

**Attachment #2**

**FINAL DRAFT FOR COUNCIL CONSIDERATION:  
March 10, 2014**

March ●, 2014

Delivered

The Board of Governors of Exhibition Place  
Queen Elizabeth Building  
Exhibition Place  
Toronto, ON M6K 3C6

Attention: Dianne Young  
Chief Executive Officer

City of Toronto  
Toronto City Hall, 2nd Floor  
100 Queen St. West  
Toronto ON M5H 2N2

Attention: Mr. Joe Pennachetti  
City Manager

Dear Sir and Madam:

**Re: Proposal for Expansion of Stadium at Exhibition Place**

**PART I. PROPOSED ARRANGEMENTS**

**1. Summary of Project:**

This Letter of Intent (“**LOI**”) will summarize a potential framework for agreement by The Board of Governors of Exhibition Place (the “**Board**”) and the City of Toronto (the “**City**”) (collectively the Board and the City are referred to as the “**Owner**”) to the following project to be undertaken by Maple Leaf Sports & Entertainment Ltd. (“**MLSE**”) on the grounds of Exhibition Place:

- (a) Expansion of the permanent seating capacity at the BMO Field stadium at Exhibition Place (the “**Stadium**”) to 30,000 (and allow for an additional 10,000 in temporary seating capacity) to enable the Stadium to be the home stadium of the Toronto Argonaut Football Club (the “**Toronto Argonauts**” or the “**Club**”);
- (b) The addition of a partial roof to cover the majority of the seats of the Stadium;
- (c) Other improvements to the Stadium described below, including (without limitation) the modification and digitalization of certain pre-existing signs located on the grounds of Exhibition Place as described in this LOI and modifications required including to the locker rooms and the field to satisfy the standards and specifications of the Canadian Football League (“**CFL**”);

- (d) The expansion of the Stadium site to accommodate the improvements;
- (e) The upgrading of existing signage and the provision of additional signage to be associated with the Stadium;

Items (a) through (e) above shall be collectively referred to in this LOI as the “**Stadium Improvements**”. The Stadium Improvements will enable the Stadium to serve as the home venue for the Toronto Argonauts, a Canadian Football League team and enhance the Stadium’s ability to attract major international sporting events. A general description of the Stadium Improvements is set out in Schedule A.

**2. Pre-Conditions:**

- (a) **Approvals**. The parties acknowledge and agree that any agreement to the proposals by the Board, City and MLSE will be subject to the receipt of approvals from the Board and City Council and the Board of MLSE. The parties acknowledge that there may be requirements for approvals from, and new terms imposed by, the Province of Ontario (“**Ontario**”) and the Government of Canada (“**Canada**”) either under the existing Contribution Agreement or as is expected to be the case, under a new contribution agreement to be entered into among the City, Ontario and Canada in respect of the their funding contributions outlined in paragraph 3 below. The parties agree that they will co-operate in securing the approval of Ontario and Canada respecting any contribution agreement, provided however that the City or Board shall have no obligations with respect to any solicitation of funds from Ontario or Canada. The approvals from Ontario and Canada and any additional terms and conditions attached to their respective contributions will be satisfactory to MLSE, the Board and the City and reflect the terms contemplated in this LOI. MLSE shall be responsible for any terms and conditions attached to the contributions of Ontario and Canada which in the sole discretion of the Owner place a burden on the Owner including, but not limited to, any conditions requiring completion of the Stadium Improvements so as to permit the use of the Stadium for rugby and soccer for the 2015 Pan Am Parapan Games.

In the event that the terms or conditions of any approval or contribution by Ontario or Canada have a material adverse impact on the transactions as contemplated in this LOI (including the rights and obligations of the parties hereunder) as determined by a party in its sole and unfettered discretion, any affected party may terminate this LOI and the parties will have no liability to each other as a result of a failure to obtain acceptable approvals or funding commitments.

Nothing in this LOI derogates from, interferes with, or fetters the exercise by the City, its officers, employees, agents, representatives or elected and appointed officials, of all of its rights and obligations as a municipality (whether discretionary or mandatory), or imposes any obligations on the City in its role as a municipality, and the City shall not be prevented from or prejudiced in carrying

out its statutory rights and responsibilities, including its planning rights and responsibilities.

- (b) **Stadium Improvements**. The following conditions relating to the Stadium Improvements must be satisfied (and/or waived by agreement in writing by the parties in whole or in part) prior to May 15, 2014, failing which each of MLSE and the Owner, in each of their sole discretion, exercised reasonably, shall have the right to terminate the arrangements relating to the Stadium Improvements. In such case, the terms outlined in this LOI relating to the Stadium Improvements would be of no force and effect and the parties would have no liability to each other with respect to such arrangements:
- (i) Commitments by Ontario and Canada to each contribute the respective amounts set forth in Paragraph 4 below;
  - (ii) MLSE shall have obtained the necessary approvals from the City for the signage arrangements set forth in Paragraph Part II-1(j) below;
  - (iii) MLSE shall have obtained all the necessary planning approvals from the City, including but not limited to, site plan control;
  - (iv) Commitment from the Toronto Argonauts for the long term use (as contemplated herein) of the Stadium as the official home facility for the Argos;
  - (v) Based upon the investigations described in paragraph 5 below, each of the Owner and MLSE shall have been satisfied, acting reasonably, that the costs of any required environmental remediation to the site and the removal of any existing sub-surface structures determined necessary for the construction of the Stadium Improvements, will not adversely impact the delivery of the Stadium Improvements within the construction budget (it being agreed that if this condition is waived or satisfied, any costs incurred as a result thereof shall be provided for in the MLSE construction budget); and
  - (vi) MLSE shall, at its sole cost, in respect to the requirements of the agreement between the City, Board and the CNEA dated July 2, 2013 (the “**CNEA Agreement**”) with respect to construction disruption and the removal of lands or buildings from use by the CNEA, including the provision of two years’ notice respecting redevelopment of any part of the lands or buildings of Exhibition Place that would have the effect of removing those areas from use by the CNEA or would cause a substantial material financial loss to the CNEA as required under the CNEA Agreement, negotiate a satisfactory arrangement that addresses all of the above requirements to the satisfaction of the CNEA and MLSE and without placing any burden or obligation on Exhibition Place or the City.

The Owner will co-operate with and assist MLSE in this regard and the Owner is entitled to be satisfied that such agreement with the CNEA does not place any burden or liability on the Owner. Costs, if any, incurred by MLSE in relation to the CNEA may be included as Operating Costs or as a capitalized expenditure of the construction of the Stadium Improvements.

**3. Timing/Cooperation and Assistance:**

The parties agree that the anticipated timing for the Stadium Improvements projects is:

Phase 1 – Seat Expansion and Additional Work

- (i) Contractor mobilization – July 1, 2014 – mobilization to be confined to the existing MLSE licenced area; no mobilization to take place during the CNE period;
- (ii) Commence excavation – September 10, 2014 – no construction can take place during the CNE period;
- (iii) Completion of seat expansion and additional works – May 1, 2015.

Phase 2 - New Partial Roof Installation

- (i) Commence work –October 1, 2015;
- (ii) Completion of new partial roof – May 1, 2016.

MLSE acknowledges the City’s desire for completion of Phase 1 of the Stadium Improvements to be achieved by May 1, 2015 so as to ensure the availability of the Stadium for the Pan Am Games. In addition, the City agrees to cooperate and assist MLSE in achieving the contractor mobilization date of July 1, 2014 in respect to the Phase 1 Seat Expansion and Additional Work and the completion of that work by May 1, 2015 for the 2015 TFC Season and for the commencement of non-exclusive use of the Stadium by TO2015 for its overlay activities in order to deliver exclusive use of the Stadium to TO2015 for the Pan Am Parapan Games during the period July 7 to July 14, 2015 and in particular, assist MLSE with expediting any permits and approvals as may be required by the City to undertake and complete the Stadium Improvements.

The City acknowledges that the approval by City Council of this LOI constitutes the approval of the City under Section 406(2)(e) of the City of Toronto Act, 2006 to the uses of the Stadium contemplated by the Stadium Improvements.

**4. Funding for Construction/Contributions:**

**Stadium Improvements**

- (i) MLSE agrees that the Stadium Improvements shall have a budgeted construction cost of no less than \$115 million and up to \$120,000,000 (all in), excluding only HST to the extent recoverable;
- (ii) The funding for this cost shall be provided on the basis of the following contributions:

|                     |              |
|---------------------|--------------|
| MLSE                | \$90,000,000 |
| City of Toronto     | \$10,000,000 |
| Province of Ontario | \$10,000,000 |
| Federal Government  | \$10,000,000 |

The sole cost to the City or the Board under this LOI and contemplated agreements shall be the contribution as set out above, which shall not exceed \$10,000,000. This contribution of the City shall be made during Phase 1 of the Stadium Improvements and on or before May 1, 2015 provided MLSE has received all other contributions.

The funding by the City, Ontario and Canada will be pursuant to a contribution agreement as contemplated in Part II, Section 5 of this LOI. The above contribution by MLSE will be made in its capacity as owner of and for the benefit of the TFC MLS team.

**5. Construction Risk/Environmental Remediation**

Subject to the funding contributions of the City, Province and Federal Government set forth above and the provisions of paragraph 1(c) above, MLSE will solely be responsible for all costs of construction, including construction overruns and environmental remediation, including any remediation (i.e. soil or debris removal) required to sufficiently support structural footings taking into consideration the nature of the soil/subsurface conditions of the Exhibition Place grounds, with respect to the Stadium Improvements. For greater clarity, the Owner shall not be responsible for any construction risk or any environmental remediation including soil or debris removal.

**6. Due Diligence**

Following execution of this LOI, MLSE may carry on due diligence in its sole discretion, that it deems advisable in respect to the Stadium Improvements including without limitation title, physical and engineering, geotechnical, structural and environment investigations of the site, the status and requirements of any agreements with third parties (including tenants, licensees and the CNEA Agreement) affecting the site, the status of all applicable laws and regulations and any other matters of interest to MLSE with respect to the site. The Board agrees to grant a right of entry to allow MLSE and its consultants to carry out such investigations including geotechnical and environmental testing in its usual form for such purposes provided such investigations do not interfere with the business activities of the Board or its invitees, and shall provide authorizations permitting the release of any relevant information to MLSE or its consultants. The City and/or the Board will, subject to MFIPPA, provide all copies of all reports, studies, agreements,

information, leases, files and accounts for the sites and such other documents as MLSE and its consultants may reasonably request in connection with its inspections and investigations and determination of the feasibility and development of the Stadium Improvements (the “**Site Information**”). MLSE agrees that it shall proceed at its own risk and that the City and the Board make no representations or warranties with respect to the accuracy of such Site Information. MLSE shall provide the Board with copies of all reports respecting such investigations and shall keep confidential all results of these investigations. Cost of all due diligence investigations will be to the account of MLSE. MLSE shall be responsible for obtaining all permits, licenses, approvals and agreements required to proceed with the proposals.

**7. Agreement Framework:**

The parties acknowledge and agree that implementation of the terms of this LOI will require the negotiation and finalization of the following long form agreements which incorporate the provisions of this LOI (as applicable) and such other customary terms as may be mutually agreed by the parties (hereinafter, collectively the “**Transaction Documents**”):

- (a) Stadium Improvements:
  - (i) Agreement to amend the current Management Agreement (January 1, 2007) as amended between the Board, City and MLSE for the Stadium (the “**Management Agreement**”);
  - (ii) Agreement to amend the current Team Licence and User Agreement (January 1, 2007) as amended between the Board, MLSE and MLS Canada U.L.C (“**TFC User Agreement**”);
  - (iii) Agreement to amend the current Naming Rights Licence Agreement (January 1, 2007) as amended between the Board, the City and MLSE (“**BMO Naming Rights Agreement**”);
  - (iv) Agreement to amend (if necessary) the Contribution Agreement (June, 2006) between the City, Ontario and Canada;
  - (v) A new Contribution Agreement (if necessary) between the City, Ontario and Canada for the funding by Ontario and Canada as set forth in paragraph 2(a) above;
  - (vi) A Project Agreement between the Board, the City and MLSE providing for the obligation of MLSE to complete the Stadium Improvements (the “**Stadium Project Agreement**”);
  - (vii) A Team Licence and User Agreement between the Board and the Toronto Argonaut Football Club; and

- (viii) An amendment to current Signage Plan between the Board, the City and MLSE.

## **PART II. STADIUM IMPROVEMENTS: CITY TRANSACTION DOCUMENTS**

### **1. Management Agreement Amendment**

The parties agree that the Management Agreement will be amended to reflect the following terms (unless defined in this LOI terms used below have the meaning given to them in the Management Agreement):

- (a) **Term:** The term will be extended to December 31, 2037.
- (b) **Guaranteed Annual Payment:** In lieu of the Owner's current participation in Stadium revenues, the Owner will receive an annual payment out of Excess Cash Flow of \$865,000 provided if there is a shortfall in the amount of Excess Cash Flow to pay such amount, MLSE shall pay to the Owner the amount of the shortfall (the "**Guaranteed Payment**"), which Guaranteed Payment will be subject to annual increase by application of the CPI Index Ratio. The payment of the Guaranteed Payment shall be made following the final determination of Excess Cash Flow for the preceding Fiscal Year and within 30 days of such determination having been made. The Guaranteed Payment shall be the first payment made out of Excess Cash Flow. For the 2014 current Fiscal Year, the Guaranteed Payment shall be \$450,000. Beginning in the 2015 Fiscal Year, the Guaranteed Payment shall be paid quarterly on the last days of March, June, September and December.
- (c) **Management Fee:** The "**Management Fee**" payable by the Owner to MLSE for the provision of the Stadium Services and Operations shall be that amount of Excess Cash Flow remaining after payment of the Guaranteed Payment to the Owner and, to the extent payable, the CSA Rebate to the CSA.
- (d) **Operating Risk:** MLSE will assume all operating risks and will be provided with full operating responsibility, including responsibility for operating costs and operating cost shortfalls and the City shall be released from its current obligation to contribute towards operating cost shortfalls. For clarity, MLSE will take all operating risk and will solely be responsible for any operating losses. Revisions will be made which extend a greater level of autonomy to MLSE in the areas of operational activities, budgeting and contracting in order to facilitate MLSE's management of operating risks and exposures. MLSE shall continue to be fully responsible to the Owner to operate and maintain the Stadium to the Standard. A summary of the changes to the provisions of the Management Agreement reflecting this greater level of autonomy to MLSE are set out in Schedule B - Summary of Key Management Agreement Provisions.

- (e) **Capital Expenditures:** MLSE will assume full responsibility for Capital Expenditures to ensure the Stadium continues to be maintained to the Standard and the Owner will be released from its obligation to contribute to additional Capital Contributions under the Management Agreement. Revisions will be made which extend a greater level of autonomy to MLSE in recognition of the greater assumption of risk by MLSE in the areas of operational activities, budgeting and contracting in order to facilitate MLSE's management of Capital Expenditures and exposures. MLSE shall continue to be fully responsible to the Owner to maintain the building condition of the Stadium to the Standard. A building condition report on a ten-year look forward basis by an Independent Engineer selected by MLSE and approved by the Owner and to be paid out of Operating Costs will be prepared during the tenth, fifteenth, twentieth and twenty-fifth year of the Term for the purpose of assessing the building condition and identifying any Capital Expenditures required to ensure that the building condition of the Stadium is meeting the requirements of the Standard. In addition, the building condition report to be prepared in the twenty-fifth year of the Term will identify any Capital Expenditures required to ensure that the building condition meets the end of Term building condition requirements. Following the issue of this building condition report the Owner and MLSE will review and agree acting reasonably on the amount of a letter of credit to be issued by MLSE to the City which shall secure the total nominal dollar cost of the Capital Expenditures identified in that report as required to ensure that the building condition meets the end of Term building condition requirements (the "**Letter of Credit**"). As MLSE completes the work identified in this report, the City will provide partial reductions in the Letter of Credit equal to the amount of the Capital Expenditures incurred by MLSE from time to time. Such partial reductions shall be limited to two in each Fiscal Year. For clarity, the Letter of Credit is delivered to the City as security for the performance by MLSE of these Capital Expenditure obligations and MLSE will be responsible for the completion of the Capital Expenditure items identified in the report at its own cost and regardless of the estimated costs used to determine the amount of the Letter of Credit. In the event that after the completion of all of the identified Capital Expenditure items there is any remaining amount in the Letter of Credit the City agrees to release and return the Letter of Credit to MLSE.
- (f) **Capital Reserve Account:** The Capital Reserve Account will be maintained for the 2014 Fiscal Year and all funds remaining in the Capital Reserve Account at the end of the 2014 Fiscal Year shall be paid to the Board, provided that MLSE shall guarantee that such remaining Capital Reserve Account funds are not less than \$400,000 and for clarity, if there is a shortfall relative to this amount in the Capital Reserve Account, MLSE shall contribute such shortfall amount for the purpose of the payment of the amount of \$400,000 to the Board. ]
- (g) **Parking:** The current Parking Arrangements set out in Section 7.8 of the Management Agreement will continue in full force and effect. Section 7.8(a) will be amended and clarified to provide that the Stadium suiteholders will receive two



free reserved parking spaces per suite to include “Toronto Argonaut Events” and that these parking spaces will only be made available for the day on which the Events are held.

- (h) **Toronto Argonauts:** MLSE will have the right and responsibility for the negotiation of a long term Toronto Argonauts Licence and User Agreement to be executed by the Board with the Toronto Argonauts but not beyond December 31, 2037 for the use of the Stadium for the playing of its home games. The Toronto Argonauts Licence and User Agreement will be on market terms and all payments from the Club pursuant to such agreement will be received as Gross Revenues. MLSE will in the course of the negotiations consult with the Owner and keep the Owner apprised of the negotiations on a reasonable and confidential basis. MLSE shall ensure that the change of ownership and consent to assignment or transfer provisions in the Toronto Argonauts Licence and User Agreement are substantially and materially the same as are contained in the Team Licence and User Agreement, and in respect to any consent that may be required under such provisions notwithstanding any other agreement to the contrary, the Owner shall have the authority to provide any required consent in accordance with the terms of the Toronto Argonauts Licence and User Agreement. MLSE agrees that the Toronto Argonauts Licence and User Agreement shall permit assignment to any new owner(s) of the Club without penalty . The signage and advertising rights to be made available to the Club will be same-day temporary signage within the Stadium bowl, the Stadium and the Event Plaza. The provisions of Section 7.9 will be revised accordingly including the deletion of the “most favoured nation” provision which shall be replaced by these new arrangements. The minimum required term of the Toronto Argonauts Licence and User Agreement is 20 years inclusive of any options (with an initial term of at least 15 years) and any lesser term shall be subject to Owner approval. The Toronto Argonauts and the Owner shall have a right to renew the Toronto Argonauts Licence and User Agreement for such period as may be agreed on the same terms and conditions subject to such amendments as either party may propose and which would be considered then fair market terms and the parties shall act in good faith to settle such terms and conditions provided that if mutual agreement has not been obtained within a period of one hundred and twenty days of the exercise of this first option right or any extended period by agreement of the parties, this first option right shall be terminated and of no further force or effect. The parties acknowledge their mutual intention that the Toronto Argonauts will commence the holding of their CFL games in the 2015 season.
- (i) **Community Use/Scheduling:** The use of the Stadium for Community Sports Purposes will continue with the addition of the Pan Am Parapan Games and the World Cup as Community Sports Purposes. The scheduling for the use of the Stadium will also provide for the use of the Stadium by the Toronto Argonauts for regular season including exhibition games and for playoff games with the same priority as the CSA. With respect to scheduling for any and all events at the Stadium, Ricoh Stadium or any other events managed by MLSE on the grounds of

Exhibition Place, where there is a potential for conflict with any Exhibition Place event, the parties will work co-operatively to resolve such conflicts. MLSE will consult with the Board prior to submitting to MLS its requested schedule of MLS games at the Stadium. MLSE will also cause the owner of the Toronto Argonauts to consult with the Board prior to submitting to the CFL its requested dates for Toronto Argonaut games at the Stadium. In the event of the scheduling of Team and Club games during the simultaneous use of portions of Exhibition Place for the One of a Kind Christmas Craft Show, the One of a Kind Spring Craft Show, the Royal Agricultural Winter Fair and the National Home and Canada Blooms Show (collectively, the “**Major Shows**”), the start time for the Team and Club games (save and except for play-off and the final championship games for the CFL and MLS leagues) shall not commence prior to 6:00 p.m. In respect to any play-off games for the CFL and MLS leagues during the simultaneous use of portions of Exhibition Place for any of the Major Shows, any such play-off games shall not commence prior to 2:00 p.m., and there shall be no time restriction for any final championship games for the CFL and MLS leagues as a result of the simultaneous scheduling of any Major Show. In the event that a Team or a Club play-off game or championship must be played at the Stadium before 2pm for reasons such as national broadcast commitments, on any weekend where a Major Show as described above is being held at Exhibition Place, MLSE and the owner of the Toronto Argonauts will work co-operatively with the Board and the Major Show organizer to minimize any parking issues resulting from simultaneous use of Exhibition Place on such days including measures to encourage use of public transit including GO Transit and the TTC and parking management measures including the parking wayfinding digital signage described in Section (j), but in no event shall such game or championship be played before 1:00pm.

- (j) **Signage Plan:** The parties will amend the existing Signage Plan to allow, subject to the receipt of required approvals, the proposed modification and digitalization of five existing signs being the three signs at BMO Field, two along the Gardiner Expressway and the one sign on the back of the BMO Field scoreboard, and the two existing signs on Ricoh Coliseum, new exterior signage around the Stadium and new signage at Maple Leaf Square. In addition, MLSE will contribute to the cost of new parking wayfinding digital signage in consideration of MLSE acting as the selling agent for advertising on that signage at a market rate of 15%, and sharing revenues. The right to advertise on the parking wayfinding sign will be subject to the receipt of required approvals from the City. MLSE’s contribution will be 33 1/3% of the cost of the new parking wayfinding digital signage which total signage cost will not exceed \$250,000 and sharing of revenues (net of all costs including agency costs) would be on the same basis, 33 1/3% to MLSE and 66 2/3% to the Board. The Board and MLSE will agree on the use of such wayfinding signage for third party advertising taking into account any requirements or limitations on such advertising by the Owner or MLSE; with priority use of such signage as directional signage during events and also with priority rights given to naming rights sponsors of MLSE and the Board.

- (k) **Collective Agreements:** Amend existing section 11.4 of Management Agreement to add reference to CUPE 5116 – Security, and to provide that the Board will not provide any LIUNA Local 506 Labourer services through the Board for MLSE use.
- (l) **Municipal Capital Facility:** The City has passed a by-law under the City of Toronto Act, 2006, as amended designating the BMO Field facilities as a Municipal Capital Facility. The City agrees to consider any future requests by MLSE for an exemption of all taxes levied for municipal and school purposes under Section 257(6) of the City of Toronto Act.
- (m) **Construction Contractor:** The City acknowledges that MLSE has conducted a competitive procurement process for the construction of the Stadium Improvements.
- (n) **Indemnification:** For clarity, MLSE acknowledges and agrees that the indemnification by MLSE in its capacity as Manager extends to any claim by the Team under the Team Licence and User Agreement against the Board as Licensor resulting from the non-performance or breach by MLSE of the obligations of the Licensor to the Team for which MLSE in its capacity as Manager is responsible.
- (o) **Options to Renew:** MLSE shall have the option with the consent of the Owner, to extend the terms of the Management Agreement for two extensions of 5 years each on the same terms and conditions subject to such amendments as either party may propose and which would be considered then fair market terms to the performance of the services and the arrangements contemplated in the Management Agreement, and the parties shall act in good faith to settle such terms and conditions provided that if mutual agreement has not been obtained within a period of one hundred and twenty days of the exercise of this first option right or any extended period by agreement of the parties, this first option right shall be terminated and of no further force or effect.
- (p) **Other:** Such other terms as may be reasonable and necessary to render the Management Agreement consistent with the terms of this LOI.

## 2. **Team Licence and User Agreement**

The parties agree that the Team Licence and User Agreement shall be amended as follows:

- (a) **Term:** The term will be extended to December 31, 2037.
- (b) **User Fees:** All amounts payable by the Team to the Licensor (as defined under the TFC User Agreement) thereunder shall continue to be treated as Stadium “**Gross Revenues**” and shall be deposited into the Stadium bank accounts.

- (c) **Licensor Sponsorship Payment.** The Licensor Sponsorship Payment will no longer be payable and Section 5.1.3 will be deleted.
- (d) **Parking:** The current Parking Arrangements will continue in full force and effect except that Section 5.2.1 of TFC User Agreement to be amended to delete the increase in percentage of Parking Gross Revenues payable by the Licensor to the Team to 40%. Percentage payable will remain at 33 1/3% until December 31, 2037 and will be applicable to all TFC and Argos games.
- (e) **Other:** Such other terms as may be reasonable and necessary to render the TFC User Agreement consistent with the terms of this LOI.

### 3. Naming Rights Licence Agreement

The parties agree that the Naming Rights Licence Agreement shall be amended as follows:

- (a) **Term:** The Naming Rights Licence Agreement shall be extended until December 31, 2037.
- (b) **Board Naming Rights Sponsor:** Section 2.4(iv) shall be amended to include the Allstream Centre as a Board Naming Rights Sponsor.

### 4. Stadium Project Agreement

The parties will enter into a project agreement that will include the following terms:

- (a) **Term:** A proposed construction period (inclusive of Phase 1 and 2) commencing on July 1, 2014 and ending on May 1, 2016;
- (b) **Construction:** MLSE would undertake all matters related to the design and construction of the Stadium and be responsible for the construction of the Stadium on time and on budget. MLSE will be responsible for all construction overruns and environmental remediation with respect to both the Stadium Improvements. Conditions under the agreement shall include the following:
  - (i) MLSE shall, prior to commencing construction, obtain all necessary permits and approvals at its sole expense.
  - (ii) Union and trade association agreements for Exhibition Place shall apply to the construction work and MLSE shall ensure that all work is done in compliance with those agreements;
  - (iii) Representatives and consultants (if any) of the Board/City shall be entitled to regular periodic updates and reviews from MLSE as to material/significant matters during the design and construction process with reasonable access to the site and to all relevant plans, drawings, development documentation and other relevant materials. MLSE shall

consult with the Owner to discuss and address any concerns respecting the performance of the design and construction work.

- (iv) MLSE shall comply with the holdback provisions of the *Construction Lien Act* and shall forthwith cause any such liens to be removed. MLSE shall indemnify the Board/City against any and all claims, loss, costs and expenses as a result of any lien or claims for lien. Nothing in this LOI or resulting agreements shall authorize MLSE, or imply any consent or agreement or request on the part of the Owner, to subject the Owner's estate or interest in Exhibition Place or the Stadium to any construction lien or any other lien of any nature or kind whatsoever.
  - (v) MLSE shall ensure that performance bonds, labour and materials bonds and construction period insurance have been provided or arranged to the satisfaction of the City's Manager of Insurance and Risk Management.
  - (vi) Substantial completion shall be in accordance with the substantial performance requirements of the *Construction Lien Act* and the anticipated date of substantial completion is in time to allow the use of the Stadium as described in Part I Section 3 to commence by May 1, 2015.
  - (vii) MLSE shall ensure that all third party agreements for the construction and related services contain the usual events of defaults and remedies, including termination.
  - (viii) MLSE shall ensure that all principal construction and consulting agreements entered into by MLSE shall permit the Board/City to assume MLSE's position if the Management Agreement is terminated.
  - (ix) MLSE shall be responsible, at its expense, for the repair or restoration of any damage or other disturbance to the Stadium or Exhibition Place as a result of the construction.
  - (x) MLSE shall cause the construction contractor to deliver a set of as-built drawings to the Owner.
- (c) **Construction Protocols:** MLSE shall co-operate with the Owner and the Canadian National Exhibition Association (the "CNEA") during the construction period so as to minimize the disruption that the construction of the Stadium Improvements will have on the CNE, all trade and consumer events, conferences and tenant events held on the grounds at Exhibition Place.

## 5. Contribution Agreement

The new or amended Contribution Agreement for the Stadium Improvements which will provide funding to enable the Stadium to serve as the home venue for the Toronto Argonauts and to

enhance the Stadium's ability to attract major international sporting events, shall be as approved by the City, Ontario and Canada to reflect the transaction contemplated in this LOI, including such other terms as may be agreed by the parties and are satisfactory to the Chief Executive Officer of Exhibition Place, the Deputy City Manager & Chief Financial Officer and the City Solicitor.

**6. Timetable**

The parties acknowledge that they have developed the following timetable for completing the work on the matters required prior to commencement of construction of the Stadium Improvements.

|     |   |                     |
|-----|---|---------------------|
| (a) | Board of Governors Approval of LOI  | March 7, 2014       |
| (b) | City Executive Committee  | March 19, 2014      |
| (c) | City Council Approval of LOI  | April 1, 2, 3, 2014 |
| (d) | MLSE Board Approval of LOI  | May 15, 2014        |
| (e) | Provincial and Federal Government Funding Approval (including Treasury Board) | May 15, 2014        |
| (f) | Condition Dates   | May 15, 2014        |
| (g) | Negotiation and Finalization of Agreements                                    | June 15, 2014       |
| (h) | Site Mobilization (within existing Stadium area)                              | July 1, 2014        |
| (i) | Site plan control approval obtained and building permits available            | September 2, 2014   |
| (j) | Completion of Phase 1 Stadium Improvements                                    | May 1, 2015         |
| (k) | Completion of Phase 2 Stadium Improvements                                    | May 1, 2016         |

7. **Effective Date**

The effective date of the amendments to the agreements contemplated in Section 7 of Part I and in this Part II is January 1, 2014 (the “**Effective Date**”).

**PART III. ADDITIONAL TERMS**

1. **Exclusivity**

From the date this letter is approved by The Board of Governors of Exhibition Place and City Council and until formal documentation has been executed by the parties or negotiations have been discontinued, the parties agree not to take any action or engage in any negotiations with unrelated third parties either for the construction, management or use of the Stadium or similar facilities within the Greater Toronto Area.

2. **Non-Compete**

The City shall not use, operate, manage nor grant or permit a third party the right to use, occupy, operate or manage any building, structure, facility or complex or any portion thereof of the grounds of Exhibition Place for purposes of a professional soccer team(s) without the consent of MLSE which consent may be unreasonably withheld.

3. **Public Disclosure**

Once this letter has been delivered, the Board/City will be permitted to publicly disclose the terms and conditions outlined in this letter agreement in its sole and absolute discretion.

4. **Indemnity**

MLSE will indemnify and hold harmless the Board, the City of Toronto, and their respective elected officials, directors, officers, agents and employees from and against any and all losses, claims, liability, damage, action or expense (including without limitation, costs and legal fees) arising out of or relating in any way to the negligence or wilful misconduct of MLSE in the entering into or performance or purported performance of their obligations under this LOI or any negligence or wilful misconduct of any person for whom they are in law responsible. The City and Board will indemnify and hold harmless MLSE, and its directors, officers, agents and employees from and against any and all losses, claims, liability, damage, action or expense (including without limitation, costs and legal fees) arising out of or relating in any way to the negligence or wilful misconduct of the City or the Board in the entering into or performance or purported performance of their obligations under this LOI or any negligence or wilful misconduct of any person for whom they are in law responsible.

**5. Assignment**

MLSE may not assign, convey or transfer in any way its rights under this LOI without the prior written consent of the Board and the City, which may be arbitrarily and unreasonably withheld.

**6. Termination**

If any party fails to provide information or perform any other obligations required pursuant to this LOI within the time periods stipulated, the other party may give notice to the non-performing party of said failure to perform and, if the non-performing party fails to rectify the situation within ten (10) days following receipt of said notice, the party giving notice may terminate this LOI.

In each and every such instance, if a party exercises its right to terminate this LOI, the other party hereby acknowledges and agrees that it will have no claim against the terminating party for any costs and expenses incurred by it prior to the date of termination.

**7. Good Faith Negotiations**

Upon execution of this LOI by the parties, the parties agree to work diligently, co-operatively, and in good faith with one another toward the shared goal of negotiating, finalizing and executing binding agreements along the lines set out in this LOI. For clarity, the parties acknowledge that many of the particulars set out in this LOI are statements of principle and in developing the final binding agreements the implementation of these principles will necessarily require a number of related amendments to any of the existing agreements contemplated to be amended in this LOI. If the parties are unable, notwithstanding good faith efforts, to finalize the required Agreements to implement this LOI within 30 days of the date hereof, and unless this time period is extended by mutual agreement, this LOI is terminated and neither party shall have a claim against the other with respect to this LOI or any matters arising therefrom.

**8. Force Majeure**

Each of the parties will be excused from the performance of any obligation hereunder to the extent that such obligation is hindered or prevented by any strike, boycott, lockout or other labour dispute, any act of God, any riot, civil disturbance, act of terrorism or any act of war or of the public enemy; any fire or theft, any present or future governmental law, ordinance, rule or regulation, or any other cause or contingency beyond the parties' control (other than a lack of financial resources).

**9. Representations**

The parties all represent and warrant of the date hereof as follows and acknowledge that the other parties are relying on such representations and warranties in connection with the transactions contemplated by this LOI:



- (a) Each party is a corporation duly incorporated, organized and subsisting under the laws of the Province of Ontario.;
- (b) They have the power, authority and right to: (i) enter into and deliver this LOI; and (ii) perform their obligations under and as contemplated to be performed pursuant to this LOI;
- (c) This LOI is binding on the parties as set out herein, and constitutes valid and legally binding obligations of the parties; and
- (d) The entering into and the delivery of this LOI and the performance of the obligations of the parties hereunder will not result in the violation of:
  - (i) any of the provisions of the constating documents or by-laws of any party; or
  - (ii) Any agreement or other instrument to which they are a party or by which they are bound.

**10. Execution**

This letter may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same.

If you are interested in pursuing the transactions contemplated by this letter on the basis outlined herein, please acknowledge by executing one copy of the letter where indicated and returning same to the undersigned as soon as possible.

Yours truly,

**MAPLE LEAF SPORTS & ENTERTAINMENT LTD.**

Per: \_\_\_\_\_  
Timothy J. Leiweke  
President and Chief Executive Officer

AGREED TO AND ACCEPTED THIS \_\_\_ DAY OF \_\_\_\_\_, 2014.

**CITY OF TORONTO**

Per: \_\_\_\_\_

Name:

Title:

Per: \_\_\_\_\_

Name:

Title:

**THE BOARD OF GOVERNORS OF EXHIBITION PLACE**

Per: \_\_\_\_\_

Name:

Title:

Per: \_\_\_\_\_

Name:

Title:

## **Attachment #2**

**FINAL DRAFT FOR COUNCIL CONSIDERATION:  
March 10, 2014**

### **Schedule A**

#### **Description of Stadium Improvements**

The Stadium Improvements will consist of the expansion of the Stadium to a new seating capacity of 30,000 with provision for a temporary expansion to a 40,000 seating capacity. Additional seating tier and suites and club areas on East side, interior alterations to the West Grand Stand to accommodate new premium spaces, an expanded Rogers Club, a new south-end videoboard, new roof canopy, reconfiguration of the north and south seating areas and new CFL dressing rooms (location tbd). It is currently anticipated that construction of the project will be completed in two phases, with the scope of work for Phase 1 to be determined during the design effort.

In no event without the approval of the Board in its sole discretion will any improvements extend beyond the existing licenced area of the Stadium:

- (i) A maximum of 95 feet east of the existing east property line
- (ii) A maximum of 15 feet west of the existing west property line provided that the concrete plaza is also extended the same distance to the west;
- (iii) A maximum of 15 feet south of the existing south property line;
- (iv) Zero feet north of the existing north property line

Such extensions are for the purposes of the Stadium Improvements and do not include an allowance for any requirements of the City during the approvals process including site plan approvals for the Stadium Improvements such as sidewalks and setback areas, and any such City requirements will be additional permitted extensions. MLSE agrees that any such City requirements will be at the cost of MLSE and included as part of the Stadium Improvements budget.

## Schedule B

### Summary of Key Management Agreement Provisions

#### ARTICLE 2 – ENGAGEMENT OF THE MANAGER, SCOPE OF SERVICES, RIGHTS AND RESPONSIBILITIES

1. **Section 2.1 - Engagement.** The Manager will no longer be acting as agent for the Owner but in its own capacity as Manager and therefore contracting on its own behalf in order to meet its obligations for the provision of the Stadium Services and Operations. The specific requirements placed on the Manager in Section 2.1 respecting the performance of the Stadium Services and Operations have been removed. The definition of the Standard to be amended to cover the condition of the Stadium as follows:

“**Standard**” (i) where used to refer to a state or condition, means a **facility suitable for use as a** Tier II level sports and entertainment facility **which is** of similar age, size, condition, design and volume and nature of use as the Stadium, that is **maintained** in compliance with Applicable Laws and the terms of this Agreement; and (ii) where used to refer to a standard of operation, means that all facilities and services are operated as would be operated by a prudent owner of a Tier II level sports and entertainment facility of similar age, size, condition, design and volume and nature of use as the Stadium or as otherwise provided in accordance with the terms of this Agreement. **[Bold underlined text shows changes.]**

2. **Section 2.2 – Scope of Services.** The specified requirements are deleted save and except for:

- (i) Section 2.2(b)(vi) subject to the deletion of the words “subject to the Approval of the Owner” in the second and third lines of Section 2.2(b)(vi), and

- (ii) Section 2.2(b)(vii) which will be revised as follows:

“Planning, preparation and conduct of and contracting for all Marketing by MLSE with respect to the Stadium and by the Board with respect to Exhibition Place shall be executed co-operatively to the intent of not compromising on a reasonable basis the marketing interests of either party.”

3. **Section 2.3 - Standard of Performance** is modified by taking out the limitations of funding as a relief against performance to the Standard and that the Manager will also now have responsibility for any lack of performance of any third party contractors or suppliers that the Manager has contracted with. Also amended to address the required condition of the Stadium.

4. **Section 2.6 - Food and Beverage Operations.** The Food and Beverage Operations provisions may be modified to align and fall under the Stadium Services and Operations.

### ARTICLE 3 – FEES/DISTRIBUTIONS

5. **Section 3.1 – Base Fee.** To be replaced with the Guaranteed Payment obligation of MLSE.
6. **Section 3.2 - Repayments of Contributions to Operating Losses and Capital Expenditures and Section 3.3 - Distributions and Payments from Remaining Excess Cash Flow.** Both Sections 3.2 and 3.3 would be deleted as with the new fee arrangements and risk assumption by MLSE as they are no longer necessary.
7. **Section 3.5 - Licensor Sponsorship Payments.** The Team Licensor Sponsorship Payment will no longer be made (this requires an amendment to Section 5.1.3 of the Team Licence and User Agreement). With the Guaranteed Payment structure in place the receipt of this payment as Gross Revenues would come back to MLSE and so is no longer necessary.
8. **Section 3.6 - Community Use Payment.** The Community Use Payment will no longer be made. This payment was an offset payment introduced at the time of the turf replacement and Lamport Stadium amendment made October 1, 2009 to the Management Agreement on account of lost Gross Revenue from reduced community use. Again, given the new Guaranteed Payment structure, the Community Use Payment is no longer necessary.
9. **Section 3.8 - Team Field Maintenance Costs.** The provision for the payment of Team Field Maintenance Costs has been deleted. Similar to the Community Use Payment, this payment obligation arose under the October 1, 2009 amendment and is no longer necessary given the Guaranteed Payment structure.
10. **Parking Revenues Payment.** For clarity, the provisions of the Management Agreement respecting the payment of Parking Revenues to the Board shall continue without amendment.

### ARTICLE 4 - ANNUAL PLAN: BANK ACCOUNTS

11. **Section 4.1 - Annual Budgets.** The provision of Annual Budgets and the provision in Section 4.2 for Reduced Budgets are deleted. The provision for an Annual Plan under Section 4.7 will continue and the delivery of the Annual Plan replaces the former delivery of the Annual Budgets.
12. **Section 4.3 - Bank Accounts.** The Manager will establish a bank account or accounts in its own name and ownership and changes will be made to this section consistent with the fact that the Owner no longer has any interest in the Bank Accounts.

13. **Section 4.4 - Operating Funds.** This has been revised to a statement that the Manager assumes all operating risk and is to be provided with full operating responsibility, including responsibility for Operating Costs and that the Owner shall have no responsibility to contribute to Operating Costs during the remainder of the Term. The Manager will commit to ensure operating funds are sufficient to maintain the Standard and in accordance with the Agreement and the Capital Expenditure requirements of the Annual Plan.
14. **Section 4.5 - Capital Expenditures.** This has been revised to a statement that the Manager shall assume all risk for Capital Expenditures and will be provided with full responsibility for maintaining the building condition to the Stadium and the Manager will make all Capital Contributions and the Owner shall have no responsibility for Capital Contributions. The Manager will commit to ensure Capital Expenditures are sufficient to maintain the Standard and in accordance with the Agreement and Capital Requirements in the Annual Plan. There will not be a requirement for a capital reserve to be set aside. The foregoing is without limitation to the provisions of Part II – 1(e) in the body of this LOI.
15. **Section 4.6 - Funding Operating Cost Shortfalls; Section 4.8 – Emergency; Section 4.9 - Owner’s Working Capital; Section 4.10 - Payments from Gross Revenues.** These Sections are all deleted.
16. **Section 4.7 - Annual Plan.** MLSE will still submit an Annual Plan for the next Fiscal Year and will include all of the presently required information respecting planned operating and Capital Expenditures during the next Fiscal Year except for the Annual Operating Budget and Annual Cash Flow Budget which as described above will no longer be provided. The Owner would be consulted in the development of the Annual Plan but the Annual Plan would not be subject to the approval of the Owner. In addition MLSE will provide to the Board prior to the end of May in each Fiscal Year such information as is then available to MLSE describing the number and type of events and the anticipated services to be provided by the Board for these events over the following 12 months. MLSE shall also make a management presentation to the Board in February reviewing the prior Fiscal Year for information purposes only.
17. **Section 4.11 - Stadium Procurement Processes.** The opening paragraph shall be amended in the second line by deleting the words “other than Capital Repairs and Improvements” and the dollar values identified in the opening paragraph will be revised from time to time in accordance with any such provisions in similar procurement policies of the City. Section 4.11(f) shall be amended by deleting all of the words beginning with “provided” in the second line. In addition MLSE may use the same service providers, contractors and suppliers as are under contract with MLSE at its other facilities provided that this is done in compliance with the applicable terms of this Agreement (e.g. Fair Wage, Collective Agreements).

## ARTICLE 5 - RECORDS AND REPORTS

18. **Section 5.2 - Quarterly Financial Statements.** This Section will be deleted.
19. **Section 5.2 - Annual Financial Statements.** This Section will remain with the minor deletion of the reference to the detailed statements as “in form previously Approved by the Owner”. This Section includes the City’s audit rights.
20. **Section 5.3 - The City’s Special Audit Rights.** For clarity, this Section will remain.
21. **Section 5.5 - Monthly Reports.** This Section will be deleted.

## ARTICLE 6 - PERSONNEL

22. **Section 6.1 - Engagement of Manager’s Personnel and Other Persons.** This Section is retained with the deletion of any requirements relating to any approval of the General Manager or the Board or the necessary conformance with the Annual Plan.

## ARTICLE 7 – STADIUM USES AND ACTIVITIES

23. **Section 7.3 – Scheduling.** To be revised to incorporate provisions of Part II Section 1(i).
24. **Section 7.9 – Future Use by Argonauts.** To be revised to incorporate provisions of Part II Section 1(h).
25. **Section 7.10 - Exclusive Supply and Service Contracts.** This Section is deleted.

## ARTICLE 8 – INDEMNIFICATION AND INSURANCE: FORCE MAJEURE

26. **Section 8.6 – Property Insurance.** At all times during the Term, the Manager shall, at its own expense as an Operating Cost, take out and keep in full force and effect on behalf of the Owner all risks (including flood and earthquake) property insurance in an amount equal to one hundred (100%) percent of the full replacement cost, insuring the Premises (including all buildings on the premises); the City/Board is to be included as an additional named insured and/or joint loss payee

**Section 8.9 – Force Majeure.** The provisions of Force Majeure shall be reciprocal as between the Manager and the Owner and the Parties shall consider the provision in relation to an extended period of Force Majeure.

## ARTICLE 9 – OWNERSHIP OF ASSETS

27. **Section 9.6 – City/Board Ownership.** MLSE will retain ownership of any equipment, furnishings, materials and other personal property during the Term with ownership vesting in the Board at end of Term.

## ARTICLE 11 - ASSIGNMENT; NON-COMPETITION

28. **Section 11.3 - Fair Wage Policy.** For clarity, this Section will remain in place.
29. **Section 11.4 - Collective Agreements.** The CUPE 5116 (Security) collective agreement has been added.

## ARTICLE 12 – TERMINATION

30. **Section 12.4 – Effect of Termination.** This Section is deleted.
31. **Section 12.6 – Manager’s Personnel.** In the last two lines of Section 2.6(a) the words “The Manager and the Board shall be jointly responsible to pay” shall be replaced with the words “the Manager shall be responsible to pay”. In 12.6(b) in the last line the words “and no such payments will be Operating Costs” shall be replaced with the words “and such payments will be Operating Costs”.

## ARTICLE 13 – DAMAGE AND DESTRUCTION

32. **Section 13.1 – Partial Destruction of Stadium.** Subject to the provisions of this Article 13, the partial destruction or damage or complete destruction by fire or other casualty of the Stadium shall not terminate this Agreement and the Manager shall, or if the Owner has elected to assume responsibility for completion of the repair, rebuilding or replacement of the Stadium in accordance with Section 8.10, the Owner shall, with due diligence, repair, rebuild or replace, or cause to be repaired, rebuilt or replaced, the portion of the Stadium damaged or destroyed so that following such repair, rebuilding or replacement the Stadium shall be the same as prior to such damage or destruction and in compliance with the Standard, and the Owner and the Manager shall, upon completion of such repair, rebuilding or replacement, be entitled to continue the operation of the Stadium under the terms and conditions of this Agreement. All proceeds from the property insurance obtained by the Manager on behalf of the Owner under Section 8.6 covering the Stadium shall be applied in respect of the repair, rebuilding or replacement of the portion of the Stadium damaged or destroyed and the parties shall determine a construction budget for the rebuilding of the Stadium which does not exceed the available insurance proceeds provided the Parties may agree that the construction budget will exceed the available insurance proceeds where both Parties or either Party agrees to contribute additional capital to the rebuilding of the Stadium. If the Parties agree that the construction budget shall exceed the available insurance proceeds, then both Parties or either Party may contribute additional capital to the rebuilding of the Stadium on such terms as may then be agreed to by the Parties.
33. **Section 13.2 – Major Destruction.**
  - (a) **Section 13.2(e).** Insert at the end of the first sentence the words “and the \$90,000,000 new contribution of the Manager to the Stadium Improvements”. In the eighth line change the words “the Owner and Manager shall” to “the Manager



shall”. In the last sentence delete all of the words following the word “date” in the twelfth line.

- (b) **Section 13.2(f).** Delete Section 13.2(f) and replace with the following: “If the Owner and/or the Manager (as the case may be) do not elect to terminate this Agreement in accordance with the provisions of this Section 13.2, the Parties shall rebuild the Stadium, in which event all insurance proceeds from the insurance maintained by the Manager on behalf of the Owner covering the Stadium under Section 8.6 shall be applied as set out in Section 8.10 and the Parties shall determine a construction budget for the rebuilding of the Stadium which does not exceed the available insurance proceeds. If the Parties agree that the construction budget shall exceed the available insurance proceeds, then both Parties or either Party may contribute additional capital to the rebuilding of the Stadium on such terms as may then be agreed to by the Parties.

**GENERAL:**

The parties shall agree to make such other revisions to the Transaction Documents as may be required to reflect the transaction as contemplated herein and provided that such terms are satisfactory to the Chief Executive Officer of Exhibition Place, the Deputy City Manager & Chief Financial Officer for the City, and the General Manager, Economic Development and Culture, and in form satisfactory to the City Solicitor.