

SUMMARY OF NEGOTIATED FRAMEWORK RE: EDMONTON DOWNTOWN ARENA (JANUARY 22, 2013)

Definitions:

“City” means The City of Edmonton
 “EAC” means Edmonton Arena Corp., a Katz Group entity
 “Parties” means the City and EAC and “Party” means either, as the context requires

May 18, 2011 Framework Agreement	October Framework	2011 Revised	Final Framework (January 22, 2013)
<p>User fee levied through ticket surcharge to generate \$125 million plus interest to fund the capital project.</p>	<p>No change.</p>		<p>NOTE: This table sets out the agreement of the Parties on issues that were outstanding as at January 22, 2013, on a comparative basis to prior frameworks of May and October 2011. It is not a summary of all elements of the agreement of the Parties as other issues had been resolved by the Parties prior to January 22, 2013.</p> <p>TICKET TAX: Ticket surcharge will be levied by the City, through a ticket tax bylaw, on hockey and non-hockey event tickets at the percentages specified by EAC, but such percentages shall not be less than that required to generate funds:</p> <p>(a) to make the annual payments on the \$125 million ticket-related debt amortized over 35 years and</p> <p>(b) of \$1.5 million annually, which funds shall go to the City on account of its capital maintenance responsibilities on the Arena. Such annual amount shall be reviewed by the Parties after 15 years.</p> <p>Any excess funds generated by the Ticket Tax shall revert to EAC.</p> <p>The City supports EAC in setting an interest rate in respect of the \$125 million ticket-related debt as early as possible to minimize EAC risk.</p>
<p>Community rink to be constructed adjacent to the arena contingent on funding from the federal and provincial government. City's share to be limited to one-third of the cost, which is not included in the cost of the arena building. City to own the community rink with the Katz Group operating.</p>	<p>Change – The City is to operate the community rink with all revenues and costs accruing to the City. All other conditions unchanged.</p>		<p>COMMUNITY RINK: The City will proceed with construction of the community rink. The City's budget maximum is \$21 million. The City controls design, with input from EAC. EAC pays for glass partition, if any, within seating area. All revenues and costs relating to the community rink will accrue to the City as contemplated.</p> <p>EAC will act as agent for the City in soliciting advertising and sponsorship revenue without commission or restriction. The City has stated there is no intention of deriving revenue from advertising or sponsorship. EAC's role as agent will serve to mitigate conflicts that may arise in negotiating sponsorship of the Arena and/or Arena district. This proposal will provide an opportunity for the City to share in the upside if EAC is able to negotiate a sponsorship package that includes the community rink. The City will have the right to approve (or not) any sponsorship proposal related to the community rink.</p>
<p>The City or its nominee will be entitled to access a suite at an annual cost equal to 50% of the prevailing rate.</p>	<p>Change – The City will enter into a marketing partnership with the Edmonton Oilers, investing \$2 million annually in a program to</p>		<p>SPONSORSHIP: 10 year sponsorship agreement (for \$2 million/year) to promote the City of Edmonton, both nationally and internationally, in conjunction with the Oilers, with sponsorship benefits consistent with quality and quantity provided to private sector sponsors. Particulars of the sponsorship benefits can be reviewed every 2 years or</p>

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	<p>promote the image of the City and to build City recognition with the Oilers brand. The marketing package will be of a quality and impact that is consistent with arrangements with the private sector at a similar level. Included in the partnership program will be access to a suite that the City can share with other parties contributing to the marketing of the City of Edmonton.</p>	<p>sooner as circumstances warrant. The provision of a Suite is to be included within the Sponsorship Agreement as part of the sponsorship benefits received for \$2 million annual payment.</p>
<p>Land available to be purchased at option price.</p>	<p>No change.</p>	<p>SOUTH BRIDGE LANDS: EAC, or its affiliated joint venture development entity, will purchase the South Bridge Lands (as defined in the Land Inventory Agreement). A \$5 million deposit will be paid on or about the effective date of the Master Agreement. Sale of land closes within 30 days following payment of deposit. Payment in full to be made to the City no later than 5 years after closing, to be protected by an unpaid vendor's lien caveat. However, the purchaser has discretion to pay at an earlier date, and will pay if a development permit is issued prior to the end of the 5 year term. During the 5 year term, interest will accrue and be paid half yearly.</p>
<p>Design process to be undertaken collaboratively between the City and the Katz Group.</p>	<p>No change, however, clarity on the model has been provided, with both sides agreeing that the Pittsburgh approach is the model to follow for design and construction.</p>	<p>DESIGN PROCESS, CONTINGENCY: The design of the Arena and the Wintergarden shall be the "Option A" Design agreed to by the Parties and the City and EAC will complete the design and building of the facility. Any disputes will be handled by Mr. Farbrother and Mr. Karvellas or their designees. The Parties have agreed to developer contingency of \$3 million of the estimated \$18 million contingency, consistent with Pittsburgh model.</p>
<p>The Katz Group is to operate the new arena and is to pay all operating expenses, capital maintenance and repair (both major and minor) and taxes and receive all operating revenues, including naming rights and parking revenues.</p>	<p>No change.</p>	<p>ARENA CAPITAL MAINTENANCE: The Parties have agreed on a definition of Capital Maintenance costs and an allocation of responsibility for capital costs between the City and EAC for the Arena, as set out in a schedule agreed to by the Parties: the City is responsible for all Capital Maintenance costs (collecting \$1.5 million annually through the Ticket Tax). EAC is responsible for any other capital items for the Arena. This is to be reviewed after 15 years. ARENA OPERATING COSTS: no change - EAC pays all operating costs. TAXES: The Parties will enter into a tax agreement to confirm that the aggregate municipal property taxes to be levied on EAC, the Edmonton Oilers and other EAC affiliated sub-tenants of the Arena carrying on business within event hours will be capped at \$250,000 per annum, which amount will be reduced to the extent that the aggregate municipal taxes levied on the arm's-length subtenants of the Arena carrying on business</p>

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			<p>within event hours exceed \$250,000 per annum. For clarification, the maximum reduction of the annual obligation of EAC, the Edmonton Oilers and other EAC affiliated sub-tenants under the tax agreement is to \$0. EAC and its affiliates will, in addition, pay its proportionate share of the provincial education taxes on the Arena.</p>
			<p>MUNICIPAL RESERVES: Plaza will be protected as public space in perpetuity. Programming rights will be granted to Katz Group (through its joint venture) for the 35 year term of the lease, subject to compliance with City bylaws and permitting, as may be applicable. The MR requirement not otherwise satisfied by the Plaza is to be transferred to the Arena lands by a deferred reserve caveat.</p>
<p>The arena building project (which includes 350 parking stalls) has a maximum price - \$450 million.</p>	<p>The guaranteed maximum price for the downtown arena building is \$450 million. If the tenders received are over \$450 million, either party can walk away from the deal.</p>		<p>ARENA UPSET PRICE: The upset (maximum) price for the Arena (which shall be the Option A Design) shall be \$480 million. This upset price will include FFE of about \$41.5 million, offsite levy costs and 104 Street costs and other elements as included in the Option A Design.</p> <p>The responsibility for the \$30 million cost overrun for the Arena (over the \$450 million) shall be shared equally by the Parties - the City will pay \$15 million and finance EAC's \$15 million contribution over the term of the lease.</p> <p>If there is a change in the design of the east wall of the Arena if Block K is not built, all costs relating thereto shall be the responsibility of the City.</p>
<p>Bridge over 104 Avenue is required adjacent infrastructure funded outside of the arena building project.</p>	<p>Clarification that Katz Group agrees to pay half of cost and City limits contribution to no more than \$25 million. Previous estimates placed the City contribution for the Pedway at \$20 million.</p>		<p>WINTERGARDEN: The upset (maximum) price for the Wintergarden is \$56.5 million. The City agrees to pay half of the "Net cost" to a maximum of \$25 million. EAC agrees to pay the same amount as the City and EAC or its affiliated joint venture development entity shall pay any excess over the aggregate of the City and EAC's equal contributions. "Net cost" means the gross cost of the Wintergarden less the reasonable value of the retail commercial space in the south end of the Wintergarden.</p>
<p>City access to the new arena for up to four weeks a year at its discretion.</p>	<p>No change.</p>		<p>CITY ACCESS TO THE ARENA AND WINTERGARDEN: The provision of up to 28 days of Arena and Wintergarden usage to the City at EAC's incremental cost, with all food, beverage and other revenues accruing to EAC. City's use will be for community purposes – not for CFR or other commercial events.</p>
<p>The Edmonton Oilers Hockey Club will stay in Edmonton for 35 years.</p>	<p>No change.</p>		<p>LOCATION AGREEMENT: The Edmonton Oilers Hockey Club will stay in Edmonton for 35 years. The form of the Location Agreement is to be agreed by the Parties along with the form of cooperation agreement with the NHL.</p>
			<p>SECURITY FOR EAC DEFAULT UNDER LEASE: In the event of EAC default under the lease, Rexall Sports Corp. ("RSC") (owner of the Edmonton Oilers) shall be obliged to cure the defaults under the lease and assume all obligations under the lease in place of EAC. Alternatively, RSC may enter into a commitment to fund payments associated with the EAC \$140 million contribution under a new lease with the City that is consistent with the existing Rexall Place lease (including F&B rights for hockey, but not in respect of other events, and excluding any reversion of ticket tax to RSC). In any event, the City will have in place a</p>

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<p>The Katz Group will contribute \$100 million of the capital cost of the arena with \$80 to \$90 million provided proportionate to the City contribution over the period of construction; and \$10 to \$20 million plus interest paid over the term of the lease.</p>	<p>The Katz Group will pay the principal and interest costs associated with \$100 million of capital cost over 35 years through a lease payment of approximately \$5.5 million (based on October 2011 cost of borrowing – actual lease payment will be dependent on actual costs of borrowing).</p>	<p>ticket tax bylaw at a level sufficient to sustain the capital maintenance levels specified in the lease with EAC and to protect the City for the \$125 million ticket tax related debt.</p> <p>EAC LEASE RATE COMPONENT: The City supports EAC in setting a rate as early as possible to minimize EAC risk. The City will support amortizing the construction period costs over 35 years with a variable interest rate. This applies to the full \$140 million (\$115 million for the Arena and \$25 million for the Wintergarden) financed under the lease.</p>	<p>ticket tax bylaw at a level sufficient to sustain the capital maintenance levels specified in the lease with EAC and to protect the City for the \$125 million ticket tax related debt.</p> <p>EAC LEASE RATE COMPONENT: The City supports EAC in setting a rate as early as possible to minimize EAC risk. The City will support amortizing the construction period costs over 35 years with a variable interest rate. This applies to the full \$140 million (\$115 million for the Arena and \$25 million for the Wintergarden) financed under the lease.</p>
<p>City contribution of \$125 million to the arena building will include up to \$45 million to be funded by a Community Revitalization Levy.</p>	<p>No change.</p>	<p>LEASE EXTENSIONS: EAC will have the first right to negotiate lease extensions (3 x 10 years) and purchase the Arena and land. Failing agreement, EAC will have ROFR on any subsequent lease or land sale negotiated with a 3rd Party.</p>	<p>LEASE EXTENSIONS: EAC will have the first right to negotiate lease extensions (3 x 10 years) and purchase the Arena and land. Failing agreement, EAC will have ROFR on any subsequent lease or land sale negotiated with a 3rd Party.</p>
<p>The City will use reasonable efforts to try and secure commitments that Rexall Place will not compete with the new arena for events. Simply stated, a non-compete clause.</p>	<p>Change – The Katz Group waives the requirement for the non-compete clause. The City has agreed that a competitive market between Rexall Place and the new arena requires a level playing field and so, once the new Arena is open will eliminate any subsidies to Rexall Place. A supplementary ticket surcharge will also be levied against all admissions at Rexall Place in the future at the same percentage (currently estimated at 7%) as the ticket surcharge to be levied at the new Arena. The City will retain the revenue generated by the ticket surcharge at Rexall Place. City Council will determine the use of those funds; however,</p>	<p>CITY FUNDING: The City to determine its revenue streams to meet its \$140 million commitment, which shall not intrude on Arena related revenues. The City shall have the right to generate revenue from City-owned parking.</p>	<p>CITY FUNDING: The City to determine its revenue streams to meet its \$140 million commitment, which shall not intrude on Arena related revenues. The City shall have the right to generate revenue from City-owned parking.</p>
<p>The City will use reasonable efforts to try and secure commitments that Rexall Place will not compete with the new arena for events. Simply stated, a non-compete clause.</p>	<p>Change – The Katz Group waives the requirement for the non-compete clause. The City has agreed that a competitive market between Rexall Place and the new arena requires a level playing field and so, once the new Arena is open will eliminate any subsidies to Rexall Place. A supplementary ticket surcharge will also be levied against all admissions at Rexall Place in the future at the same percentage (currently estimated at 7%) as the ticket surcharge to be levied at the new Arena. The City will retain the revenue generated by the ticket surcharge at Rexall Place. City Council will determine the use of those funds; however,</p>	<p>REXALL PLACE TICKET TAX: No change. The ticket surcharge shall continue to be levied on admissions at Rexall Place under a ticket tax bylaw and shall be at the same rate as the ticket surcharge to be charged on non-hockey events at the Arena, to a maximum of 7%.</p>	<p>REXALL PLACE TICKET TAX: No change. The ticket surcharge shall continue to be levied on admissions at Rexall Place under a ticket tax bylaw and shall be at the same rate as the ticket surcharge to be charged on non-hockey events at the Arena, to a maximum of 7%.</p>

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The financing of the arena project is subject to securing necessary funding from other orders of government.	<p>Change – The land assembly is to be completed by October 31. The design process is to commence as soon as possible. The City will fund the cost of design to a 60% level on which the tender documents will be based in order to get the best possible Guaranteed Maximum Price for the arena. The cost of the design would be part of the cost of the arena. The conceptual design work completed to date is owned by the Katz Group and the City.</p> <p>The City will continue to work to secure a \$100 million contribution to the project from the Province.</p>	<p>Change – The land assembly is to be completed by October 31. The design process is to commence as soon as possible. The City will fund the cost of design to a 60% level on which the tender documents will be based in order to get the best possible Guaranteed Maximum Price for the arena. The cost of the design would be part of the cost of the arena. The conceptual design work completed to date is owned by the Katz Group and the City.</p> <p>The City will continue to work to secure a \$100 million contribution to the project from the Province.</p>	<p>PROVINCIAL FUNDING: The commitment and form of Provincial funding remains totally within the control of the Provincial Government. Contribution from the Province needs to be resolved before any definitive agreements are signed. If all elements of this Project are agreed to by City and EAC, EAC wants certainty and commitment of City to proceed, as part of the binding agreements.</p> <p>The deadline of December 30, 2012 in the Land Inventory Agreement has been extended to April 30, 2013 by agreement between the Parties.</p>
The City is to build an LRT connection to arena.	No change.	No change.	LRT LINK: The City is responsible for the design and construction of the LRT connector to a maximum of \$7 million.
Any method of personal seat licenses, condominiumization model or seat rights would not be pursued by EAC.	No change.	No change.	SEAT LICENSES: Any method of personal seat licenses, condominiumization model or seat rights would not be pursued by EAC.
Sustainability of NHL Hockey in Edmonton is a prime consideration.	No change.	No change.	SUSTAINABILITY OF NHL HOCKEY: No change.
			CASINO: The City has agreed to act in a support position on behalf of EAC relative to Casino operations as much as it is legally able to do. The City bears no financial responsibility associated with this aspect of the project. The City is not responsible to ensure the success of this endeavour.
The Katz Group will enter into a Community benefits agreement with the City, taking into account the activities of the	No change.		COMMUNITY BENEFITS: Acknowledgment of community contribution of Oiler's Community Foundation. In addition, both Parties commit to community benefits including (i) establishment of a community advisory committee to identify and address community issues, (ii) a senior member of the Oiler's operations will be available to meet at least

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Oilers Community Foundation.				<p>annually with the community advisory committee, (iii) development/facilitation of training for low-income/high need Edmontonians.</p> <p>CORRIDOR CONSTRUCTION COSTS: City pays 100% of costs to a maximum \$15 million.</p>
				<p>OPERATING COSTS:</p> <p>Wintergarden: operating costs shared equally by EAC and City and each party is responsible for incremental increase in costs relating to its use of the Wintergarden for events.</p> <p>Corridor: EAC pays all operating costs</p> <p>LRT Link: City pays all operating costs.</p>
				<p>CAPITAL MAINTENANCE: The parties have agreed on a definition of Capital Maintenance costs.</p> <p>Wintergarden: City pays all capital maintenance costs but EAC responsible for any incremental increase in costs relating to EAC use of the Wintergarden for events.</p> <p>LRT Link: City pays all capital maintenance costs.</p>