

Memorandum of Understanding

MEMORANDUM OF UNDERSTANDING

Between:

EDMONTON NORTHLANDS
("NL")

and

THE CITY OF EDMONTON
("City")

This Memorandum of Understanding is intended to summarize the understanding of the parties for NL to surrender its interest in the Master Agreement and Site Lease dated August 28, 1989 (the "Site Lease") and the lands (the "Site") leased to NL pursuant to the Site Lease to the City. This Memorandum of Understanding is intended to be non-binding on the parties, but the parties agree to work collaboratively to reach formal agreements that align with these terms.

1. Immediately following execution of this MOU:
 - a. NL will provide the City with copies of all existing contracts related to the Site, a list of all personal and intellectual property potentially necessary for the City's assumption of the Site, and a list of the job descriptions for all Expo Centre employees together with their salary, benefits, level of seniority, Union affiliation and employment contracts, as applicable;
 - b. NL will provide the City with all additional information and such basic training as may be reasonably requested by the City to allow the City to assume possession of the Site;
 - c. NL will cooperate with the City to facilitate the smooth transition of the Site to the City, including the transition of the Assumed Contracts, Transferred Property, and Assumed Employees (as defined below);
 - d. NL will transfer the four parcels of land described in Schedule "A" (the "Four Parcels") to the City on or before August 30, 2017, in accordance with the Master Agreement; and
 - e. NL will provide the City with information about its proposed governance changes to allow the City to make recommendations to Council regarding any requested changes.

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2. Effective January 1, 2018 (the "Effective Date"), and subject to the parties finalizing and executing the formal agreements contemplated herein:
 - a. NL will surrender all of its interest in the Site, including the Master Agreement and Site Lease (which may occur in stages, with the areas commonly known as the EXPO Centre and the Coliseum happening on January 1, 2018, and the area commonly known as Northlands Park happening on the later of June 30, 2018, or 30 days following the date upon which horse racing is no longer licensed at the Site), and the Parking Lot License attached hereto as Schedule "B" (the "Parking Lot License") to the City;
 - b. NL will transfer to the City, or the City's nominee as directed by the City, at market value the personal property and intellectual property (which will not include the "Northlands" name, brand or logo or any intellectual property associated therewith and not to include the documents and presentation related to Vision 20/20) that the City deems necessary for the City's assumption of the Site, but not any personal property or intellectual property used in respect of K-Days, Farm Fair International, Canadian Finals Rodeo, Horse Racing, Casino Operations and Pari-Mutual Betting (the "Transferred Property");
 - c. NL will assign to the City, or the City's nominee as directed by the City, those existing contracts that the City deems necessary for the City's assumption of the Site, or portions of the Site, as the case may be, (the "Assumed Contracts"), but not including any contracts relating to K-Days, Farm Fair International, Canadian Finals Rodeo, Horse Racing, Casino Operations or Pari-Mutual Betting; and
 - d. NL will transfer to the City, or the City's nominee as directed by the City, those current employees as are made available by NL to the City and that the City deems necessary for the City's assumption of the Site, or portions of the Site, as the case may be, (the "Assumed Employees"), but not including any employees involved in the operation of Northlands Park, the Casino at Northlands Park and Horse Racing.

Notwithstanding that any of the Transferred Property, Assumed Contracts or the Assumed Employees are assigned or transferred to the City's nominee, the City shall remain as a party to such assignment or transfer and shall be jointly and severally liable with the City's nominee for all covenants contained in such assignment or transfer.

3. NL will continue to operate the portion of the Site known as the EXPO Centre in the same manner as the current operations from October 1, 2017 until the Effective Date in cooperation with the City or the City's Nominee. NL will pay all costs associated with the EXPO Centre during this period and shall be entitled to retain all revenue associated with the EXPO Centre during this period. To the extent that the costs related to the EXPO Centre exceed the revenue related to the EXPO Centre during this period, the City shall pay NL an amount equal to the actual operating loss to a maximum of \$500,000.00 upon

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receipt of an account from NL, which account shall be paid by the City within 90 days of its receipt.

4. The parties will also amend the Site Lease to take into account that the Site Lease will be converted to a short term lease over portions of the Site and as a result, from and after the Effective Date, the Tenant will no longer be responsible for constructing improvements on the Site, capital repairs to improvements to Northlands Park, carrying on certain businesses on Northlands Park or using Northlands Park for certain specified uses, the specifics of such amendments to be agreed to by the parties. Provided however that the City shall not be responsible to construct any improvements or perform any repairs not performed by NL at Northlands Park and NL shall be responsible for any business interruption, damages or costs incurred by NL or its licensors or contractors as a result of NL's failure to maintain or repair Northlands Park.

5. Following the Effective Date, and subject to the parties finalizing and executing the formal agreements contemplated here, NL will be granted a license or licenses for access to and use of those portions of the Site that the parties agree are necessary for K-Days and FarmFair International for an initial five year term, with compensation payable as proposed by NL in the "Returning to Roots" presentation by NL to City Council, being an amount equal to 5% of the net event contribution (defined as event direct revenue less event direct expense) received by NL from K-Days in that year, as illustrated in Schedule "C" hereto, with an option to be agreed to by the City, to renew for an additional five year term. The compensation payable for the second five year term will be calculated as follows:

- i. if NL achieves the outcomes of its sustainable business plan, to be measured through agreed upon agricultural and event economic development targets, measures, and outcomes, a continuation of the percentage based rent; or
- ii. a fixed market value .

6. On the Effective Date (or such dates as are established by a staged surrender), and subject to the parties finalizing and executing the formal agreements contemplated herein:

- a. The City will accept the surrender of the Site Lease in full and final satisfaction of all amounts owing by NL to the City pursuant to
 - i. the Site Lease;
 - ii. the Loan Agreement;
 - iii. the Master Agreement;
 - iv. the Scoreboard Loan Agreement;
 - v. the Parking Lot License;

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- b. the City, or the City's nominee as directed by the City, will assume all of the liabilities and obligations of NL under or relating to the Transferred Property, the Assumed Contracts and the Assumed Employees; and
 - c. with regard to the Assumed Employees, the City, or the City's nominee as directed by the City, will employ the Assumed Employees at a similar and comparable level of seniority, compensation, benefits and subject to any collective agreement or employment contract affecting the Assumed Employees.
7. Following the execution hereof, the City and NL shall negotiate, finalize, and execute all formal agreements required to give effect to the terms set forth in this Memorandum of Understanding including, without restriction, the following:
- a. Surrender and Termination of Site Lease;
 - b. Termination and Releases regarding various agreements between NL and the City, including the following:
 - i. Master Agreement;
 - ii. Loan Agreement,
 - iii. Scoreboard Loan Agreement;
 - iv. Parking Lot License;
 - v. Conveyance re: Transferred Property;
 - c. Assignment and Assumption of Assumed Contracts;
 - d. Assignment and Assumption of Assumed Employees;
 - e. Site License Agreement for K-Days and Farm Fair International; and
 - f. Agreement for Four Parcels and Replacement Land.
8. Within a reasonable period of time following the Effective Date and the finalization of the Area Redevelopment Plan for the area including the Site, NL and the City will select a parcel of land (the "Replacement Land") acceptable to NL, acting reasonably, and of the approximate same value as the Four Parcels. The City shall transfer title to the Replacement Land to NL as compensation for the Four Parcels. Notwithstanding the foregoing, NL shall have the option at any time following the Effective Date and in lieu of a transfer of the Replacement Land, to require that the City pay NL the current appraised value of the Four Parcels as determined by the City appraisers between the date hereof and the Effective Date.

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