal upgrades outside property, building permit fees, and certain property taxes and \$2.5 million in Development Charges

(4) Some municipalities require a certain small portion of construction costs to be dedicated to the purchase of artwork

Non-Construction Related Costs

- Non-Construction related costs estimated at \$61 million ⁽¹⁾
- Approximately \$39 million of such costs are associated with the Harmonized Sales Tax (HST), which is assumed to constitute an unrecoverable cash outlay by the Project
- The use of the \$22 million⁽¹⁾ of remaining funds were not identified. For purposes of analyzing the Proposal, we consider these funds a contingency and are not assumed available for any future funding of the Project

⁽¹⁾ Includes an estimated 10 million for an one year interest reserve

Annualized P&L from Standalone Arena

- Events mix is comparable to other large capacity arenas in Canada
- Ticket pricing assumptions appear within the range of market comparables
- Concert and special events at the Markham arena will most likely require some cannibalization of events from surrounding areas⁽¹⁾⁽²⁾

Revenues	Assumptions
Rental/Event Promotions	▪ Based on 131 events with 36 events related to Junior A hockey activities ▪ Not based on any existing contract with promoters ▪ Assumes rental income is 5-15% of gross ticket sales depending on event type ▪ Assumes a degree of cannibalization from Toronto and surrounding area entertainment venues
Ticket Revenue	▪ Based on current pricing known by Global Spectrum from arenas it currently operates and their knowledge of activity at the Air Canada Centre
Advertising	▪ Limited due to limited TV coverage assuming no Major League team ▪ Revenue comes from advertising on suites, signs, concourse level, exterior signage, etc.
Naming Rights	▪ Based on market data for arenas without a team and demand for naming rights in Canada
Luxury Seating	▪ Assumes tiered structure with club seats, smaller seats and party suites ▪ Based on annual rentals ranging from \$40,000 - \$80,000 as well as per-event pricing

Expenses	Assumptions
Full-Time Staffing Costs	▪ Based on Global Spectrum estimates from comparable arenas ▪ Includes full-time salary positions in all operational functions
Part-Time Staffing Costs	▪ Includes box office, marketing, event services, and operations personnel
Materials, Supplies Services, & Utilities	▪ Based on Global Spectrum's estimates ▪ Largest cost of operations due to utilities
Utilities	▪ Does not include potential costs of a District Energy supported build out
Global Spectrum Management Fees	▪ Management fee estimated by Global Spectrum for an arena of this size

⁽¹⁾ Nearby comparable facilities that can accommodate over 15,000 seating include the Air Canada Centre, Copps Coliseum and Rogers Centre

⁽²⁾ An arena venue in Markham may be a more accessible alternative to those living in the York Region than existing venues in the Greater Toronto Area

Pro Forma Financial Forecast

Estimated Incremental Parking Revenues to the Town

Project Live - Parking Revenue Analysis							
NUMBER OF PARKING SPACES	2,500						
ASSUMPTIONS							
Parking Cost as % of Ticket Price	20%						
% of Attendees Requiring Parking	70%						
Parking Cost for Free Events	\$2.00						
Attendees per Car	3 Persons						
	# of Events	Avg. Tkt Price	Attendance per Event	Parking Cost ⁽¹⁾	# of Cars per Event ⁽²⁾	Revenue per Event	Total Revenue per Show Type
FAMILY SHOWS							
Vee Sesame Street	4	\$15.00	3,000	\$3.00	700	\$2,100	\$8,400
Disney On Ice - Feld	10	\$18.00	5,000	\$4.00	1,167	\$4,667	\$46,667
Globetrotters	1	\$22.00	10,000	\$5.00	2,333	\$11,667	\$11,667
Ice Show/Figure Skating	1	\$50.00	4,000	\$10.00	933	\$9,333	\$9,333
Cirque/Family Spectacular	4	\$50.00	5,000	\$10.00	1,167	\$11,667	\$46,667
Miscellaneous Family	4	\$18.00	3,500	\$4.00	817	\$3,267	\$13,067
Subtotal	24						\$135,800
SPORTING EVENTS							
Hockey- Junior A - Regular Season	34	\$17.00	5,000	\$4.00	1,167	\$4,667	\$158,667
Hockey- Junior A - Playoff	2	\$19.00	5,000	\$4.00	1,167	\$4,667	\$9,333
Miscellaneous	5	\$10.00	6,000	\$2.00	1,400	\$2,800	\$14,000
Subtotal	41						\$182,000
CONCERTS							
Major	18	\$80.00	12,500	\$16.00	2,500	\$40,000	\$720,000
Minor	12	\$55.00	7,000	\$11.00	1,633	\$17,967	\$215,600
Subtotal	30						\$935,600
MISCELLANEOUS							
Motor Sports - Feld	3	\$12.00	4,000	\$3.00	933	\$2,800	\$8,400
Monster Trucks - Feld	3	\$15.00	5,500	\$3.00	1,283	\$3,850	\$11,550
Boxing / MMA	1	\$20.00	6,000	\$4.00	1,400	\$5,600	\$5,600
WWE	2	\$30.00	10,000	\$6.00	2,333	\$14,000	\$28,000
Trade Shows	4	\$0.00	1,500	\$2.00	350	\$700	\$2,800
Religious	8	\$0.00	5,000	\$2.00	1,167	\$2,333	\$18,667
Community	3	\$0.00	3,000	\$2.00	700	\$1,400	\$4,200
Meetings/Banquets	4	\$0.00	250	\$2.00	58	\$117	\$467
Conventions	6	\$0.00	2,500	\$2.00	583	\$1,167	\$7,000
Other	2	\$10.00	3,500	\$2.00	817	\$1,633	\$3,267
Subtotal	36						\$89,950
Gross Parking Revenue	131						\$1,343,350
Less: Portion of Parking Revenue Already Accounted for in Global Spectrum Pro-Forma							\$192,227
Total Annual Parking Revenue							\$1,151,124

⁽¹⁾ Parking cost is calculated as 20% of the average ticket price for each event and rounded up to the nearest dollar.

⁽²⁾ The number of cars attending each event is limited by the maximum number of spaces available.

Observations – Arenas & Surrounding Populations

- Although Markham falls well below its peers in terms of population per seat based on city/town area, when considering the larger York Region or other similar Metro areas (a more appropriate metric), the results are within the range of its peers

	MARKHAM ARENA	CONSTRUCTED CENTRES				PROPOSED CENTRES			UNITED STATES		
	Markham	Air Canada Centre	Bell Centre	MTS Centre	Scotiabank Place ⁽⁶⁾	Edmonton Arena	Quebec City Arena	Jobing.com Arena	Sprint Center	United Center	Phillips Arena
Location:	Markham	Toronto	Montreal	Winnipeg	Ottawa	Edmonton	Quebec City	Glendale ⁽⁵⁾	Kansas City	Chicago	Atlanta
Province/State:	Ontario	Ontario	Quebec	Alberta	Ontario	Alberta	Quebec	Arizona	Missouri	Illinois	Georgia
Year Opened:	n/a	1999	1996	2004	1996	n/a	n/a	2003	2007	1994	1999
Owner:	n/a	MLSE	Molson Family	TNSE	Capital Sports Properties	n/a	n/a	City of Glendale	Kansas City	Private	Atlanta Fulton County
Pro Team Committed at Construction:	No	Yes - Raptors	Yes - Canadiens	No	Yes - Senators	n/a	n/a	Yes - Coyotes	No	Yes - Bulls/Hawks	Yes - Hawks (NBA)
Population:											
City / Town	261,573	2,503,281	1,620,693	633,451	812,129	730,372	491,142	253,152	482,299	2,853,114	540,922
Urban	1,293,573 ⁽¹⁾	4,753,120	3,316,615	641,483	n/a	862,544	659,545	1,854,739	1,361,744	8,711,000	3,499,840
Metro Statistical Area	5,113,149 ⁽²⁾	5,113,149	3,635,571	694,668	1,130,761	1,034,945	715,515	4,364,034	2,053,928	9,785,747	5,975,213
2010 Programming (Number of Events):	131 ⁽³⁾	159	152	123	n/a	n/a	n/a	n/a	83	n/a	n/a
Population per Event:											
City / Town	1,997	15,744	10,662	5,150	n/a	n/a	n/a	n/a	5,811	n/a	n/a
Urban	9,875	29,894	21,820	5,215	n/a	n/a	n/a	n/a	16,407	n/a	n/a
Metro Statistical Area	28,984	32,158	23,918	5,648	n/a	n/a	n/a	n/a	24,746	n/a	n/a
Original/Estimated Cost (\$M):	\$206 ⁽⁴⁾	\$265	\$270	\$134	\$170	\$307	n/a	US\$180	US\$276	US\$175	US\$214
Numbers of Seats for Hockey:	19,500	18,800	21,273	15,015	20,000	18,300	n/a	17,125	18,000	19,800	18,750
Gross Floor Area (Sq. Ft.):	700,000	665,000	n/a	430,000	608,455	736,000	n/a	n/a	n/a	960,000	n/a
Population per Seat:											
City / Town	13	133	76	42	41	40	n/a	15	27	144	29
Urban	66	253	156	43	n/a	47	n/a	n/a	76	440	187
Metro Statistical Area	262	272	171	46	57	57	n/a	n/a	114	494	319
Total Cost / Gross Floor Area (Sq. Ft.):	\$297	\$398	n/a	\$310	\$279	\$417	n/a	n/a	n/a	US\$182	n/a
Total Cost / Seat:	\$10,667	\$14,096	\$12,692	\$8,891	\$8,500	\$16,776	n/a	US\$10,511	US\$15,333	US\$8,838	US\$11,387

Source: Publicly available information and PCL estimates

⁽¹⁾ Estimated population for York Region

⁽²⁾ Assuming the same Metro Statistical Area as Toronto.

⁽³⁾ Estimated number of events provided by Global Spectrum.

⁽⁴⁾ Estimated construction cost provided by PCL Construction.

⁽⁵⁾ Glendale Urban Population adds the population of the City of Phoenix.

⁽⁶⁾ The Scotiabank Place figures are derived from a few media sources with conflicting numbers, the actual amount may differ.

Annual Funding Costs Based on the Proposal

- Based on Proposal, available annual cash flow available to support debt raise include:
 - Proposed \$1 million payment from operating cash flow
 - Plus: estimated additional parking revenue of \$1 million / year
 - Less: capital reserves of \$0.5 million / annum
- Tables below reflect remaining debt service funding requirement:

Annual Funding Requirements ⁽¹⁾ (\$'s in MMs)		Interest Rate(2)				
		4.0%	4.5%	5.0%	5.5%	6.0%
Non-	\$ 221.2	\$ (7)	\$ (8)	\$ (9)	\$ (11)	\$ (12)
Equity	\$ 231.2	\$ (8)	\$ (9)	\$ (10)	\$ (11)	\$ (12)
Investor	\$ 241.2	\$ (8)	\$ (9)	\$ (10)	\$ (12)	\$ (13)
Funding	\$ 251.2	\$ (8)	\$ (10)	\$ (11)	\$ (12)	\$ (13)
	\$ 261.2	\$ (9)	\$ (10)	\$ (11)	\$ (13)	\$ (14)

Annual Funding Requirements- Assuming Straightline Amortization ⁽²⁾⁽³⁾ (\$'s in MMs)		Term				
		Int. Only	40 Yrs	30 Yrs	20 Yrs	10 Yrs
Non-	\$ 221.2	\$ (9)	\$ (10)	\$ (11)	\$ (15)	\$ (27)
Equity	\$ 231.2	\$ (10)	\$ (10)	\$ (12)	\$ (16)	\$ (28)
Investor	\$ 241.2	\$ (10)	\$ (11)	\$ (13)	\$ (17)	\$ (29)
Funding	\$ 251.2	\$ (11)	\$ (11)	\$ (13)	\$ (18)	\$ (30)
	\$ 261.2	\$ (11)	\$ (12)	\$ (14)	\$ (18)	\$ (32)

- In summary, the Town's initial funding cost, not funded by the Equity Investors, is estimated at \$241 million with an annual funding obligation of \$10 - \$17 million (with and without principal amortization, respectively)

⁽¹⁾ Includes interest expense and capital expenditure (maintenance and reserves), refer to Section 4 for additional detail

⁽²⁾ For illustrative purposes only, assumes a 5% interest rate

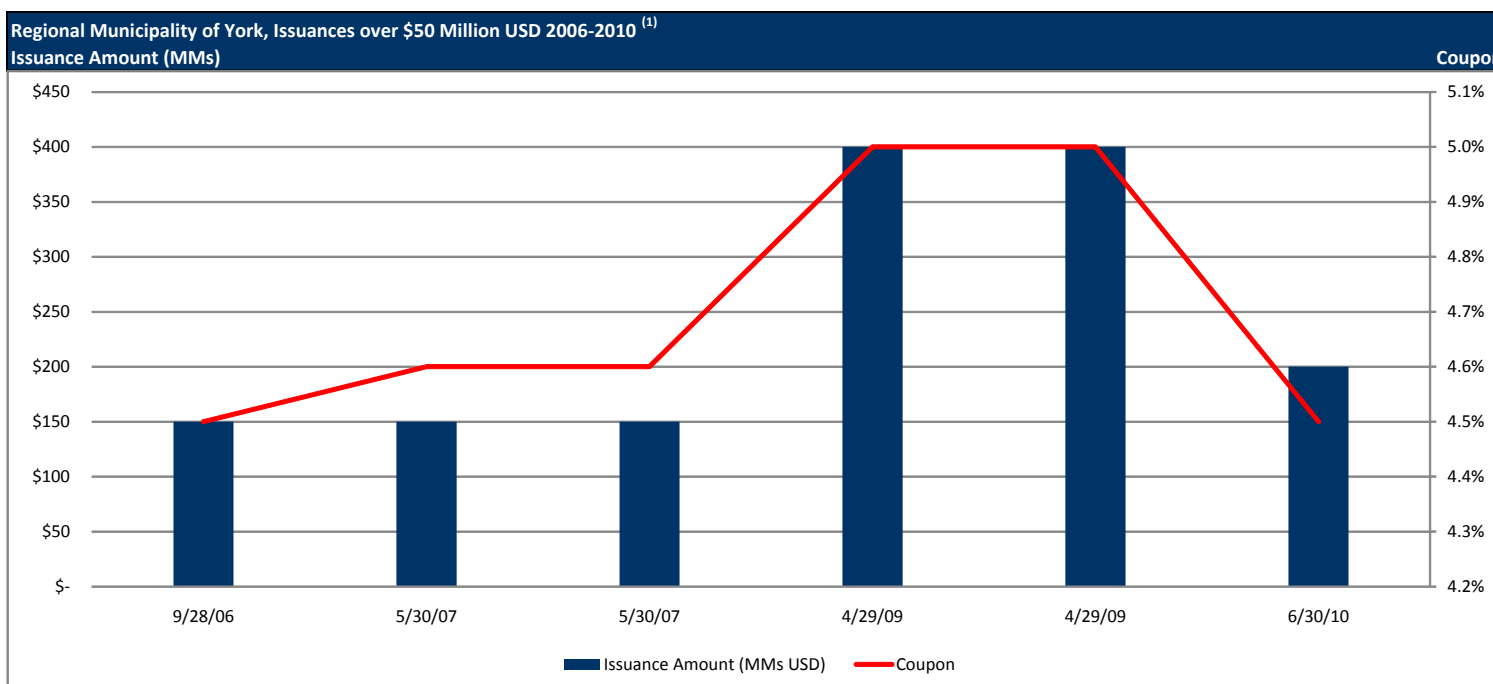
⁽³⁾ Utilizing an average annual Principal and Interest payment amount over the length of the term. (Note: Due to declining interest payments over the life of the amortization, cash flow available for funding earlier on in the term would be less than that available in the later years of the term.

Typical Lending Terms⁽¹⁾

Terms	3 rd Party Financing (Bank and Bond Debt)	York Debentures
Funding Sources	- Funded via infrastructure finance market - Private Bank Debt - Private Bonds - Likely providers of capital include would possess large balance sheets (e.g. Scotia, WestLB, Credit Lyonnais, Citibank)	- Institutional Buyers - Pension Funds - Asset Managers - Insurance Companies - Corporates
Structure	- Secured by 1st lien on all assets and cash flow of Project - Guarantees for principal and interest to be provided by Markham from any one or multiple of the following: - PowerStream Note - PowerStream Equity - Markham Guarantee	- York Region issues debentures - Not typically associated with liens on specific assets - Markham has a maximum amount it can debenture without affecting its credit rating, as does York Region - Since York Region issues debentures for multiple municipalities, York Region may not be able to permit Markham to debenture to Markham's maximum
Credit Metrics	- Leverage and Cash flow interest coverage - Cash flow sensitized based on: - Number of events - Credit quality of naming rights & advertising counterparties - Length of contract terms	Typically based on credit rating of issuer (pro-forma for the contemplated transaction)
Rating	Funded based on BB range, or better, rating	Typically investment grade (such as York)
Pricing	Currently BA + 300-400 bps or better	4-6%
Maturity	5 – 7 Years	10 to 20 years
Amortization	Variable based on Construction Period and ramp-up to full operations	Variable based on Construction Period and ramp-up to full operations
Debt Service Reserve	Yes (minimum of 1 year)	No

York Debentures- Current Market Dynamics

- Issuances by York Region, over \$50 million, in the past 5 years, have garnered interest rates in the 4-5% range with the most recent comprising a \$200 million issuance at 4.6%
 - The average term for such issuances was ~10 years

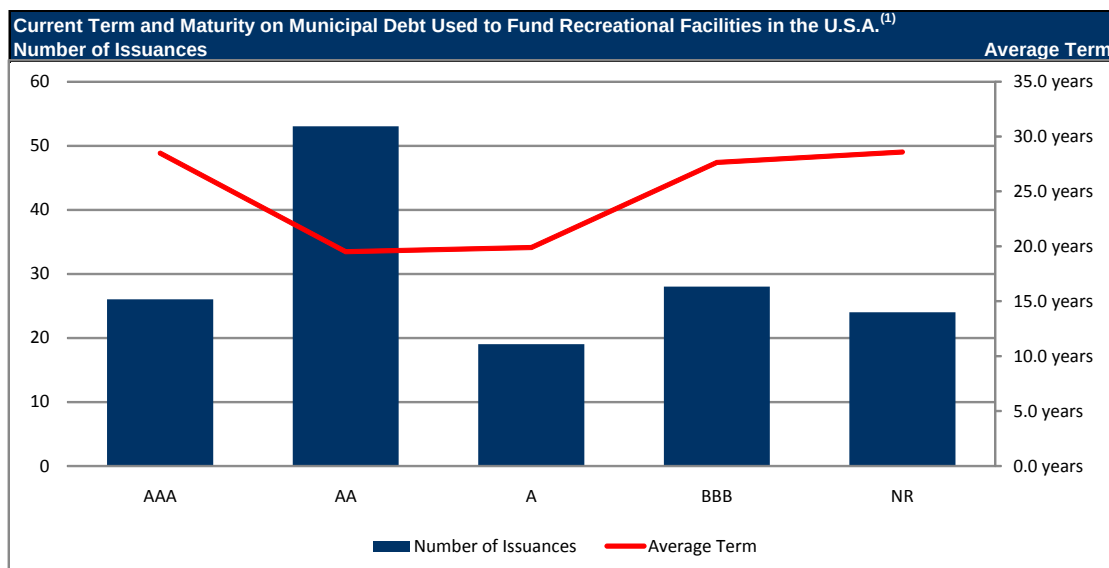


Source: Bloomberg 12/31/2010

(1) All issuances described here are currently rated AAA/Aaa

U.S. Municipal Bonds – Other Comparables

- The majority of the larger arena financings in Canada over the past 20 years⁽²⁾ have been privately financed
 - Municipally or provincially funded deals are less commonplace for large arenas, however, there are recent instances where this is being contemplated (e.g. Quebec)
- As a comparison, the U.S. municipal bond market for arena financings is fairly robust, with coupons ranging in the 5-6% range and typically investment grade rated



Source: Bloomberg 1/15/11

⁽¹⁾ Includes outstanding issuances used to fund recreational facilities including stadiums, parks, museums, theatres, YMCAs and additional recreational projects. Data set includes instances of multiple tranches of a debt issuance related to the same project, is solely based on data tracked by Bloomberg and not meant to represent a total population of such issuances in the U.S.

⁽²⁾ These include the Air Canada Centre, Bell Centre, MTS Centre and Scotiabank Place

Negotiated Transaction – Hypothetical Debt and Funding Sensitivity

- An implied debt amount that may be raised based on the cash flows, and the Town's and/or Region's credit support is sensitized below:

Implied Debt Capacity Based on Available Cash Flow ⁽¹⁾						
		Term- Years				
(\$'s in MM's)		10 Years	20 Years	30 Years	40 Years	Interest Only
Available	\$ 7.0	\$ 55.1	\$ 92.1	\$ 118.7	\$ 138.7	\$ 140.5
Cash Flow	\$ 8.0	\$ 62.9	\$ 105.2	\$ 135.6	\$ 158.5	\$ 160.5
to Service	\$ 9.0	\$ 70.7	\$ 118.3	\$ 152.5	\$ 178.2	\$ 180.5
Debt	\$ 10.0	\$ 78.6	\$ 131.4	\$ 169.4	\$ 198.0	\$ 200.5
	\$ 11.0	\$ 86.4	\$ 144.6	\$ 186.3	\$ 217.8	\$ 220.5

- Based on a revised funding requirement of \$207 million the funding gap is illustrated below

Funding Gap ⁽²⁾						
		Term- Years				
(\$'s in MM's)		10 Years	20 Years	30 Years	40 Years	Interest Only
Available	\$ 7.0	\$ 151.9	\$ 114.9	\$ 88.2	\$ 68.2	\$ 66.4
Cash Flow	\$ 8.0	\$ 144.1	\$ 101.8	\$ 71.3	\$ 48.4	\$ 46.4
to Service	\$ 9.0	\$ 136.3	\$ 88.6	\$ 54.4	\$ 28.7	\$ 26.4
Debt	\$ 10.0	\$ 128.4	\$ 75.5	\$ 37.5	\$ 8.9	\$ 6.4
	\$ 11.0	\$ 120.6	\$ 62.3	\$ 20.6	\$ (10.9)	\$ (13.6)

- Any shortfalls in the assumed available net cash flow in a given year would have a corresponding dollar-for-dollar shortfall to the debt service payments due

⁽¹⁾Represents the amount of debt that the sensitized cash flow availability would be able to support assuming a 5% interest rate

⁽²⁾Represents the additional amount, in excess of the debt supported by the sensitized cash flows, that would need to be funded in order to pay for the project costs