

Re: Tribute partnership

In Response to Questions Raised by the Community

January 25, 2015/ *Estonian House Board*

Correction: the original text mistakenly said, "The call will be scheduled for 7 pm Sunday evening". The conference call is scheduled for Monday Jan 26 at 7:00pm. Email EMTulevik [at] gmail.com for details.

The Estonian House Board is troubled by a letter posted to the Jan. 24 Estonian paper, written in English and publicly disclosing the very details of the Estonian House project that we asked our immediate community and shareholders not to disclose. We must come together as a community, now, to ensure that this process is not derailed.

Leading up to this point the arrangements and letter of intent (LOI) have been discussed extensively since last summer among the boards of EM, ECU, ESK, and Tartu (the major real-estate players in our community). **These boards are comprised of active community leaders and competent business people who have been involved every step of the way. Additionally, key stakeholder groups representing the major institutional holdings of EM shares have also been briefed in advance.** The reasoning was that while broad community disclosure was not possible (because it would weaken our negotiating position), the deal could still be extensively reviewed and adjusted in confidence while representing a broad community perspective.

We want to make clear that at no time did anyone reach out to the Board after receiving notice of the shareholder meeting. Only one person accepted the Board's invitation and attended at the Estonian House over the past month to view the LOI. This past Friday, three more people requested to see the LOI. Apart from that, no one engaged the Board in further discussion or expressed concerns to the Board.

We applaud the group for raising questions in the published letter. They are good questions. And we want the community to understand and feel comfortable with the answers. We also want you to be excited about this project. This WILL BE an awesome project. It will be our collective future home. On to the questions and answers....

Q: Can we delay the vote?

A: The short answer is no. Unfortunately, we cannot delay the vote on this LOI. If we do, the deal will likely die and we have no other options. We ask that you now join and support us as we move forward with this process. Please write to the Board or call us with your questions. We will work to answer them before Tuesday so you have complete information. That said, we must proceed.

Q: What exactly is in the letter of intent and what are our obligations?

A: As presented at the meeting, this letter of intent is a non-binding document that sets out the business terms of the transaction as well as other terms that the parties describe as fundamental to the ultimate contract. **It provides the framework to negotiate the deal. The negotiation of a final legally binding contract must be consistent with the LOI unless the parties negotiating the deal agree otherwise. Our obligations are to negotiate a final and binding contract in good faith that contains the fundamental terms contained in the LOI.**

As discussed at the meeting, the key points of the LOI are as follows:

- The Estonian House will be a 50/50 partner in the project

- This partnership is in effect only until the completion of the project when final project accounting is completed. After this, Estonian House and the anticipated new Condominium corporation will act as independent entities
- Estonian House provides the land, Tribute provides the development expertise
- The project risk has been mitigated to protect the Estonian House and the community. In particular, Tribute bears the entire project risk until zoning approvals have been obtained, sufficient pre-sales are in place to support proceeding with a \$80 million + development project, and financing has been obtained. This is a substantial victory for the Estonian House and our community
- The Estonian House in Toronto Ltd. will receive, in exchange for entering into a contract, a non-refundable upfront payment of its profit share to ensure it has the resources to proceed through the project. The payment will cover all expenses to date and those expenses expected to be incurred to get to the end of the project
- In the event the deal does not reach the approvals and financing milestones, we do not have to return the deposit and the only damage caused to the Estonian House is that we have lost another two years. Make no mistake, this is a huge concession by the developer and demonstrates exactly how bullish they are about the chances of success of the project
- Estonians will have the first opportunity to purchase the condos that will ultimately be offered to the public – start planning to move in now to what will be a marquee building in Toronto.

Q: What is the plan and timeline to determine the scope and requirements of existing community tenants and Estonian House users for a new Estonian House (EM2)?

- The Board has canvassed the community over the past five years. The results were set out in detail in the request for proposal that was sent out and made available to our community
- This process will continue throughout the project as we retain our own professional team to design and fit out the ultimate space that will be allocated to the Estonian House. What we do know now is that we will have the same amount of functional programming space that we have now, except that it will be more efficient and far more flexible
- While we already have an excellent idea of how the space is used now and opportunities we have to use the space moving forward, there will be continuing community engagement in the design phase of the project to design a space that meets community needs today and into the future
- The timeline for this to occur is over the next three years, with the process getting significantly more intensive as we approach the end of that three year cycle. Notice of this will be provided as we continue. Make no mistake, this is a huge concession by the developer and demonstrates exactly how bullish they are about the chances of success of the project.

Q: Will shareholders have an opportunity to review and vote on the deal before the property is transferred to the partnership?

The short answer to the question is **no, since the business deal and path to the end is clearly laid out in the LOI**. The only thing that remains is to formalize the business deal in a binding contract.

What we are asking the shareholders to vote on is approval of the path to the end

As noted, there are milestones set out where a go/no go decision will be made based on the financial viability of the project. We are confident that the milestones adequately mitigate those risks that can be mitigated

The business reality is that no reasonable person, and especially a sophisticated land developer, would enter into contract that leaves the transfer of land sometime in the future to the whims of the shareholders. Tribute must know now that, provided they live up to their end of the

bargain (which involves sunk costs well in excess of a million dollars), that the Estonian House has a binding obligation to transfer the land into the partnership

Q: When does the property transfer from the Estonian House Shareholders to the partnership? Exactly what milestone must be met?

A: Zoning approvals, pre-sales and project financing. If these milestones are met, the obligation to transfer crystallizes

Q: How will decisions be made by the partners and will shareholders be included or have a say?

A: Shareholders will continue to be engaged in the process of designing the Estonian House exclusive use space until the ultimate design is finalized. To the extent decisions are required that alter the fundamental terms set out in the letter of intent, the shareholders will also be engaged. Otherwise, the decisions will be primarily directed by the terms of the binding contract.

Q: What about exploring more options and details of proposals?

A: We have spent enormous resources and a lot of time — eight years — considering and analyzing options for the future of Estonian House. The analysis was presented and the shareholders approved this deal structure as the way forward. The bottom line is that after much exploration there is simply no other viable way forward at this time. We are certain of this. To suggest otherwise is to mislead the community. In particular:

- **Doing nothing is not an option. Renovation is not an option. Financial modeling has shown that either approach would bankrupt the Estonian House.** We have financially modeled the options, while others proposing alternative options have not done so
- Moving to another site is not an option. There are no viable proposals on the table. Every other option is currently unknown and therefore carries with it such substantial risk and delay that the Estonian House in Toronto will be bankrupt if we wait any longer
- We have an amazing opportunity that we hope all of our community will get behind. But behind it we must get and that must happen on Tuesday.

The Board wholeheartedly agrees with the comment that the future of the Estonian House affects the future of our entire community in Toronto. However, to suggest that this has been treated “simply as a real estate transaction” is an unfair representation of the process we have engaged in for the last eight years. It’s unfortunate that some feel they have been left out, but the fact is the Board has been available and open throughout. We are all proud of our heritage and the legacy of those who built our community and the Estonian House. We want that pride to continue for future generations.

We also wanted to provide a very brief response to the commentary made suggesting that one of our Board members has a conflict of interest. Legally, there is no conflict. However, out of an abundance of caution, and to ensure there was no perceived conflict, Raivo Uukkivi voluntarily stepped away from assisting with the Tulevik committee. All of the analysis of the Tribute offer was completed by Kia Puhm, Peter Poolsaar, and Alar Petersoo. All of the analysis of the Tribute offer was completed by an independent advisor, Jon Hack of Sierra Planning. This analysis was reviewed by the EM Tulevik Committee and onward with the full board, and the boards of ESK and ECU. Finally, it is equally important to note that Tribute came to the Estonian House through one of Tonu Petersoo’s contacts. They did not come to the Estonian House because of anything that Raivo did. A decision was made

based on the strength of the Tribute offer, a fact that stands on its own and something that is, in the Board's opinion, an irrefutable fact.

To the Future

There comes a time when decisions have to be made, and this is such a time. Time to move the community forward. You can help by voting in favour of the deal — actively support this amazing opportunity, one we have worked toward for eight years. We must move forward at the speed of business in order to protect the viability of the Estonian House in Toronto Ltd. The world will not wait for us to have further academic and philosophical debates of being. Act now to support the Estonian House community, the Estonian Credit Union and all the other key stakeholders who have thrown their unconditional support behind this redevelopment project.

The Board looks forward to an active and engaging dialogue with you between now and Tuesday Jan. 27. We offer a teleconference call to all of those signatories on the aforementioned letter. We have made that offer by phone to Marcus Kolga, and make that offer directly through our response to you. If you would like to participate, please contact the Board at EMTulevik [at] gmail.com and contact particulars will be provided. The call will be scheduled for 7 pm Monday Sunday evening. Given the number of participants expected, we ask that you provide your questions in writing in advance and we will do our best to answer those questions on the call.

The Board of the Estonian House in Toronto Ltd.