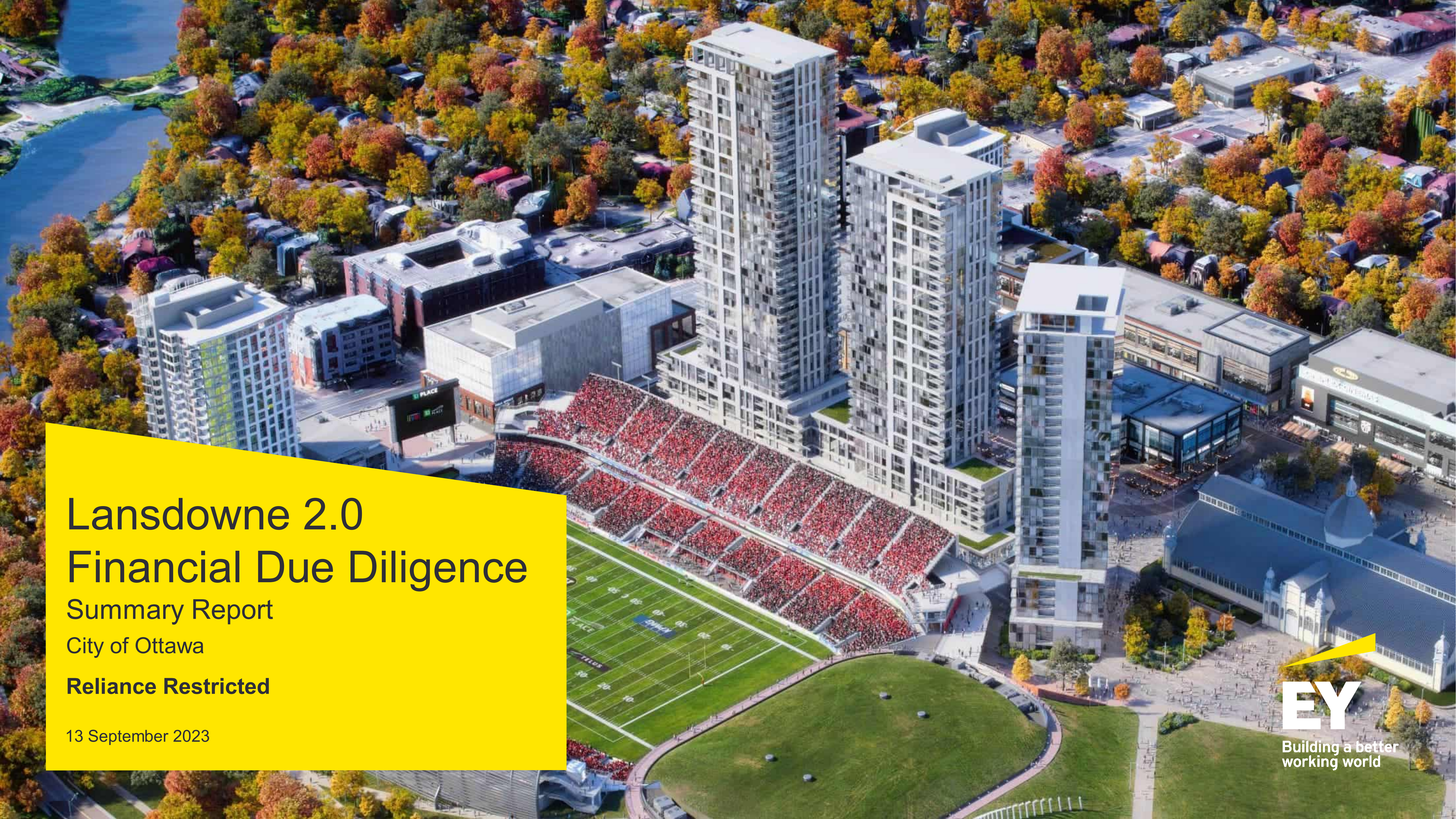

Lansdowne 2.0
Financial Due Diligence

Summary Report

City of Ottawa

Reliance Restricted

13 September 2023

EY
Building a better working world

Reliance Restricted

Letter of Transmittal

September 13, 2023

Ernst & Young LLP
99 Bank Street
Suite 1200
Ottawa, ON
K1P 6B9

Mrs. Isabelle Jasmin, CPA, CMA
Deputy City Treasurer
City of Ottawa

Re: Financial Due Diligence – Lansdowne 2.0 Redevelopment – Summary Report

Dear Mrs. Jasmin:

At your request and authorization, Ernst & Young LLP (“EY”) has completed a financial due diligence of the Lansdowne redevelopment proposal developed by the Ottawa Sports and Entertainment Group (“OSEG”). The purpose of this summary report (“Summary Report”) is to provide the City of Ottawa (the “City”) with a summary of EY’s independent review of the key economic and financial elements of OSEG’s 52-year development pro-forma. This Summary Report has been prepared in tandem with our full narrative report dated September 13, 2023, which provided full descriptions of the physical, locational and financial elements of the Lansdowne redevelopment proposal. For reference, the reader is directed to the EY’s Lansdowne 2.0 Financial Due Diligence report for a detailed description EY’s assessment of the financial feasibility of Lansdowne 2.0.

The professional work to prepare this Summary Report was performed by Mr. Steve LeFaivre, AACI, P.App. of Ernst & Young LLP, with the assistance of other EY professionals under his supervision. Mr. LeFaivre’s Statement of Qualifications is attached in the Appendix.

Our Summary Report provided hereunder is prepared solely in order to assist in the context of the purpose described above and may not be used for any other purpose without our prior written consent. EY shall have no responsibility whatsoever to any third party which obtains a copy of our Summary Report; any use such a third party may choose to make of EY Reports is entirely at its own risk. We have included a Statement of Limiting Conditions in Appendix A.

It has been a pleasure to assist you in this assignment.

Yours very truly,

Steve LeFaivre, AACI, P.App
Associate Partner
EY LLP

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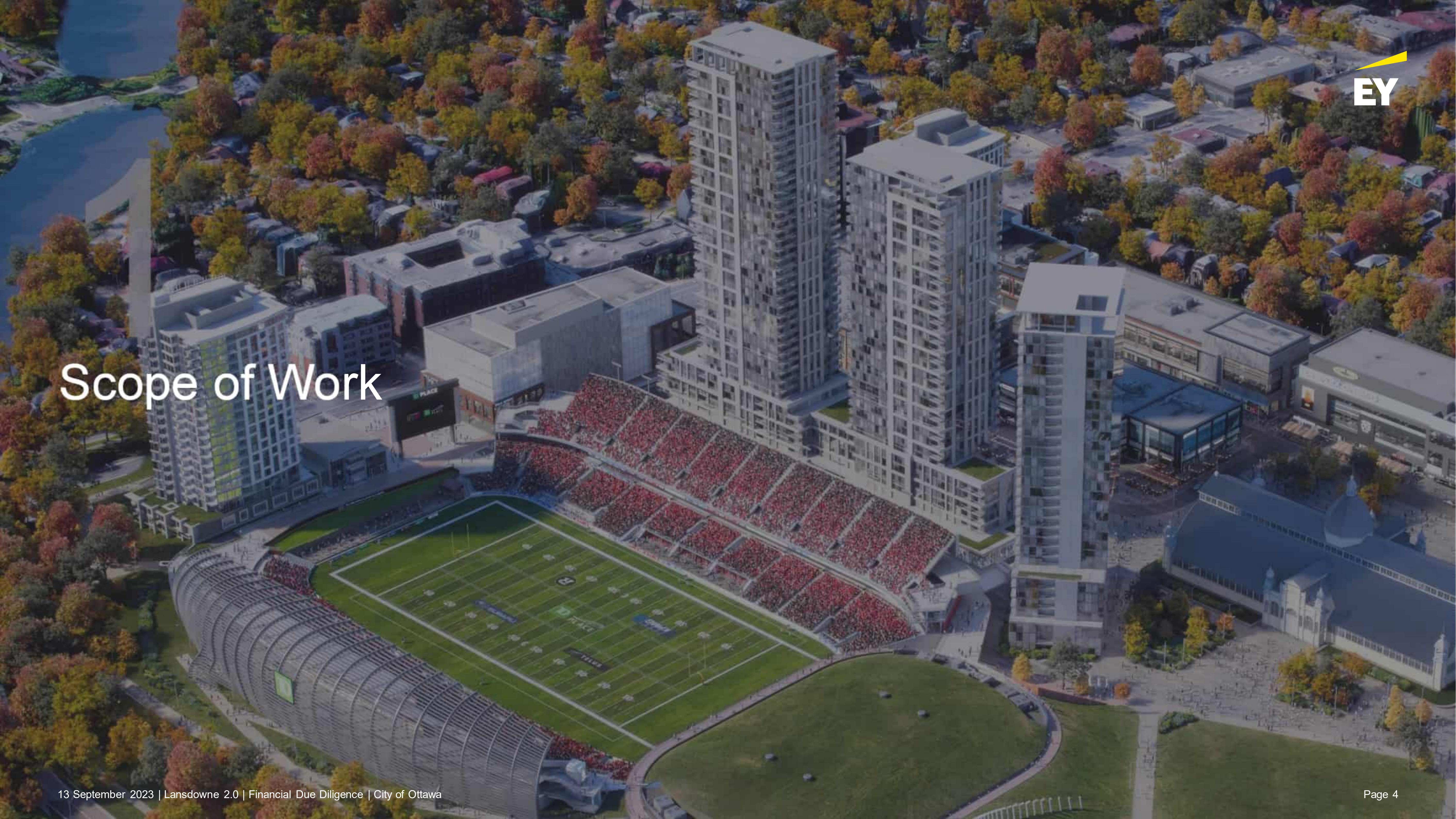


1

Scope of Work

Scope of Work

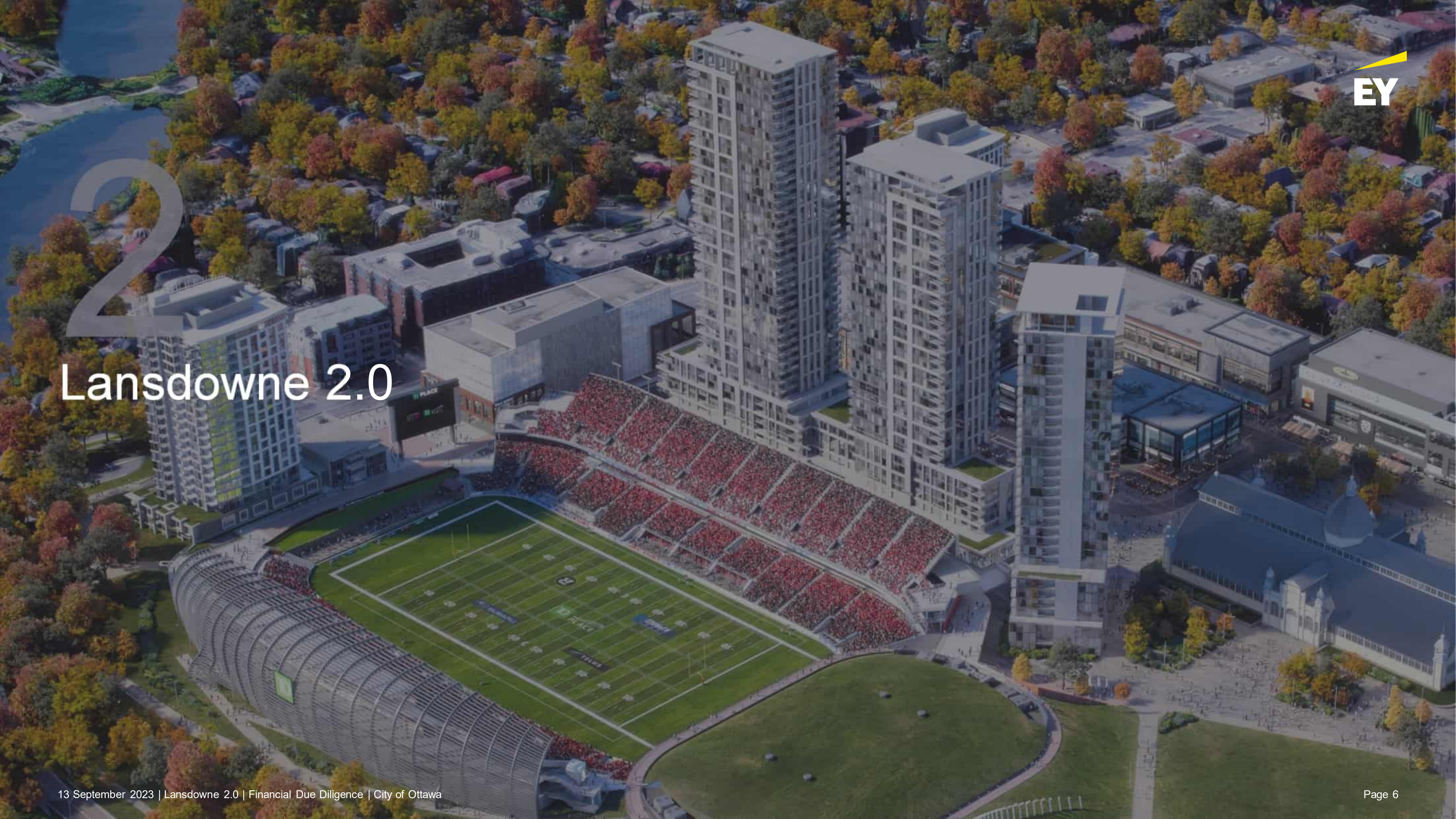
The City is evaluating OSEG's proposed redevelopment project at Lansdowne ("Lansdowne 2.0" or the "Site"). The proposed redevelopment involves the demolishing and construction of the north stadium stands (the "North Stands") of TD Place ("the Stadium"), the home of the Ottawa Redblacks CFL franchise, the construction of a new hockey and event centre (the "Events Centre"), which will serve as the primary home of the Ottawa 67's OHL franchise, and Ottawa Blackjacks CEBL basketball team[1], as well as the sale of development rights (the "Air Rights") for eventual construction of three new high-rise residential towers above and affixed to an expanded retail podium (the "New Retail"). The current underground parking structure is planned to be expanded by 671 stalls to support the Air Rights residential density, although ownership may be retained by the City and the total number of stalls is uncertain as at the date of this summary report.

EY had several meetings with numerous staff at the City of Ottawa and OSEG to gather information, ask questions, validate data and challenge assumptions used within OSEG's financial model for Lansdowne 2.0. Following review of OSEG's financial model, EY undertook market research on all key model assumptions in order to recommend, if applicable, key model inputs that reflect a realistic financial projection for Lansdowne 2.0.

The following Summary Report will serve as an summary of EY's financial assessment of the Lansdowne 2.0 model, including:

- Overview of the current financial state of Lansdowne;
- An economic impact analysis of the proposed redevelopment at the Site;
- A financial analysis of the proposed redevelopment of the Stadium, Events Centre, Existing Retail, New Retail and Parking at the Site;
- Analysis of the key waterfall assumptions within OSEG's proforma of the closed financial system;
- A financial risk analysis of the City and OSEG in Lansdowne 2.0.

[1] a new Ottawa Women's Professional Hockey League franchise will also be based out of the new event centre but was not part of the waterfall projections or due diligence work completed by EY



2

Lansdowne 2.0

Lansdowne

Background

Background

Lansdowne's history dates back to the mid-19th century when the former City of Ottawa, known as Bytown, acquired what was then a geographically rural plot of land well outside of the city's urban area. Over the past 150 years, Lansdowne has been home to royal visits, political conventions, various sports clubs, including the original and new Ottawa Senators hockey teams, music acts and a range of other community attractions.

Lansdowne's modern era commenced in 2014 with the partially redeveloped TD Place Stadium, along with new retail, office, residential condominiums and an 18-acre urban park. The reimagined Lansdowne, now often referred to as Lansdowne 1.0, was developed under a partnership model between the Ottawa Sports and Entertainment Group and the City of Ottawa.

Lansdowne 2.0 Development Concept

In July 2021 City Council accepted that existing Lansdowne facilities, specifically the North Stands, required replacement and asked OSEG to work with City staff to prepare and submit a proposal with plans and cost estimates for replacing these facilities. In addition to the functional obsolescence of the North Stands, the City and OSEG partnership ("the Partnership") experienced eight years of net income losses, exasperated by the ongoing impact of COVID-19 business closures and broader economic headwinds. In April 2022, OSEG submitted the Lansdowne 2.0 proposal to the City's Finance and Economic Development Committee, which focused on making the Partnership financially sustainable and addressing the required rehabilitation of existing infrastructure.

The OSEG proposal consists of replacing obsolete City facilities, including demolishing the existing North Stands, constructing a new 11,200-seat/12,000-spectator North Stands and adding a 5,500-seat standalone multi-purpose Event Centre, located east of the existing football field, both of which would be debt financed by the City. The proposal also includes adding three residential towers, all of which would be completed by a developer through the City sale of development air rights, and new parking dedicated to the residential development. The City is evaluating whether to retain ownership of the new parking. The 40K SF of existing retail affixed to the existing North Stands is proposed to be demolished and replaced with 107K SF of retail space within a podium attached to the new residential towers. The New Retail was proposed to be 75% debt financed by OSEG through the waterfall, and the remaining 25% would be the responsibility of the city. The multi-phased project was expected to commence in 2023, with the construction of the new parking garage, podium and stadium commencing in early 2027 and completed in 2030, which is when the projected development of the air rights was to begin, although timelines have since been revised.

In a revised scenario (Plan B), we conducted further analysis on an updated City proposal, which is based on simplified construction staging, constructability methods, and feedback from the market and the public. The fundamental changes in the revised City proposal include the removal of Tower 3, the elimination of costly mezzanine levels for parking, structural separation of the stadium from the retail podium, and a reduction in the commercial space available on the second floor of the podium.

Waterfall Structure, Lansdowne 2.0

The Lansdowne 2.0 redevelopment aims to improve the current insufficient cash flow generated by Lansdowne operations, primarily attributed to struggling sports franchises and operating losses. The financing for Lansdowne 2.0 involves multiple revenue streams, including the sale of air rights, incremental future property taxes, a ticket surcharge, and improved financial returns due to added retail and residential spaces. OSEG's new investments in a revamped Events Centre and North Stands are projected to enhance overall cash flow by reducing operating and life cycle costs, increasing event numbers, and augmenting revenues from premium seating and parking.

The partnership functions as a "closed" financial model that sees cashflows generated from the operations distributed in a system referred to as "the waterfall" which governs the distribution of net positive cash flows and is slated for restructuring in Lansdowne 2.0. Key changes proposed include new guaranteed fees to the City funded by a ticket surcharge, reduction in return on equity rates, and the forgiveness of minimum equity and accrued interest by both the City and OSEG. This restructured model aims for a more equitable revenue share between the City and OSEG, with a provision for both parties to be repaid their equity contributions simultaneously on a pro-rata basis. After this repayment, residual profits will be equally divided between the City and OSEG.

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Economic Impact Analysis

Economic Impact Assessment: Overview of Results

Lansdowne 2.0 Economic Impacts from Construction and Operations

Lansdowne 2.0 Construction

The results of the Economic Impact Assessment of Lansdowne 2.0 were based on reports from third party consultants. Below is an outline of the two components of the construction:

- **Capital Spending (non-residential development):*** including a one-time spending of $577 million from 2024 to 2029.
- **Capital Spending (residential towers):** this includes a one-time spending on 700 residential units of $299 million from 2024 to 2029.

Below is an overview of the estimated total economic impact associated with the Lansdowne 2.0 construction:

Table 1. One-Time Construction Impacts
Supported by CAPEX from 2024 to 2029

	GDP ($ M)	Wages ($ M)	FTEs
Ottawa CMA			
Non-residential Development	$387	$275	3,694
Residential Towers	$187	$128	1,798
Total	**$574**	**$403**	**5,492**
Province of Ontario			
Non-residential Development	$565	$366	5,171
Residential Towers	$278	$174	2,555
Total	**$843**	**$540**	**7,726**

Sources: Third party consultants, Statistics Canada, and EY calculations

Lansdowne 2.0 Operations

The results of the Economic Impact Assessment of Lansdowne 2.0 were based on forecasts of annual operational spending by OSEG. Below is an outline of operational spending at Lansdowne 2.0:

- **Operations Spending:** Future operations spending of $83 million is based on OSEG's projected average annual operational spending over the 40 years following the start of construction (2024) of Lansdowne 2.0.

Below is an overview of the estimated annual total economic impact associated with the Lansdowne 2.0 operations:

Table 2. Impacts from Future Operations**
Supported by annual OPEX from 2024

	GDP ($ M)	Wages ($ M)	FTEs
Total			
Ottawa CMA	$59	$49	799
Province of Ontario	$86	$69	1,044

Sources: OSEG data, Statistics Canada, and EY calculations

Cumulative Benefits from Future Operations

Over the 40 years of the partnership agreement between OSEG and the City of Ottawa (to 2064), barring any significant changes to business activity, Lansdowne is expected to generate a total contribution of $3.52 billion in GDP, $2.82 billion in labour income, and sustain 42,788 person-year FTEs across the Province of Ontario.

Figures for GDP, Wages, and FTEs represent a total of direct, indirect, and induced impacts.
*Non-residential development includes the construction of the event centre, north stadium stands, retail podium and parking. **Economic impacts reflect an annual average over 40 years.

Economic Impact Assessment: Overview of Results

Visitor Spending Impacts and Broader Socioeconomic Benefits

Non-Local Visitor Spending

In addition to the impacts from the construction and future operations of Lansdowne 2.0, EY estimated the annual impact of visitor spending on the regional and provincial economy. These impacts were developed using:

- Historical non-local visitation at ticketed events hosted at Lansdowne in the 2022-2023 financial year.[1]
- Custom visitor spending profiles to estimate the average spending (accommodation, food, transport, recreation etc.) of non-local visitors to Ottawa.[2]

Below is a overview of the estimated total annual economic impacts associated with visitor spending:

Table 3. Impacts from Visitor Spending
Supported by annual spending from 2024

Total	GDP ($ M)	Wages ($ M)	FTEs
Ottawa CMA	$33	$27	689
Province of Ontario	$51	$36	850

Sources: OSEG data, Statistics Canada and EY calculations

Broader Socioeconomic Benefits

In addition to the economic impact assessment, it is also important to consider the broader socioeconomic benefits the Lansdowne 2.0 redevelopment could deliver to the regional economy. Based on guidance from the City of Ottawa, the Lansdowne 2.0 Retail Strategy was used as the foundation for the assessment of broader socioeconomic benefits. Comparable projects were also identified in the Retail Strategy, which focused on stadium anchored mixed-use development districts in North America.

- **Follow-on Investment**: Based on our review of comparable jurisdictions that have underwent similar transformations, mixed-use developments have been observed to encourage follow-on investment in surrounding areas, which has the potential to support future regional economic development. This could include (but is not limited to) additional retail space, accommodation services, office space, entertainment venues and new residential towers in surrounding areas. Although it is unclear if there is a direct linkage, the trend of follow-on investment is particularly evident in similar mixed-use developments such as The Battery Atlanta[3] and the Edmonton ICE District.[4]
- **Regional Economic Vitality and Community Benefits:** The Lansdowne 2.0 development may be expected to boost the economic vitality and provide community benefits to Lansdowne and the Glebe such as:
  - Increased business activity by stimulating demand for small retail businesses in the area
  - Increased footfall in Lansdowne and the Glebe by attracting visitors in the hours before and after events, and on non-event days
  - Offering a space for people to interact and engage with their community
  - Encouraging the use of sustainable modes of transport as residents have access to office spaces, entertainment, restaurants and public realm spaces in close proximity to homes[5]

Figures for GDP, Wages, and FTEs represent a total of direct, indirect, and induced contributions
[1] OSEG; [2] Statistics Canada, 2023; [3] Urbanize Atlanta; [4] *ICE District is Expanding.* Kent, Jessica (2017); [5] World Resources Institute: *Mixed-Use Development Creates Social and Economic Benefits*

4

Real Estate & Financial Due Diligence

Lansdowne Redevelopment Proforma Analysis

Overview

EY reviewed OSEG's most recent Lansdowne 2.0, development proforma to December 2066, shared on June 15, 2023, which projected cash flows derived from the following sources:

(000s)	Revenues	Operating Expenses	Incremental Redevelopment Contribution Margin	Net Operating Income
Ottawa Redblacks	$1,905,017	$1,767,908	$40,849	$177,958
Ottawa 67's	$367,833	$388,216	$41,704	$21,321
Stadium/Concerts/Events	$1,189,817	$1,435,840	$143,897	$(102,127)
Retail & Other	$1,619,775	$672,641	$79,931	$1,027,064
Totals	**$5,082,442**	**$4,264,605**	**$303,641**	**$1,124,216**

Based on the Partnership's proposed change to the Waterfall Redevelopment structure, total Waterfall distributions over the Partnership is projected by OSEG to be roughly **$790.5 million**. The Waterfall distribution sources over the OSEG's projection to December 2066 include:

- Net income for extension period
- Lease amendment costs / payments
- Retail losses from Block J demolition
- New level 1 fee paid to the city
- Asset improvement ticket fee
- Increase in stadium / arena sponsorship rights;
- Incremental revenue from sports teams;
- Incremental revenue from concerts, events and stadium;
- Revenue from additional retail space;
- Increased parking demand from existing structure;
- Mortgage costs – interest & principal

Lansdowne Redevelopment Proforma Analysis

Ottawa Redblacks, Ottawa 67's, Stadium / Civic Centre

Ottawa Redblacks

OSEG's 43-year proforma for the Ottawa Redblacks anticipates an initial 6-year period of varying growth rates between 3.0% and 5.0%, followed by a long-term annual growth rate of 2.0%. It aims for a stabilized profitability of approximately 6.0% by YE2027-28. EY, however, finds some assumptions aggressive, especially given the Redblacks' recent poor performance and its strong correlation with attendance and ticket pricing. EY revised key metrics, including a more conservative average attendance of 20,884 per game and a 50% probability of hosting an annual playoff game, leading to a range of cash flow impact between -$27.3M and -$1.5M in OSEG's model. EY also notes the minimal revenue growth from 2015 to 2022, making the revenue growth forecasts to 2025 appear relatively aggressive. Despite new management efforts to improve team performance, EY underscores the model's sensitivity to attendance and playoff appearances, viewing improved team performance as critical for achieving the projected profitability.

Ottawa 67's

OSEG's financial projections for the Ottawa 67's hockey team delineate revenue growth into an initial 6-year period with varying annual growth rates between 3.0% and 6.5%, followed by a long-term growth rate of 2.0%. Despite historically fluctuating and negative operating margins, EY considers OSEG's short-term assumptions about the 67's realistic. The projections expect strong revenue growth in the next 3-4 years, relying heavily on increased attendance and ticket prices, an area with room for growth as ticket pricing has lagged behind other OHL franchises. EY revised down OSEG's overly optimistic assumptions regarding the hosting of annual playoff games from 6 to 4.65, resulting in a cash flow impact range of -$13.6M to -$10.5M on the overall financial model. The success of this 43-year model, which ties into profit-sharing agreements with the City, hinges significantly on the team's performance and ability to attract fans. Given the team's strong performance from 2020 to 2023 and average 39% growth in ticket revenues during that period, OSEG remains confident in both short-term and long-term fan engagement and profitability.

Stadium / Civic Centre

OSEG's financial proforma for the Stadium / Civic Centre outlines revenue growth over an initial 6-year period, followed by a stabilized long-term growth rate of 2.0%. The first 6 years feature a detailed 3-year revenue projection and assume growth rates of 5.0% for years 4 and 5, tapering to 2.0% in year 6. EY finds these assumptions reasonable and aligned with the venue's historical performance, which has shown negative operating margins every year since FY2017-18 but has improved post-COVID-19. EY's adjustments suggest a cash flow impact ranging from -$6.1M to -$21.4M, driven mainly by changes in short-term forecasts and the cascading effects of inflation. EY's sensitivity analysis emphasizes that variations in the long-term growth rate significantly affect overall financial outcomes, corroborating the importance of accurate forecasting in OSEG's 43-year financial model.

Sponsorships & Naming Rights

The current naming rights for the stadium and event centre are held by TD Bank, with the contract expiring in 2028 and no renewal talks underway yet. The proposed Lansdowne 2.0 redevelopment is anticipated to significantly boost the venue's sponsorship and naming rights valuation. This uplift is attributed to added premium seating, more live events, and the continued hosting of various professional sports teams. New assets such as unticketed hospitality areas and standalone new entrances in the new arena and North Stands are expected to create additional sponsorship opportunities. OSEG has offered conservative estimates on revenue increases from these new sponsorships, which EY considers as reasonable. Lansdowne 2.0 is slated to become a prime sponsorship opportunity in Ottawa, second only to the potential relocation of the Ottawa Senators.

Lansdowne Redevelopment Proforma Analysis

Existing Retail

Financial Performance

As of April 2023, EY's analysis of Lansdowne's Existing Retail indicates a net operating income (NOI) of $12.71 million and a cash flow of $12.38 million. The weighted average lease term by area (WALT) is approximately 7 years and occupancy rate as at June 2023 is 97%.

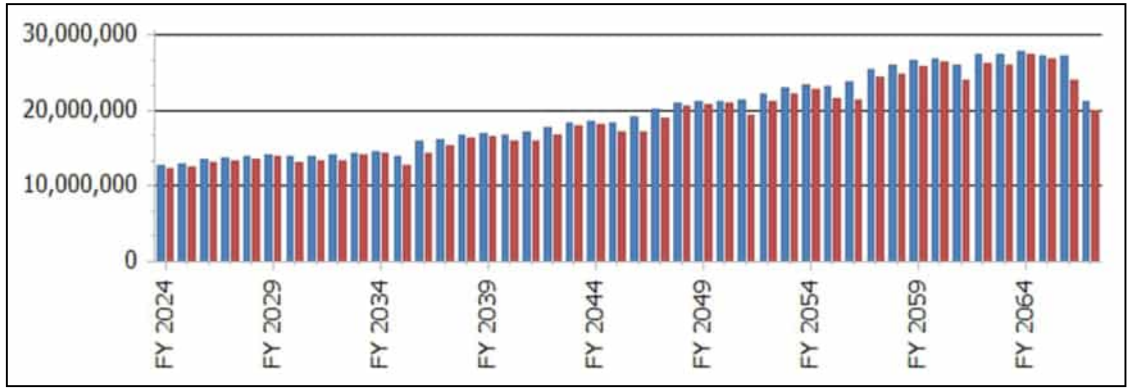
Notably, EY's projected cash flows differ significantly from the previous OSEG models. Over the 43-year projection period there is a variance of approximately -$5.37 million in NOI (incl. structural reserves) and -$20.78 million in tenant inducement/leasing costs. EY's primary area of revision to OSEG's Existing Retail pro-forma is due to considerations for structural reserves and applying market based assumptions for tenant renewal probability, lag vacancy on expiring retail units and leasing costs for new and renewal tenants.

Assumptions

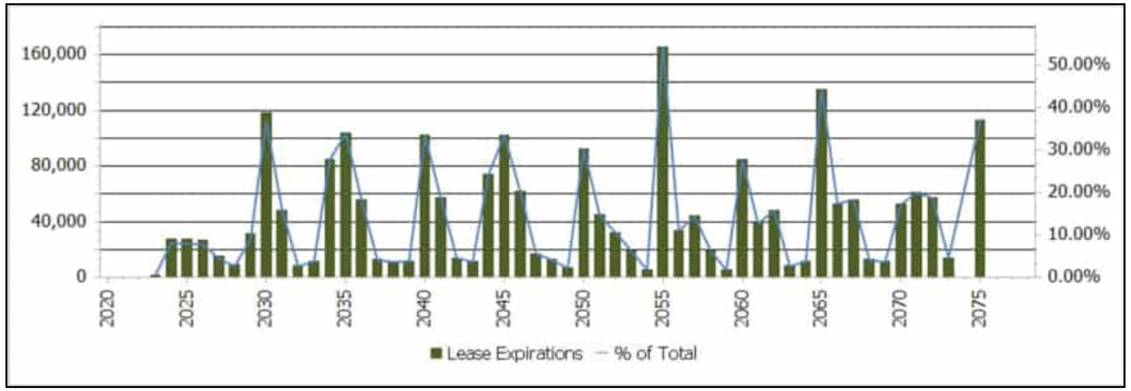
OSEG's projections for Lansdowne's Existing Retail Net Operating Income (NOI) are based on a 2.0% annual escalation for both rental revenue and rental expenses, targeting an NOI of $12.56 million for FY 23/24. However, EY points out several shortcomings in OSEG's model, including failure to account for typical property income variables such as tenant turnover, lease terms, and rental rate escalations. OSEG's assumptions are considered optimistic, overlooking real-world leasing complexities like tenant rollovers, vacancy lags, and the variable nature of rental growth, which usually occurs at the end of lease terms rather than annually for all tenants.

To better align with industry standards, EY proposes a revised cash flow model for Existing Retail that takes into account a broader set of variables. Base rent is modeled based on actual lease contracts, and market rent, parking, and expense inflation are set at 2.25% and 3.00% respectively. A specific growth rate of 3.00% between 2033 and 2037 is also applied, factoring in increased tenant demand due to residential tower construction. General vacancy is set at 3.00% of Potential Gross Revenue, excluding anchor and high-covenant tenants. EY also adopts OSEG-provided expense projections, based on 2022 actuals and escalated by 3.00%, broken down on a tenant-by-tenant basis. Tenant Inducements (TI's) and Leasing Commissions (LCs) are also accounted for, with new inducements at $15 and renewals at $5, while commissions are set at 4.00% for new leases and 1.00% for renewals. EY also includes a structural allowance of 0.50% of EGR. Lastly, a 0.25% non-recoverable expense assumption is added to reflect costs that can't be recouped, in line with standard industry practice.

EY – NOI/Cash Flow



EY – Annual Lease Expirations



Lansdowne Redevelopment Proforma Analysis

Redevelopment Retail

Overview

The Lansdowne's redevelopment entails the demolition of the Northside stands and the associated retail space, referred to as Block J. The new Northside stands will include ~110,000 sqft of new retail space with a new roster of tenants that include a music hall, arcade, and restaurants.

Financial Performance

As of April 2023, EY's analysis of Lansdowne's Existing Retail indicates a year 3 (stabilized) net operating income (NOI) of $2.56M and a cash flow of $2.53M. The weighted average lease term by area (WALT) is approximately 8.75 years.

Over the OSEG projection period there is a variance of approximately +356K in NOI (incl. structural reserves) and -$13.89M in tenant inducement/leasing costs. EY's primary area of revision to OSEG's Existing Retail pro-forma is due to considerations for structural reserves and applying market based assumptions for tenant renewal probability, lag vacancy on expiring retail units and leasing costs for new and renewal tenants.

Additionally EY had identified that the "Demolition of Block J - Loss of Retail Net Revenue" adjustment of **$25.83M ending in 2054/2055** should have been extended until the end of the cash flow to capture to full loss of potential retail revenue from the removal of the Block J tenants. In adopting the both the EY existing retail and redevelopment retail cash flow models this adjustment is no longer required as together the models capture the loss of Block J tenants, resulting in a positive and favourable impact to the Waterfall distributions.

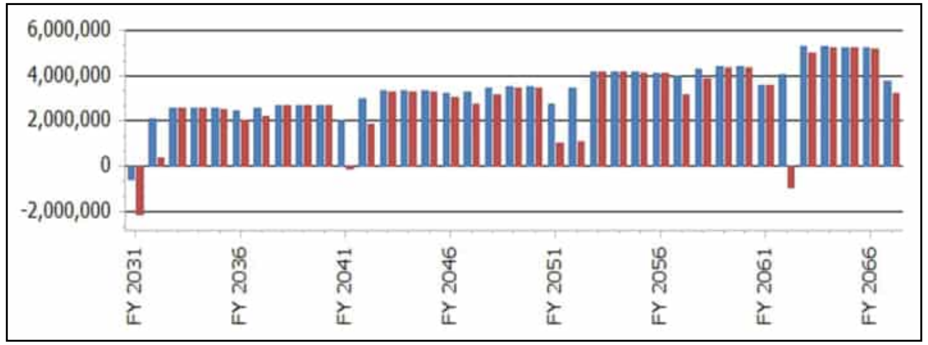
Assumptions

OSEG's model for Lansdowne's Redevelopment Retail NOI uses market rent assumptions, Tenant Inducements (TI's), and market rent growth rates. The base year (FY 30/31) projects an NOI of $1,365,215. The model anticipates a phased occupancy of the new 110,000 sq. ft. of retail space—50% in the first year, 75% in the second, and 97% in the third. Tenant inducements are set at $50 per square foot (PSF), though none are applied to Anchor Tenant, and operating expenses are estimated at $25 PSF. Market rent is projected to grow at 3.0% starting in 2034/2035 and every five years thereafter. However, OSEG's model falls short in capturing complex retail cash flows such as tenant turnover, lag vacancy, downtime, and tenant-specific renewal probabilities. It also lacks a structural allowance typically used in industry projections.

To address these shortcomings, EY suggests a revised Redevelopment Retail cash flow model incorporating more standard industry assumptions. EY splits tenants into distinct units and employs a staggered absorption period aligned with OSEG's pre-leasing initiatives. The firm applies market rent inflation only upon tenant renewal or expiry, and includes a 3.00% growth rate between 2033 and 2037 to factor in increased demand due to new residential towers. General vacancy is set at 3.00% of Potential Gross Revenue (PGR), excluding anchor and high-covenant tenants. If absorption/turnover vacancy exceeds this, the general vacancy assumption is adjusted to 0% for that year.

In terms of expenses, EY adopts OSEG's projections but applies them on an individual tenant basis for more accuracy. A structural allowance of 0.50% of Effective Gross Revenue (EGR) is included to cover non-recoverable expenses, aligning with standard industry assumptions. EY also revises Tenant Inducements (TI) and Leasing Commissions (LCs) to $15 for new tenants and $5 for renewals, with corresponding commission rates of 4.00% for new and 1.00% for renewals. This comprehensive approach aims to provide a more accurate and industry-aligned forecast for the Redevelopment Retail cash flow.

EY – NOI/Cash Flow



Lansdowne Redevelopment Proforma Analysis

Parking & Events

In Place Parking – Profitability and Demand

OSEG's own projections expect increased parking demand primarily during weekends and special events like the Christmas market season, with a significant growth of 36% to 94% depending on the day, often reaching capacity during event days. During construction of Lansdowne 2.0, OSEG expects increased parking demand due to increased usage by construction workers, followed by a stabilized growth rate when the project is completed.

OSEG has laid out a tiered increase in parking demand, aligned with the various construction milestones of Lansdowne 2.0. Specifically, they project a 10% rise from the start to the completion of the Event Centre, followed by a 15% increase leading up to the completion of the North Stands in December 2028, and finally, a 20% surge upon the completion of the North Stands. These projections don't include any further increases in parking demand post-residential tower completion.

EY's market analysis finds OSEG's construction-phase assumptions to be reasonable but anticipates additional increases due to the new Event Centre and the eventual completion of the residential towers. EY expects these factors to put further upward pressure on both the parking rates and usage at Lansdowne. To account for this, EY recommends an additional 2.5% increase in parking demand, which would bring the total growth rate to 22.5% after the completion of Lansdowne 2.0. This modification is expected to add an additional $7.1 million to the Waterfall distribution.

Event Categories & Proposed Calendar

OSEG anticipates that Lansdowne's entertainment facilities will host four types of events annually: Ottawa Redblacks, Ottawa 67's, and Tenant Teams home games (Ottawa Blackjacks and Ottawa Atletico), as well as concerts and other events, totaling 84 events per year. The outdoor stadium is expected to feature various premium seating options like Field Level Suites, Loges, and a Fan Deck, while the indoor arena is planned to have Luxury Suites, Party Suites, and Club Seats. The number of sports events is calculated based on projected home games plus a few exhibition matches, not accounting for potential playoff games. EY advised increasing the annual count of concerts and other events from 25 to 30 and still sees room for growth in these ancillary events.

Incremental Net Contribution

The incremental net contribution from the Stadium and Civic Centre is categorized into three parts: Net Contribution Increase from Concerts & Events, Premium Revenue Increase from such events, and CEBL Premium Revenue Increase. OSEG initially estimated a 30% increase in events, from 20 to 26, while EY suggested and modeled a further increase to 30 events, which OSEG accepted in their June 2023 pro-forma. EY's adjustments also include a change in the calculation of income growth, factoring in separate inflation rates for revenue and expenses to determine net income, leading to a net positive impact on the Waterfall distributions. Both the increase in the number of events and the revised method of calculating income growth result in a net positive impact of $30.5M on the Waterfall distributions.

Lansdowne Redevelopment Proforma Analysis

Expense Analysis and Other Considerations

Expenses & Expense Growth

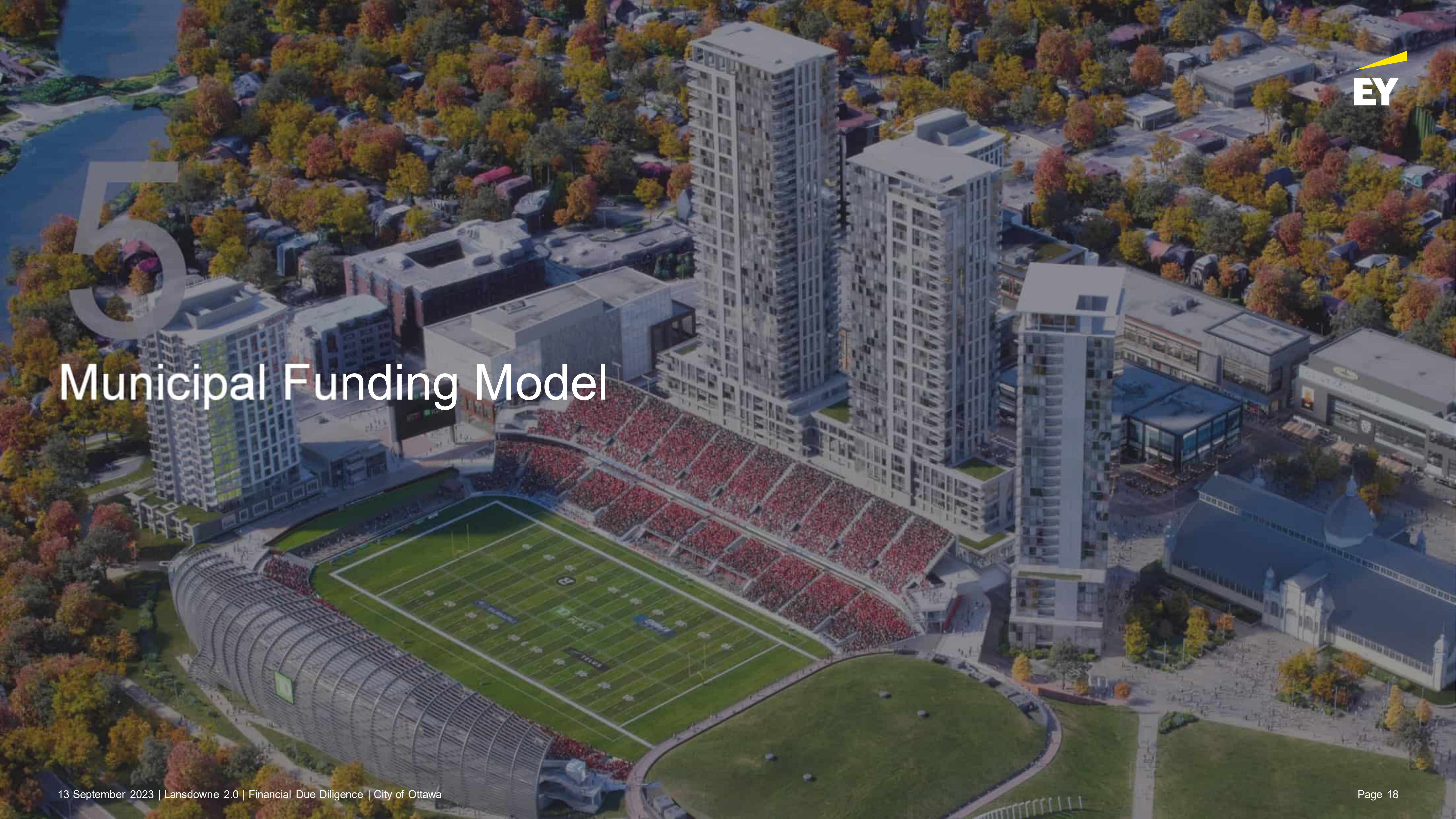
OSEG has projected specific annual expense growth rates for its various business units: Ottawa Redblacks, Ottawa 67's, Stadium & Event Centre, and Retail. EY's review suggests that OSEG's projections are optimistic given the inflationary environment and recommends slightly modified growth rates for better realism. For instance, EY suggests no change for the Ottawa Redblacks but advocate for adjusted rates for the Ottawa 67's and the Stadium & Event Centre. EY's modeling indicates that the expense growth rate is a highly sensitive input in OSEG's financial model. If actual expenses outpace projections, this could significantly affect financial distributions; for example, if Stadium expense growth is 2.5% over a 43-year period, the negative impact could be as much as -$132.1M. However, EY also notes that expense growth should not be viewed in isolation, as management would likely adapt strategies to preserve margins, such as cutting costs or increasing revenue. Taking into account the negative operating margins in some of OSEG's revenue sources, EY recommends slightly more conservative expense inflation assumptions, which would result in a -$36.3M impact to financial distributions.

Redevelopment Considerations

EY highlights that the financial projections for the Lansdowne 2.0 redevelopment project currently assume the City of Ottawa will cover business interruption costs, although this is still under negotiation. If not covered, these costs could negatively impact the project's financial outcomes by approximately -$23M. In addition, the project's cash flows are highly sensitive to construction delays, which are increasingly likely given the current supply chain challenges affecting stadium construction globally. These delays could result in further business interruption costs and have a significant negative impact on the financial distributions of the project.

Mortgage Interest Rate – Redevelopment Loan

OSEG's funding plan for the Lansdowne 2.0 redevelopment includes a $30 million, 30-year mortgage set to begin in 2030, originally projected to have a 5% interest rate, amounting to approximately $28 million in interest over the term. However, given the Bank of Canada's recent rate hikes and expectations of monetary policy tightening stabilizing by FY2024, EY revises OSEG's average interest rate for the loan down to 4.25%, based on expectations that rates will return to historical averages. This revision impacts the Waterfall financial distributions, although the precise impact remains uncertain as the cost of the podium and financing arrangements were not finalized at the time of this analysis. Every additional $10M in podium cost would generate about $9.3M in interest at a 5% rate, with a sensitivity of approximately +/- $540K for every 25 basis point change in interest rates. EY also recommends aligning the interest rate for the existing mortgage at Lansdowne to this revised 4.25% after the current 5-year term, resulting in an additional $4.8M impact to the Waterfall distributions.



5

Municipal Funding Model

Municipal Funding Strategies – Alternate Structures

The City's primary funding sources for the Lansdowne 2.0 project are:

- Sale of residential air rights;
- Property tax uplift post-completion of the residential units and retail spaces within the complex, and
- Alternative funding sources such as available government funding programs, non-governmental funding strategies, and potential operating revenue sources.

EY Analysis of Alternative Structures

- The main objective of the funding model analyses performed is to explore potential additional funding sources for the City to utilize to fund the construction of the proposed Lansdowne redevelopment. In order to support research of alternative funding models, the EY team evaluated the following avenues:

Government Funding Sources	Alternative Funding Source	Additional Operating Revenue Sources
► Researched the different degrees of public funding made available to support construction of precedent Stadiums and Arenas in Canada and the US	► Explored funding sources that are outside of government contributions or direct operations related revenues	► Assessed additional sources of operating revenues and potential scenarios for the City of Ottawa

Disclaimer
This Presentation and the analysis within have been developed for the purpose of exploring viable funding sources options for the City of Ottawa's Lansdowne Redevelopment Proposal. Reference case results and all potential outcomes addressed in this presentation are dependant on the assumptions developed collectively with the City; however, other variables that were not fully assessed, such as supply and demand, can yield adverse results. A detailed analysis, and where appropriate, modelling exercise, should be undertaken for each of these options prior to their implementation.

Alternate Structures – Government Funding – Stadium Precedents

Government Funding Overview

- The majority of arenas and stadiums in Canada and the US all receive varying degrees of public funding to support construction.
- The ability for the Project to source additional funding from other levels of government can relieve the funding burden and potentially improve Project economics.

	CFL						NHL			QMJHL	AHL
	BMO Field	**Tim Hortons Field**	**BC Place**	**Stade Saputo**	**Investors Group Field***	**Mosaic Stadium**	**Rogers Place**	**Calgary Event Centre**	**MTS Centre**	**Videotron Centre**	**Place Bell**
Location	Toronto, ON	Hamilton, ON	Vancouver, BC	Montreal, QC	Winnipeg, MB	Regina, SK	Edmonton, AB	Calgary, AB	Winnipeg, MB	Quebec City, QC	Laval, QC
Year Built	2007	2014	2011	2008	2013	2016	2016	2024	2004	2015	2017
Private Funding Total	**$18.1m**	**-**	**-**	**$41.6m**	**$2m**	**$25m**	**$132.5m**	**$270m**	**$93m**	**$13m**	**$31.7m**
Owner Funding	-	-	-	-	$2m	$25m	$132.5m	$270m	-	-	-
Other Private Funding	$18.1m	-	-	$41.6m	-	-	-	-	$93m	$13m	$31.7m
Public Funding Total	**$44.8m**	**$145.7m**	**$514m**	**$23m**	**$200.5m**	**$253m**	**$351m**	**$275m**	**$40.5m****	**$387m**	**$168.3m**
City Funding	$9.8m	$54.3m	-	-	$7.5m	$73m	$226m	$275m	-	$187m	$122m
Provincial	$8m	$22.3m	$514m	$23m	$22.5m	$80m	-	-	-	$200m	$46.3m
Municipal	-	-	-	-	-	-	-	-	-	-	-
Federal	$27m	$69.1m	-	-	-	-	-	-	-	-	-
Ticket Surcharge	-	-	-	-	$170.8m	$100m	$125m	-	-	-	

* Public sources total value varies and some disclosures are higher than noted above

** Funded by Provincial, Municipal and Federal – no exact split found

Government of Ontario Arena Funding
Sleeman Centre in Guelph and GFL Memorial Gardens in Sault Sainte Marie received $5m in funding from the Government of Ontario.

Alternate Structures – Non-Governmental Funding Sources

Additional research was undertaken on alternative funding sources outside of contributions from government or direct operations related revenues. A summary of these alternative structures are included below.

Video Lottery Terminals (VLTs)

The Province of Manitoba installed 50 VLTs in the MTS Centre where a dedicated share of the revenue repays the debt on the building.

Hotel-Motel Tax

The Allegiant Stadium and Mercedes-Benz Stadium repaid their bonds which were over $760m and $200m in hotel-motel tax, respectively.

Major Event Tax

Additional 2.5% to be applied to all short-term accommodation sales within the City of Vancouver to cover the costs of the 2026 FIFA World Cup.

Hotel Room Tax

Montreal's hotel association has agreed to a 1% cent tax hike on rooms in an effort to support the City's Formula One Grand Prix automobile race.

Lottery Games

Lumen Field's public contribution included raising over $127 million through sports related lottery games.

Hotel Tax

The City has estimated what level of revenue the existing MAT (Municipal Accommodation Tax) at 4% would generate from a potential hotel on site with the potential for such funding to support the project construction costs.

Alternate Structures – Conclusion

Conclusion

- To help the City of Ottawa determine potential avenues to fund the construction of the proposed redevelopment, the EY team performed financial assessment and due diligence of various data sources and projections and evaluated several avenues such as governmental and nongovernmental funding sources. EY assessed the risks and limitations associated from both the City and OSEG's perspectives. The analysis performed has certain limitations due to various systematic and unsystematic factors; thus, a detailed analysis, and where appropriate, a modelling exercise, should be undertaken for any and all options prior to their implementation.
- Our research shows that many arenas and stadiums in Canada and the United States have received funding from multiple levels of government. While certain identified federal funding sources may not be immediately applicable, there may be opportunities to engage and negotiate with provincial and federal government officials to support the Project based on precedents and the merits of the Project's improved environmental footprint and economic impact.
- We also note that the City having additional participation in priority operating revenue (e.g., from ticket sales) could be an effective method for the City to direct funds away from the Waterfall to receive compensation for funding the construction costs of the redevelopment; however, overall Waterfall implications and negotiations with OSEG would influence the potential amount achievable.
- Construction delivery models should be assessed through a Procurement Options Analysis to determine the opportunity to bring in additional debt and equity, as well as to potentially reduce the City's responsibility for some construction risks (where appropriate).
- The City should perform additional analyses to assess all potential risks and considerations of the alternative funding structures including, but not limited to, permissibility, risk appetite, assumption validation and scenarios (including additional downside scenarios), and potential outcomes to support negotiations with OSEG and to structure the Waterfall.

Property Tax Uplift – Lansdowne

Unit Mix – Condominium & Purpose Built Apartment Benchmark Data

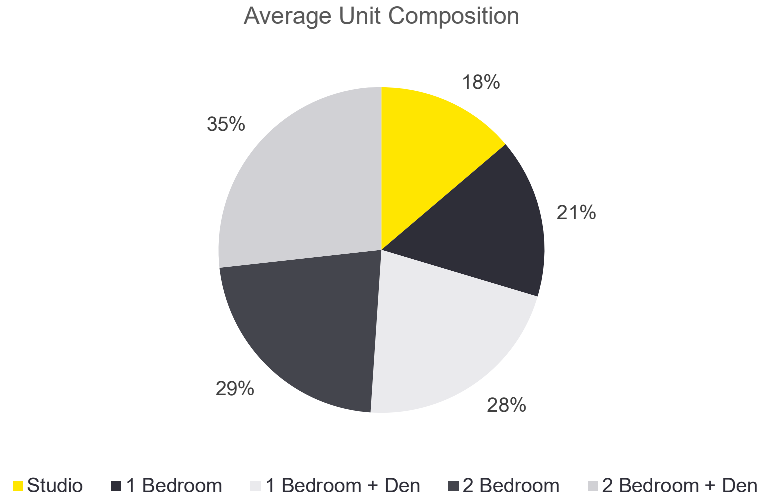
Property Tax Uplift

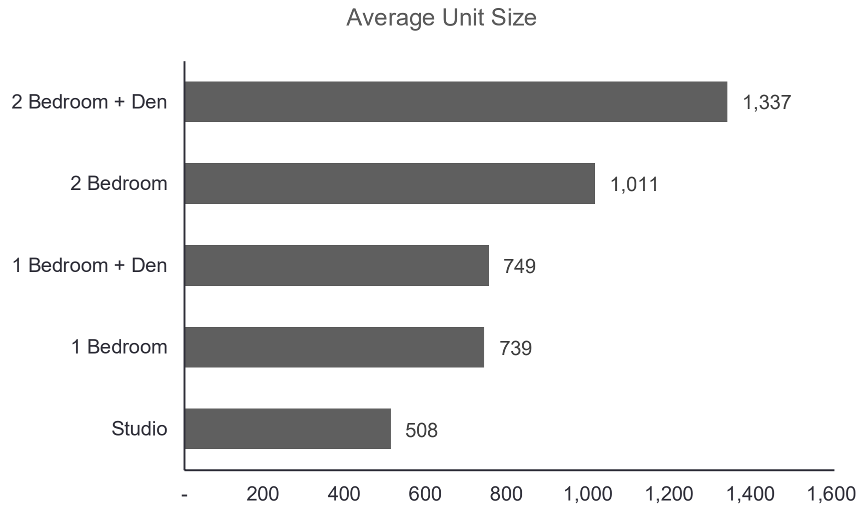
The City of Ottawa's funding for the Lansdowne 2.0 project is heavily reliant on property tax uplift, which is linked to factors such as the type and density of development, unit structure, and market absorption rates. EY was tasked with performing a limited feasibility study on the Ottawa residential market to help the City's Revenue Branch make realistic property tax uplift projections. EY's research took into account a range of variables like development type, rental or condo structure, and the sizes and number of bedrooms in the units to be developed.

To analyze condominium unit mixes, EY benchmarked 9 under-construction projects in Ottawa, comprising a total of 1,112 units expected to be completed on average by 2023. The study found that 2 Bedroom + Den units were the most common, making up 35% of the units, followed by 2 Bedroom and 1 Bedroom + Den units. EY also notes that among projects taller than 12 storeys, the prevalent unit sizes ranged from 465 square feet for studios to 1,081 square feet for 2 Bedroom + Den units.

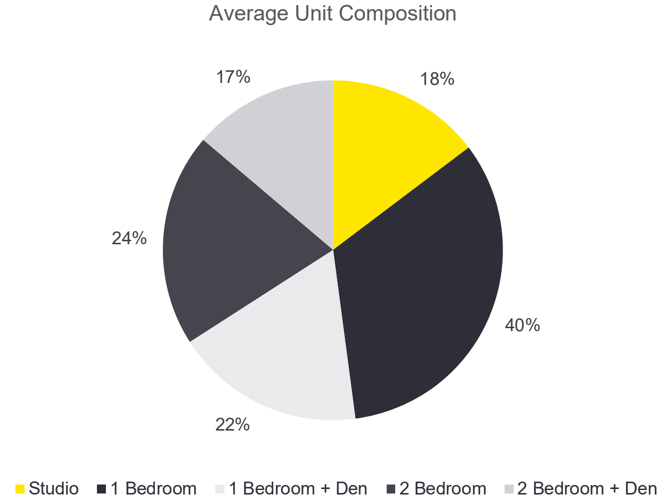
For purpose-built rental projects, EY reviewed 20 recently completed projects in Ottawa, consisting of 3,072 units with an average completion year of 2020. The majority of these units were 1 Bedroom, making up 33% of the total, followed by 2 Bedroom and 1 Bedroom + Den units. For projects taller than 12 storeys, the unit sizes ranged from 444 square feet for studios to 1,090 square feet for 2 Bedroom + Den units. These analyses serve to inform the City on what unit mix and sizes could be most successful for the Lansdowne 2.0 development, serving as an aide in the property tax uplift projections.

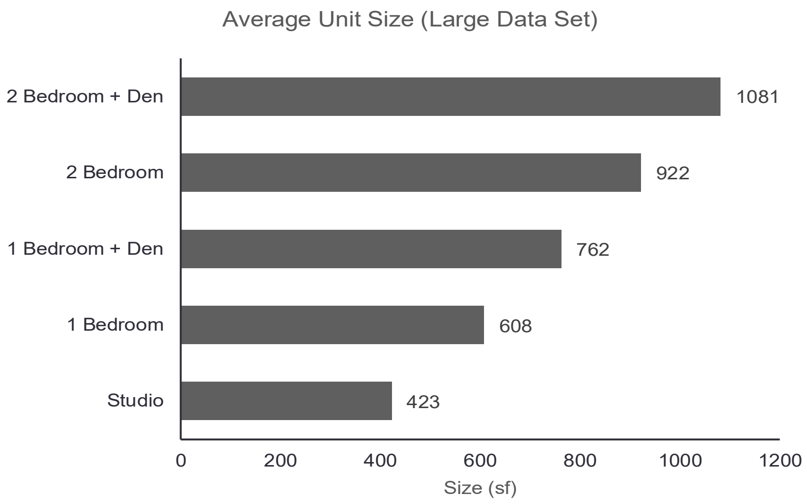
Condominium





Purpose Built Apartment

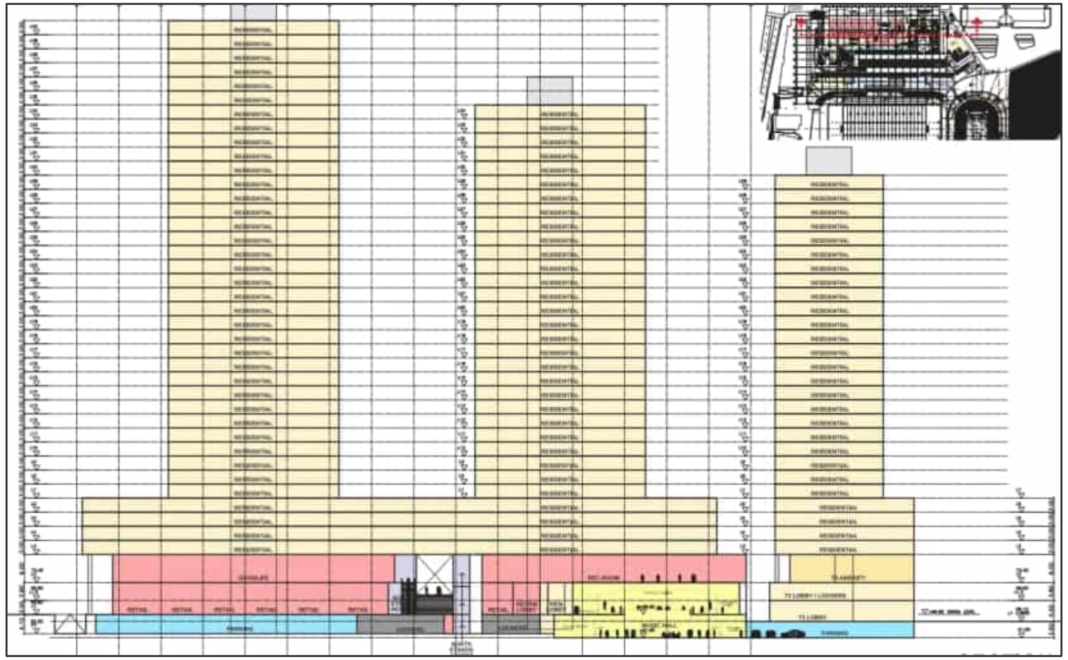




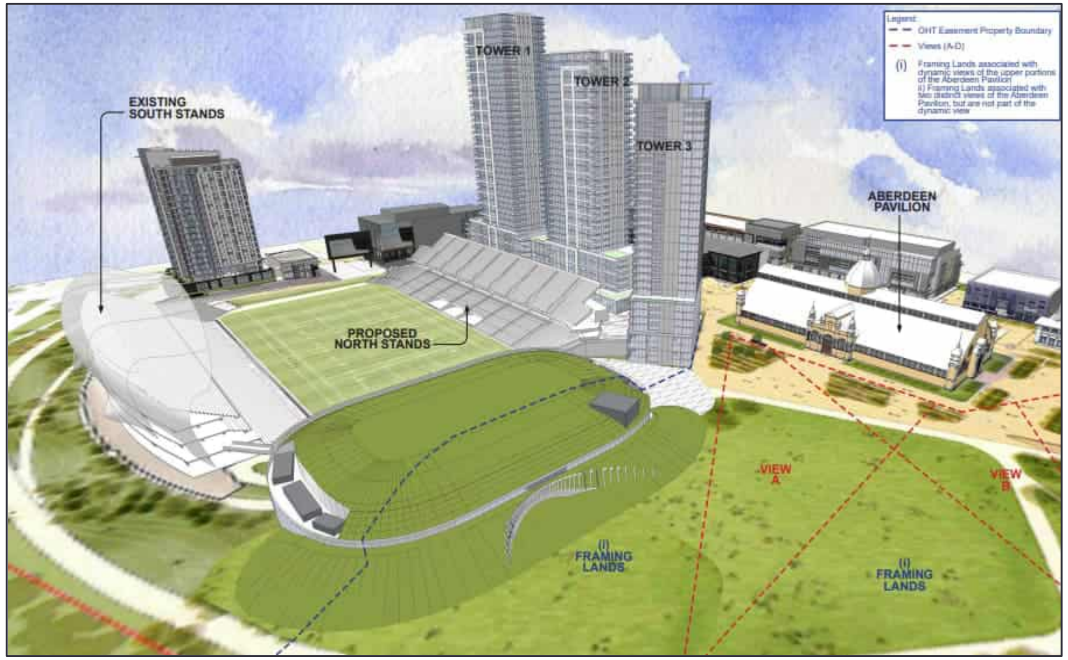
Property Tax Uplift – Lansdowne

Unit Mix – OSEG Design Concept

- EY has sourced the Lansdowne conceptual designs and building envelope sizes from the OSEG Concept Package dated April 20, 2023.
- The OSEG design concept proposes 3 towers of 29, 34 and 40 storeys.
- Included in the building envelope is one (1) level of below grade parking, two (2) levels of above grade residential lobbies and retail space and up to 37 levels of residential units.
- Tower 1 and 2 share four (4) podium residential levels.



Cross Sectional



Aerial Rendering

Property Tax Uplift – Lansdowne

Absorption, Retail & Air Rights

Absorption Rate Analysis

EY conducted an absorption rate analysis for the proposed three towers in Ottawa, employing available condominium and residential market data. The first tower is expected to be occupied by January 2031, with each subsequent tower following a 24-month staggered schedule. EY estimates that each tower will be 75% pre-sold upon completion and will have an absorption rate of 10 units per month for the remaining units. Tower 1 is anticipated to stabilize by October 2031, Tower 2 by September 2033, and Tower 3 by June 2035. The first tower will take longer to stabilize due to a greater number of units being released into the market at once.

For rental apartments, EY used historical data that showed an average absorption of approximately 950 purpose-built rental units per year in Ottawa. Tower 1 alone would make up 45% of this new supply. Based on this data and the respective number of units in each tower, EY projects that Tower 1 will stabilize 18 months post-occupancy, Tower 2 in 15 months, and Tower 3 in 10 months. The anticipated monthly move-in rate for tenants is 20 units, and the total apartment project is expected to stabilize by October 2035.

EY's analysis shows strong support for the development of rental apartments in Ottawa, especially when taking into account the slower absorption rate for condominiums and the uncertainty around reaching the 75% pre-sale mark. Given these market dynamics, EY recommended to the Revenue Branch to assume the market will prefer rental units for the majority of the new residential density while recognizing that some condominium units are possible in this project.

Retail & Residential Air Rights

The Lansdowne 2.0 redevelopment project will add approximately 107,000 square feet of new retail space and a new residential development. EY provided the City of Ottawa's Revenue Services with data on unit mix, size, and absorption rates to help determine the property tax uplift. On the retail side, the project is estimated to generate a net uplift of around $30.1 million in commercial property taxes over the lifetime of the partnership. This figure accounts for the new retail space's increased tax revenue, offset by the loss from demolishing the existing 41,000 square feet of retail space and the revenue gap until the new North Stands are completed.

For the residential component, property tax estimates are based on a podium that includes a hotel and a mix of either 1,038 multi-residential rental apartments or 969 condominium units. The total net uplift in residential property taxes will depend on the specific mix of rental apartments and condominium units chosen for the development.

Total Property Tax Uplift	2027 to 2067 with growth		2023 rates without growth	Tax stabilization year
Condo & Hotel	$305.2M			2036
Rental Apartments & Hotel	$235.9M			2036
Total Retail				
Lost Retail	-$18.9M			2027
New Retail	$49.0M			2033

Other Funding Considerations

New Parking Structure & Bond Issuance

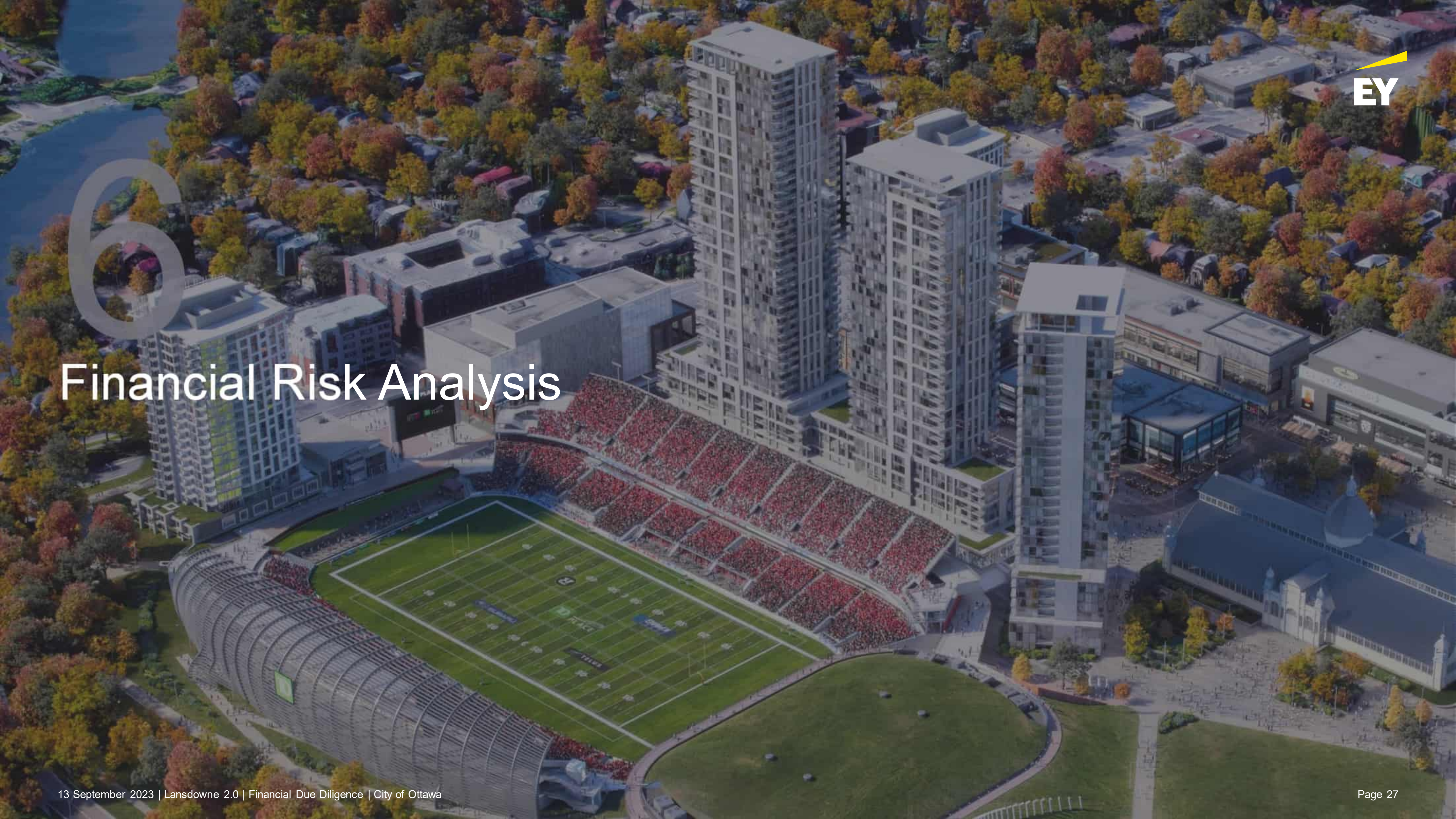
Construction of a New Parking Structure

The City of Ottawa is currently assessing its options concerning the parking situation at Lansdowne, particularly in light of the proposed Lansdowne 2.0 redevelopment. The city is contemplating whether to retain ownership of the parking facilities or include them in the air rights sale Request For Proposal (RFP) for the property. According to the Altus Cost Guide, cost estimates for constructing an underground multi-level parking facility range between $52.8 million to $69.2 million. These estimates, which do not account for inflation or additional expenses, were calculated based on a planned 671 parking stalls, costing between $78,000 to $103,000 per stall.

Financial projections show that estimated revenues up to 2067 could amount to approximately $126.9 million. Initially, operating costs were estimated at around $46.9 million with an additional $8.5 million for lifecycle costs. However, after a review by EY, the lifecycle costs were significantly revised downward to $1.3 million, calculated as 1.25% of revenues starting in year 11. EY also validated the revenue projections and proposed a 37% operating expense ratio. The City has subsequently adopted EY's recommendations for both operating expenses and lifecycle costs.

Bond Issuance – Interest Rates

The City of Ottawa plans to partially finance the Lansdowne 2.0 redevelopment through a 40-year bond, slated for issuance in 2029. Amid an unusually high inflationary environment that has prompted the Bank of Canada to raise interest rates, EY was asked to evaluate the reasonability of a 4.25% interest rate assumption for this bond. Following a thorough review of historical interest rates and municipal spreads, EY deemed the rate reasonable. This assessment gains added credibility from the City's strong financial standing, evidenced by a AAA rating from Moody's and an AA+ upgrade from S&P in 2022.



6 Financial Risk Analysis

Overall Commentary on Project Risk

Economic Conditions & Other Risks

There are numerous factors that play a key role in the financial viability, probability of success and levels of risk of the Lansdowne 2.0 redevelopment project. While a number of these items have been covered throughout the Summary Report, listed below is a summary of the key economic factors that will ultimately have a crucial role in this Project:

- **Economic Conditions:** local, national, or global economic downturns could impact discretionary spending, which in turn would affect ticket sales and other revenue streams generated at Lansdowne. Despite the Ottawa market being somewhat sheltered from recessionary periods as a result of its government focus, there remains a strong possibility of below average growth to the economy over the next 3 to 5 years. Further, public sector spending and/or job cuts will have an acute impact on the region. Given the current level of federal deficits and potential for a change in power this decade, there is elevated risk of some government austerity this decade.
- **Interest Rate Risk:** as seen over the past 12 months, the impact of Bank of Canada interest rate hikes can stall real estate development, particularly for complex, multi-phased projects such as contemplated for Lansdowne 2.0.
- **Construction Costs:** budget overruns and unanticipated costs are a risk of any development project; these can arise from factors such as logistical challenges, labour shortages and cost increases, among other factors. Lansdowne 2.0 redevelopment project will likely be one of the more costly real estate developments on a per square foot basis.
- **Maintenance & Operational Costs:** higher than anticipated costs for maintaining and operating the arena, stadium and event centre can impact overall financial performance of the redevelopment project over the investment horizon.
- **Local Competition:** the potential for a new arena and event centre for the Ottawa Senators NHL franchise following the recent purchase of the team by Michael Andlauer could pose a threat to the number of events held at the Lansdowne site, whether this new project be completed at the LeBreton Flats site or at any other centrally located area of the city.

Additionally, site specific risks could also play a role in the success of the Lansdowne 2.0 redevelopment project:

- **Team Performance:** attendance and fan engagement are directly linked to team performance; poor performance on the field or on the ice will result in lower ticket sales, and associated revenues (concessions, merchandise, etc.) will be negatively impacted.
- **League Performance:** it is important to consider the key impact of CFL distributions on the waterfall / funding of the project; overall league success plays an important role in the cash flow ultimately flowing downstream to the individual franchises.
- **Sponsorship and Advertising Revenue:** economic fluctuations and team reputations could impact the willingness of companies to sponsor events or advertise at Lansdowne; during tough times, it is effectively the sponsorship and marketing budgets that are the first to be cut.
- **Potential TV Deal:** league performance, fan interest, cord cutting and alternate viewer experiences (i.e. traditional, online, PPV, etc.) will play a crucial role in the amount of revenue that can be generated from future TV deals for both the CFL and OHL.

Based on the foregoing, there are a number of factors that elevate the overall risk profile of the Lansdowne 2.0 redevelopment project above other competing projects of similar scale.

Risk-Return Profile

City of Ottawa and OSEG Scenario Review

Summary of Risk-Return Scenario Calculation

- As part of the overall Risk-Return evaluation, a review of various scenarios for the funding were explored from multiple perspectives for both the City of Ottawa and OSEG. The goal was to support an evaluation of potential relative returns from these scenarios to contribute to an overall assessment of risk and return allocation.
- The Risk-Return analysis on Scenario 2 showed the return for the City and OSEG were comparable. Return profiles assessed using preliminary cost and revenue estimates provided by the City signaled that profit margins for OSEG did not come at the cost of the City of Ottawa's returns.
- The development of Lansdowne 2.0 involves a substantial upfront investment, specifically from the City, with the majority of returns anticipated to materialize in the latter phase of the projected timeline. This could potentially expose the City to additional risks as return uncertainty late in the forecast horizon may not be realized, and thus potential materialization of risks could impact the relative returns between OSEG and the City.
- In addition, the City may find themselves committed to further investment should there be capital shortfalls or additional similar funding requirements as that initial upfront investment may anchor the City's commitment (potentially exposing future cashflow injections by the City, impacting the return profile).
- Additional event specific risks may warrant further review (e.g., through risk workshop exercise) to understand potential risk exposures that may not be included in existing estimate and forecasts as these risks could impact return scenario development.
- Risk quantification can be further evaluated as part of additional steps in the Project review process and could help inform potential scenarios for the return profiles of the City and OSEG. This could be included as part of a Procurement Options Analysis to understand the various construction delivery models, their applicability to the Lansdowne Redevelopment, and how each model can uniquely work for the City in this context. This would include evaluating the allocation of risk to the party best suited to manage those risks (e.g., City vs. constructor).

7

Conclusion

Summary & Conclusion

Redevelopment – Waterfall

OSEG projected a total Waterfall distribution of $790.5M over 43 years. As outlined in this Summary Report, EY reviewed all key OSEG assumptions, corrected model errors, researched and compared OSEG's assumptions against market benchmarks. EY applied model adjustments in areas where more downside risk was needed and adjusted upwards in areas OSEG's projections were considered conservative.

These revisions to OSEG's model include the following elements, outlined in the table to the right:

- Reduction in the Number of Redblacks Playoff Games
- Reduction in the Number of 67's Playoff Games
- Upwards Adjustment to Near-Term Expense Growth
- Addition of Leasing Commissions to New Retail Space
- Addition of Structural Allowance to New Retail Space
- Increase in Demand for Long-Term Parking
- Reduction in Mortgage Interest Rate

Through a number of sensitivity analyses, and proposed changes to the redevelopment proforma's summary of redevelopment changes, **EY concluded on a range of $774.1M [-$16.4M] to $818.2M [+$28.7M] for the Waterfall distributions at Lansdowne 2.0, with a caveat that podium costs of $40M will be funded at 75% through the Waterfall.**

Ultimately, EY concludes that the incremental income generated from the Waterfall will generate a positive cash flow for the Lansdowne 2.0 redevelopment project, although sustainable net positive cash flows will likely be weighted towards the second half of the OSEG-City investment horizon.

Waterfall Distributions – OSEG Model [in $ millions]

Number of Redblacks Playoff Games	1.00	0.50	0.80
Number of 67's Playoff Games	6.00	4.65	5.00
Near-Term Expense Growth	2.00%	2.50%; 2.25%	2.25%; 2.00%
Retail – Leasing Commissions	0.00%	4.00% New 1.00% Renew	4.00% New 1.00% Renew
Retail – Structural Allowance	0.00%	0.50%	0.50%
Long-Term Parking Demand Increase	20.00%	22.50%	22.50%
Mortgage Interest Rate	5.00%	4.25%	4.25%
Total Waterfall Distributions	**$790.50M**	**$774.10M**	**$818.20M**

Summary & Conclusion

Redevelopment – Waterfall – Option 2

OSEG has provided EY with additional considerations for a separate Option 2 analysis. Building upon the steps taken by EY in assessing Option 1 OSEG has requested the following additional elements be considered:

- Revised OSEG Retail Design Concept with a reduction in retail footprint and number of retail units.
  - *Reduction in size from 107,810 sf to 49,544 sf.*
  - *Change from 8 varying sized units to 13 equal sized smaller units*
  - *Reduction in Anchor Tenant unit size from 32,848 sf to 25,565 sf.*
  - *Removal of larger retail tenants*
- Revised OSEG Tower Design Concept with the removal of tower 3, a reduction in height of tower 2 and smaller overall floorplates.
  - *Decrease in total GFA from 988,822 sf to 598,358*
  - *OSEG's new design reduces the total number of residential units to ~750 (3 towers down to 2 towers)*
- EY's unit mix analysis was used to determine the property tax uplift of 111 hotel units and 639 condo/apartment units on varying levels of GFA

Based on the unique considerations under Option 2, **EY's concluded on a range of $725.4M [-$30.0M] to $769.5M [+$14.1M] for the Waterfall distributions at Lansdowne 2.0 for Option 2.**

Waterfall Distributions – OSEG Model
[in $ millions]

Number of Redblacks Playoff Games	1.00	0.50	0.80
Number of 67's Playoff Games	6.00	4.65	5.00
Near-Term Expense Growth	2.00%	2.50%; 2.25%	2.25%; 2.00%
Retail – Leasing Commissions	0.00%	4.00% New 1.00% Renew	4.00% New 1.00% Renew
Retail – Structural Allowance	0.00%	0.50%	0.50%
Long-Term Parking Demand Increase	20.00%	22.50%	22.50%
Mortgage Interest Rate	5.00%	4.25%	4.25%
Total Waterfall Distributions	**$755.4M**	**$725.4M**	**$769.5M**

Summary & Conclusion

Funding Strategies

- As part of the information presented within, EY has outlined various potential funding sources that can be utilized to offset capital costs of the Lansdowne 2.0 project. These potential funding sources include:
  - the proposed sale of air rights for the purpose of development;
  - the related property tax uplift post-completion of the residential units and retail spaces within the complex; and
  - alternative funding sources such as available government funding programs, non-governmental funding strategies.
- In an effort to work towards a complete assessment of funding sources, EY utilized condominium and purpose-built rental benchmarking data from various recently completed projects in Ottawa to leverage proposed stacking plans and sales/lease-up timelines to estimate the property tax uplift and potential air rights value of the residential land of the complex.
- Furthermore, the proposed size of the retail component was utilized to estimate its respective property tax uplift.
- Alternatively, EY has included an assessment of various government funding options such as precedents in municipal, provincial and federal funding agreements, green infrastructure programs and grants, and governmental infrastructure investment programs.
- Additionally explored in this exercise was the use non-governmental funding sources outside of direct government contributions, utilized by comparable projects and initiatives, that included Video Lottery Terminals, Hotel-Motel taxes, Major Event taxes, Hotel Room taxes and Lottery Games, as well as operating revenue funding sources.

Summary & Conclusion

Overall Project Risks

- As previously mentioned throughout the Summary Report, on an overall basis, there are numerous factors that play a key role in the financial viability, probability of success and levels of risk of the Lansdowne 2.0 redevelopment project.
- While a number of these items have been commented on individually throughout the Summary Report, listed below is a summary of the key risk categories that will ultimately have a crucial role in this project:
  - Economic factors such as recessions, interest rate risk, rising construction costs, inflation and other local competition can hinder the success of the proposed Lansdowne 2.0 redevelopment project.
  - Other on-site factors such as team performance (Redblacks, 67's, BlackJacks, etc.) and league performance have a direct impact on revenues and distributions, which ultimately trickle down and affect the teams' abilities to generate sponsorship revenues and sign profitable TV deals.
- EY concludes that the incremental income generated from the Waterfall will generate a positive cash flow for the Lansdowne 2.0 redevelopment project, although sustainable net positive cash flows will likely be weighted towards the second half of the OSEG City investment horizon

8

Appendix

Appendix A: Assumptions and Restrictions

The following section outlines the assumptions and restrictions associated with the I-O model used to perform the economic impact assessment in the Report. The I-O model is subject to limitations both in concept and implementation. Like any economic model, the I-O model is conceptually an abstraction that attempts to be complex enough to accurately capture and estimate the most significant impacts to the real-life economy caused by economic activities, yet simple enough to be analytically and intuitively meaningful.

An I-O model reflects the observed interdependency between all sectors of the economy. For Canada, Statistics Canada reports on the 236 industrial sectors in the economy: (1) how each sector relies on the other 235 sectors for inputs to their production; and (2) how each sector supplies its products and services to each of the remaining 235 sectors. While an I-O model provides a consistent and innovative way of measuring the economic effects of an economic activity, one should be aware of the assumptions and limitations of the model's underlying approach. Some of these assumptions include:

- The relationship between industry inputs and outputs is linear and fixed, meaning that a change in demand for the outputs of any industry will result in a proportional change in production.
- The model assumes constant returns to scale, and cannot account for economies/diseconomies of scale or structural changes in production technologies; an assumption that does not necessarily hold in the actual economy.
- Prices are fixed in the model; thus, the model is unable to account for elasticities, (how one economic variable changes in response to another).
- I-O models are static, and therefore do not consider the amount of time required for changes to happen. Changing the timeframe would not affect the magnitude of the estimates.
- There are no capacity constraints, and all industries are operating at full capacity. This implies that an increase in output results in an increase in demand for labour (rather than simply re-deploying existing labour). It also implies that there is no displacement that may occur in existing industries as new projects complete.
- I-O models assume that the technology and resource mix (ratios for inputs and production) is the same for all firms within each industry, i.e. the 236 industry categories reported in Statistics Canada's input-output table. As such, the analysis describes industry average effects.
- The model assumes that the structure of the economy remains unchanged, and any structural changes in the economy since 2019 will therefore lead to changes to the multipliers, which could be implemented once Statistics Canada release updated input-output tables. As such, the further the year of analysis is away from the year of the input-output tables used, the greater the uncertainties.
- The model does not consider the economic impacts or opportunity costs associated with using resources elsewhere. Using these funds for alternative uses would generate their own economic impacts, which could potentially be larger or smaller. However, the model will not be able to capture this difference.
- Results from the I-O model should not be interpreted as causal impacts, that is, users should not take the economic impacts presented in this report at verbatim. It cannot be said with certainty that X dollars of capital or operational spending will produce X number of FTEs or have an X amount of impact on GDP.
- The model does not consider substitutions amongst inputs, and each industry in the model is regarded as having a single production process.

Per the assumptions above, the structure and limitations of I-O models lend themselves to measuring the impacts of projects that are shorter term in nature. Generally, they are used to look at shocks to the economy.

Appendix B: Statement of Qualifications

Steve
LeFaivre

**ASSOCIATE PARTNER
TRANSACTION REAL ESTATE**
Ottawa, Canada

Steve.Lefaivre@ca.ey.com
+1 613 598 4874

Education

- Bachelor of Science, Business & Accountancy, Wake Forest University
- Post Graduate Certificate in Real Property Valuation, University of British Columbia

Memberships

- AACI Designation, Appraisal Institute of Canada

Professional experience summary

- Steve leads EY's coverage of the real estate sector in the National Capital Region and EY's valuation practice across Canada. Mr. LeFaivre received his accreditation from the Appraisal Institute of Canada in 2011 and has worked exclusively in the Greater Ottawa market since 2006.

Project experience

- The Conservatory Group (2021 to Present): Steve is currently EY's project manager and valuation lead in support of the disposition of TCG's multi-billion-dollar portfolio. The portfolio of assets is located across the Greater Toronto Area and consists of development lands (low density and high density), apartments, low-rise and high-rise residential developments, and commercial buildings. Steve is involved in almost all aspects of the due diligence, operations, transaction strategy, valuation and data room management of what will be one of the largest land transactions in Canadian real estate history.
- Real Estate Audit Valuation Support (Ongoing): Steve is EY's lead appraiser in Canada in support of annual valuation reviews for financial reporting purposes in the context of IFRS or GAAP. The EY real estate team provides guidance and expertise to real estate audit clients that must report their real estate holdings at fair value. We review appraisals with over $50 Billion worth of real estate for some of the largest owners of property in Canada, including several REITs. We challenge key assumptions and ultimately conclude on whether the estimates of fair value can be relied upon for financial reporting purposes. Steve specifically provides guidance to clients looking to adopt industry best practices as it relates to fair value accounting and appraisal methodology/approaches.
- Microbjo Properties (2023): Steve was lead AACI for an estate freeze valuation of Microbjo Properties, which is wholly owned by The Naiberg Group of Companies, consists of 330+ acres of development land, most of which is in the urban areas of the GTA, 21 apartment buildings with 3,497 units and 4 commercial buildings.
- The Brown Group of Companies (2022): Steve was lead AACI for an estate freeze valuation of a GTA-based real estate portfolio consisting of 1,407 apartment units, 1.8 million SF of commercial space and 30 development assets totaling over 1,000 acres in land.
- Norton Rose LLP (2022): Steve acted as lead real estate consultant and developed damages quantification for alleged breach of contract between Bombardier Transportation Canada Inc. and landlord of a large warehouse building near Kingston, Ontario.
- Gowlings WLG (Canada) LLP (2021): Steve provided expert opinion and court testimony to the Superior Court of Ontario in a partnership real estate dispute involving 14 multi-family assets in the Greater Toronto Area.
- Controlex Corporation (2021): Steve was engaged by PSPC to perform a detailed lease audit and cost recovery review. PSPC engaged EY as its advisor to complete a lease review and operating cost audit of the historical records and accounts of the Landlord related to the lease of the five industrial buildings in Ottawa, Ontario. Our efforts focused on re-calculating the tenant's proportionate share of operating costs (CAM).
- Ontario Court of Justice (2020): Steve was EY's lead appraiser and provided expert testimony on a $3 billion family-owned portfolio. EY acted as a court-appointed third-party observer to assist in the Ontario Court of Justice in an equitable transfer of real estate that included sporting venues, urban retail, residential and mixed-use development land and agricultural land within major markets across the United States and Canada.
- Financial Services Regulatory Authority (2020): Steve was lead appraiser for EY in the evaluation of the financial viability of nine residential and mixed-use projects in Ontario. The residential development projects were funded by syndicated mortgages and were being reviewed by the provincial authority to ensure the projects were meeting regulatory requirements meant to protect consumers from harm. Steve and team assessed the value of the projects net of costs, estimated return of the principal to the lender and investigated any regulatory concerns including potential fraud.
- Prior to joining EY in 2020, Steve worked as a fee appraiser for 15 years at CBRE Limited and the Altus Group. A sample of clients Steve represented include the National Capital Commission, various federal government departments, City of Ottawa, Manulife Financial, AIMCo, Bank of America, Morguard Investments and BentallGreenOak.

Appendix C: Schedule of limiting conditions

1. This summary report is confidential and may be privileged. It has been prepared solely for the purpose stated, and should not be used for any other purpose. It should not be provided to any third party without the prior written consent of Ernst & Young LLP ("EY"). In carrying out our work, we have worked solely on the instructions of our client and this summary report has been drafted solely for its purposes. Our summary report may not have considered issues relevant to third parties and EY shall have no responsibility whatsoever to any third party which obtains a copy of this summary report. Any use such a third party may choose to make of this summary report is entirely at its own risk.
2. Provision of valuation conclusions and/or recommendations and considerations of the issues described herein are areas of valuation practice for which we believe that we have knowledge and experience. The services provided are limited to such knowledge and experience and do not represent audit, advisory or tax-related services that may otherwise be provided by EY or another Ernst & Young member firm.
3. No investigation of the title to the subject company and subject assets has been made, and the ownership claims to the subject company and subject assets are assumed to be valid. To the extent that EY's services include assets, properties or business interests, EY shall assume no responsibility for matters of legal description or title, and EY shall be entitled to make the following assumptions: (i) title is good and marketable, (ii) there exist no liens or encumbrances, (iii) there is full compliance with all applicable government regulations and laws (including, without limitation, zoning regulations), and (iv) all required licenses, certificates of occupancy, consents, or legislative or administrative authority from any government, private entity or organization have been or can be obtained or renewed for any use on which EY services are to be based.
4. The value conclusions and/or recommendations contained herein are not intended to represent the values of the subject assets at any time other than the effective date that is specifically stated in this summary report. Changes in market conditions could result in recommendations of value substantially different than those presented at the stated effective date. We assume no responsibility for changes in market conditions or for the inability of the owner to locate a purchaser of the subject assets at the values stated herein.
5. No responsibility is assumed for information furnished by others (including management), and such information is believed to be reliable.
6. In the course of our analysis, we were provided with written information, oral information, and/or data in electronic form (e.g., computer diskettes), related to the structure, operation, and financial performance of the subject company and subject assets. We have relied upon this information in our analyses and in the preparation of this summary report and have not independently verified its accuracy or completeness.
7. Certain historical financial data used in our valuation engagement were derived from unaudited financial statements and are the responsibility of management. These financial statements may not have included disclosures required by generally accepted accounting principles. We have not independently verified the accuracy or completeness of the data provided and do not express an opinion or offer any form of assurance regarding its accuracy or completeness.
8. The estimates of cash flow data included herein are solely for use in the valuation analysis and are not intended for use as forecasts or projections of future operations. We have not performed an examination or compilation of the accompanying cash flow data in accordance with standards prescribed by the Canadian Institute of Chartered Accountants, and, accordingly, do not express an opinion or offer any form of assurance on the accompanying cash flow data or their underlying assumptions. Furthermore, there will usually be differences between estimated and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.
9. Our summary report assumes full compliance with all applicable federal, provincial, local, and other zoning, usage, environmental and similar laws and regulations, unless otherwise stated.
10. We assume no responsibility for any financial and tax reporting decisions, which are appropriately those of management. It is our understanding that management accepts the responsibility for any financial statement and tax reporting issues with respect to the assets covered by our analysis, and for the ultimate use of our analysis and summary report.
11. EY, by reason of its services hereunder, is not required to furnish additional work or services, or to give testimony, or be in attendance in court with reference to the subject assets, properties, or business interest or to update any summary report, recommendation, analysis, conclusion or other document relating to its services for any events or circumstances unless arrangements acceptable to EY have been separately agreed upon with its client.
12. We reserve the right (but will not be obligated) to revise this summary report in light of any relevant information that comes to our attention after the date of issuance.

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