

AMENDED AND RESTATED
FUNDING AGREEMENT FOR LIVE HORSE RACING

ONTARIO LOTTERY AND GAMING CORPORATION

- and -

HORSE RACING ONTARIO

- and -

ONTARIO RACING MANAGEMENT INC.

- and -

WOODBINE ENTERTAINMENT GROUP

Effective as of
April 1, 2019

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AMENDED AND RESTATED
FUNDING AGREEMENT FOR LIVE HORSE RACING

THIS AGREEMENT made effective as of the 1st day of April, 2019.

BETWEEN:

**ONTARIO LOTTERY AND GAMING
CORPORATION,**

a corporation established pursuant to the Enabling
Legislation,

(hereinafter referred to as "**OLG**"),

- and -

HORSE RACING ONTARIO,

a non-share capital corporation incorporated under
the laws of Canada,

(hereinafter referred to as "**Ontario Racing**"),

- and -

ONTARIO RACING MANAGEMENT INC.,

a corporation incorporated under the laws of the
Province of Ontario,

(hereinafter referred to as "**ORM**"),

- and -

WOODBINE ENTERTAINMENT GROUP,

a non-share capital corporation incorporated under
the laws of the Province of Ontario,

(hereinafter referred to as "**WEG**").

WHEREAS capitalized terms have the respective meanings specified in Section 1.1 unless the context otherwise requires;

AND WHEREAS pursuant to the Enabling Legislation, the objects of OLG include undertaking activities with respect to the support of live horse racing in Ontario;

AND WHEREAS providing financial support for the funding of purses for live horse racing in Ontario and certain related costs and expenses pursuant to this Agreement is

expected to help build the foundation for a more stable and sustainable live horse racing industry in Ontario, with increased responsibility for the industry to become self-governing and manage its business towards such greater sustainability, including by putting a focus on growth in its customer base across all wagering channels for the betterment of the industry as a whole (the "**Funding Purpose**");

AND WHEREAS Ontario Racing was incorporated with the name "Horse Racing Ontario" but intends to carry on its operations as "Ontario Racing";

AND WHEREAS Ontario Racing was formed by, and has as its members, among others, horse racing tracks in Ontario that conduct live horse racing;

AND WHEREAS ORM, a wholly-owned subsidiary of WEG, is responsible for the management of Ontario Racing;

AND WHEREAS in furtherance of the Funding Purpose, OLG, Ontario Racing, ORM and WEG are entering into this Agreement to implement a funding model in which payments will be made by OLG to Ontario Racing, and Ontario Racing will distribute the money received from OLG to or for the benefit of the OR Racetrack Members or other horse racing industry participants, in each case subject to the terms and conditions of this Agreement (including with respect to the permitted uses of the funds comprising the Annual Payments) and the Organizational Documents of Ontario Racing;

AND WHEREAS OLG's funding obligations under this Agreement will commence as of April 1, 2019, being the first day of the Term, subject to the satisfaction of certain conditions during the Pre-Funding Period;

AND WHEREAS since the date of the Original Funding Agreement, the membership of Ontario Racing has expanded and OLG has agreed to increase the funding to Ontario Racing for certain specified purposes, the goal of which is to provide further support for live horse racing in Ontario, so the Parties consider it desirable to amend and restate the Original Funding Agreement in its entirety as set out herein;

NOW THEREFORE THIS AGREEMENT WITNESSES THAT in consideration of the respective covenants and agreements of the Parties herein contained and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by each Party), the Parties agree as follows:

ARTICLE 1 **INTERPRETATION**

1.1 **Definitions**

For purposes of this Agreement, unless the context other requires, the following terms shall have the respective meanings specified below and grammatical variations of such terms shall have corresponding meanings;

"**Act of Insolvency**" means, when used in relation to any person, that such person:

- (a) becomes insolvent, makes an assignment for the benefit of its creditors, makes a proposal or takes the benefit of any Debtor Relief Laws or an actual or deemed entry of an order for relief is made under any Debtor Relief Laws in respect of such person;
- (b) has a receiver, trustee, interim receiver, receiver and manager or other officer with like powers appointed for all or any substantial part of its assets; or
- (c) has a resolution passed in respect of it or an application or petition is made seeking any reorganization, arrangement, composition, cancellation, dissolution, liquidation, revocation or winding-up of it under any Debtor Relief Laws;

"Additional Purse Enhancement Payment" has the meaning specified in Section 2.1(a);

"Administration Payment" has the meaning specified in Section 2.1(a);

"Affiliate" means with respect to any person, any other person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such person, where **"control"** refers to the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities or other voting interests, by contract or otherwise;

"AGCO" means the Alcohol and Gaming Commission of Ontario;

"Agreement Event of Default" means any of the events or circumstances described in Section 11.1;

"Agreement Records" has the meaning specified in Section 8.1(a);

"Annual Payment" has the meaning specified in Section 2.1(a);

"Annual WEG Rent Report" has the meaning specified in Section 4.2(b);

"Applicable Law" means:

- (a) any domestic or foreign statute, law, treaty, code, ordinance, rule, regulation, restriction or by-law;
- (b) any judgement, order, writ, injunction, decision, ruling, decree or award, guideline, policy, standard, directive or bulletin, in each case, of any Governmental Authority; and
- (c) any franchise, licence, qualification, authorization, consent, exemption, waiver, right, permit or other approval, in each case, of any Governmental Authority,

in each case, having the force of law and binding on the person referred to in the context in which the term is used, or any provision of any of the foregoing, including general principles of common law, civil law and equity;

"**Approved Annual Business Plan**" has the meaning specified in Section 5.2(a);

"**Bank Account Notice**" has the meaning specified in Section 2.3(a);

"**Breakage**" means the net of the rounding of a payout on a winning pari-mutuel wager in accordance with CPMA regulations;

"**Business Day**" means any day other than a Saturday, Sunday, statutory or civic holiday in the Province of Ontario or any day on which banks are generally not open for business in the City of Toronto;

"**Capital Improvements Payment**" has the meaning specified in Section 2.1(a);

"**Casino Gaming**" means:

- (a) games operated by a live dealer at a single gaming table; and
- (b) reel-type slot machines, video-type slot machines and all table games that utilize a random number generator to calculate or otherwise determine such game's outcome, whether or not a live dealer is present to enable or control game play,

in each case, that are conducted and managed by OLG;

"**Claim**" means any actual civil, criminal, administrative, regulatory or arbitral action, suit, application, hearing, grievance, litigation or proceeding and, in each case, any claim or demand resulting therefrom;

"**Commencement Date**" has the meaning specified in Section 12.1;

"**Confidential Information**" has the meaning specified in Section 15.1;

"**CPMA**" means the Canadian Pari-Mutuel Agency and also includes (a) any successor to the Canadian Pari-Mutuel Agency that collects or compiles wagering data in a manner similar thereto, and (b) if the Canadian Pari-Mutuel Agency ceases to collect or compile wagering data to the extent required by this Agreement, any other Governmental Authority or person identified by OLG, acting in good faith, as capable of collecting or compiling the wagering data that is required for purposes of this Agreement, or such other person as OLG and Ontario Racing mutually agree;

"**Crown**" means Her Majesty the Queen in right of Ontario;

"**Debtor Relief Laws**" means the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada), the *Winding-up and Restructuring Act* (Canada) and any other liquidation, conservatorship, bankruptcy, assignment for the

benefit of creditors, moratorium, arrangement, rearrangement, receivership, insolvency, reorganization, or analogous laws of Canada, in each case, from time to time in effect and affecting the rights of creditors generally;

"Disclosing Party" has the meaning specified in Section 15.1;

"Dispute" has the meaning specified in Section 14.1(a);

"Dispute Resolution Procedure" has the meaning specified in Section 14.1(a);

"Eligible Capital Costs" means, with respect to any funds comprising the Capital Improvements Payment, capital costs (not operating costs and expenses) actually incurred by or on behalf of any OR Racetrack Member (other than WEG) from and after the Commencement Date for the improvement of facilities used in connection with the operation of a Member Racetrack where such improvements are intended to improve the horse racing experience for customers and horse people at such Member Racetrack, regardless of the Funding Year in which such costs and expenses were incurred;

"Eligible Costs" means, with respect to any funds comprising the Racetracks Payment or the Additional Purse Enhancement Payment:

- (a) the funding of purses for live horse races run by the OR Racetrack Members (other than WEG in the case of the Additional Purse Enhancement Payment) at Member Racetracks during the Term;
- (b) the purse-related and other costs and expenses described in Schedule A that are incurred during the Term; and
- (c) such other costs and expenses as OLG may from time to time deem to be Eligible Costs in accordance with Section 3.1(c) or Section 3.1(d);

"Eligible Uses" means, with respect to any funds comprising the Administration Payment:

- (a) the payment or disbursement of funds in connection with the costs and expenses described in Schedule B that are incurred during the Term; and
- (b) such other costs, expenses, distributions or other uses as OLG may from time to time deem to be Eligible Uses in accordance with Section 3.3(c) or Section 3.3(d).

"Enabling Legislation" means the *Ontario Lottery and Gaming Corporation Act, 1999*;

"Executive Management Committee" has the meaning specified in Section 10.2(a)(i);

"FIPPA" has the meaning specified in Section 15.6;

"First Capital Continuation Proposal" has the meaning specified in Section 2.1(b);

"**First Extended Term**" has the meaning specified in Section 12.2(a);

"**First Extension Option**" has the meaning specified in Section 12.2(a);

"**First HIP Continuation Proposal**" has the meaning specified in Section 2.1(f);

"**First Term Notice**" has the meaning specified in Section 12.2(a);

"**Full Time Equivalents**" or "**FTEs**" means employees individually or collectively working 2,080 hours per year;

"**Funding Purpose**" has the meaning specified in the recitals to this Agreement;

"**Funding Year**" means the 12-month period commencing on April 1st and ending on March 31st;

"**GAAP**" means those accounting principles generally accepted in Canada as recommended by the Chartered Professional Accountants of Canada handbook at such relevant time, including the International Financial Reporting Standards as adopted by the Chartered Professional Accountants of Canada until such time as such standards are no longer recommended by the Chartered Professional Accountants of Canada or a successor organization;

"**Governmental Authority**" means the government of Canada or of any other nation, or any political subdivision thereof, whether provincial, territorial, state, municipal or local, and any governmental, executive, legislative, judicial, administrative or regulatory agency, department, ministry, authority, instrumentality, commission, board, bureau or similar body, whether federal, provincial, territorial, state, municipal or local, and whether foreign or domestic, in each case, having jurisdiction in the relevant circumstances, other than OLG;

"**Governmental Consent**" means any licence, right, permit, franchise, privilege, registration, direction, decree, consent, order, permission, approval or authority issued or provided, or to be issued or provided, by any Governmental Authority;

"**Gross Wagering Handle**" means the sum of the HMA Joint Venture Gross Wagering Handle plus the Remotes Joint Venture Gross Wagering Handle;

"**Ground Lease**" has the meaning specified in Section 4.2(a)(i);

"**GWH Notice**" has the meaning specified in Section 4.1(c);

"**HIP Permitted Use**" has the meaning specified in Section 3.5;

"**HMA Joint Venture Gross Wagering Handle**" has the meaning specified in Section 4.1(a);

"**HMA Racetracks Payment Deduction**" has the meaning specified in Section 4.1(a);

"Horse Improvement Payment" has the meaning specified in Section 2.1(a);

"Initial Term" has the meaning specified in Section 12.1;

"Joint Venture Revenue" means wagering revenue earned through arrangements with establishments located outside of Ontario;

"Key Performance Indicators" has the meaning specified in Section 7.3;

"Live" means on-site wagering on live horse races occurring at a specific racetrack, which is conducted at a racetrack and allows a patron to place bets through an account established at that particular racetrack or by purchasing tickets with lawful currency;

"Long Term Track Lease" has the meaning specified in Section 4.2(a)(ii);

"Losses" means all losses, damages, penalties, deficiencies, obligations, liabilities (whether accrued, actual, contingent, latent or otherwise), assessments, Taxes, judgements, awards, orders, decrees, rulings, settlements, dues, fines, costs, fees and expenses (including interest, court costs and reasonable fees and expenses of lawyers, accountants and other experts and professionals, and all costs and expenses incurred in any investigation, collection, prosecution or defence of any Claim);

"Make-Up Tactic" has the meaning specified in Section 6.1(h);

"Material Adverse Effect" means any change, event, circumstance, occurrence, violation, inaccuracy, misrepresentation failure, breach, Claim, Loss or other matter that (alone or in combination) is or could reasonably be expected to be:

- (a) materially adverse to the business, assets, liabilities, financial condition, results of operations or prospects of Ontario Racing, ORM, WEG, any of the other OR Racetrack Members or any of the Member Racetracks, as applicable; or
- (b) contrary to the public interest in any material respect or materially adverse or materially prejudicial to the reputation or integrity of OLG, the Crown or the live horse racing industry in Ontario;

"Material Agreements" means the OR Membership Agreement and the ORM Management Agreement;

"Maximum WEG Reduction Amount" has the meaning specified in Section 4.2(a);

"Member Obligations" has the meaning specified in Section 8.5;

"Member Racetracks" means the OR Racetrack Members' respective horse racing tracks in Ontario that conduct live horse racing;

"Minister" has the meaning specified in the Enabling Legislation;

"Non-Member Racetracks" means the duly licensed operators of horse racing tracks in Ontario that conduct live horse racing but are not members of Ontario Racing as of the date of this Agreement, in each case until such time as the applicable operator becomes an OR Racetrack Member (if ever);

"OLG Indemnitees" has the meaning specified in Section 6.4;

"Operational Enhancement Eligible Costs" means, with respect to any funds comprising the Operational Enhancement Payment:

- (a) costs and expenses associated with sustaining horse racing operations at the Operational Enhancement Payment Recipient's Member Racetrack in accordance with this Agreement, including Section 2.1(e); and
- (b) costs and expenses associated with funding race dates at the Operational Enhancement Payment Recipient's Member Racetrack;

"Operational Enhancement Payment" has the meaning specified in Section 2.1(a);

"Operational Enhancement Payment Recipients" has the meaning specified in Section 3.4(a);

"Original Funding Agreement" means the Funding Agreement for Live Horse Racing made effective as of May 7, 2018 by the Parties;

"OR Membership Agreement" means the Membership Agreement dated as of May 7, 2018 between Ontario Racing, the OR Racetrack Members and the other members of Ontario Racing, as contemplated in the by-laws of Ontario Racing, and includes any Assumption Agreement (as defined therein) that is entered into from time to time by Ontario Racing in accordance with the terms thereof and of the other Organizational Documents;

"OR Racetrack Members" means the duly licensed operators of horse racing tracks in Ontario that conduct live horse racing and that are members of Ontario Racing from time to time, including WEG;

"Organizational Documents" means the organizational documents of Ontario Racing, including its articles of incorporation and by-laws, and the OR Membership Agreement;

"ORM Management Agreement" means the management agreement dated as of May 3, 2018 between Ontario Racing and ORM pursuant to which Ontario Racing retains ORM to be, and ORM agrees to be, responsible for the management of Ontario Racing, including the performance of certain agreements, covenants and obligations of Ontario Racing contained in this Agreement;

"Parties" means, collectively, OLG, Ontario Racing, ORM and WEG, unless otherwise expressly provided herein, and **"Party"** means any of the Parties;

"**PMTR**", also known as "**Pari-Mutuel Tax Reduction**", means the forgone government revenue that was made available to the horse racing industry in Ontario following the 1996 amendments to the *Racetracks Tax Act* (Ontario) which lowered the taxes on a bet placed under the system known as pari-mutuel wagering from 7.4% to 0.5%, and also includes any changes to or replacements of such arrangements;

"**Pre-Funding Period**" means the period beginning on the date hereof and ending on the Commencement Date which, subject to Section 1.14, will be the first day of the first Funding Year of the Term;

"**Proposed Annual Business Plan**" has the meaning specified in Section 5.1(a);

"**Provincial Entity**" means the Crown or any agency, ministry, department or Affiliate thereof;

"**Racetracks Payment**" has the meaning specified in Section 2.1(a);

"**Racetracks Payment Deduction**" means the sum of the HMA Racetracks Payment Deduction plus the Remotes Racetracks Payment Deduction;

"**Receiving Party**" has the meaning specified in Section 15.1;

"**Relationship Committees**" has the meaning specified in Section 10.2(a);

"**Relationship Leads**" has the meaning specified in Section 10.1;

"**Relationship Management Committee**" has the meaning specified in Section 10.2(a)(ii);

"**Remaining Transfer Payment Agreements**" has the meaning specified in Section 1.14(b);

"**Remotes Joint Venture Gross Wagering Handle**" has the meaning specified in Section 4.1(b);

"**Remotes Racetracks Payment Deduction**" has the meaning specified in Section 4.1(b);

"**Second Capital Continuation Proposal**" has the meaning specified in Section 2.1(c);

"**Second Extended Term**" has the meaning specified in Section 12.2(b);

"**Second Extension Option**" has the meaning specified in Section 12.2(b);

"**Second HIP Continuation Proposal**" has the meaning specified in Section 2.1(g);

"**Second Term Notice**" has the meaning specified in Section 12.2(b);

"Simulcast" means wagering at one racetrack on live horse races occurring at another racetrack, in circumstances in which the race is broadcast, and includes simulcasts that involve the transmission of wagering information to a central site, so that all bettors may bet in the same betting pool;

"Standard of Care" means the performance of the obligations, covenants and agreements hereunder:

- (a) exercising a reasonable degree of skill, care, diligence, prudence, foresight and judgement that would, in light of the facts known at the time the decision was made, ordinarily be expected from a skilled, experienced and prudent owner, manager or operator of a live horse racing track in Ontario;
- (b) in a timely and professional manner; and
- (c) in all dealings with third parties, avoiding conflicts of interest;

"Tax" or **"Taxes"** means all federal, state, provincial, territorial, county, municipal, local or foreign taxes, charges, fees, levies, imposts and other assessments, including all income, sales, use, goods and services, HST, value added, capital, capital gains, alternative, net worth, transfer, profits, withholding, payroll, employer health, excise, franchise, real property and personal property taxes, and any other taxes, customs duties, fees, assessments, royalties, duties, deductions, compulsory loans or similar charges in the nature of a tax, including Canada Pension Plan contributions and equivalent contributions under provincial or foreign Applicable Law, employment insurance premiums and workers compensation premiums, together with any instalments, and any interest, fines, penalties, or addition to tax imposed by any Governmental Authority, whether disputed or not;

"Telephone Account Betting" or **"TAB"** means wagering on live horse races via telephone or computer to a racetrack at which a patron has an account, including bets placed using platforms that rely on computers (including internet betting) or any similar or replacement technologies and all on-line and digital platforms and other electronic technologies that generate, store and process data;

"Teletheatre" means wagering on live horse races that is conducted at a site other than a racetrack, which allows patrons to place a bet at a licensed location that displays the odds, the results and pay-outs prices of each race, and also includes such site at which the wagering occurs;

"Term" means the Initial Term and, if applicable, the First Extended Term and the Second Extended Term;

"Terminated Transfer Payment Agreements" has the meaning specified in Section 1.14(b);

"Three-Year Strategic Plan" has the meaning specified in Section 5.4(a);

"Tote Contract Termination Compensation" has the meaning specified in Section 3.3(e);

"Tote Contract Termination Costs" has the meaning specified in Section 3.3(e)(i);

"Track Lease" has the meaning specified in Section 4.2(a)(iii);

"Transition Payment" has the meaning specified in Section 5.6(a);

"Transition Payment Eligible Costs" means, with respect to any funds comprising the Transition Payment, to the extent set forth in Schedule 5.6(a)(ii) in respect of any Transition Payment Recipient:

- (a) the funding of base purses for live horse races run by the Transition Payment Recipient at its Member Racetrack during the applicable Funding Year during the Term ("**TP Purses**");
- (b) the funding of purse enhancements for live horse races run by the Transition Payment Recipient at its Member Racetrack during the applicable Funding Year during the Term, provided that the funds are used as additional purse enhancements to current levels and not to offset base purse funding levels ("**TP Purse Enhancements**"); and
- (c) the operating costs described in item 2 of Schedule A that are properly and reasonably incurred and necessary for the operation of the Transition Payment Recipient's Member Racetrack during the applicable Funding Year during the Term ("**TP Operating Costs**"), and

such other costs and expenses as OLG may from time to time deem to be Transition Payment Eligible Costs following a written request from or on behalf of Ontario Racing;

"Transition Payment Recipients" has the meaning specified in Section 5.6(a)(ii);

"WEG Receipts" has the meaning specified in Section 4.2(a); and

"West GTA Gaming Service Provider" means Ontario Gaming GTA West Limited Partnership, the service provider retained by OLG to provide services relating to the operation of Casino Gaming in the geographic area designated by OLG as gaming zone C4 in the West GTA gaming bundle, and also includes any Affiliate of such service provider and any assignee of such service provider or such Affiliate.

1.2 Rules of Construction

Except as otherwise specifically provided in this Agreement and unless the context otherwise requires, the following rules of construction will apply to this Agreement:

- (a) the division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and will not affect the construction or interpretation of this Agreement;
- (b) references in this Agreement to "Articles", "Sections", "Schedules" and "Exhibits" refer, respectively, to Articles and Sections of, and Schedules and Exhibits to, this Agreement;
- (c) "hereunder", "herein", "hereto" and "hereof", when used in this Agreement, refer to this Agreement and not to a particular Section or clause of this Agreement;
- (d) "including" means "including, but not limited to" and "include" or "includes" means "include, without limitation" or "includes, without limitation";
- (e) words importing persons include individuals, firms, corporations, bodies corporate, limited and unlimited liability companies, general and limited partnerships, associations, trusts, trustees, unincorporated organizations, syndicates, joint ventures and Governmental Authorities;
- (f) words importing the singular number only will include the plural and *vice versa* and words importing the use of any gender will include all genders;
- (g) references to any document, instrument or agreement, including this Agreement, (i) will include all exhibits, schedules and other attachments thereto, (ii) will include all documents, instruments or agreements issued or executed in replacement thereof, and (iii) will mean such document, instrument or agreement, or replacement or predecessor thereto, as amended, restated, amended and restated, modified or supplemented from time to time (to the extent permitted hereunder) and in effect at the given time;
- (h) references to any person will include such person's successors and assigns (to the extent permitted hereunder). References to any Governmental Authority will include its successors and assigns, and if a Governmental Authority ceases to exist or ceases to perform its functions without a successor or assign, references to such Governmental Authority will be deemed to include a reference to any Governmental Authority or any organization or entity that has taken over either or both the functions and responsibilities of such Governmental Authority;
- (i) any time period within which a payment is to be made or any other action is to be taken hereunder will be calculated excluding the day on which the period commences and including the day on which the period ends;
- (j) whenever any payment is required to be made, action is required to be taken or period of time is to expire on a day other than a Business Day, such payment will be made, action will be taken or period will expire on the next following Business Day;
- (k) "month" means "calendar month";

- (l) all sums of money that are referred to in this Agreement are expressed in lawful money of Canada; and
- (m) references to "discretion" or "sole discretion" mean the absolute, sole, unqualified, subjective discretion of the Party having or exercising such discretion, and all references to "judgement" or "satisfaction" mean the absolute, sole, unqualified, subjective judgement or satisfaction of the Party having, exercising, or entitled to such judgement or satisfaction, which judgement or satisfaction will not be subject to the Dispute Resolution Procedure.

1.3 Statutes

Unless otherwise indicated, all references in this Agreement to any statute, including the Enabling Legislation, include the regulations thereunder and all applicable guidelines, policies, standards, directives and bulletins made in connection therewith and that are legally binding, in each case, as amended, re-enacted, consolidated or replaced from time to time and, in the case of any such amendment, re-enactment, consolidation or replacement, reference herein to a particular provision will be read as referring to such amended, re-enacted, consolidated or replaced provision.

1.4 No Interference with Statutory Powers and Duties

Nothing in this Agreement, including any requirement for OLG to act reasonably, will be interpreted as requiring OLG to act in any manner contrary to the Enabling Legislation or any other Applicable Law, or in a manner that interferes with the exercise by OLG of any legislative or statutory power or duty, whether existing prior to, on or after the date hereof.

1.5 Conflict of Terms

In the event of ambiguities, conflicts or inconsistencies between or among any of the provisions of this Agreement:

- (a) any provision establishing a higher standard of performance shall take precedence over a provision establishing a lower standard of performance; and
- (b) the provisions of the body of this Agreement shall take precedence over those contained in any of the Schedules or Exhibits.

1.6 Entire Agreement; Amendment and Restatement

(a) This Agreement amends and restates the Original Funding Agreement in its entirety as of the date first written above. Each of the Parties agrees and confirms that all of the rights, liabilities and obligations under the Original Funding Agreement arising on or prior to the date of this Agreement continue in full force and effect, as amended and restated in accordance with the terms of this Agreement.

(b) This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and, except as otherwise provided in Section 1.6(a), cancels and

supersedes any prior communications, understandings and agreements, oral or written, between the Parties with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement.

1.7 Invalidity

If any provision of this Agreement is determined by any court of competent jurisdiction to be illegal or unenforceable, that provision will be severed from this Agreement and the remaining provisions will continue in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any of the Parties.

1.8 Governing Law; Attornment

This Agreement will be governed and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. For the purpose of all legal proceedings, this Agreement will be deemed to have been performed in the Province of Ontario and, subject to the Dispute Resolution Procedure, the courts of the Province of Ontario will have exclusive jurisdiction to entertain any action arising under this Agreement.

1.9 Schedules and Exhibits

(a) The following Schedules are incorporated into and form an integral part of this Agreement, and any reference to this Agreement shall be deemed to include a reference to all Schedules unless otherwise indicated:

- | | |
|---------------------|---|
| Schedule A | - List of Purse-Related and Other Eligible Costs |
| Schedule B | - List of Eligible Uses of Administration Payment |
| Schedule 1.14 | - List of Transfer Payment Agreements |
| Schedule 3.4(a) | - List of Operational Enhancement Payment Recipients |
| Schedule 5.1(a) | - Content for Proposed Annual Business Plan |
| Schedule 5.4 | - Three-Year Strategic Plan Requirements and Template |
| Schedule 5.6(a)(ii) | - List of Transition Payment Recipients |
| Schedule 7.2(a) | - Quarterly Wagering Reports |
| Schedule 7.2(b)(ii) | - Semi-Annual Financial Reporting Requirements (OR Racetrack Members) |
| Schedule 7.3 | - Key Performance Indicators |

- Schedule 7.4 - Form of Annual Compliance Certificate
- Schedule 7.6(a) - Semi-Annual Operational Reporting
- Schedule 9.2(b) - List of OR Racetrack Members as of the date of the Original Funding Agreement

(b) The following Exhibits are attached to this Agreement for reference purposes only but are not incorporated into this Agreement:

- Exhibit 9.2(h)(i) - Articles and By-laws of Ontario Racing
- Exhibit 9.2(h)(ii) - OR Membership Agreement
- Exhibit 9.2(h)(iii) - ORM Management Agreement

1.10 Relationship Between the Parties

The Parties are independent contractors. This Agreement is not intended to and does not create or establish between the Parties, or between OLG and any of the OR Racetrack Members or any employee of Ontario Racing, ORM, WEG or any other OR Racetrack Member, any relationship as partners, joint venturers, employer and employee or of principal and agent. Without limiting the generality of the foregoing, none of Ontario Racing, ORM or WEG will be, or will be deemed to be, an agent of OLG, and none of them will have authority under this Agreement or represent that it is an agent of OLG.

1.11 OR Racetrack Members' Obligations

(a) Except as otherwise expressly provided in this Agreement, to the extent that any provision of this Agreement includes an obligation, covenant or agreement that is expressed to be an obligation, covenant or agreement of any of the OR Racetrack Members, such provision shall be deemed to be a covenant of Ontario Racing to cause the relevant OR Racetrack Member to comply with or perform, as applicable, such obligation, covenant or agreement, regardless of the amount of funds comprising any Annual Payment that will be used to pay Eligible Costs or Eligible Capital Costs for or on behalf of, or for the benefit of, such OR Racetrack Member during such Funding Year, and such provision shall be construed accordingly.

(b) Nothing in this Agreement shall limit or otherwise restrict OLG's ability to engage with the OR Racetrack Members in connection with the Funding Purpose, the operation of their respective Member Racetracks or the live horse racing industry generally. If requested by OLG, Ontario Racing shall facilitate such engagement by OLG and the OR Racetrack Members.

1.12 ORM Management Agreement

OLG acknowledges that, pursuant to the ORM Management Agreement, ORM will perform certain of the covenants and obligations of Ontario Racing contained herein for and on behalf of Ontario Racing. The Parties acknowledge and agree that, notwithstanding ORM's obligations under the ORM Management Agreement, Ontario Racing shall be responsible for the covenants and obligations of Ontario Racing contained herein that are performed for and on behalf of Ontario Racing by ORM as if such covenants and obligations were performed by Ontario Racing directly.

1.13 Crown Liabilities

(a) The Parties acknowledge and agree that the remedies, recourse and rights of Ontario Racing, ORM and WEG under or in connection with this Agreement are intended by them to be, and will be, limited to their respective remedies, recourse and rights as against OLG or any successor or permitted assignee of OLG that becomes party to or otherwise assumes OLG's obligations under this Agreement. In furtherance of the foregoing:

- (i) Ontario Racing, ORM and WEG covenant and agree with OLG that, notwithstanding that OLG is an agent of the Crown or that any successor or permitted assignee of OLG that becomes party to or otherwise assumes OLG's obligations under this Agreement may be an agent of the Crown, none of them will make any Claim or seek to enforce any remedy, recourse or right against any Provincial Entity other than OLG or such successor or permitted assignee; and
- (ii) Ontario Racing, ORM and WEG hereby waive and release all Claims, remedies, recourse and rights that any of them ever had, now has or may hereafter have against any Provincial Entity other than OLG or any successor or permitted assignee of OLG that becomes party to or otherwise assumes OLG's obligations under this Agreement,

in each case (A) in respect of OLG's (or in respect of such successor's or permitted assignee's) obligations under or in connection with this Agreement, or (B) for any act, omission or liability of OLG (or of any such successor or permitted assignee) or for which OLG (or such successor or permitted assignee) is responsible, whether relating to or otherwise in accordance with this Agreement.

(b) Ontario Racing, ORM and WEG acknowledge that the Provincial Entities shall be entitled to the benefit of, and to rely on, this Section 1.13.

1.14 Pre-Funding Period Conditions

(a) The commencement of the Term on the Commencement Date will be conditional upon the satisfaction or waiver of the conditions in this Section 1.14 prior to or on the Commencement Date.

(b) The commencement of the Term will be conditional upon each of the transfer payment agreements listed in Schedule 1.14 to which any of the OR Racetrack Members are parties (the "**Terminated Transfer Payment Agreements**") being terminated or cancelled prior to or with effect as of the Commencement Date. For greater certainty, each of the transfer payment agreements listed in Schedule 1.14 to which any of the Non-Member Racetracks is a party (the "**Remaining Transfer Payment Agreements**") will remain in effect in the accordance with the terms thereof as of the Commencement Date, unless or until the applicable Non-Member Racetrack becomes an OR Racetrack Member (if ever), in which case the applicable Remaining Transfer Payment Agreement will be terminated or cancelled if it is still in existence in accordance with its terms and will thereafter be deemed to be a Terminated Transfer Payment Agreement as a condition precedent to the Non-Member Racetrack becoming an OR Racetrack Member for purposes of this Agreement.

(c) The commencement of the Term will be conditional upon each of the representations and warranties of each of Ontario Racing, ORM and WEG in Section 9.2 being true and correct as of the Commencement Date as if made at such date, and each of Ontario Racing, ORM and WEG shall have delivered to OLG a certificate of a senior officer thereof, dated as of the Commencement Date, to that effect, such certificate to be in form and substance satisfactory to OLG, acting reasonably; provided, however, that, if applicable, such representations and warranties of Ontario Racing may be updated as required to reflect the fact that a Non-Member Racetrack has become an OR Racetrack Member.

(d) The commencement of the Term will be conditional upon OLG and Ontario Racing agreeing with respect to the Approved Annual Business Plan for the first Funding Year of the Term. The provisions of Sections 5.1, 5.2, 5.5 and 5.6 will apply to the preparation, delivery, review and approval of the Proposed Annual Business Plan for the first Funding Year of the Term that Ontario Racing delivers to OLG; provided, however, that if OLG does not approve in writing any portion of the Proposed Annual Business Plan that is subject to OLG's approval in accordance with Section 5.1(b), then (A) OLG shall discuss with Ontario Racing the reasons therefor, (B) OLG and Ontario Racing shall cooperate in an attempt to resolve their disagreements, (C) the Dispute Resolution Procedure shall not be used to resolve the Dispute, and (D) the deeming provisions in Section 5.2 shall not apply thereto. If OLG and Ontario Racing are unable to resolve any disagreement with respect to the Proposed Annual Business Plan prior to the Commencement Date, then the condition in this Section 1.14(d) shall not have been satisfied. If approved by OLG, such Proposed Annual Business Plan will be the Approved Annual Business Plan for the first Funding Year.

(e) Contemporaneously with the delivery of the portions of the Proposed Annual Business Plan in respect of the first Funding Year of the Term in accordance with Section 1.14(d), Ontario Racing shall delivery to OLG a Three-Year Strategic Plan for the first three Funding Years of the Term. The provisions of Section 5.4 will apply to the preparation and delivery of the Three-Year Strategic Plan.

(f) If any of the conditions in this Section 1.14 are not satisfied prior to or on the Commencement Date or waived in writing by OLG (any such waiver to be in OLG's sole discretion):

- (i) this Agreement shall automatically terminate as of the Commencement Date;
- (ii) all of the Parties shall be released of their obligations under this Agreement; and
- (iii) no termination fee or other compensation whatsoever will be paid or payable by OLG to Ontario Racing, ORM, WEG, any of the other OR Racetrack Members or any other person as a consequence of the termination of this Agreement.

1.15 Non-Member Racetracks

Notwithstanding anything to the contrary herein, none of the parties shall have any rights or obligations hereunder in respect of any Non-Member Racetrack until such time as such Non-Member Racetrack becomes an OR Racetrack Member (if ever). Without limiting the generality of the foregoing, Ontario Racing shall not use any funds comprising the Annual Payment for the purpose of paying any Eligible Cost, any Eligible Capital Cost or any Transition Payment Eligible Cost for and on behalf of, or for the benefit of, such Non-Member Racetrack, and Ontario Racing shall not be required to forecast, business plan or report on any matters relating to such Non-Member Racetrack or to cause such Non-Member Racetrack to comply with any covenant or obligation of Ontario Racing or the OR Racetrack Members hereunder, in each case until such time as such Non-Member Racetrack becomes an OR Racetrack Member (if ever) and its Remaining Transfer Payment Agreement expires or is terminated or cancelled (following which such Remaining Transfer Payment Agreement will be deemed to be a Terminated Transfer Payment Agreement for purposes of this Agreement).

ARTICLE 2 OLG'S FUNDING ROLE UNDER AGREEMENT

2.1 Annual Payment

(a) In furtherance of the Funding Purpose, OLG agrees, subject to the terms and conditions of this Agreement (including Sections 2.1(b), 2.1(c), 3.4(a) (including Schedule 3.4(a)) and 5.6 and the adjustments permitted under Article 4, Section 6.1(g) and Section 6.1(h)), to pay to Ontario Racing during each Funding Year of the Term, an aggregate amount not to exceed \$116,850,000 (the "**Annual Payment**"), comprised of \$91,400,000 (the "**Racetracks Payment**"), \$4,000,000 (the "**Additional Purse Enhancement Payment**"), \$6,000,000 (the "**Capital Improvements Payment**"), \$3,400,000 (the "**Administration Payment**"), \$2,050,000 (the "**Operational Enhancement Payment**") and \$10,000,000 (the "**Horse Improvement Payment**"),

(b) If the Initial Term is extended for the First Extended Term in accordance with Section 12.2(a), then by no later than August 31st of the sixth Funding Year of the Term, Ontario Racing shall deliver to OLG a written proposal that provides a detailed rationale for the continuation of the portion of the Annual Payment comprised of the Capital Improvements Payment during the First Extended Term (the "**First Capital Continuation Proposal**"). Within

30 days following the delivery of the First Capital Continuation Proposal by Ontario Racing (or at such other time as OLG may direct upon reasonable notice to Ontario Racing), representatives of OLG and Ontario Racing will meet for a discussion thereof. OLG, acting reasonably, shall consider the merits of the First Capital Continuation Proposal and, within 30 days following the meeting of the representatives of OLG and Ontario Racing referred to in this Section 2.1(b), OLG shall notify Ontario Racing, in writing, whether OLG accepts or rejects the First Capital Continuation Proposal. If OLG accepts the First Capital Continuation Proposal, then OLG shall continue to pay the portion of the Annual Payment comprised of the Capital Improvements Payment during the First Extended Term in accordance with Section 2.1(a). If OLG rejects the First Capital Continuation Proposal, or if Ontario Racing fails to deliver a First Capital Continuation Proposal to OLG in accordance with this Section 2.1(b), then notwithstanding anything to the contrary in Section 2.1(a), the portion of the Annual Payment comprised of the Capital Improvements Payment shall be deemed to be zero during the First Extended Term and, if applicable, the Second Extended Term. OLG's decision to accept or reject the First Capital Continuation Proposal delivered by Ontario Racing in accordance with this Section 2.1(b) shall be final, provided that OLG has acted reasonably in making such decision.

(c) If the First Extended Term is extended for the Second Extended Term in accordance with Section 12.2(b), and if OLG accepted the First Capital Continuation Proposal, then by no later than August 31st of the twelfth Funding Year of the Term (i.e., the fifth Funding Year of the First Extended Term), Ontario Racing shall deliver to OLG a written proposal that provides a detailed rationale for the continuation of the portion of the Annual Payment comprised of the Capital Improvements Payment during the Second Extended Term (the "**Second Capital Continuation Proposal**"). Within 30 days following the delivery of the Second Capital Continuation Proposal by Ontario Racing (or at such other time as OLG may direct upon reasonable notice to Ontario Racing), representatives of OLG and Ontario Racing will meet for a discussion thereof. OLG, acting reasonably, shall consider the merits of the Second Capital Continuation Proposal and, within 30 days following the meeting of the representatives of OLG and Ontario Racing referred to in this Section 2.1(c), OLG shall notify Ontario Racing, in writing, whether OLG accepts or rejects the Second Capital Continuation Proposal. If OLG accepts the Second Capital Continuation Proposal, then OLG shall continue to pay the portion of the Annual Payment comprised of the Capital Improvements Payment during the Second Extended Term in accordance with Section 2.1(a). If OLG rejects the Second Capital Continuation Proposal, or if Ontario Racing fails to deliver a Second Capital Continuation Proposal to OLG in accordance with this Section 2.1(c), then notwithstanding anything to the contrary in Section 2.1(a), the portion of the Annual Payment comprised of the Capital Improvements Payment shall be deemed to be zero during the Second Extended Term. OLG's decision to accept or reject the Second Capital Continuation Proposal delivered by Ontario Racing in accordance with this Section 2.1(c) shall be final, provided that OLG has acted reasonably in making such decision.

(d) For any Funding Year that commences after April 1 or that ends prior to March 31, the Administration Payment will be decreased proportionately to reflect the actual number of days in such Funding Year.

(e) Notwithstanding anything to the contrary in this Agreement, the amount of the Operational Enhancement Payment that is included in the Annual Payment for any Funding Year

will not exceed the aggregate amount specified in Schedule 3.4(a) for such Funding Year. Without limiting the generality of the foregoing, commencing with the eighth Funding Year of the Term, the Operational Enhancement Payment will be deemed to be zero dollars. In addition, notwithstanding anything to the contrary in this Agreement, if, in any Funding Year, an Operational Enhancement Payment Recipient does not maintain live horse racing at its Member Racetracks at substantially similar levels as those in effect during its 2018 live racing schedule, then for such Funding Year, the Operational Enhancement Payment that would otherwise be paid to such OR Racetrack Member hereunder will be deemed to be zero and Section 3.4(a) will apply in respect of the applicable unused funds.

(f) If the Initial Term is extended for the First Extended Term in accordance with Section 12.2(a), then by no later than August 31st of the sixth Funding Year of the Term, Ontario Racing shall deliver to OLG a written proposal that provides a detailed rationale for the continuation of the portion of the Annual Payment comprised of the Horse Improvement Payment during the First Extended Term (the "**First HIP Continuation Proposal**"). Within 30 days following the delivery of the First HIP Continuation Proposal by Ontario Racing (or at such other time as OLG may direct upon reasonable notice to Ontario Racing), representatives of OLG and Ontario Racing will meet for a discussion thereof. OLG, acting reasonably, shall consider the merits of the First HIP Continuation Proposal and, within 30 days following the meeting of the representatives of OLG and Ontario Racing referred to in this Section 2.1(f), OLG shall notify Ontario Racing, in writing, whether OLG accepts or rejects the First HIP Continuation Proposal. If OLG accepts the First HIP Continuation Proposal, then OLG shall continue to pay the portion of the Annual Payment comprised of the Horse Improvement Payment during the First Extended Term in accordance with Section 2.1(a). If OLG rejects the First HIP Continuation Proposal, or if Ontario Racing fails to deliver a First HIP Continuation Proposal to OLG in accordance with this Section 2.1(f), then notwithstanding anything to the contrary in Section 2.1(a), the portion of the Annual Payment comprised of the Horse Improvement Payment shall be deemed to be zero during the First Extended Term and, if applicable, the Second Extended Term. OLG's decision to accept or reject the First HIP Continuation Proposal delivered by Ontario Racing in accordance with this Section 2.1(f) shall be final, provided that OLG has acted reasonably in making such decision.

(g) If the First Extended Term is extended for the Second Extended Term in accordance with Section 12.2(b), and if OLG accepted the First HIP Continuation Proposal, then by no later than August 31st of the twelfth Funding Year of the Term (i.e., the fifth Funding Year of the First Extended Term), Ontario Racing shall deliver to OLG a written proposal that provides a detailed rationale for the continuation of the portion of the Annual Payment comprised of the Horse Improvement Payment during the Second Extended Term (the "**Second HIP Continuation Proposal**"). Within 30 days following the delivery of the Second HIP Continuation Proposal by Ontario Racing (or at such other time as OLG may direct upon reasonable notice to Ontario Racing), representatives of OLG and Ontario Racing will meet for a discussion thereof. OLG, acting reasonably, shall consider the merits of the Second HIP Continuation Proposal and, within 30 days following the meeting of the representatives of OLG and Ontario Racing referred to in this Section 2.1(g), OLG shall notify Ontario Racing, in writing, whether OLG accepts or rejects the Second HIP Continuation Proposal. If OLG accepts the Second HIP Continuation Proposal, then OLG shall continue to pay the portion of the Annual

Payment comprised of the Horse Improvement Payment during the Second Extended Term in accordance with Section 2.1(a). If OLG rejects the Second HIP Continuation Proposal, or if Ontario Racing fails to deliver a Second HIP Continuation Proposal to OLG in accordance with this Section 2.1(g), then notwithstanding anything to the contrary in Section 2.1(a), the portion of the Annual Payment comprised of the Horse Improvement Payment shall be deemed to be zero during the Second Extended Term. OLG's decision to accept or reject the Second HIP Continuation Proposal delivered by Ontario Racing in accordance with this Section 2.1(g) shall be final, provided that OLG has acted reasonably in making such decision.

2.2 Timing of Payments

(a) Subject to Article 4, OLG shall pay each Racetracks Payment, each Additional Purse Enhancement Payment and each Operational Enhancement Payment to Ontario Racing in monthly instalments in accordance with the payment schedule that is included in the Approved Annual Business Plan, which will reflect the approved race schedule that is included therein, subject to the terms and conditions of this Agreement. Each such instalment payment shall be made prior to or on the last Wednesday of each month during each Funding Year.

(b) OLG shall pay each Capital Improvements Payment to Ontario Racing in accordance with the payment schedule that is included in the Approved Annual Business Plan, which will reflect when the applicable OR Racetrack Member will incur Eligible Capital Costs.

(c) OLG shall pay each Administration Payment to Ontario Racing in 12 equal monthly instalments, each of which instalment payments shall be made, in arrears, prior to or on the last Wednesday of each month during each Funding Year.

(d) OLG shall pay each Horse Improvement Payment to Ontario Racing in accordance with the payment schedule that is included in the Approved Annual Business Plan.

2.3 Mechanism for Payments

(a) OLG shall pay all funds comprising the Annual Payment in accordance with this Agreement by electronic funds transfer to such bank accounts with any Canadian financial institution as Ontario Racing or, subject to Section 2.3(b), ORM may specify by written notice to OLG (the "**Bank Account Notice**") from time to time. Ontario Racing or ORM, as applicable, shall deliver the first Bank Account Notice to OLG by no later than February 1, 2019, and thereafter any Bank Account Notice shall be delivered to OLG at least 20 Business Days prior to the date on which OLG is required to make any payment of funds comprising the Annual Payment to Ontario Racing in accordance with this Agreement, failing which OLG shall be permitted to pay the funds to the bank account most recently specified by Ontario Racing or ORM in accordance with this Section 2.3.

(b) Notwithstanding anything to the contrary contained herein, ORM shall not be permitted to deliver a Bank Account Notice if, at any time, the ORM Management Agreement ceases to be in full force or effect or if ORM ceases to be a party thereto.

(c) Ontario Racing shall ensure that each Bank Account Notice is in the form of OLG's Vendor and Electronic Funds Transfer (EFT) Request Form or such other form as OLG may prescribe from time to time for such purpose.

2.4 Limits to OLG's Role

Ontario Racing, ORM and WEG acknowledge and agree that:

- (a) OLG's role under this Agreement is strictly limited to paying the Annual Payments, subject to the terms and conditions of this Agreement, and except for the payment of the Administration Payment, nothing contained in this Agreement creates any other obligation of OLG to pay or otherwise be responsible for the payment of any costs associated with the management and operation of Ontario Racing, ORM, WEG, any of the other OR Racetrack Members or any of the Member Racetracks;
- (b) OLG is not, and the exercise by OLG of its rights under this Agreement shall not result in OLG being deemed to be, a decision-maker or an advisor in relation to the management and operation of Ontario Racing, ORM, WEG, any of the other OR Racetrack Members or any of the Member Racetracks; and
- (c) except to the extent expressly contemplated herein in connection with the Annual Payments that become payable during the Term, OLG does not, and will not, as a result of entering into this Agreement, have any other involvement in the management and operation of Ontario Racing, ORM, WEG, any of the other OR Racetrack Members or any of the Member Racetracks,

provided, however, that nothing in this Section 2.4 is intended to limit or restrict the exercise by OLG of any of its rights contained in this Agreement or under any Applicable Law.

2.5 Role of Ontario Racing

Without limiting any of OLG's rights under this Agreement, OLG acknowledges and agrees that Ontario racing is the representative body of the horse racing industry in Ontario and, as such, OLG agrees to primarily interact and communicate with Ontario Racing with respect to industry-related matters. Notwithstanding the foregoing, nothing in this Section 2.5 prohibits or otherwise restricts OLG from interacting with or communicating with any OR Racetrack Member or any other member of Ontario Racing, or any other entity involved with the horse racing industry in Ontario.

2.6 Exclusion of Liability

Ontario Racing, ORM and WEG acknowledge and agree that, notwithstanding anything to the contrary in this Agreement, none of them shall have any right to claim damages against OLG for any loss of revenue, loss of profits or anticipated profits, loss of use, loss of contract, loss of goodwill, loss of production, loss of business, loss of business opportunity, exemplary, punitive or special damages or any consequential loss or indirect loss of any nature, in connection with the subject matter of this Agreement.

2.7 No Deemed Regulatory Approvals

Neither the entering into nor the performance of this Agreement by OLG in any way obligates any Governmental Authority to issue or grant to or in respect of Ontario Racing, ORM, WEG, any of the other OR Racetrack Members or any of the Member Racetracks any Governmental Consents that Ontario Racing, ORM, WEG, any of the other OR Racetrack Members or any of the Member Racetracks is obligated under Applicable Law to obtain, whether in connection with the performance of its obligations under this Agreement or otherwise.

**ARTICLE 3
PERMITTED USES OF FUNDS**

3.1 Racetracks Payment and Additional Purse Enhancement Payment

(a) Following the receipt of funds comprising the Racetracks Payment by Ontario Racing, Ontario Racing shall distribute the full amount thereof to ORM to be used solely for the purpose of paying Eligible Costs for and on behalf of, or for the benefit of, the OR Racetrack Members as contemplated in the Approved Annual Business Plan. The Parties agree that, subject to the terms of the ORM Management Agreement, Ontario Racing shall be responsible for ensuring that any funds comprising the Racetracks Payments are used by ORM, for and on behalf of, and for the benefit of, the OR Racetrack Members, solely for the purpose of paying Eligible Costs that are contemplated in the applicable Approved Annual Business Plan, and for no other purpose.

(b) Following the receipt of funds comprising the Additional Purse Enhancement Payment by Ontario Racing, Ontario Racing shall distribute the full amount thereof to ORM to be used solely for the purpose of paying Eligible Costs for and on behalf of, or for the benefit of, the OR Racetrack Members, other than WEG (which shall not be entitled to receive any portion of the Additional Purse Enhancement Payment), as contemplated in the Approved Annual Business Plan. The Parties agree that, subject to the terms of the ORM Management Agreement, Ontario Racing shall be responsible for ensuring that any funds comprising the Additional Purse Enhancement Payments are used by ORM, for and on behalf of, and for the benefit of, the OR Racetrack Members other than WEG, solely for the purpose of paying Eligible Costs that are contemplated in the applicable Approved Annual Business Plan, and for no other purpose.

(c) Following receipt of a written request from or on behalf of Ontario Racing, OLG may, in its sole discretion on a case-by-case basis, deem costs and expenses not included in Schedule A to be Eligible Costs by providing written notice thereof to Ontario Racing; provided, however, that any such costs and expenses that are incurred by or on behalf of, or for the benefit of, Ontario Racing, ORM or any of the OR Racetrack Members prior to the date of such notice from OLG shall not be Eligible Costs.

(d) OLG may from time to time, in its sole discretion, deem other costs and expenses to be Eligible Costs for all purposes of this Agreement by providing written notice thereof to Ontario Racing, and Schedule A shall be deemed to be amended accordingly; provided, however, that any such costs and expenses that are incurred by or on behalf of, or for the benefit of,

Ontario Racing, ORM or any of the OR Racetrack Members prior to the date of such notice from OLG shall not be Eligible Costs.

(e) Ontario Racing acknowledges and agrees that, as of the Commencement Date, costs and expenses incurred in connection with the administration or operation of Ontario Racing are not Eligible Costs.

3.2 Capital Improvements Payment

Following the receipt of funds comprising the Capital Improvements Payment by Ontario Racing, Ontario Racing shall distribute the full amount thereof to ORM to be used solely for the purpose of paying Eligible Capital Costs for and on behalf of, or for the benefit of, the OR Racetrack Members, other than WEG (which shall not be entitled to receive any portion of the Eligible Capital Costs), as contemplated in the Approved Annual Business Plan. The Parties agree that, subject to the terms of the ORM Management Agreement, Ontario Racing shall be responsible for ensuring that any funds comprising the Capital Improvements Payment are used by ORM, for and on behalf of, and for the benefit of, the OR Racetrack Members, solely for the purpose of paying Eligible Capital Costs that are contemplated in the applicable Approved Annual Business Plan, and for no other purpose.

3.3 Administration Payment

(a) The Parties acknowledge and agree that:

- (i) Ontario Racing shall use the Administration Payment solely in connection with the performance of Ontario Racing's obligations under this Agreement; and
- (ii) for so long as the ORM Management Agreement remains in full force and effect and ORM remains a party thereto, subject to the terms of the ORM Management Agreement, Ontario Racing shall be entitled to pay the Administration Payment to ORM as consideration for the performance by ORM of its obligations under the ORM Management Agreement, including the performance by ORM of certain of Ontario Racing's obligations under this Agreement, during the Term.

(b) Ontario Racing and ORM shall use the funds comprising the Administration Payments solely for Eligible Uses, and for no other purpose.

(c) Following receipt of a written request from or on behalf of Ontario Racing, OLG may, in its sole discretion on a case-by-case basis, deem costs, expenses, distributions or other uses not included in Schedule B to be Eligible Uses by providing written notice thereof to Ontario Racing; provided, however, that any such costs, expenses, distributions or other uses that are incurred or that occur by or on behalf of, or for the benefit of, Ontario Racing or ORM prior to the date of such notice from OLG shall not be Eligible Uses.

(d) OLG may from time to time, in its sole discretion, deem other costs, expenses, distributions or other uses to be Eligible Uses for all purposes of this Agreement by providing

written notice thereof to Ontario Racing, and Schedule B shall be deemed to be amended accordingly; provided, however, that any such costs, expenses, distributions or other uses that are incurred or that occur by or on behalf of, or for the benefit of, Ontario Racing or ORM prior to the date of such notice from OLG shall not be Eligible Uses.

(e) Notwithstanding anything to the contrary herein, OLG agrees to pay to Ontario Racing, during the first Funding Year of the Term only, an additional amount in respect of the Administration Payment, not to exceed \$400,000 (the "**Tote Contract Termination Compensation**"), subject to the following conditions:

- (i) funds comprising the Tote Contract Termination Compensation will be used only for the purpose of paying costs, expenses and fees that any OR Racetrack Member (or anyone acting on behalf of such OR Racetrack Member) is obligated to pay to any third party with whom such OR Racetrack Member has entered into a tote contract prior to the date hereof, in connection with the early termination of such tote contract by such OR Racetrack Member (the "**Tote Contract Termination Costs**");
- (ii) Ontario Racing shall provide to OLG evidence of the applicable OR Racetrack Member's Tote Contract Termination Costs, including any further information relating thereto or substantiation thereof as OLG reasonably requires; and
- (iii) OLG shall only be required to pay funds comprising the Tote Contract Termination Compensation to Ontario Racing in respect of an OR Racetrack Member's Tote Contract Termination Costs upon receipt of the evidence and further information referred to in clause (ii) above during the first Funding Year of the Term.

3.4 Operational Enhancement Payment

(a) Following the receipt of funds comprising the Operational Enhancement Payment by Ontario Racing, Ontario Racing shall distribute the portion of the Operational Enhancement Payment to ORM to be used solely for the purpose of paying Operational Enhancement Eligible Costs for and on behalf of, or for the benefit of, the OR Racetrack Members specified in Schedule 3.4(a) (the "**Operational Enhancement Payment Recipients**"), in each case up to the amount of the payment referred to in such Schedule as being for or for the benefit of such Operational Enhancement Payment Recipient.

(b) The Parties agree that Ontario Racing shall be responsible for ensuring that any funds comprising the Operational Enhancement Payment are distributed by ORM to or for the benefit of the Operational Enhancement Payment Recipients, and used solely for the purpose of paying Operational Enhancement Eligible Costs that are contemplated in the applicable Approved Annual Business Plan, and for no other purpose.

(c) Following receipt of a written request from or on behalf of Ontario Racing, OLG may, in its sole discretion on a case-by-case basis, deem costs and expenses that are not

Operational Enhancement Eligible Costs as of the date hereof to be Operational Enhancement Eligible Costs by providing written notice thereof to Ontario Racing; provided, however, that any such costs and expenses that are incurred by or on behalf of, or for the benefit of, any of the Operational Enhancement Payment Recipients prior to the date of such notice from OLG shall not be Operational Enhancement Eligible Costs.

(d) OLG may from time to time, in its sole discretion, deem other costs and expenses to be Operational Enhancement Eligible Costs for all purposes of this Agreement by providing written notice thereof to Ontario Racing; provided, however, that any such costs and expenses that are incurred by or on behalf of, or for the benefit of, any of the Operational Enhancement Payment Recipients prior to the date of such notice from OLG shall not be Operational Enhancement Eligible Costs.

(e) Ontario Racing acknowledges and agrees that, as of the Commencement Date, costs and expenses incurred in connection with the administration or operation of Ontario Racing are not Operational Enhancement Eligible Costs.

(f) Notwithstanding anything to the contrary in this Agreement, when determining how to allocate any portion of the Annual Payment (other than the Operational Enhancement Payment) in any Funding Year, Ontario Racing shall not take into account the entitlement of the Operational Enhancement Payment Recipients to receive the Operational Enhancement Payments. In addition, Ontario Racing shall not include the Operational Enhancement Payments in any determination of the Net Revenue Allocation (as defined in the OR Membership Agreement) that will be payable to either of the Operational Enhancement Payment Recipients in any Funding Year pursuant to the OR Membership Agreement.

3.5 Horse Improvement Payment

Following the receipt of funds comprising the Horse Improvement Payment by Ontario Racing, Ontario Racing shall distribute the full amount thereof as contemplated in the Approved Annual Business Plan. The Parties agree that Ontario Racing shall be responsible for ensuring that any funds comprising the Horse Improvement Payment are used to improve the quality of racehorses in Ontario and to promote breeding and ownership of Quarterhorse, Standardbred and Thoroughbred racehorses in Ontario through purse supplements and breeder awards for Ontario-bred horses (each "**HIP Permitted Use**").

ARTICLE 4 ADJUSTMENTS TO RACETRACKS PAYMENTS

4.1 Pari-Mutuel Wagering

(a) If, for any Funding Year during the Term, the aggregate amount of pari-mutuel wagering handle generated by the OR Racetrack Members from betting on live horse racing through any channel (including, for example, Live, Simulcast, Teletheatre and Telephone Account Betting) from (i) customers in Ontario wagering on races at racetracks located in Ontario, and (ii) customers in Ontario wagering on races at racetracks located outside of Ontario, whether such sales are operated at the Member Racetracks or elsewhere in any jurisdiction,

(collectively, the "**HMA Joint Venture Gross Wagering Handle**") is greater than \$1,200,000,000 then the amount of the Racetracks Payment for the immediately following Funding Year will be reduced by the amount (the "**HMA Racetracks Payment Deduction**") that is equal to:

$$5\% \times (\text{HMA Joint Venture Gross Wagering Handle} - \$1,200,000,000),$$

until the Racetracks Payment is equal to zero (after taking into account the other reductions to the Racetracks Payment contemplated in this Article 4).

(b) If, for any Funding Year during the Term, the aggregate amount of pari-mutuel wagering handle generated by the OR Racetrack Members from betting on live horse racing through any channel (including, for example, Live, Simulcast, Teletheatre and Telephone Account Betting) from (i) customers located outside of Ontario but elsewhere in Canada wagering on races at racetracks located in Ontario, and (ii) customers outside of Canada wagering on races at racetracks located in Ontario, whether such sales are operated at the Member Racetracks or elsewhere in any jurisdiction, (collectively, the "**Remotes Joint Venture Gross Wagering Handle**") is greater than \$1,000,000,000, then the amount of the Racetracks Payment for the immediately following Funding Year will be reduced by the amount (the "**Remotes Racetracks Payment Deduction**") that is equal to:

$$1.5\% \times (\text{Remotes Joint Venture Gross Wagering Handle} - \$1,000,000,000),$$

until the Racetracks Payment is equal to zero (after taking into account the other reductions to the Racetracks Payment contemplated in this Article 4).

(c) Within 60 days following the end of each Funding Year, OLG shall provide written notice (the "**GWH Notice**") to Ontario Racing specifying:

- (i) the Gross Wagering Handle for such Funding Year, as determined by OLG and ORM, both acting reasonably, using wagering data obtained from the CPMA; and
- (ii) the Racetracks Payment Deduction.

(d) Following delivery of the GWH Notice, each monthly instalment payment that OLG is required to make pursuant to Section 2.2 during that Funding Year will be reduced on a proportionate basis, reflecting that proportion of the unpaid Racetracks Payment for such Funding Year that such monthly instalment represents so that, at the end of such Funding Year, the aggregate amount of reductions pursuant to this Section 4.1(d) will be equal to the Racetracks Payment Deduction for such Funding Year.

4.2 Gaming Expansion Funds – WEG

(a) Commencing with the third Funding Year of the Term, the Racetracks Payment for each Funding Year during the Term will be reduced on a dollar-for-dollar basis by certain amounts received by WEG (or an Affiliate of WEG, or an assignee of WEG or such Affiliate) as follows, provided, however, that in no circumstances will the reductions described in this

Section 4.2, in the aggregate, exceed \$51,400,000 in any Funding Year (the "**Maximum WEG Reduction Amount**"):

- (i) *under the Ground Lease dated as of January 23, 2018 (as amended from time to time, the "**Ground Lease**") between WEG, in its capacity as landlord, Ontario Gaming GTA Limited Partnership, by its general partner, 2569129 Ontario Inc., in its capacity as tenant, and OLG, in its capacity as the party conducting and managing any Lottery Scheme in the Ground Premises (as such terms are defined in the Ground Lease), in respect of approximately 33 acres of vacant land on Rexdale Boulevard in Toronto, Ontario: the aggregate amount of Base Rent and Variable Fee Rent (as such terms are defined in the Ground Lease, without deduction) that was received during the immediately preceding Funding Year;*
- (ii) *under the Long Term Track Lease dated as of January 23, 2018 (as amended from time to time, the "**Long Term Track Lease**") between WEG, in its capacity as landlord, Ontario Gaming GTA Limited Partnership, by its general partner, 2569129 Ontario Inc., in its capacity as tenant, and OLG, in its capacity as the party conducting and managing any Lottery Scheme in the Premises (as such term is defined in the Long Term Track Lease), in respect of the premises located at 555 Rexdale Boulevard in Toronto, Ontario: the aggregate amount of Variable Fee Rent (as such term is defined in the Long Term Track Lease, without deduction) that was received during the immediately preceding Funding Year; and*
- (iii) *under the Track Lease dated as of April 1, 2013 (as amended from time to time, the "**Track Lease**") between WEG, in its capacity as landlord, OLG, in its capacity as tenant, and OLG, in its capacity as the party conducting and managing any Lottery Scheme in the Premises (as such terms are defined in the Track Lease), in respect of the premises located at 9430 Guelph Line in Milton, Ontario, but only after such time as OLG, in its capacity as tenant, assigns such Track Lease to the West GTA Gaming Service Provider: the aggregate amount of Base Rent (as defined in the Track Lease, without deduction) related to gaming operations that was received from the West GTA Gaming Service Provider during the immediately preceding Funding Year in excess of the payments on account of Base Rent that WEG received under the Track Lease from OLG during the 12-month period that immediately preceded the assignment of such Track Lease by OLG to the West GTA Gaming Service Provider,*

in each case, while such leases (or any amendment to or replacement thereof) are in effect, without duplication (collectively, the "**WEG Receipts**").

(b) Within 30 Business Days following the end of the second Funding Year of the Term and each Funding Year of the Term thereafter, WEG shall deliver a written report (the "**Annual WEG Rent Report**") to OLG that lists:

- (i) the Base Rent and Variable Fee Rent (as such terms are defined in the Ground Lease, without deduction) that was received by WEG (or an Affiliate of WEG, or an assignee of WEG or such Affiliate) pursuant to the Ground Lease in respect of such Funding Year;
- (ii) the Variable Fee Rent (as such term is defined in the Long Term Track Lease, without deduction) that was received by WEG (or an Affiliate of WEG, or an assignee of WEG or such Affiliate) pursuant to the Long Term Track Lease in respect of such Funding Year; and
- (iii) if, prior to or during such Funding Year, OLG, in its capacity as tenant, assigned the Track Lease to the West GTA Gaming Service Provider, the aggregate amount of Base Rent (as defined in the Track Lease, without deduction) related to gaming operations that was received by WEG (or an Affiliate of WEG, or an assignee of WEG or such Affiliate) from the West GTA Gaming Service Provider pursuant to such Track Lease in respect of such Funding Year in excess of the payments on account of Base Rent that WEG received under such Track Lease from OLG in the 12-month period that immediately preceded the assignment of such Track Lease by OLG to the West GTA Gaming Service Provider,

in each case, including details of the calculation of such amounts. Each Annual WEG Rent Report will be deemed to be an Agreement Record. OLG and ORM, both acting reasonably, shall use the applicable Annual WEG Rent Reports to calculate the amount of the WEG Receipts for the purposes of Section 4.2(c), and OLG shall notify Ontario Racing and WEG of such amount.

(c) The Parties agree that, notwithstanding anything to the contrary in this Agreement:

- (i) the aggregate amount of money that OLG shall be required to pay to Ontario Racing as the Racetracks Payment pursuant to Section 2.1 for any Funding Year will be reduced by the amount of the WEG Receipts for such immediately preceding Funding Year, but only up to the Maximum WEG Reduction Amount; provided, however, that in the first Funding Year in which the WEG Receipts for the immediately preceding Funding Year included Base Rent under and as defined in the Ground Lease, for the purposes of Section 4.2(a), such WEG Receipts will be deemed to be an amount equal to the lesser of (A) the actual amount thereof minus \$12,000,000, or (B) the Maximum WEG Reduction Amount minus \$12,000,000;

- (ii) in the circumstances described in the foregoing clause (i), notwithstanding the content of the Approved Annual Business Plan for the applicable Funding Year, Ontario Racing shall not use or permit to be used funds comprising the Racetracks Payment for such Funding Year, in an amount equal to the lesser of the WEG Receipts and the Maximum WEG Reduction Amount, to pay Eligible Costs for or on behalf of, or for the benefit of, WEG (or any Affiliate of WEG, or the assignee of WEG or any such Affiliate);
- (iii) if the Racetracks Payment for any Funding Year is reduced on account of WEG Receipts by the Maximum WEG Reduction Amount, then Ontario Racing shall not use any funds comprising the Racetracks Payment to pay Eligible Costs for or on behalf of, or for the benefit of, WEG (or any Affiliate of WEG, or the assignee of WEG or an such Affiliate) during such Funding Year; and
- (iv) the Parties shall amend the applicable Approved Annual Business Plan accordingly to reflect this Section 4.2(c).

4.3 Unused Funds

(a) If any of the funds comprising Racetracks Payments or Purse Enhancement Payments for any Funding Year are not used or reserved by Ontario Racing to pay Eligible Costs for or on behalf of, or for the benefit of, the OR Racetrack Members in accordance with this Agreement and the Approved Annual Business Plan for such Funding Year, the aggregate amount of money that OLG shall be required to pay to Ontario Racing as the Racetracks Payment pursuant to Section 2.1 for the next following Funding Year may be reduced by an amount equal to such unused funds, in OLG's sole discretion following consultation with ORM.

(b) If, in any Funding Year, any funds comprising the Capital Improvements Payment are not distributed by Ontario Racing to the extent contemplated in the Approved Annual Business Plan for such Funding Year, the distribution of such funds may be included in the Approved Annual Business Plan for the next following Funding Year, failing which the aggregate amount of money that OLG shall be required to pay to Ontario Racing as the Capital Improvements Payment pursuant to Section 2.1 for such next following Funding Year may be reduced by an amount equal to such undistributed funds, following consultation with ORM.

(c) If, in any Funding Year, any funds comprising the Horse Improvement Payment are not distributed by Ontario Racing to the extent contemplated in the Approved Annual Business Plan for such Funding Year, the aggregate amount of money that OLG shall be required to pay to Ontario Racing as the Horse Improvement Payment pursuant to Section 2.1 for the next following Funding Year may be reduced by an amount equal to such unused funds, in OLG's sole discretion following consultation with ORM.

ARTICLE 5
PLANNING AND BUDGETING

5.1 Annual Business Plan

(a) Ontario Racing shall, at least 60 days prior to the commencement of each Funding Year (or at such other time as OLG may direct, acting reasonably, upon reasonable notice to Ontario Racing), deliver to OLG a proposed annual business plan for such Funding Year, prepared in accordance with this Section 5.1(a) (each a "**Proposed Annual Business Plan**"). In each Proposed Annual Business Plan, Ontario Racing shall include:

- (i) an annual budget for Ontario Racing by quarter;
- (ii) a detailed use of funds relating to the Annual Payment;
- (iii) race dates for each of the Member Racetracks;
- (iv) purse levels for each of the Member Racetracks;
- (v) for informational purposes only, proposed pari-mutuel wagering handle growth rates for each of the Member Racetracks;
- (vi) the other matters specified in Schedule 5.1(a), which Schedule OLG, acting reasonably, shall be entitled to modify from time to time by written notice to Ontario Racing and ORM; and
- (vii) a detailed use of funds relating to the Horse Improvement Payment.

For greater certainty, Ontario Racing shall include the specified information regarding each OR Racetrack Member and each Member Racetrack in each Proposed Annual Business Plan regardless of the amount of funds comprising any Annual Payment that will be used to pay Eligible Costs or Eligible Capital Costs for or on behalf of, or for the benefit of, any OR Racetrack Member during the applicable Funding Year.

(b) Each Proposed Annual Business Plan will be subject to review by OLG. The elements of the Proposed Annual Business Plan that are referred to in Sections 5.1(a)(i), 5.1(a)(ii), 5.1(a)(iii), 5.1(a)(iv) and 5.1(a)(vii) and those elements specified as being "Subject to OLG approval" in Schedule 5.1(a), will be subject to approval by OLG, acting reasonably, in accordance with Section 5.2.

(c) Ontario Racing shall ensure that each Proposed Annual Business Plan that is delivered to OLG pursuant to Section 5.1(a), and any proposed revisions thereto that are submitted to OLG pursuant to Section 5.2(a) or Section 5.3(a), shall have been approved by the board of directors of Ontario Racing prior to such delivery. Ontario Racing shall include with each Proposed Annual Business Plan (or any proposed revisions thereto, as applicable) a copy of the minutes of meeting or written resolutions of the board of directors of Ontario Racing evidencing proper approval of the applicable plan in accordance with the Organizational Documents of Ontario Racing, in each case certified to be a true, correct and complete copy

thereof by the applicable corporate secretary (or another corporate officer that is acceptable to OLG, in its sole discretion).

5.2 Review and Approval by OLG

(a) OLG shall be entitled to review the Proposed Annual Business Plan, acting reasonably, for the purpose of validating the appropriateness and sufficiency of the plans and budgets contained therein, taking into account that a key goal of Ontario Racing will be to reduce the need for OLG financial support over time. Within 15 days following the delivery by Ontario Racing to OLG of each Proposed Annual Business Plan and the approvals referred to in Section 5.1(c) (or at such other time as OLG may direct upon reasonable notice to Ontario Racing), representatives of OLG and Ontario Racing will meet for a discussion thereof, including a comparison with the performance of Ontario Racing and each of the OR Racetrack Members during the previous Funding Year. If OLG does not approve in writing any portion of a Proposed Annual Business Plan that is subject to OLG's approval in accordance with Section 5.1(b), then OLG shall discuss with Ontario Racing the reasons therefor, and OLG and Ontario Racing shall cooperate in an attempt to resolve their disagreements. If OLG and Ontario Racing are unable to resolve any such disagreement with respect to a Proposed Annual Business Plan on or before the date that is 25 days prior to the commencement of the Funding Year to which it relates, then the items in dispute will be resolved pursuant to the Dispute Resolution Procedure. If any such items remain in dispute at the commencement of the Funding Year to which the Proposed Annual Business Plan relates, then notwithstanding anything to the contrary herein, with respect to those portions of the Proposed Annual Business Plan that are subject to OLG's approval in accordance with Section 5.1(b), the Approved Annual Business Plan for the immediately preceding Funding Year (except to the extent of any Capital Improvements Payment contemplated therein) will be deemed to be the Approved Annual Business Plan for the current Funding Year until such dispute is resolved, and no Capital Improvements Payment will be paid during the current Funding Year until all such disputed items in the Proposed Annual Business Plan for the applicable Funding Year have been resolved. Each Proposed Annual Business Plan that has been approved by OLG pursuant to this Section 5.2(a), or otherwise settled pursuant to the Dispute Resolution Procedure, is referred to herein as an "**Approved Annual Business Plan**". Ontario Racing shall not make any changes to the Approved Annual Business Plan without the prior written consent of OLG, other than changes mandated by the AGCO in connection with the granting of any Governmental Consent that is required to be obtained by Ontario Racing in respect of any portion of the Approved Annual Business Plan, including with respect to the racing programs (which changes Ontario Racing shall notify to OLG, in writing).

(b) Without limiting any other provisions of this Agreement, Ontario Racing shall promptly provide to OLG written clarifications of the information and analysis included in any Proposed Annual Business Plan or any Approved Annual Business Plan, and such additional information or analysis, in each case, as OLG may reasonably request from time to time.

(c) If any portion of a Proposed Annual Business Plan for a Funding Year that is subject to OLG's approval in accordance with Section 5.1(b) remains in dispute (provided that OLG has acted reasonably in withholding its approval), or if Ontario Racing has not obtained from the AGCO any Governmental Consent that is required in respect of any portion of the

Approved Annual Business Plan (including with respect to racing programs) for a Funding Year, then notwithstanding anything to the contrary in this Agreement, OLG shall not be required to pay the portion of the Racetracks Payment, the Additional Purse Enhancement Payment, the Capital Improvement Payments or the Horse Improvement Payment, as applicable, related to the disputed or unapproved portion of the Proposed Annual Business Plan or the Approved Annual Business Plan, as applicable, to Ontario Racing in respect of such Funding Year.

5.3 Revisions to Approved Annual Business Plans

(a) If at any time during any Funding Year Ontario Racing determines, acting reasonably, that the Approved Annual Business Plan for that Funding Year is no longer accurate or appropriate in any material respect because of changes in conditions, circumstances or otherwise, Ontario Racing shall promptly advise OLG in writing of such determination. In addition to the foregoing, upon any written request of OLG, acting reasonably, Ontario Racing shall evaluate any then current Approved Annual Business Plan to determine whether the assumptions and other data used as the basis for preparing the budgets and plans contained therein continue to be valid and appropriate in all material respects or whether any such budget or plan is otherwise no longer accurate or appropriate in any material respect. In either of the foregoing circumstances, subject to first obtaining the approvals required pursuant to Section 5.1(c), Ontario Racing shall deliver to OLG, for review and, to the extent required pursuant to Section 5.1(b), approval, a revised Proposed Annual Business Plan for the remainder of the Funding Year (which revised Proposed Annual Business Plan will be subject to the requirements of Section 5.1(b) and Section 5.2), together with, in narrative form, an explanation of the proposed revisions and the reasons the assumptions and other data, as applicable, used as the basis for preparing the applicable Approved Annual Business Plan are no longer valid or appropriate in any material respect. Any revisions to an Approved Annual Business Plan will be subject to review and, to the extent required pursuant to Section 5.1(b), approval by OLG in accordance with Section 5.2 and will not relieve Ontario Racing from its obligation to obtain any required Governmental Consents relating thereto from the AGCO.

(b) Notwithstanding Section 5.3(a), if at any time during any Funding Year Ontario Racing proposes any revisions to the racing program that is included in the Approved Annual Business Plan for that Funding Year for any Member Racetrack (including with respect to race dates, post times, rescheduling of previously cancelled race days, purse levels, the addition of race days or special event day requests), Ontario Racing shall submit the details of such proposed revisions to OLG, in writing, together with such additional information relating thereto as OLG may thereafter request. OLG shall respond to each such request within 10 Business Days following receipt of all information required to be submitted by Ontario Racing pursuant to this Section 5.3(b). If OLG approves such request, then OLG shall notify Ontario Racing thereof and forward the proposal to AGCO for final regulatory approval. If OLG does not approve such request, then OLG shall notify Ontario Racing thereof and provide reasons therefor.

5.4 Three-Year Strategic Plan

(a) Contemporaneously with the submission of the Proposed Annual Business Plan for each of the fourth and seventh Funding Years and, if applicable, each of the tenth, thirteenth, sixteenth and nineteenth Funding Years, Ontario Racing shall deliver to OLG a three-year

strategic plan (the "**Three-Year Strategic Plan**") that addresses the matters specified in Schedule 5.4. In developing the Three-Year Strategic Plan, Ontario Racing shall take into account that racetracks play a critical role in the growth trajectory of the horse racing sector in Ontario. Consequently, Ontario Racing shall drive efforts to enable and grow a prosperous, dynamic horse racing industry that will be positioned for long-term viability and success. In order to do so, Ontario Racing shall adopt an industry-wide perspective with a concerted focus to progress on the following strategic objectives:

- (i) a more self-sufficient sector that sustains jobs; and
- (ii) industry leadership, collaboration and ownership.

Ontario Racing shall ensure that each Three-Year Strategic Plan reflects the foregoing strategic objectives.

(b) Ontario Racing shall ensure that each Three-Year Strategic Plan that is delivered to OLG pursuant to Section 5.4(a) shall have been approved by the board of directors of Ontario Racing prior to such delivery. Ontario Racing shall include with each Three-Year Strategic Plan a copy of the minutes of meeting or written resolutions of the board of directors of Ontario Racing evidencing proper approval of the applicable plan in accordance with the Organizational Documents of Ontario Racing, in each case certified to be a true, correct and complete copy thereof by the corporate secretary of Ontario Racing (or another corporate officer that is acceptable to OLG, in its sole discretion).

5.5 Format and Method of Delivery

Ontario Racing shall:

- (a) prepare each of the plans referred to in this Article 5 in writing and in such format as OLG, acting reasonably, may prescribe from time to time;
- (b) transmit each of the plans referred to in this Article 5 (including the final approved versions thereof) to OLG using such method, whether in paper or by electronic delivery, as OLG, acting reasonably, may prescribe from time to time.

5.6 Funding Years 2019/2020 and 2020/2021

(a) OLG and Ontario Racing agree that, notwithstanding anything to the contrary in this Agreement but subject to Sections 3.4(a) (including Schedule 3.4(a)) and 5.6(c), the Annual Payment for the first two Funding Years commencing on the Commencement Date will be an aggregate amount not to exceed \$119,850,000, comprised of the Racetracks Payment, the Additional Purse Enhancement Payment, the Capital Improvements Payment, the Administration Payment, the Operational Enhancement Payment, the Horse Improvement Payment and \$3,000,000 (the "**Transition Payment**"), provided that:

- (i) each Proposed Annual Business Plan for the first two Funding Years commencing on the Commencement Date will, at a minimum, maintain an allocation of the Racetracks Payment for the benefit of each of the OR

Racetrack Members, other than WEG, in a manner that reflects the same level of funding that each OR Racetrack Member was entitled to receive pursuant to its respective Terminated Transfer Payment Agreement during the 12-month period that commenced on April 1, 2017 and ended on March 31, 2018;

- (ii) OLG shall only pay to Ontario Racing and Ontario Racing shall distribute the portion of the Transition Payment to ORM to be used solely for the purpose of paying Transition Payment Eligible Costs for and on behalf of, or for the benefit of, the OR Racetrack Members specified in Schedule 5.6(a)(ii) (the "**Transition Payment Recipients**"), in each case up to the amount of the payment referred to in such Schedule as being for or for the benefit of such Transition Payment Recipient; and if any of the funds comprising the Transition Payment for either of such Funding Years are not used or reserved by Ontario Racing to pay Transition Payment Eligible Costs for or on behalf of, or for the benefit of the Transition Payment Recipients in the amounts specified in Schedule 5.6(a)(ii) and otherwise in accordance with this Agreement for the applicable Funding Year, then Ontario Racing shall repay such unused funds to OLG within 10 Business Days following the end of such Funding Year; and
- (iii) during the first two Funding Years commencing on the Commencement Date, the Racetracks Payment may be used to pay Eligible Costs for or on behalf of, or for the benefit of, the OR Racetrack Members or, in the case of any particular OR Racetrack Member, for such other purposes that funds received by such OR Racetrack Member pursuant to its respective Terminated Transfer Payment Agreement could be used in accordance with the terms thereof, but in each case in accordance with the Approved Annual Business Plans for such Funding Years.

(b) Except as otherwise provided in Section 5.6(a), the provisions of the Agreement that are applicable to the Racetracks Payment shall apply in respect of the Transition Payment.

(c) If any of the Non-Member Racetracks has not become an OR Racetrack Member prior to the commencement of the first Funding Year, the Racetracks Payment shall be reduced by the amount equal to the level of funding that such Non-Member Racetrack was entitled to receive pursuant to its respective Remaining Transfer Payment Agreement during the 12-month period that commenced on April 1, 2017 and ended on March 31, 2018 so long as such payment is being made to such Non-Member Racetrack pursuant to an effective Remaining Transfer Payment Agreement during the first Funding Year. If any of the Non-Member Racetracks has not become an OR Racetrack Member prior to the commencement of the second Funding Year, the Racetracks Payment will be similarly reduced for such second Funding Year. Beginning with the third Funding Year, the fact that there may be Non-Member Racetracks at that time will not give rise to any reduction to the Racetracks Payment.

5.7 Teletheatre Network

(a) The Parties acknowledge that the Teletheatre network in Ontario is owned and operated by WEG, for the benefit of the live horse racing industry in Ontario in accordance with the pari-mutuel wagering revenue sharing provisions in the OR Membership Agreement. WEG shall cooperate with Ontario Racing to prepare those portions of the Proposed Annual Business Plan relating to such Teletheatre network operations.

(b) OLG shall use commercially reasonable efforts to facilitate discussions between WEG and the AGCO with respect to WEG being licensed as the single operator (for the benefit of Ontario Racing) for the off-track Teletheatre home market area for Ontario.

**ARTICLE 6
ADDITIONAL COVENANTS**

6.1 Covenants of Ontario Racing

In addition to the other obligations, covenants and agreements of Ontario Racing contained herein, Ontario Racing covenants and agrees with OLG as follows:

- (a) Compliance. Ontario Racing shall, and shall cause each of the OR Racetrack Members to, comply at all times during the Pre-Funding Period and the Term with this Agreement and Applicable Law and, without limiting the generality of the foregoing, shall perform each of its other obligations, covenants and agreements hereunder in compliance with this Agreement, including the Standard of Care, and Applicable Law.
- (b) Governmental Consents. Ontario Racing shall, and shall cause each of the OR Racetrack Members to, remain in good standing with all Governmental Authorities having jurisdiction or authority over or in respect of it, and shall obtain and maintain in good standing throughout the Pre-Funding Period and the Term all Governmental Consents that are necessary in connection with the performance of its obligations hereunder and, in the case of the OR Racetrack Members, the operation of the Member Racetracks.
- (c) Corporate Existence. Ontario Racing shall, and shall cause each of the OR Racetrack Members to, maintain its corporate or other legal form, rights and powers under the laws of its jurisdiction of existence and duly qualify and remain duly qualified to own or lease and operate its assets and to carry on its business as now conducted and as proposed to be conducted.
- (d) Organizational Documents. Ontario Racing shall not amend, or permit the amendment of, in any material respect, the Organizational Documents during the Pre-Funding Period or the Term without the prior written consent of OLG.
- (e) Material Agreements. Ontario Racing shall, at all times during the Pre-Funding Period and the Term, comply with its obligations under each of the Material Agreements to which it is a party in accordance with the terms thereof, and shall

not: (i) terminate any such Material Agreement; (ii) amend any such Material Agreement in any material respect, (iii) waive any material provision of any such Material Agreement; or (iv) effect any transfer, assignment or other disposition (whether contingent, absolute or otherwise) of the whole or any part of any such Material Agreement, or any of Ontario Racing's rights under any such Material Agreement, in each case, without OLG's prior written consent.

- (f) Approved Annual Business Plans. Ontario Racing shall execute each Approved Annual Business Plan in accordance with the provisions of this Agreement.
- (g) Oversight. Ontario Racing shall ensure the proper use and expenditure of the Annual Payment by ORM on behalf of the OR Racetrack Members, and by the OR Racetrack Members, in accordance with this Agreement (including Article 3) and the Approved Annual Business Plans. In the event that Ontario Racing or OLG, acting reasonably, determines that any funds comprising an Annual Payment have not been used or expended to satisfy an Eligible Cost, an Eligible Capital Cost, a Transition Payment Eligible Cost, an Eligible Use, an Operational Enhancement Eligible Cost or a HIP Permitted Use, as applicable, by ORM for or on behalf of, or for the benefit of, an OR Racetrack Member, or by an OR Racetrack Member, in accordance with the relevant Approved Annual Business Plan, Ontario Racing shall repay or shall cause such OR Racetrack Member to repay such funds to OLG. To the extent that any such funds have not been repaid to OLG at the time that any payment in respect of an Annual Payment is required to be made by OLG under this Agreement, without limiting OLG's rights under Section 4.3, OLG shall be entitled to reduce the amount of such Annual Payment by the full amount of such funds.
- (h) Race Dates and Purse Allocations. Ontario Racing shall ensure that, during each Funding Year of the Term, each of the OR Racetrack Members runs the race dates with the purse allocations specified in the Approved Annual Business Plan for such Funding Year. In the event that any date is cancelled, Ontario Racing shall cause the relevant OR Racetrack Member to replace the cancelled race date by running an additional race date, adding additional races to other race dates or increasing the purses on other race dates (or a combination of some or all of the foregoing), in each case after consultation with the applicable horsepersons group and OLG, and subject to complying with Applicable Law and Governmental Consents (each, a "**Make-Up Tactic**"); provided, however, that if it is not feasible to effect a Make-Up Tactic, or if no Make-Up Tactic is effected for any other reason, Ontario Racing shall apply such purse allocations to future races in the then current Funding Year or the next Funding Year.
- (i) Revenue Sharing. During each Funding Year of the Term, Ontario Racing shall distribute a minimum share of the Gross Wagering Handle of all of the OR Racetrack Members to each of them in accordance with the Approved Annual Business Plan and the pari-mutuel wagering sharing agreement provisions in the OR Membership Agreement.

- (j) Allocation of Costs. If, notwithstanding the terms of the applicable cost allocation provisions in the OR Membership Agreement, an OR Racetrack Member pays on behalf of Ontario Racing any costs in respect of which Ontario Racing is responsible pursuant to such cost allocation provisions, Ontario Racing shall reimburse the OR Racetrack Member for those costs (including any applicable Taxes).
- (k) Joint Purse. During the Term, Ontario Racing shall administer one joint purse account for the OR Racetrack Members.
- (l) Changes to Ontario Racing Membership. Ontario Racing shall provide written notice to OLG at least 30 days prior to any proposed change to the membership thereof becoming effective, including in the case of any proposed transfer of the ownership of a Member Racetrack from an OR Racetrack Member to any other person, or the addition of any person as an OR Racetrack Member (each of which changes that would result in a new person becoming an OR Racetrack Member shall require the prior written consent of OLG, acting reasonably, if such change is not contemplated by the applicable Approved Annual Business Plan). Ontario Racing shall not permit any person that is not a duly licensed operator of a horse racing track in Ontario that conducts live horse racing to be an OR Racetrack Member, including any existing OR Racetrack Member as of the date hereof that ceases to conduct live horse racing at its Member Racetrack. If, at any time prior to April 1, 2019, any of the Non-Member Racetracks applies to become a member of Ontario Racing (in which case such Non-Member Racetrack would become an OR Racetrack Member for purposes of this Agreement), subject to such Non-Member Racetrack satisfying the conditions to membership as specified in the Organizational Documents, Ontario Racing shall not deny the admission of such Non-Member Racetrack as a member without the prior written approval of OLG. Following the admission of any Non-Member Racetrack as a member of Ontario Racing, Ontario Racing shall revise the applicable Approved Annual Business Plan in accordance with Section 5.3; provided, however, that Ontario Racing shall not be required to make any revisions with respect to the allocation of the funds comprising the Additional Purse Enhancement Payment or the Capital Improvements Payment made in an already Approved Annual Business Plan; and provided further that such new OR Racetrack Member shall not be entitled to receive any funds comprising the Annual Payment in the Funding Year in which such person becomes an OR Racetrack Member.
- (m) Publicity. Ontario Racing shall provide a reasonably detailed notice to OLG within a reasonable period of time prior to Ontario Racing, any OR Racetrack Member or any representative of Ontario Racing or any OR Racetrack Member making any public statement in relation to (i) changes that may have a real or perceived material adverse impact on racetracks or horse people in Ontario, (ii) the reputation or integrity of Ontario Racing or any OR Racetrack Member, or (iii) any position being taken by Ontario Racing or the OR Racetrack Member regarding any policy, position or decision of any Provincial Entity regarding the horse racing industry in Ontario.

- (n) CPMA Compliance. Ontario Racing shall ensure that OR Racetrack Members are contractually obligated to comply with the requirements of the CPMA during the Term.
- (o) Pari-Mutuel Tax Reduction. Ontario Racing shall distribute PMTR for the benefit of the industry based on the memorandum of understanding signed by operators of racetracks, horse people, the Ontario Racing Commission and the Minister of Consumer and Business Services and effective September 30, 1996, or pursuant to any other arrangement that replaces such memorandum of understanding.
- (p) Claims. Ontario Racing shall provide to OLG written notice of any Claim that gives rise to a Material Adverse Effect in respect of Ontario Racing or any of the OR Racetrack Members promptly after Ontario Racing or the applicable OR Racetrack Member becomes aware thereof.

6.2 Covenants of ORM

In addition to the other obligations, covenants and agreements of ORM contained herein, ORM covenants and agrees with OLG as follows:

- (a) Compliance. ORM shall comply at all times during the Pre-Funding Period and the Term with this Agreement and Applicable Law and, without limiting the generality of the foregoing, shall perform each of its other obligations, covenants and agreements hereunder, and to the extent that ORM is performing any obligation, covenant or agreement of Ontario Racing hereunder pursuant to the ORM Management Agreement, ORM shall perform each of such obligations, covenants and agreements of Ontario Racing hereunder, in compliance with this Agreement, including the Standard of Care, and Applicable Law.
- (b) Governmental Consents. ORM shall remain in good standing with all Governmental Authorities having jurisdiction or authority over or in respect of it, and shall obtain and maintain in good standing throughout the Pre-Funding Period and the Term all Governmental Consents that are necessary in connection with the performance of its obligations hereunder.
- (c) Corporate Existence. ORM shall maintain its corporate or other legal form, rights and powers under the laws of its jurisdiction of existence and duly qualify and remain duly qualified to own or lease and operate its assets and to carry on its business as now conducted and as proposed to be conducted.
- (d) Material Agreements. ORM shall, at all times during the Pre-Funding Period and the Term, comply with its obligations under each of the Material Agreements to which it is a party or in respect of which it is performing any of Ontario Racing's obligations thereunder in accordance with the terms thereof, and shall not: (i) terminate any such Material Agreement; (ii) amend any such Material Agreement in any material respect, (iii) waive any material provision of any such Material Agreement; or (iv) effect any transfer, assignment or other disposition

(whether contingent, absolute or otherwise) of the whole or any part of any such Material Agreement, or any of ORM's rights under any such Material Agreement, in each case, without OLG's prior written consent.

- (e) Publicity. ORM shall provide a reasonably detailed notice to OLG within a reasonable period of time prior to ORM or any of its representatives making any public statement in relation to (i) changes that may have a real or perceived material adverse impact on racetracks or horse people in Ontario, (ii) the reputation or integrity of ORM, or (iii) any position being taken by ORM regarding any policy, position or decision of any Provincial Entity regarding the horse racing industry in Ontario.
- (f) Race Days and Purse Allocations. ORM shall contribute supplemental funds, at its own cost, to the extent necessary to ensure that Ontario Racing is able to comply with its covenants and agreements in Section 6.1(h) relating to the running of race days with purse allocations specified in the applicable Approved Annual Business Plan, by the OR Racetrack Members.
- (g) Claims. ORM shall provide to OLG written notice of any Claim that gives rise to a Material Adverse Effect in respect of ORM promptly after ORM becomes aware thereof.

6.3 Covenants of WEG

In addition to the other obligations, covenants and agreements of WEG contained herein, WEG covenants and agrees with OLG as follows:

- (a) Compliance. WEG shall comply at all times during the Pre-Funding Period and the Term with this Agreement and Applicable Law and, without limiting the generality of the foregoing, shall perform each of its other obligations, covenants and agreements hereunder in compliance with this Agreement, including the Standard of Care, and Applicable Law.
- (b) Governmental Consents. WEG shall remain in good standing with all Governmental Authorities having jurisdiction or authority over or in respect of it, and shall obtain and maintain in good standing throughout the Pre-Funding Period and the Term all Governmental Consents that are necessary in connection with the performance of its obligations hereunder and the operation of its Member Racetracks.
- (c) Corporate Existence. WEG shall maintain its corporate or other legal form, rights and powers under the laws of its jurisdiction of existence and duly qualify and remain duly qualified to own or lease and operate its assets and to carry on its business as now conducted and as proposed to be conducted.
- (d) OR Membership Agreement. WEG shall, at all times during the Pre-Funding Period and the Term, comply with its obligations under the OR Membership

Agreement in accordance with the terms thereof, and shall not: (i) terminate the OR Membership Agreement; (ii) amend the OR Membership Agreement in any material respect, (iii) waive any material provision of the OR Membership Agreement; or (iv) effect any transfer, assignment or other disposition (whether contingent, absolute or otherwise) of the whole or any part of the OR Membership Agreement, or any of WEG's rights under the OR Membership Agreement, in each case, without OLG's prior written consent.

- (e) Publicity. WEG shall provide a reasonably detailed notice to OLG within a reasonable period of time prior to WEG or any of its representatives making any public statement in relation to (i) changes that may have a real or perceived material adverse impact on racetracks or horse people in Ontario, (ii) the reputation or integrity of WEG, or (iii) any position being taken by WEG regarding any policy, position or decision of any Provincial Entity regarding the horse racing industry in Ontario.
- (f) OR Racetrack Member. At all times during the Pre-Funding Period and the Term, WEG shall be and remain an OR Racetrack Member, and WEG shall exercise its rights under the Organizational Documents in good faith having regard for the Funding Purpose.
- (g) Race Days and Purse Allocations. WEG shall contribute supplemental funds, at its own cost, to the extent necessary to ensure that Ontario Racing is able to comply with its covenants and agreements in Section 6.1(h) relating to the running of race days with purse allocations specified in the applicable Approved Annual Business Plan, by the OR Racetrack Members.
- (h) Claims. WEG shall provide to OLG written notice of any Claim that gives rise to a Material Adverse Effect in respect of WEG promptly after WEG becomes aware thereof.
- (i) ORM. WEG shall cause ORM to be and remain a wholly-owned subsidiary of WEG during the Pre-Funding Period and the Term. WEG shall cause ORM to comply with and perform ORM's covenants, agreements and obligations under this Agreement in accordance with the terms hereof, and WEG shall be jointly and severally liable and responsible for such performance by ORM.

6.4 Indemnification

(a) Ontario Racing shall indemnify and save harmless (A) OLG, (B) each of the directors, officers, employees, agents and representatives of OLG, (C) the Crown and other Provincial Entities, and (D) the respective employees, agents and representatives of the Crown and all other Provincial Entities (collectively, the "**OLG Indemnitees**") from and against any and all Claims asserted against and all Losses suffered or incurred by any of them or for which any of them is or may be responsible directly or indirectly arising out of or resulting from:

- (i) any material inaccuracy or material misrepresentation in any representation and warranty of Ontario Racing in this Agreement or in any document delivered to OLG by or on behalf of Ontario Racing pursuant to this Agreement;
- (ii) any failure of Ontario Racing to perform or comply with any obligation, covenant or agreement in this Agreement in any material respect;
- (iii) any fraud, negligence, wilful misconduct or breach or violation of Applicable Law by Ontario Racing or any employees, agents or representatives of any of the foregoing; and
- (iv) the operation, maintenance or repair of any Member Racetrack.

(b) ORM and WEG shall, on a joint and several basis, indemnify and save harmless the OLG Indemnitees from and against any and all Claims asserted against and all Losses suffered or incurred by any of them or for which any of them is or may be responsible directly or indirectly arising out of or resulting from:

- (i) any material inaccuracy or material misrepresentation in any representation and warranty of ORM or WEG in this Agreement or in any document delivered to OLG by or on behalf of ORM or WEG pursuant to this Agreement;
- (ii) any failure of ORM or WEG to perform or comply with any obligation, covenant or agreement in this Agreement in any material respect;
- (iii) any fraud, negligence, wilful misconduct or breach or violation of Applicable Law by ORM, WEG or any employees, agents or representatives of any of the foregoing; and
- (iv) the operation, maintenance or repair of any of WEG's Member Racetracks.

(c) Ontario Racing, ORM and WEG acknowledge and agree that the OLG Indemnitees shall be entitled to the benefit of, and to rely on, this Section 6.4.

ARTICLE 7

FINANCIAL, REGULATORY AND PERFORMANCE REPORTING

7.1 Audited Annual Financial Statements

(a) Ontario Racing and ORM shall deliver to OLG as soon as practicable and, in any event, within 150 days after the end of each Funding Year, the audited consolidated financial statements of Ontario Racing and ORM, respectively, for such Funding Year then ended, prepared using GAAP, together with a report of the applicable auditors on such annual financial statements. Such audited financial statements will consist of at least the following in respect of Ontario Racing and ORM, as applicable:

- (i) a statement of financial position as at the end of such Funding Year;
- (ii) a statement of comprehensive income and expenses for such Funding Year;
- (iii) a statement of cash flows for such Funding Year;
- (iv) a statement of changes in equity for such Funding Year; and
- (v) all related note disclosures.

(b) Each of Ontario Racing and ORM shall appoint a firm of independent chartered professional accountants to be its auditors.

(c) Ontario Racing shall deliver to OLG as soon as practicable and, in any event, within 150 days after the end of each fiscal year of an OR Racetrack Member (including WEG), the audited financial statements for such OR Racetrack Member for such fiscal year then ended, prepared using GAAP, together with a report thereon by the firm of independent chartered professional accountants that the OR Racetrack Member has appointed as auditors; provided, however, that, without limiting any other covenant, agreement or obligation of Ontario Racing under this Agreement (or the scope thereof), Ontario Racing's obligation under this Section 7.1(c) shall not apply in respect of an OR Racetrack Member if Ontario Racing did not make any payment for or on behalf of, or for the benefit of, such OR Racetrack Member using funds comprising any portion of the Racetracks Payment, the Additional Purse Enhancement Payment, the Capital Improvements Payment or the Operational Enhancement Payment during such fiscal year of such OR Racetrack Member. Such audited financial statements will consist of at least the content specified in Section 7.1(a). WEG acknowledges the obligation of Ontario Racing under this Section 7.1(c) and agrees to take such actions as may be necessary to ensure that Ontario Racing can comply with and perform such obligation as it relates to WEG.

7.2 Quarterly and Semi-Annual Financial Reporting

(a) No later than 45 Business Days following the end of each quarter (including the fourth quarter) of each Funding Year, Ontario Racing shall deliver to OLG a report consisting of wagering performance results, broken down by origin of bet (for example: Ontario; Canada; other than Ontario; foreign) and by Member Racetrack, in the form of Schedule 7.2(a), together with any other information and supporting materials that are necessary for OLG to adequately review such report, as requested in writing by OLG from time to time.

(b) No later than November 15th and May 15th of each Funding Year, Ontario Racing shall deliver to OLG, in respect of the six-month periods ending September 30th and March 31st:

- (i) a report consisting of a comparison of the results contained in the statement of comprehensive income and expenses of Ontario Racing for such six-month period to the budgeted results in the then-current Approved Annual Business Plan, together with a narrative description of the results of operations as at the end of such six-month period and

descriptions of any significant variances identified as a result of the comparisons; and

- (ii) a report in respect of each OR Racetrack Member in the form of Schedule 7.2(b)(ii), together with a narrative description of the results of operations as at the end of such six-month period and descriptions of any significant variances identified as a result of the comparisons,

in each case, together with any other information and supporting materials that are necessary for OLG to adequately review such reports, as requested in writing by OLG from time to time.

7.3 Key Performance Indicators

No later than 30 Business Days following the end of each quarter of each Funding Year (in the case of quarterly reported Key Performance Indicators) or each Funding Year (in the case of annually reported Key Performance Indicators), as applicable, Ontario Racing shall provide to OLG a written report assessing in reasonable detail the performance of the Ontario horse racing industry against the key performance indicators that are described in Schedule 7.3 (the "**Key Performance Indicators**"), including identifying those areas in which the performance of the Ontario horse racing industry has not satisfied a Key Performance Indicator during the previous Funding Year and Ontario Racing's assessment of the reasons therefor. Ontario Racing shall reasonably cooperate with OLG to identify means of improving the performance of the Ontario horse racing industry to the extent that such performance has not achieved a Key Performance Indicator in the previous Funding Year.

7.4 Annual Compliance Certification

On an annual basis, contemporaneously with the delivery of the audited annual financial statements to OLG pursuant to Section 7.1(a), each of Ontario Racing and ORM shall deliver to OLG a separate written statement, in each case in the form attached as Schedule 7.4, signed by at least two directors of Ontario Racing or ORM, as applicable, certifying that, to the best knowledge of such directors after making due enquiries, Ontario Racing or ORM, as applicable, complied with and fulfilled its obligations under this Agreement during the immediately preceding Funding Year and prior thereto since the Commencement Date.

7.5 Annual Publication of Details of Use of Annual Payment

Within 150 days after the end of each Funding Year, Ontario Racing shall publish, on Ontario Racing's website or by such other means as OLG approves from time to time, a written summary of the use of the Annual Payment for such Funding Year, including with respect to:

- (a) the amounts of Eligible Costs, Eligible Capital Costs, Transition Payment Eligible Costs and Operational Enhancement Eligible Costs paid for or on behalf of, or for the benefit of, each OR Racetrack Member during such Funding Year;
- (b) the allocation and payment of the funds comprising the Horse Improvement Payment during such Funding Year; and

- (c) the Eligible Uses of the Administration Payment by Ontario Racing and ORM during such Funding Year, by reference to the total amount of the Administration Payment paid to ORM for administration costs and expenses.

Ontario Racing shall ensure that such published information remains publicly available and accessible, on Ontario Racing's website or by such other means as OLG approves from time to time. OLG may, but shall not be obligated to, publish some or all of such information on its website or by such other means as OLG determines from time to time.

7.6 Additional Reporting

(a) Ontario Racing and ORM shall prepare or obtain, as applicable, and deliver to OLG (i) the quarterly operational reports listed in Schedule 7.6(a) within the time periods specified in such Schedule, and (ii) such other daily, weekly, monthly, quarterly and annual reports as reasonably requested by OLG from time to time within the time periods specified by OLG, acting reasonably, in each such request.

(b) Contemporaneously with the delivery of each set of audited financial statements for Ontario Racing pursuant to Section 7.1, Ontario Racing shall provide to OLG written details of the payments and disbursements comprising Eligible Capital Costs incurred by any OR Racetrack Member, or by Ontario Racing or ORM for or on behalf of the OR Racetrack Members, using funds included in any Annual Payment in the immediately preceding Funding Year.

(c) If OLG determines that additional information is required from a financial reporting or performance management perspective, then Ontario Racing or ORM, as applicable, shall, or shall cause its auditors to, provide to OLG and to OLG's auditors all such information as OLG may request from time to time in connection therewith within the time periods specified by OLG, acting reasonably, in each such request.

7.7 OLG Review of Reports

Ontario Racing and ORM shall consider, respond to and address each of OLG's questions and other inquiries and requests regarding the reporting contemplated by this Article 7 in a timely manner. Without limiting the generality of the foregoing, if requested by OLG from time to time, Ontario Racing and ORM shall provide promptly to OLG:

- (a) such information and documentation as may be necessary or advisable to substantiate, confirm or further explain the information and calculations that are included in any such reports; and
- (b) such written clarifications of the information and analysis included in any such reports or supplement any such reports with additional information or analysis,

in each case, as reasonably requested by OLG.

7.8 Format and Method of Delivery

Ontario Racing and ORM shall comply with any reasonable direction of OLG applicable to the format and means of transmitting each document, statement and report required to be prepared and delivered to OLG pursuant to this Article 7 from time to time.

ARTICLE 8
INFORMATION; AUDIT AND INSPECTION

8.1 Maintenance of Information

(a) Each of Ontario Racing, ORM, WEG and the other OR Racetrack Members shall maintain or cause to be maintained, in accordance with Applicable Law and this Agreement, proper, accurate and complete books of account and such other records, material, information and data (in any form or notation and however stored) as may be necessary, desirable or customarily prepared or maintained to reflect the use of any of the funds comprising any Annual Payment and the performance of their respective other obligations, covenants and agreements hereunder, and to allow and facilitate the purposes of the rights of inspection and audit contemplated by this Agreement (collectively, the "**Agreement Records**").

(b) Except as otherwise specifically provided in this Agreement, and to the extent applicable, each of Ontario Racing, ORM, WEG and the other OR Racetrack Members shall maintain or cause to be maintained all Agreement Records in accordance with GAAP.

(c) Ontario Racing, ORM, WEG and the OR Racetrack Members shall maintain the Agreement Records in the Province of Ontario or such other location as may be approved by OLG in writing, which approval may be withheld in OLG's sole and absolute discretion.

8.2 Audit and Inspection

(a) OLG and any authorized representatives (including an independent firm selected by OLG with expertise in the performance of such audits) designated by OLG shall have the right to audit and inspect (i) from time to time during the Term, all or any part of the business or operations of Ontario Racing, (ii) from time to time during the Term, the business and operations of ORM relating to its duties under this Agreement and the ORM Management Agreement and use of the Administration Payment, (iii) from time to time during the Term, all or any part of any racetrack operation of any OR Racetrack Member that receives the benefit of any funds comprising any portion of any Annual Payment (including as a result of the payment of Eligible Costs, Eligible Capital Costs, Transition Payment Eligible Costs or Operational Enhancement Eligible Costs by Ontario Racing or ORM for or on behalf of the OR Racetrack Members using funds included in any Annual Payment), and (iv) from time to time during the Term and for the period of seven years thereafter, all Agreement Records.

(b) OLG shall provide at least 10 days' prior written notice to Ontario Racing and ORM of any planned audit or inspection to be conducted by OLG or any authorized representatives pursuant to Section 8.2(a). Ontario Racing shall be responsible for notifying any

OR Racetrack Member of any audit or inspection of such OR Racetrack Member to be conducted by OLG or any authorized representatives pursuant to Section 8.2(a).

(c) OLG and any authorized representatives designated by OLG shall have all rights and authority necessary or incidental to conducting any audit or inspection pursuant to this Agreement, including the right to make copies of and take extracts from any Agreement Records. OLG shall use its commercially reasonable efforts to ensure that any audit or inspection conducted pursuant to this Article 8 will not unreasonably interfere with the ability of Ontario Racing, ORM, WEG or any other OR Racetrack Member to carry on its operations in the ordinary course.

(d) Ontario Racing, ORM, WEG and the other OR Racetrack Members shall, and shall cause their respective directors, officers and employees to, at all times cooperate with and provide such assistance to OLG and any authorized representatives designated by OLG as they reasonably require in order to exercise and carry out the rights set out in this Article 8. Without limiting any other provision of this Agreement, if and as requested by OLG from time to time, Ontario Racing, ORM, WEG and the other OR Racetrack Members shall provide to OLG and such authorized representatives, and shall allow OLG and such authorized representatives to make copies of, all internal and external audit reports and findings (and associated recommendations) prepared by Ontario Racing, ORM, WEG or such other OR Racetrack Member relating to the use of any funds comprising a portion of any Annual Payment or otherwise relating to this Agreement.

(e) Without limiting the generality of any other provision of this Agreement, Ontario Racing, ORM and WEG acknowledge and agree that certain Governmental Authorities from time to time having jurisdiction over OLG (including the Auditor General of Ontario) may have rights of audit, inspection, investigation and similar rights and authority that are separate and apart from the rights and obligations of the Parties under this Agreement.

8.3 Information Requests

In addition to any other right of OLG in this Article 8, at any time during the Pre-Funding Period and the Term, OLG, acting reasonably, shall be entitled to request from Ontario Racing, ORM, WEG and any other OR Racetrack Member, or any of them (which request shall be delivered to Ontario Racing, which shall then be responsible for the compliance therewith by the applicable OR Racetrack Member), and the recipient of such request shall supply to OLG within 10 Business Days following receipt of such written request (or such longer period as OLG, acting reasonably, may agree to following a request, made in good faith, by the recipient of OLG's request), such information in respect of the operation of Ontario Racing, ORM, the Member Racetracks or the OR Racetrack Members as OLG reasonably requests, including information relating to the use of any funds comprising any Annual Payment, or the assets, liabilities, past performance or future prospects of Ontario Racing, ORM or such Member Racetracks or OR Racetrack Members. Notwithstanding anything to the contrary contained herein, if OLG makes a request pursuant to this Section 8.3 that is not satisfied in accordance with this Section (as determined by OLG, acting reasonably), then in addition to OLG's other rights and remedies hereunder, and notwithstanding anything to the contrary contained herein, OLG shall be entitled to provide written notice thereof to Ontario Racing, and following the

receipt of such notice, Ontario Racing shall not make any payment for or on behalf of, or for the benefit of, the relevant OR Racetrack Member using funds comprising any portion of the Annual Payment or, if the issue is with ORM supplying reasonably requested information, any payment of funds comprising the Administration Payment to ORM, in each case until such request has been satisfied to OLG's reasonable satisfaction.

8.4 No Duty to Audit or Inspect; No Limitation of Rights or Remedies

Notwithstanding OLG's rights contained in this Agreement, OLG shall not have any duty or obligation to Ontario Racing, ORM, WEG, any of the other OR Racetrack Members or to any other person to conduct or cause to be conducted any audit, inspection or monitoring, and shall not incur any liability or obligation whatsoever (i) for not conducting or causing to be conducted any audit, inspection or monitoring, or (ii) for not addressing or otherwise acting upon any matters or information resulting from or identified during any such audit, inspection or monitoring. The fact that any audit, inspection or monitoring may not have been conducted or caused to be conducted by OLG or any of its representatives shall not relieve Ontario Racing, ORM, WEG or any OR Racetrack Member of any of their respective obligations, covenants, agreements or liability arising under or in respect of this Agreement.

8.5 OR Racetrack Members to be Bound

Without limiting Section 1.11, Ontario Racing shall ensure that each of the OR Racetrack Members agrees to comply with and perform the obligations of the OR Racetrack Members (to the extent relating to such OR Racetrack Member) that are included in this Article 8, including with respect to OLG's audit, inspection and information rights that are referred to in this Article 8 (collectively, the "**Member Obligations**"). Ontario Racing shall not permit the use of any funds comprising any portion of the Annual Payment for or on behalf of, or for the benefit of, any OR Racetrack Member that has not acknowledged and agreed to comply with and perform the Member Obligations.

ARTICLE 9
REPRESENTATIONS AND WARRANTIES

9.1 OLG Representations and Warranties

OLG represents and warrants to Ontario Racing, ORM and WEG, recognizing that Ontario Racing, ORM and WEG are relying upon such representations and warranties in entering into this Agreement, as of the date hereof, as follows:

- (a) OLG is a non-share capital corporation established under the Enabling Legislation and has the requisite power and authority to carry on its business as now conducted and as proposed to be conducted;
- (b) the execution, delivery and performance by OLG of this Agreement is within its corporate powers, has been duly authorized by all necessary corporate action and does not (i) contravene any provision of its constating documents, including the Enabling Legislation, or (ii) violate any Applicable Law; and

- (c) this Agreement has been duly executed and delivered by OLG and is the legal, valid and binding obligation of OLG, enforceable against OLG in accordance with its terms except as such enforceability may be limited by (i) limitations with respect to the enforcement of remedies by bankruptcy, insolvency, reorganization, moratorium, and similar Applicable Law affecting creditors' rights generally; (ii) general principles of equity and that a court may stay proceedings or the execution of judgments regardless of whether asserted in a proceeding in equity or at law; and (iii) statutory limitations of general application respecting the enforceability of claims against the Crown or its property.

9.2 Ontario Racing, ORM and WEG Representations and Warranties

Each of Ontario Racing, ORM and WEG represents and warrants to OLG in respect of itself only, but on a joint and several basis, recognizing that OLG is relying upon such representations and warranties in entering into this Agreement, as of the date hereof and as of the Commencement Date, as follows:

- (a) each of Ontario Racing and WEG is a non-share capital corporation established under the laws of the Province of Ontario, ORM is a corporation incorporated under the laws of the Province of Ontario, and each of Ontario Racing, ORM and WEG has all requisite power and authority to own or lease and operate its assets and to carry on its business as now conducted and as proposed to be conducted, and to its knowledge, each of the OR Racetrack Members other than WEG (i) is a corporation, limited or unlimited liability company or partnership duly organized and validly existing under the laws of the jurisdiction of its formation, and (ii) has all requisite power and authority to own or lease and operate its assets and to carry on its business as now conducted and as proposed to be conducted;
- (b) all of the OR Racetrack Members as of the date of the Original Funding Agreement are listed in Schedule 9.2(b), and all of such OR Racetrack Members will be OR Racetrack Members as of the Commencement Date;
- (c) ORM is a wholly-owned subsidiary of WEG;
- (d) the execution, delivery and performance of this Agreement by Ontario Racing, ORM or WEG, as applicable, is within its corporate powers, has been duly authorized by all necessary corporate action and does not (i) contravene any provision of the Organizational Documents (in the case of Ontario Racing) or its articles, bylaws and other constating documents (in the case of ORM and WEG), or (ii) violate any Applicable Law;
- (e) this Agreement has been duly executed and delivered by Ontario Racing, ORM or WEG, as applicable, and is the legal, valid and binding obligation of Ontario Racing, ORM or WEG, as applicable, enforceable against Ontario Racing, ORM or WEG, as applicable, in accordance with its terms except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium,

and similar Applicable Law limiting the enforcement of creditors' rights generally and by general principles of equity;

- (f) no Act of Insolvency has occurred in respect of it, or to its knowledge, in respect of any other OR Racetrack Member;
- (g) Ontario Racing, ORM, WEG and, to its knowledge, each of the other OR Racetrack Members, (i) have obtained all Governmental Consents required to be obtained by any of them and that are necessary to perform the obligations, agreements and covenants under this Agreement or in connection with the operation of the Member Racetracks, and each of such Governmental Consents is valid, subsisting and in good standing; and (ii) is not in default thereunder or breach thereof; and, to the knowledge of Ontario Racing, ORM or WEG, there exists no circumstance or fact that, individually or together with any other existing circumstance or fact, could reasonably be expected to result in a default under or breach of any of such Governmental Consents or the revocation or limitation thereof;
- (h) each of the following Exhibits attaches true, correct and complete copies of the referenced documents:
 - (i) Exhibit 9.2(h)(i) – Articles and By-laws of Ontario Racing;
 - (ii) Exhibit 9.2(h)(ii) – OR Membership Agreement; and
 - (iii) Exhibit 9.2(h)(iii) – ORM Management Agreement; and
- (i) each of the Material Agreements to which Ontario Racing, ORM or WEG is a party has been duly executed and delivered by Ontario Racing, ORM or WEG, as applicable, and to its knowledge, by the other parties thereto, and is the legal, valid and binding obligation of Ontario Racing, ORM or WEG, as applicable, and to its knowledge, of the other parties thereto, enforceable against Ontario Racing, ORM or WEG, as applicable, and to its knowledge, against the other parties thereto, in accordance with its terms except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, and similar Applicable Law limiting the enforcement of creditors' rights generally and by general principles of equity.

ARTICLE 10

RELATIONSHIP MANAGEMENT

10.1 Relationship Leads

Each of the Parties shall designate and identify to the other Parties a senior representative (collectively, the "**Relationship Leads**") to serve as the primary contact with the other Relationship Leads for the coordination and administration of matters related to this Agreement. Without limiting any other provision of this Agreement, the Parties shall ensure that each Relationship Lead (or any temporary or permanent replacement thereof) will be available

upon the reasonable request from time to time of the other Relationship Leads to review and discuss issues and matters relating to this Agreement.

10.2 Relationship Committees

(a) OLG, Ontario Racing and ORM shall establish and maintain during the Pre-Funding Period and the Term the following committees (collectively, the "**Relationship Committees**"):

- (i) Level 1: an executive management committee (an "**Executive Management Committee**") comprised of three members, being one representative of each of OLG, Ontario Racing and ORM. Each of OLG, Ontario Racing and ORM shall ensure that its appointee to the Executive Management Committee will be in a position of authority with such party that is above all of such Party's appointees to the Relationship Management Committee. The Executive Management Committee will meet on an annual basis prior to the delivery of the Proposed Annual Business Plan to OLG by Ontario Racing; and
- (ii) Level 2: a relationship management committee (a "**Relationship Management Committee**") comprised of six members, being two representatives of each of OLG, Ontario Racing and ORM. The Relationship Management Committee will be responsible for the coordination and administration of matters relating to this Agreement. The Relationship Management Committee will meet at least quarterly during each Funding Year and at such other times as any member of the Relationship Management Committee may reasonably request from time to time.

(b) Each Party may from time to time replace (on a temporary or permanent basis) any of its appointees to the Relationship Committees, and thereafter it shall promptly advise the other Parties thereof.

(c) Each Relationship Committee shall, within 30 days following its first meeting, establish in writing the mandate, purpose, role, accountability and meeting procedures applicable in respect of such committee, which mandates and procedures must not be inconsistent with the provisions of this Agreement. Without limiting the generality of the foregoing:

- (i) an OLG-appointed member of each Relationship Committee will act as chair of all meetings, and such chair will be responsible for scheduling meetings, setting the agenda for each meeting in consultation with the other committee members, and directing the meetings;
- (ii) meetings of each Relationship Committee may take place in person, by teleconference or by similar means of electronic communication; and

- (iii) in addition to the OLG-appointed members of each Relationship Committee, OLG will appoint an individual who will be responsible for maintaining written minutes of each meeting, which minutes will include a record of all action items discussed in such meetings relating to the Agreement, including the progress of all actions taken or to be taken following each meeting.

(d) Each Party shall use commercially reasonable efforts to ensure that all of its members on the Relationship Committees participate in every meeting scheduled in accordance with this Agreement or, if a member is not available to participate, the Party shall use commercially reasonable efforts to provide an appropriate replacement, whether temporary or permanent.

ARTICLE 11

EVENTS OF DEFAULT

11.1 Agreement Events of Default

For the purposes of this Agreement, the occurrence of any of the following events or circumstances during the Pre-Funding Period or the Term will constitute an Agreement Event of Default (subject to the cure periods specified in this Section 11.1):

- (a) this Agreement or any Material Agreement to which Ontario Racing, ORM or WEG is a party ceases to be a legal, valid and binding obligation of Ontario Racing, ORM or WEG, as applicable, enforceable against Ontario Racing, ORM or WEG, as applicable, in accordance with its terms except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, and similar Applicable Law limiting the enforcement of creditors' rights generally and by general principles of equity;
- (b) in the event of (i) any termination of any Material Agreement, (ii) any amendment of a Material Agreement in any material respect, (iii) any waiver of any material provision of any Material Agreement, or (iv) any transfer, assignment or other disposition (whether contingent, absolute or otherwise) by Ontario Racing, ORM or WEG of the whole or any part of any Material Agreement to which it is a party, or any of Ontario Racing's, ORM's or WEG's respective rights under any Material Agreement to which it is party, in each case, without OLG's prior written consent;
- (c) Ontario Racing, ORM or WEG being in default under any Material Agreement to which it is a party and, if such default is capable of being cured, such default is not cured within 30 days after the earlier of (i) the date on which Ontario Racing, ORM or WEG becomes aware of such default, and (ii) the date on which OLG notifies Ontario Racing, ORM or WEG in writing of such default;
- (d) the Organizational Documents are amended in any material respect without the prior written consent of OLG;

- (e) WEG ceasing to be a member of Ontario Racing;
- (f) ORM ceasing to be a wholly-owned subsidiary of WEG;
- (g) ORM ceasing to be responsible for the management of Ontario Racing as contemplated by the ORM Management Agreement, whether as a result of (i) the repudiation or termination of the ORM Management Agreement by any party thereto, (ii) the suspension of ORM's obligations thereunder by Ontario Racing in accordance with the terms thereof for any reasons (subject to any applicable cure periods thereunder in the case of a default by ORM), or (iii) an assignment of the ORM Management Agreement by ORM, in whole or in part;
- (h) the occurrence of an Act of Insolvency in respect of Ontario Racing, ORM or WEG, unless such Act of Insolvency is the result of a failure by OLG to pay all or any portion of the Annual Payment in accordance with this Agreement to the extent the amount not paid was due and payable hereunder, or if any of Ontario Racing, ORM or WEG ceases or threatens to cease to carry on business generally or admits its inability to pay or fails to pay its debts generally;
- (i) the revocation or non-renewal of any Governmental Consents (in whole or in part) that are required by any of Ontario Racing, ORM or WEG to perform their respective obligations, agreements and covenants under this Agreement or, in the case of WEG, in connection with the operation of its Member Racetracks;
- (j) Ontario Racing, ORM or WEG, or any of their respective directors or senior officers, is convicted of a criminal offence, a quasi-criminal offence (other than traffic offences) or a regulatory offence, in each case, if such conviction constitutes a Material Adverse Effect as determined by OLG, acting reasonably;
- (k) if there is any inaccuracy or misrepresentation in any representation or warranty of Ontario Racing, ORM or WEG in this Agreement or in any document delivered to OLG by or on behalf of Ontario Racing, ORM or WEG pursuant to this Agreement, which inaccuracy or misrepresentation constitutes a Material Adverse Effect as determined by OLG, acting reasonably, and, if such inaccuracy or misrepresentation is capable of being cured, such inaccuracy or misrepresentation has not been cured within 30 days following the date on which OLG notifies Ontario Racing, ORM or WEG in writing of such inaccuracy or misrepresentation; or
- (l) if Ontario Racing, ORM or WEG fails to perform or comply with any one or more obligations, covenants or agreements of Ontario Racing, ORM or WEG, as applicable, in this Agreement that is not referred to elsewhere in this Section 11.1, and if such failure is capable of being cured, such failure has not been cured within 30 days following the date on which OLG notifies Ontario Racing, ORM or WEG in writing of such failure.

11.2 Notification of Occurrence

Ontario Racing, ORM and WEG shall notify OLG in writing of the occurrence and details of any Agreement Event of Default, and of any event or circumstance that is likely, with the passage of time, giving of notice, determination of any condition, or otherwise, to constitute or give rise to an Agreement Event of Default, in each case promptly upon Ontario Racing, ORM and WEG becoming aware of the occurrence thereof.

11.3 OLG's Rights Upon Agreement Event of Default

Notwithstanding anything to the contrary in this Agreement, and without limiting OLG's right to terminate this Agreement in accordance with Section 13.1, following the occurrence of an Agreement Event of Default, OLG shall be entitled to withhold and not pay to Ontario Racing all or any portion of any future Annual Payments that are required to be paid hereunder until such time as the Agreement Event of Default has been remedied to OLG's satisfaction. OLG shall provide written notice to Ontario Racing regarding the exercise by OLG of its rights under this Section 11.3.

ARTICLE 12 TERM

12.1 Initial Term

Subject to the satisfaction of the Pre-Funding Period conditions in accordance with Section 1.14, the initial term of OLG's funding obligations under this Agreement (the "**Initial Term**") will commence on April 1, 2019 (the "**Commencement Date**") and, unless terminated earlier in accordance with its terms, will end on the seventh anniversary of the Commencement Date.

12.2 Extension Terms

(a) Subject to Section 12.2(c), if, during the first five Funding Years of the Initial Term, the OR Racetrack Members conducted the number of race dates for each applicable breed as specified in the Approved Annual Business Plan for each of such Funding Years (subject to any Make-Up Tactic referred to in Section 6.1(h)), the Initial Term will automatically be extended for an additional six consecutive years (the "**First Extended Term**"). Prior to or on June 1, 2024, OLG shall provide written notice (the "**First Term Notice**") to Ontario Racing and WEG confirming that the criteria for such automatic extension have been satisfied. Subject to Section 12.2(c), if the criteria for such automatic extension have not been satisfied, OLG shall have the option (the "**First Extension Option**"), exercisable in OLG's sole discretion, to extend the Initial Term for the First Extended Term by providing notice thereof prior to or on June 1, 2024, and such notice shall be deemed to be the First Term Notice.

(b) Subject to Section 12.2(c), if the Initial Term is extended for the First Extended Term in accordance with Section 12.2(a), and if, during the sixth through eleventh Funding Years of the Term (inclusive), the OR Racetrack Members conducted the number of race dates for each applicable breed as specified in the Approved Annual Business Plan for each of such

Funding Years (subject to any Make-Up Tactic referred to in Section 6.1(h)), the First Extended Term will automatically be extended for an additional six consecutive years (the "**Second Extended Term**"). Prior to or on June 1, 2030, OLG shall provide written notice (the "**Second Term Notice**") to Ontario Racing and WEG confirming that the criteria for such automatic extension have been satisfied. Subject to Section 12.2(c), if the criteria for such automatic extension have not been satisfied, OLG shall have the option (the "**Second Extension Option**"), exercisable in OLG's sole discretion, to extend the First Extended Term for the Second Extended Term by providing notice thereof prior to or on June 1, 2030, and such notice shall be deemed to be the Second Term Notice.

(c) Within 30 days following receipt of the First Term Notice or the Second Term Notice, as applicable, Ontario Racing, ORM and WEG may deliver a joint written notice of the termination of this Agreement by them, such termination to be effective as of the end of the Initial Term or the First Extended Term, as applicable. In the absence of any such joint notice, all of the same terms and conditions of this Agreement will apply during the First Extended Term and the Second Extended Term, as applicable.

(d) No termination fee or other compensation whatsoever will be paid or payable by OLG to Ontario Racing, ORM, WEG any of the other OR Racetrack Members or any other person in the event that OLG does not exercise the First Extension Option or the Second Extension Option.

ARTICLE 13 **TERMINATION**

13.1 Termination for Agreement Event of Default

OLG may, at its option and in its sole discretion, immediately terminate this Agreement by delivery of written notice thereof to the other Parties upon the occurrence of any Agreement Event of Default. Any delay in providing such notice will not in any way affect OLG's right to terminate this Agreement pursuant to this Section 13.1.

13.2 Termination for Invalidity or Illegality

OLG may immediately terminate this Agreement by delivery of written notice thereof to the other Parties upon the coming into force or repeal of any Applicable Law, or any amendment or variation of any Applicable Law (in each case, without re-enactment or consolidation), including any final judgement or final decision of a court of competent jurisdiction that changes binding precedent of any Applicable Law, in each case, that renders this Agreement or the performance of this Agreement invalid or illegal, other than, in each case, any of the foregoing that may be cured or remedied in accordance with Section 1.7.

13.3 Termination if No Racetracks Payment is Payable

If, for any three consecutive Funding Years during the First Extended Term or the Second Extended Term, if applicable, the Racetracks Payment will be zero after giving effect to the adjustments permitted under Article 4, Section 6.1(g) and Section 6.1(h), OLG may, at its

option and in its sole discretion, immediately terminate this Agreement by delivery of written notice thereof to the other Parties.

13.4 Effects of Termination

(a) Following the termination of this Agreement pursuant to Section 13.1, Section 13.2 or Section 13.3, Ontario Racing shall promptly repay to OLG:

- (i) that portion of the Annual Payment (other than the Administration Payment), if any, that OLG paid to Ontario Racing and that has not, as of the date of termination, been used to pay, or allocated to the payment of, Eligible Costs, Eligible Capital Costs, Transition Payment Eligible Costs, Operational Enhancement Eligible Costs or for a HIP Permitted Use that have been incurred prior to the date of termination, in each case in accordance with the Approved Annual Business Plan and the provisions of this Agreement; and
- (ii) an amount equal to the product of (x) the amount in respect of the Administration Payment paid to Ontario Racing by OLG pursuant to Section 2.2(a) in respect of the month in which termination occurs, if any, multiplied by (y) a fraction, the numerator of which is the number of days remaining in such month (including the date of termination), and the denominator of which is the number of days in such month.

(b) No termination fee or other compensation whatsoever will be paid or payable by OLG to Ontario Racing, ORM, WEG, any of the other OR Racetrack Members or any other person in the event that OLG terminates this Agreement pursuant to this Article 13.

ARTICLE 14 DISPUTE RESOLUTION PROCEDURE

14.1 Dispute Resolution Procedure

(a) Except as otherwise specifically contemplated herein, all disputes, controversies and claims arising out of or relating to this Agreement, or the interpretation, enforceability, performance, breach, increased monitoring, suspension, termination or validity of this Agreement (each, a "**Dispute**") will be resolved in accordance with, and the Parties shall comply with, the provisions of this Article 14 (the "**Dispute Resolution Procedure**").

(b) The Parties may, by written agreement, on a Dispute by Dispute basis:

- (i) extend or abridge any or all timelines set out in this Article 14; or
- (ii) agree to resolve a Dispute by litigation rather than arbitration notwithstanding the requirements of Section 14.4.

14.2 Amicable Resolution

The Parties agree that at all times, both during and after the Pre-Funding Period and the Term, each of them shall make *bona fide* efforts to resolve by amicable negotiations any and all Disputes arising between them on a without prejudice basis.

14.3 Escalation by Parties

(a) If a Dispute arises, the Relationship Management Committee will meet at least once and will attempt in good faith to resolve the Dispute. For such purpose, any member of the Relationship Management Committee may request the other members to meet within ten days at a mutually agreed-upon place and time.

(b) If the Relationship Management Committee is not able to resolve the Dispute within 20 days after their first meeting (or such longer period as they may mutually agree upon), then any Party may request that the Executive Management Committee meet at least once to attempt in good faith to resolve the Dispute. For such purpose, any member of the Executive Management Committee may request the other members to meet within ten (10) days at a mutually agreed-upon place and time.

14.4 Resolution by Non-Binding Mediation

(a) If the Executive Management Committee is not able to resolve the Dispute within 20 days after their first meeting (or such longer period as they may mutually agree upon), then the Parties may agree in writing to attempt to resolve the Dispute by non-binding and without prejudice mediation; provided, however, that, notwithstanding the foregoing, any disputing Party may give written notice to the other Parties at any time prior to the appointment of a mediator that such Party does not wish to attempt the resolution of such Dispute by non-binding mediation, in which case the Dispute will instead be resolved by arbitration.

(b) Any mediation conducted pursuant to this Section 14.4 will be conducted by a single mediator appointed jointly by the Parties, each acting reasonably, as soon as possible following their joint decision to resolve the Dispute by mediation.

(c) Each Party shall be responsible for its own costs related to the mediation, and the Parties shall share equally the costs of the mediator unless otherwise agreed in writing.

14.5 Referral of Disputes to Arbitration

(a) Subject to first complying with Sections 14.2 and 14.3, any Party may, by written notice to the other Parties, require that the Dispute be resolved by arbitration. The arbitration will be governed by the *Arbitration Act, 1991* (Ontario), except to the extent otherwise provided in this Section 14.5.

(b) Any arbitration conducted pursuant to this Section 14.5 will be conducted by a single arbitrator appointed jointly by the Parties, each acting reasonably, as soon as possible following delivery of the notice referred to in Section 14.5(a).

(c) The Parties shall proceed with the arbitration expeditiously, including in respect of any hearing, in order that an award may be rendered as soon as practicable by the arbitrator, given the nature of the Dispute. The Parties shall require the arbitrator to render a decision as soon as possible and, in any event, to render a decision no later than 20 Business Days after the date of the hearing to the extent reasonably possible, or such longer period of time as agreed to in writing by the Parties.

(d) The costs of an arbitration will be in the discretion of the arbitrator; provided, however, that in exercising discretion to award costs, the arbitrator will take into account the desire of the Parties that costs should generally be awarded to each Party in proportion to the relative success that each Party has in the arbitration.

(e) Any award of the arbitration panel will be final and binding upon all Parties, and all Parties expressly waive all rights of appeal or judicial review in connection with any award of the arbitrator, including review under the *Arbitration Act, 1991* (Ontario). Judgment may be entered upon a final award in accordance with Applicable Law in the Ontario Superior Court of Justice and enforced as a judgment of that court.

ARTICLE 15 **CONFIDENTIALITY**

15.1 Confidential Information

(a) For the purposes of this Agreement, "**Confidential Information**" means information of a Party that has been or may hereafter be disclosed in any form, whether in writing, orally, electronically or otherwise, by either Party or its representatives (collectively, a "**Disclosing Party**") to the other Party or its representatives (collectively, a "**Receiving Party**") and that has been identified by the Disclosing Party as "confidential"; provided, however, that "Confidential Information" does not include any of the foregoing that is:

- (i) publicly available when it is received by or becomes known to the Receiving Party or that subsequently becomes publicly available other than through a direct or indirect act or omission of the Receiving Party, but only after it becomes publicly available;
- (ii) established by evidence to have been already known to the Receiving Party at the time of its disclosure to the Receiving Party and is not known by the Receiving Party to be the subject of an obligation of confidence of any kind;
- (iii) independently developed or obtained by the Receiving Party without any use of or reference to the Confidential Information of the Disclosing Party as established by evidence that would be acceptable to a court of competent jurisdiction; or
- (iv) received by the Receiving Party in good faith without an obligation of confidence of any kind from a third party who the Receiving Party had no

reason to believe was not lawfully in possession of such information free of any obligation of confidence of any kind, but only until the Receiving Party subsequently comes to have reason to believe that such information was subject to an obligation of confidence of any kind when originally received.

(b) For greater certainty, subject to the limitations in clauses (i) through (iv) of Section 15.1(a), information regarding any OR Racetrack Member that is marked "confidential" and disclosed to OLG by Ontario Racing or ORM will be deemed to be Confidential Information of Ontario Racing or ORM, as the case may be, for purposes of this Agreement.

15.2 Confidentiality Covenant

Each Receiving Party acknowledges the confidential and proprietary nature of the Confidential Information of the Disclosing Party and agrees that it shall keep such Confidential Information confidential and will not disclose, transfer or otherwise make available such Confidential Information to any person by the Receiving Party, except as and to the extent expressly permitted in this Agreement or with the prior written consent of the Disclosing Party.

15.3 Permitted Disclosures by Ontario Racing, ORM and WEG

Notwithstanding any other provision of this Article 15 to the contrary, Ontario Racing, ORM and WEG are entitled to disclose OLG's Confidential Information:

- (a) on a confidential basis to (i) their respective directors, officers and employees, and (ii) the other OR Racetrack Members and their respective directors, officers and employees, in each case, if and to the extent that such persons may need to know such Confidential Information in connection with the performance of this Agreement; and
- (b) on a confidential basis to its accountants, internal and external auditors, legal counsel, actual or proposed institutional lenders, and other professional advisors, in each case, if and to the extent that such persons may need to know such Confidential Information in order to provide the applicable professional advisory or financing services relating to the business of Ontario Racing, ORM or WEG, as applicable;

provided, however, that in connection with any such disclosure described in this Section 15.3, Ontario Racing, ORM or WEG, as applicable, shall (i) advise such persons of the confidential nature of such Confidential Information, and (ii) use commercially reasonable efforts to cause such persons to maintain the confidentiality of such Confidential Information.

15.4 Permitted Disclosures by OLG

(a) Notwithstanding any other provision of this Article 15 to the contrary, OLG is entitled to disclose the Confidential Information of Ontario Racing, ORM and WEG:

- (i) on a confidential basis to any employees, agents or representatives of OLG, or any other persons engaged by OLG, in each case, if and to the extent that such persons may need to know such Confidential Information in connection with their duties and obligations; and
- (ii) on a confidential basis to its accountants, internal and external auditors, legal counsel, and other professional advisors if and to the extent that such persons may need to know such Confidential Information in order to provide the applicable professional advisory services to OLG;

provided, however, that in connection with any such disclosure described in this Section 15.4, OLG shall (i) advise such persons of the confidential nature of such Confidential Information and (ii) use commercially reasonable efforts to cause such persons to maintain the confidentiality of such Confidential Information.

(b) Notwithstanding anything to the contrary in this Article 15, OLG and other Provincial Entities shall be entitled to use Confidential Information received by OLG from Ontario Racing, ORM, WEG and the other OR Racetrack Members in connection with the development or preparation of data analytics, studies and other analyses by or on behalf of OLG or other Provincial Entities relating to the horse racing industry in Ontario or any segment or other aspect of such industry, and OLG and other Provincial Entities shall be entitled to publicly disclose any and all such data analytics, studies and other analyses as OLG or any of such other Provincial Entities, in each case in its sole discretion, determines to be appropriate.

15.5 Compelled Disclosure

Subject to Section 15.7, if a Receiving Party or any other person to whom it has disclosed Confidential Information in accordance with this Agreement is required by Applicable Law or legal process to disclose any Confidential Information, the Receiving Party may make such disclosure but must first provide the Disclosing Party with prompt notice of such request or requirement, unless notice is prohibited by law, in order to enable the Disclosing Party to seek an appropriate protective order or other remedy or to waive compliance with the terms of this Agreement or both. The Receiving Party shall not oppose, and shall provide reasonable assistance to the Disclosing Party in connection with, any action by the Disclosing Party to seek such a protective order or other remedy. The Receiving Party shall support a request for standing by the Disclosing Party for standing to seek such order or remedy. If, failing the obtaining of a protective order or other remedy by the Disclosing Party, such disclosure is required, the Receiving Party shall use its commercially reasonable efforts to ensure that the disclosure will be made in a manner that minimizes the extent of disclosure (for example, redactions of non-relevant information). Each Party acknowledges and agrees that Applicable Law may require disclosure of Confidential Information.

15.6 Freedom of Information and Protection of Privacy

Without limiting the generality of Section 15.5, Ontario Racing, ORM and WEG, in each case on their own behalf and on behalf of the other OR Racetrack Members, acknowledge and agree that the *Freedom of Information and Protection of Privacy Act* (Ontario)

("FIPPA") applies to, among other persons, OLG, the Crown and the Governmental Authorities having jurisdiction over OLG, and each of them is required to comply fully with FIPPA, including the requirement to protect the privacy of individuals with respect to personal information (as defined in FIPPA).

15.7 Disclosure of Transaction

Notwithstanding any other provision of this Agreement to the contrary, Ontario Racing, ORM and WEG, in each case on its own behalf and on behalf of the other OR Racetrack Members, acknowledges and agrees that OLG is entitled to disclose or publish (including on websites) this Agreement and any or all terms hereof, in each case, as OLG, in its sole and absolute discretion, may consider appropriate.

15.8 Disclosure to Government

Ontario Racing, ORM and WEG, in each case on its own behalf and on behalf of the other OR Racetrack Members, acknowledge and agree that OLG shall be free to disclose any information, including Confidential Information, to (i) any Provincial Entity and (ii) any other Governmental Authority to the extent that such Governmental Authority has or performs legislative, judicial, regulatory, administrative or other functions within its jurisdiction, in each case, including the employees, agents and representatives thereof.

15.9 Other Disclosure Considerations

The Parties shall be free to publicly disclose Confidential Information contained in any materials that have previously been approved for public disclosure by the other Party, without further approvals from the other Party under this Agreement, to the extent there have been no additions or changes thereto.

**ARTICLE 16
MISCELLANEOUS**

16.1 Notices

(a) Any notice, consent, approval, waiver or other communication required or permitted to be given or provided hereunder shall be in writing and shall be delivered in person, transmitted by e-mail or sent by registered mail, charges prepaid, addressed as follows:

(i) if to OLG, to:

Ontario Lottery and Gaming Corporation
4120 Yonge Street
Suite 420
Toronto, Ontario M2P 2B8

Attention: Senior Vice President, Horse Racing
E-mail: cbricker@olg.ca

with a copy to (but which copy will not constitute notice):

Ontario Lottery and Gaming Corporation
4120 Yonge Street
Suite 420
Toronto, Ontario M2P 2B8

Attention: General Counsel
E-mail: lsullivan@olg.ca

(ii) if to Ontario Racing, to:

Ontario Racing
c/o Ontario Racing Management Inc.
555 Rexdale Blvd.
Toronto, Ontario M9W 5L2

Attention: Executive Director
E-mail: kcurry@woodbine.com

(iii) if to ORM, to:

Ontario Racing Management Inc.
555 Rexdale Blvd.
Toronto, Ontario M9W 5L2

Attention: Executive Director
E-mail: kcurry@woodbine.com

(iv) if to WEG, to:

Woodbine Entertainment Group
555 Rexdale Blvd.
Toronto, Ontario M9W 5L2

Attention: General Counsel
E-mail: bford@woodbine.com

(b) Any notice, consent, approval, waiver or other communication given or granted in accordance with Section 16.1(a) will be deemed to have been given and received (i) if delivered in person, on the day on which it was delivered (or, if such day is not a Business Day or if delivery is made on a Business Day after 5:00 p.m. at the place of receipt, then on the next following Business Day), or (ii) if sent by registered mail, on the third Business Day following the date of mailing; provided, however, that if at the time of mailing or within three Business Days thereafter there is or occurs a labour dispute or other event that would reasonably be expected to disrupt the delivery of documents by mail, any notice, consent, approval, waiver or other communication hereunder will be delivered by means of personal delivery or transmitted

by e-mail as aforesaid, or (iii) if transmitted by e-mail, upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement). Any Party may at any time change or supplement its foregoing notice particulars from time to time by giving notice to the other Parties in accordance with this Section 16.1. Without limiting the foregoing, upon at least 15 days prior written notice to Ontario Racing, ORM and WEG, OLG may from time to time provide to Ontario Racing, ORM and WEG specific notice particulars to be used by Ontario Racing, ORM and WEG to effect the delivery of particular notices, consents, approvals, waivers or other communications and deliverables required or permitted to be given or provided hereunder.

16.2 Expenses

Except as otherwise expressly provided in this Agreement, each Party shall pay for its own costs and expenses incurred in connection with the negotiation, preparation, execution and performance of this Agreement, the agreements contemplated herein, including the Material Agreements, and the transactions contemplated herein and therein, including the fees and expenses of legal counsel, financial advisors, accountants, consultants and other professional advisors.

16.3 Amendments and Waivers

Except as provided in Sections 3.1(d) and 5.1(a)(vi), no amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by all of the Parties. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the Party purporting to give the same and, unless otherwise provided, will be limited to the specific breach waived.

16.4 Benefit of the Agreement

This Agreement will enure to the benefit of and be binding upon the respective successors and permitted assigns of the Parties.

16.5 No Third Party Beneficiaries

Except as provided in Sections 1.13, 6.4 and 16.4, this Agreement is solely for the benefit of (i) Ontario Racing, ORM, WEG, and their respective successors and permitted assigns, with respect to the obligations of OLG under this Agreement, and (ii) OLG, and its successors and assigns, with respect to the obligations of Ontario Racing, ORM and WEG under this Agreement; and this Agreement will not be deemed to confer upon or give to any other person, including any OR Racetrack Member (other than WEG) or any Non-Member Racetrack any Claim or other right or remedy.

16.6 Time of the Essence

Time is of the essence of this Agreement.

16.7 **Further Assurances**

The Parties shall execute and deliver all such further documents, do or cause to be done all such further acts and things and give all such further assurances as may be necessary or desirable to give full effect to the provisions, intent and purpose of this Agreement.

16.8 **Remedies Cumulative**

Unless otherwise expressly provided herein, the remedies to which any Party may resort are cumulative and not exclusive of any other remedies allowed by law or equity to which such Party may be entitled, and each Party will be entitled to pursue any and all of its remedies concurrently, consecutively and alternatively.

16.9 **Counterparts**

This Agreement may be executed in several counterparts, each of which will be deemed to be an original and all of which will together constitute one and the same instrument.

16.10 **Facsimile and Electronic Delivery**

Delivery of an executed copy of this Agreement by electronic facsimile transmission or other means of electronic communication capable of producing a printed copy will be deemed to be execution and delivery of this Agreement as of the date set forth on page one of this Agreement.

[The next page is the signature page.]

IN WITNESS WHEREOF this Agreement has been executed by the Parties.

ONTARIO LOTTERY AND GAMING CORPORATION

by (signed) *Stephen Rigby*

Name: Stephen Rigby

Title: President and Chief
Executive Officer

(signed) *Lori Sullivan*

Name: Lori Sullivan

Title: Senior Vice President,
Governance, Legal and
Compliance, General
Counsel and Corporate
Secretary

HORSE RACING ONTARIO

by (signed) *John Hayes*

Name: John Hayes

Title: Chair

(signed) *Bill O'Donnell*

Name: Bill O'Donnell

Title: Director

ONTARIO RACING MANAGEMENT INC.

by (signed) *Katherine Curry*

Name: Katherine Curry

Title: Executive Director

**WOODBINE ENTERTAINMENT
GROUP**

by (signed) *James J. Lawson*

Name: James J. Lawson

Title: CEO

(signed) *William G. Ford*

Name: William G. Ford

Title: General Counsel &
Corporate Secretary

SCHEDULE A
LIST OF PURSE-RELATED AND OTHER ELIGIBLE COSTS

1. For all Member Racetracks:

- fees due to horse people's associations based on purse values (i.e., 1.5% of purse values to be paid to horse people's associations); and
- Horse aftercare programs.

2. For all Member Racetracks (excluding WEG's Member Racetracks):
Commencing with the third Funding Year of the Term, up to \$9,100,000, may be used for the following operating costs that are properly and reasonably incurred and necessary for the operation of any of the Member Racetracks, other than WEG's Member Racetracks:

- racing facility employee base salary, benefits and pension costs;
- security for racing facilities;
- maintenance of racing facilities, including housekeeping and property services;
- marketing the racing facilities;
- food and beverage services for racing facilities;
- administration of racing facilities; and
- applicable taxes not rebated and applied to the aforementioned costs.

SCHEDULE B
LIST OF ELIGIBLE USES OF ADMINISTRATION PAYMENT

- The reasonable base salary, employment benefits and pension of employees of Ontario Racing and ORM to the extent of the involvement of such employees in the performance of the obligations of Ontario Racing or ORM under this Agreement, the OR Membership Agreement and the ORM Management Agreement (but excluding any other compensation for the benefit of any such employees, including bonuses and profit sharing arrangements)
- Costs and expenses relating to the operation and administration of Ontario Racing, including tote costs for the placement of wagers and race office costs, other overhead costs including travel, insurance, audit fees and supplies, and administration of Horse Improvement Programs
- Bank fees associated with the bank accounts described in Section 2.3 of the Agreement
- Costs and expenses relating to stakeholder relations and communications functions, including stakeholder outreach, communications/social media and publications (e.g., preparation and distribution of annual report)
- Costs and expenses relating to industry development functions, including continuing initiatives to further the horse ownership program, safety, compliance, efficiency and governance of the industry (e.g., equine health and safety, working with the AGCO as industry regulator)
- Costs and expenses relating to marketing and brand promotion of the industry and industry participants
- Fee to ORM (including applicable HST)
- Non-recoverable Taxes related to the foregoing

SCHEDULE 1.14
LIST OF TRANSFER PAYMENT AGREEMENTS

1. Agreement made effective April 1, 2014 between Her Majesty the Queen in right of Ontario, as represented by the Minister of Finance (as represented by Ontario Lottery and Gaming Corporation), as assignee of The Ontario Racing Commission, and Picov Downs Inc., as amended by the Addendum dated April 14, 2015, as further amended by the letter agreement dated March 6, 2017, as further amended by the letter agreement dated April 24, 2018, as further amended from time to time.
2. Agreement made effective April 1, 2014 between Her Majesty the Queen in right of Ontario, as represented by the Minister of Finance (as represented by Ontario Lottery and Gaming Corporation), as assignee of The Ontario Racing Commission, and Clinton Raceway Inc., as amended by Addendum #1 dated April 30, 2015, as further amended by Addendum #2 dated July 14, 2015, as further amended by the letter agreement dated March 6, 2017, as further amended by the letter agreement dated October 1, 2017, as further amended by the letter agreement dated April 24, 2018, as further amended from time to time.
3. Agreement made effective April 1, 2014 between Her Majesty the Queen in right of Ontario, as represented by the Minister of Finance (as represented by Ontario Lottery and Gaming Corporation), as assignee of The Ontario Racing Commission, and Dresden Agricultural Society, as amended by the letter agreement dated March 6, 2017, as further amended by the letter agreement dated April 24, 2018, as further amended from time to time.
4. Agreement made effective April 1, 2014 between Her Majesty the Queen in right of Ontario, as represented by the Minister of Finance (as represented by Ontario Lottery and Gaming Corporation), as assignee of The Ontario Racing Commission, and Great Canadian Gaming Corporation, operating as Flamboro Downs Limited, including Great Canadian Gaming (Ontario) Ltd., as amended by Addendum #1 dated April 29, 2015, as further amended by Addendum #2 dated July 14, 2015, as further amended by the letter agreement dated March 6, 2017, as further amended by the letter agreement dated October 1, 2017, as further amended by the letter agreement dated April 24, 2018, as further amended from time to time.
5. Agreement made effective April 1, 2014 between Her Majesty the Queen in right of Ontario, as represented by the Minister of Finance (as represented by Ontario Lottery and Gaming Corporation), as assignee of The Ontario Racing Commission, and Fort Erie Live Racing Consortium, as amended by the Addendum dated June 22, 2015, as further amended by an Amending Agreement dated June 30, 2016, as further amended by the letter agreement dated March 6, 2017, as further amended by the letter agreement dated April 9, 2018, as further amended from time to time.
6. Agreement made effective April 1, 2014 between Her Majesty the Queen in right of Ontario, as represented by the Minister of Finance (as represented by Ontario Lottery and Gaming Corporation), as assignee of The Ontario Racing Commission, and Great Canadian Gaming Corporation, operating as Georgian Downs Limited, including Great Canadian Gaming (Ontario) Ltd., as amended by Addendum #1 dated April 29, 2015, as

- further amended by Addendum #2 dated July 14, 2015, as further amended by the letter agreement dated March 6, 2017, as further amended by the letter agreement dated October 1, 2017, as further amended by the letter agreement dated April 24, 2018, as further amended from time to time.
7. Agreement made effective April 1, 2014 between Her Majesty the Queen in right of Ontario, as represented by the Minister of Finance (as represented by Ontario Lottery and Gaming Corporation), as assignee of The Ontario Racing Commission, and Grand River Agricultural Society, as amended by Addendum #1 dated April 29, 2015, as further amended by Addendum #2 dated July 14, 2015, as further amended by the letter agreement dated March 6, 2017, as further amended by the letter agreement dated October 1, 2017, as further amended by the letter agreement dated April 24, 2018, as further amended from time to time.
 8. Agreement made effective April 1, 2014 between Her Majesty the Queen in right of Ontario, as represented by the Minister of Finance (as represented by Ontario Lottery and Gaming Corporation), as assignee of The Ontario Racing Commission, and Hanover, Bentinck and Brant Agricultural Society, as amended by Addendum #1 dated April 29, 2015, as further amended by Addendum #2 dated July 14, 2015, as further amended by the letter agreement dated March 6, 2017, as further amended by the letter agreement dated October 1, 2017, as further amended by the letter agreement dated April 24, 2018, as further amended from time to time.
 9. Agreement made effective April 1, 2014 between Her Majesty the Queen in right of Ontario, as represented by the Minister of Finance (as represented by Ontario Lottery and Gaming Corporation), as assignee of The Ontario Racing Commission, and Rideau Carleton Raceway Holdings Ltd., as amended by the letter agreement dated March 6, 2017, as further amended by the letter agreement dated October 1, 2017, as further amended by the letter agreement dated April 24, 2018, as further amended from time to time.
 10. Agreement made effective April 1, 2014 between Her Majesty the Queen in right of Ontario, as represented by the Minister of Finance (as represented by Ontario Lottery and Gaming Corporation), as assignee of The Ontario Racing Commission, and Woodbine Entertainment Group, as amended by Addendum #1 dated April 29, 2015, as further amended by Addendum #2 dated July 14, 2015, as further amended by the letter agreement dated March 6, 2017, as further amended by the letter agreement dated October 1, 2017, as further amended from time to time.
 11. Agreement made effective April 1, 2014 between Her Majesty the Queen in right of Ontario, as represented by the Minister of Finance (as represented by Ontario Lottery and Gaming Corporation), as assignee of The Ontario Racing Commission, and Western Fair Association and The WFA Raceway Corporation, as amended by Addendum #1 dated April 29, 2015, as amended by Addendum #2 dated July 14, 2015 as further amended by the letter agreement dated March 6, 2017, as further amended by the letter agreement dated October 1, 2017, as further amended by the letter Agreement dated April 24, 2018, as further amended from time to time.

12. Agreement made effective April 1, 2014 between Her Majesty the Queen in right of Ontario, as represented by the Minister of Finance (as represented by Ontario Lottery and Gaming Corporation), as assignee of The Ontario Racing Commission, and Kawartha Downs Limited, as amended by the Addendum dated June 16, 2015.
13. Agreement made effective April 1, 2014 between Her Majesty the Queen in right of Ontario, as represented by the Minister of Finance (as represented by Ontario Lottery and Gaming Corporation), as assignee of The Ontario Racing Commission, and 405730 Ontario Limited, operating as "Hiawatha Horse Park & Entertainment Centre", as amended by the letter agreement dated March 6, 2017.
14. Agreement made effective April 1, 2014 between Her Majesty the Queen in right of Ontario, as represented by the Minister of Finance (as represented by Ontario Lottery and Gaming Corporation), as assignee of The Ontario Racing Commission, and Lakeshore Horse Racing Association, as amended by the Addendum dated July 14, 2015, as further amended by the letter agreement dated March 6, 2017.

SCHEDULE 3.4(A)
LIST OF OPERATIONAL ENHANCEMENT PAYMENT RECIPIENTS

1. Fort Erie Live Racing Consortium

<u>Funding Year</u>	<u>Operational Enhancement Payment</u>
1	\$1,800,000
2	\$1,746,000
3	\$1,693,620
4	\$1,642,811
5	\$1,593,527
6	\$1,545,721
7	\$1,499,350

2. Dresden Agricultural Society

No Operational Enhancement Payment will be paid to Dresden Agricultural Society until the first Funding Year in which the Chatham casino opens to the public. In that Funding Year, the Operational Enhancement Payment that will be paid to Dresden Agricultural Society will be \$250,000, commencing as of the date on which the Chatham casino opens to the public (the "**Chatham Casino Opening Date**"); provided, however, that if the Chatham Casino Opening Date occurs on a day other than April 1, the Operational Enhancement Payment that will be paid to Dresden Agricultural Society during such Funding Year will be an amount equal to the product of \$250,000 multiplied by (A)/(B), where (A) is the number of days from and including the Chatham Casino Opening Date to the next March 31st, and (B) is 365. In the next following Funding Year, the Operational Enhancement Payment will be the amount equal to \$242,500. Thereafter, in each of the following Funding Years, during the Initial Term only, the amount of such payment will equal 97% of the amount of the payment to Dresden Agricultural Society in the immediately preceding Funding Year from the funds comprising the Operational Enhancement Payment.

SCHEDULE 5.1(A)
CONTENT FOR PROPOSED ANNUAL BUSINESS PLAN

Note: Ontario Racing is not obligated to include any information regarding any Non-Member Racetrack in any Proposed Annual Business Plan.

In each Proposed Annual Business Plan, Ontario Racing shall include, at a minimum, the following information:

1. Assumptions

Describe key planning assumptions (operational and financial) underlying the Proposed Annual Business Plan. Unique track-specific assumptions should also be disclosed to highlight fundamental differences in performance targets set to account for such nuances.

2. Operational Objectives/Goals

Describe specific operational objectives and goals for each OR Racetrack Member for the upcoming Funding Year as they relate to the three-year strategic objectives and goals, together with the strategies and tactics to accomplish these goals.

Describe any new products, capital investments and any associated incremental revenue.

Include any upcoming policy or operational changes and their impact to racing and wagering.

3. Key Performance Indicators

Complete the table attached to this Schedule as Appendix 1, for each Member Racetrack and each other member of Ontario Racing (i.e., the industry associations), to provide quarterly or annual targets, as applicable, for the upcoming Funding Year for the KPIs within the control of the applicable OR Racetrack Member or such other member.

The projections should align with the information submitted for the upcoming year in the Three-Year Strategic Plan.

A rationale for the targets should also be included.

4. Racing Information [*Subject to OLG approval.*]

Provide a calendar of all scheduled race dates and races for each Member Racetrack, and describe the parameters that were used as guiding principles to set and optimize the racing calendar (including overnight racing, Ontario Sires Stakes and special events).

Include an assessment of how the current horse population (both Ontario and ex-Ontario) guided the planned race schedule.

Provide a summary of the number of race dates for the upcoming Funding Year for each Member Racetrack in the following format:

Count of Race Dates by Racetrack

Racetrack	Count of Race Dates
Ajax	
Clinton	
Dresden	
Flamboro	
Fort Erie	
Georgian	
Grand River	
Hanover	
Hiawatha	
Kawartha	
Lakeshore	
Mohawk	
Rideau	
Woodbine – TB	
Western Fair	

5. Purses [Subject to OLG approval.]

Provide a description of the purse allocation model/framework to demonstrate how purse levels are set and optimized for Ontario Racing and the OR Racetrack Members. Details on purse administration costs should also be included.

Provide a purse funding breakdown to capture the different sources of funds for each Member Racetrack in the following format:

Sources of Purse Funding by Racetrack

Sources of Purse Funding (\$)							
Racetrack	Racetracks Payment	HIP	Surplus Carryover from Prior Year	Wagering Top-up	Additional Purse Enhancement Payment	Other (Please Define Source)	Total
Ajax							
Clinton							
Dresden							

Flamboro							
Fort Erie							
Georgian							
Grand River							
Hanover							
Hiawatha							
Kawartha							
Lakeshore							
Mohawk							
Rideau							
Woodbine – TB							
Western Fair							

6. Capital Improvements Payment [Subject to OLG approval.]

Provide a description of the capital cost allocation to the OR Racetrack Members, together with details regarding capital plans and costs.

7. Financial Information

Provide a Projected Profit & Loss Statement for each OR Racetrack Member.

The Projected Profit & Loss Statement should contain the line items specified in Appendix 2 which is attached to this Schedule.

The Operations forecast should include:

- (a) a detailed forecast of racing related expenses per Member Racetrack
- (b) a forecast of number of Full Time Equivalent per Member Racetrack
- (c) a forecast of total salaries and wages per Member Racetrack
- (d) a forecast of revenue sharing results
- (e) a detailed forecast of marketing investments per Member Racetrack

8. Proposed Annual Business Plan Risks

Describe the major risks underpinning the upcoming Funding Year for the strategic objectives and goals identified.

9. Responsible Gambling

Provide an updated RG plan for the next Funding Year.

10. Ontario Teletheatre Network

Describe the following:

(a) Strategy:

- (i) Approach to existing Teletheatres (evaluation framework and/or assumptions)
- (ii) Strategy to increase wagering in existing markets
- (iii) Opportunity for new product offerings

(b) Financials:

- (i) Profit model capturing how revenue and costs will be allocated for the benefit of Ontario Racing and the OR Racetrack Members
- (ii) Plans for reinvestment into live horse racing and racing-related capital

11. Horse Improvement Program [*Subject to OLG approval.*]

(a) Strategy:

- (i) Describe the objectives of the program and how they support a stronger and more sustainable live racing product in Ontario that attracts enhanced wagering.
- (ii) Specify the criteria for allocating the Horse Improvement Payment to different programs and race conditions.
- (iii) Describe the measures that will be used to demonstrate program objectives are being met and how these measures support applicable industry metrics.

(b) Financials:

- (i) Provide a detailed financial budget that specifies the allocation by:
 - (A) Program (e.g., breeders awards, equine research, etc.)
 - (B) Breed
 - (C) Category (e.g., purses, stakes supplements, etc.)

**APPENDIX 1 TO SCHEDULE 5.1(A)
TARGETS – KEY PERFORMANCE INDICATORS**

1	2	3	4	5					
#	Metric Name	Data Point	Precision of Reporting	Targets					Rationale for Targets
				Q1	Q2	Q3	Q4	FY	
1	Gross Bet on Ontario Races (M\$)	Gross Bet on Ontario Races (M\$)	2 decimal places						
2	Total Count of Tickets Sold at Racetracks	Total Count of Tickets Sold at Racetracks	Whole Number						
3	Average Field Size (Starters/Race)	Total number of Starters [A]	Whole Number						
		Total number of Races [B]	Whole Number						
		Average Field Size [A] / [B]	2 decimal places						
4	Gross Wagering Commissions (Revenue) to Racetracks (M\$)	Gross commissions received, through all available channels (i.e., Live, Simulcast, Teletheatre,	2 decimal places						

1	2	3	4	5					
#	Metric Name	Data Point	Precision of Reporting	Targets					Rationale for Targets
		TAB/HPI), from: (i) Ontario customers placing pari-mutuel bets on races conducted at Racetrack Members' tracks (ii) HMA Joint Venture Gross Wagering Handle (iii) Remotes Joint Venture Gross Wagering Handle [C]							
		PMTR [D]	2 decimal places						
		Breakage Revenue [E]	2 decimal places						
		Outstanding Ticket Revenue [F]	2 decimal places						
5	Racetrack Capital Reinvestment	Total Capital Expenditures (\$) [I]	2 decimal places						

#	Metric Name	Data Point	Precision of Reporting	Targets					Rationale for Targets
	Rate (%)								
		Total Government Support to Racetracks (\$) [J]	2 decimal places						
6	Total Other Racetrack Revenue (M\$)	Total Other Racetrack Revenue (M\$)	2 decimal places						
7	Wager to Purse (Ratio)	Gross Bet on Ontario Races (M\$) [K]	2 decimal places						
		Purse funded from TPA (\$) [L]	2 decimal places						
		Purse funded from HIP (\$) [M]	2 decimal places						
		Purse funded from Surplus Carryover (\$) [N]	2 decimal places						
		Purse funded from Wagering Top-up (\$) [O]	2 decimal places						

	1	2	3	4	5
#	Metric Name	Data Point	Precision of Reporting	Targets	Rationale for Targets
		Purse funded from Other sources (\$) [P]	2 decimal places		
		Total Purse (\$) [Q] = [L]+[M]+[N]+[O]+[P]	2 decimal places		
		Wager to Purse (Ratio) [K] / [Q]	2 decimal places		
8	Average Ontario Yearling Sales Price (\$/yearling)	Average Ontario Yearling Sales Price (\$/yearling)	For fiscal		
		Average Ontario Yearling Sales Price - TB (\$/yearling)	For fiscal		
		Average Ontario Yearling Sales Price - SB (\$/yearling)	For fiscal		
9	Total Number of Unique Starters (Count)	Total Number of Unique Starters (Count)	Whole number		

	1	2	3	4	5
#	Metric Name	Data Point	Precision of Reporting	Targets	Rationale for Targets
		Total Number of Unique Starters – TB (Count)	Whole number		
		Total Number of Unique Starters – SB (Count)	Whole number		
10	Total Number of Registered Foals (Count)	Number of Registered Foals (Count)	Whole number		
		Number of Registered Foals - TB (Count)	Whole number		
		Number of Registered Foals – SB (Count)	Whole number		
11	FTEs employed per Government Funding (FTE/M\$)	FTEs employed per Government Funding (FTE/M\$)			

Please refer to the table below for definitions of the data points that are to be submitted:

#	Metric Name	Data Point	Definition
1	Gross Bet on Ontario Races (M\$)	Gross Bet on Ontario Races (M\$)	Total gross Ontario and foreign wagering on Ontario Races
2	Total Count of Tickets Sold at Racetracks	Total Count of Tickets Sold at Racetracks	Total number of wagering tickets sold live at all racetracks across Ontario
3	Average Field Size (Starters/Race)	Total number of Starters [A]	Total number of starters (not unique)
		Total number of Races [B]	Total number of races held
		Average Field Size [A] / [B]	Average number of starters (not unique) per race in Ontario
4	Gross Wagering Commissions (Revenue) to Racetracks (M\$)	Gross commissions received, through all available channels (i.e., Live, Simulcast, Teletheatre, TAB/HPI, from: <ul style="list-style-type: none"> • Ontario customers placing pari-mutuel bets on races conducted at Racetrack Members' tracks • HMA Joint Venture Gross Wagering Handle • Remotes Joint Venture Gross Wagering Handle [C] 	Gross commissions received, through all available channels (i.e., Live, Simulcast, Teletheatre, TAB/HPI), from: (i) Ontario customers placing pari-mutuel bets on races conducted at Racetrack Members' tracks; (ii) HMA Joint Venture Gross Wagering Handle; and (iii) Remotes Joint Venture Gross Wagering Handle
		PMTR [D]	Gross PMTR \$ amounts that are kept by the racetrack (Customer Share; Racetrack Share)

#	Metric Name	Data Point	Definition
		Breakage Revenue [E]	Breakage revenue generated from wagering
		Outstanding Ticket Revenue [F]	Revenue from a winning ticket (or voucher) that has not been cashed before the end of the racing day for which it was issued
5	Racetrack Capital Reinvestment Rate (%)	Total Capital Expenditures (\$) [I]	Total amount of Capital (\$) expenditures incurred in support of horse racing operations
		Total Government Support to Racetracks (\$) [J]	Total amount of Government funding (\$) received i.e. Funding Agreement- Purses & Administration Funding, PMTR to Racetracks, HIP
6	Total Other Racetrack Revenue (M\$)	Total Other Racetrack Revenue (M\$)	Revenue generated from non-racing activities ie F&B, Program Sales, Community Events and Festivals
7	Wager to Purse (Ratio)	Gross Bet on Ontario Races (M\$) [K]	Total gross Ontario and foreign wagering on Ontario Races
		Purse funded from TPA (\$) [L]	Total amount of purse funded through TPA funds
		Purse funded from HIP (\$) [M]	Total amount of purse funded through HIP funds
		Purse funded from Surplus Carryover (\$) [N]	Total amount of purse funded from surplus purse account carryover

#	Metric Name	Data Point	Definition
		Purse funded from Wagering Top-up (\$) [O]	Total amount of purse funded from wagering
		Purse funded from Other sources (\$) [P]	Total amount of purse from other sources of funding
		Total Purse (\$) [Q] = [L]+[M]+[N]+[O]+[P]	Total amount of purse
		Wager to Purse (Ratio) [K] / [Q]	Amount of wagering revenue generated per purse dollar
8	Average Ontario Yearling Sales Price (\$/yearling)	Average Ontario Yearling Sales Price (\$/yearling)	Average sales price of Ontario yearlings sold at all thoroughbred and Standardbred yearling sales
9	Total Number of Unique Starters (Count)	Total Number of Unique Starters (Count)	Total number of unique horses that started a race
10	Total Number of Registered Foals (Count)	Number of Registered Foals (Count)	Total number of foals registered in a horse improvement program
11	FTEs employed per Government Funding (FTE/M\$)	FTEs employed per Government Funding (FTE/M\$)	Total FTEs employed per M\$ of government funding

APPENDIX 2 TO SCHEDULE 5.1(A)
HORSE RACING PROFIT AND LOSS STATEMENT BY RACETRACK

	Six Months Ending September 30th	Six Months Ending March 31st	Year-End Target
Revenues			
Customer Wagering Commissions			
Live On-track	\$	\$	\$
Simulcast	\$	\$	\$
HPI/TAB	\$	\$	\$
Teletheatre	\$	\$	\$
Digital (e.g., Horse Racing 3.0)	\$	\$	\$
Joint Venture Revenue – Ontario Product	\$	\$	\$
Joint Venture Revenue – Non-Ontario Product	\$	\$	\$
Breakage	\$	\$	\$
Outstanding Ticket Revenue	\$	\$	\$
Subtotal – Wagering Related Revenue	\$	\$	\$
Difference between Net Revenue Allocation & Subtotal Wagering Commissions	\$	\$	\$
Food and Beverage	\$	\$	\$
Other - Misc (i.e. program, promotional product)	\$	\$	\$
Lease Revenue			
Base + Additional Rent	\$	\$	\$
Gross Revenue	\$	\$	\$
Expenditures			
Cost of Racetrack Operations:			
Racing Related Expenses	\$	\$	\$
Salaries & Wages	\$	\$	\$
Marketing	\$	\$	\$
	\$	\$	\$

	Six Months Ending September 30th	Six Months Ending March 31st	Year-End Target
Deductions from Home Market Area Gross Wagering:			
PMTR Deductions (6.9% less 0.75% ORC Regulatory Fee)	\$	\$	\$
CPMA Levy (0.8%)	\$	\$	\$
Ontario Tax (0.5%)	\$	\$	\$
The cost of providing cash awards to wagering customers participating in the provincial loyalty program administered by or on behalf of the Corporation			
	\$	\$	\$
Cost of Other:			
Loss on Foreign Exchange	\$	\$	\$
Depreciation	\$	\$	\$
Total Expenditure	\$	\$	\$
Gross Profit Before Ontario Racing Shared Services Costs & Total Ontario Racing Funding	\$	\$	\$
Gross Profit Before Ontario Racing Shared Services Costs & Total Ontario Racing Funding as % of Gross Revenue	%	%	%
Shared Services Costs of Ontario Racing ¹	\$	\$	\$
Gross Profit Before Total Ontario Racing Funding	\$	\$	\$
Gross Profit Before Total Ontario Racing Funding as a % of Gross Revenue	%	%	%
Pari-Mutuel Tax Reduction (PMTR):			
Regulatory (0.75%)	\$	\$	\$

¹ Costs shared by OR Members that may include items such as tote system administrative costs.

	Six Months Ending September 30th	Six Months Ending March 31st	Year-End Target
Tracks (1.25%)	\$	\$	\$
Customers (1.5%)	\$	\$	\$
Operational Funding from Ontario Racing			
Racetrack Payment – Operational Support Allocation	\$	\$	\$
Operational Enhancement Payment	\$	\$	\$
Other (i.e. Transition Payment Operating Costs)	\$	\$	\$
Total Funding from Ontario Racing	\$	\$	\$
Gross Profit After Funding from Ontario Racing	\$	\$	\$
Gross Profit After Total Ontario Racing Funding as a % of Gross Revenue	%	%	%

SCHEDULE 5.4
THREE-YEAR STRATEGIC PLAN
REQUIREMENTS AND TEMPLATE

In each Three-Year Strategic Plan, Ontario Racing shall include, at a minimum, the following information:

1. Executive Summary

Present a summary, in narrative form, of the content of the Three-Year Strategic Plan that includes a description of key factors that are anticipated to impact Ontario Racing's operating and planning environment, the strategic pillars underpinning the plan over the three-year outlook period and an overview of plan-over-plan variances from the prior year's Three-Year Strategic Plan.

Conclude with the most notable strategic risks relating to uncertainties and untapped opportunities contemplated within the Three-Year Strategic Plan.

2. Key Strategic Planning Assumptions

Describe the key planning assumptions (operational and financial) underlying the Three-Year Strategic Plan. These assumptions should inform the performance targets set in Section 4 of this Schedule and the residual (unmitigated) strategic risks documented under Section 5 of this Schedule. Unique track-specific assumptions should also be disclosed to highlight fundamental differences in performance targets set to account for such nuances.

The following elements should guide Ontario Racing's description of strategic assumptions:

- the needs of customers (i.e., evidence of customer-centric decision making based on research outcomes, recommendations for action and opportunities for growth);
- technological disruption (i.e., the possible emergence of a new dominant technology that may impact certain distribution channels such as simulcast);
- funding availability and allocation methodology;
- horse improvement programming factors that drive positive results (i.e., measurement of horse supply);
- horse supply expectations and their impact on the Ontario product;
- race calendar optimization principles;
- availability of an appropriate pool of skilled labour during the next five years;
- wagering growth opportunities tied to untapped Teletheatre locations; and
- cost management drivers (i.e., synergies through strategic sourcing; cost of new funds).

3. Strategic Objectives and Goals

Provide a set of long-term strategic objectives and goals for the three-year planning horizon that will drive Ontario Racing's strategic direction, using the following table format (examples below are included for reference purposes only):

Strategic Objectives & Goals

STRATEGIC OBJECTIVE	STRATEGIC GOAL
e.g., Create an exciting racing product	e.g., Create strong and quality racing programs that optimize attendance and wagering outcomes
e.g., Build a passion for the sport	e.g., Broaden the appeal of racing, grow the fan base and increase attendance.

4. Performance Target Initiatives

Please complete the table attached as Appendix 1 to this Schedule.

5. Strategic Risks

Provide the major risks underpinning the strategic plan submission for the objectives and goals.

**APPENDIX 1 TO SCHEDULE 5.4
PERFORMANCE TARGET INITIATIVES**

			3		4	5		6
	1	2	Historical (Actual) Annual Results		Year-End Projection for Current Operating Year	Targets		
#	Name	Precision of Reporting	FY₂	FY₁	FY₀	FY₁	FY₂	Rationale for Targets
1.	Gross Bet on Ontario Races (M\$)	2 decimal places						
2.	Total Count of Tickets Sold at Racetracks	Whole Number						
3.	Average Field Size (Starters/Race)	Whole Number						
4.	Gross Wagering Commissions (Revenue) to Racetracks (M\$)	2 decimal places						
5.	Racetrack Capital Reinvestment Rate (%)	2 decimal places						
6.	Total Other Racetrack Revenue (M\$)	2 decimal places						
7.	Wager to Purse (Ratio)	2 decimal places						
8.	Average Ontario Yearling Sales Price (\$/yearling)	For fiscal						
9.	Total Number of Unique Starters (Count)	Whole Number						
10.	Total Number of Registered Foals (Count)	Whole Number						
11.	FTEs employed per Government Funding (FTE/M\$)	For fiscal						

1. Name:

This field captures the industry key performance indicator name.

2. Precision of Reporting:

This is the number of decimal places to be reported for the designated metric.

3. Historical (Actual) Annual Results:

The two columns (FY-1 and FY-2) represent historical results for the two full Funding Years preceding the current Funding Year (FY0). (For the first and second Funding Years under this Agreement, historical results should be included for the previous two 12-month fiscal years.)

4. Year-End Projection for Current Operating Year:

This field captures the projected (estimated) year-end result for the current operating year based on performance to date and forecasts for the balance of the current operating year.

5. Targets:

This section of the table will capture the targets set by racetrack for the two years following the current operating year (FY1 to FY2).

6. Rationale for Targets:

This column will document the rationale underpinning the target glidepath. Targets are expected to be set based on historical performance, industry benchmarks, future planning assumptions and known risks and opportunities over the three-year planning window. Notable year over year fluctuations in targets should be clarified under this section with a focus on performance-informed business management.

SCHEDULE 5.6(A)(II)
LIST OF TRANSITION PAYMENT RECIPIENTS

<u>OR Racetrack Member*</u>	<u>Allocation of Transition Payment</u>	<u>Transition Payment Eligible Costs**</u>
Clinton Raceway Inc.	\$60,000	TP Purse Enhancements
Flamboro Downs Limited	\$160,000	TP Purse Enhancements
Georgian Downs Limited	\$46,000	TP Purse Enhancements
Grand River Agricultural Society	\$58,000	TP Purse Enhancements
Hanover, Bentinck and Brant Agricultural Society	\$60,000	TP Purse Enhancements
Rideau Carleton Raceway Holdings Ltd.	\$86,000	TP Purse Enhancements
The WFA Raceway Corporation	\$150,000	TP Purse Enhancements
Picov Downs Inc.	\$1,500,000	TP Purses (Funding Year 2019/2020: \$1,500,000; Funding Year 2020/2021: \$500,000); TP Operating Costs (Funding Year 2020/2021: \$1,000,000)
Fort Erie Live Racing Consortium	\$500,000	TP Operating Costs
Dresden Agricultural Society	\$44,000	TP Purse Enhancements
Operator of Kawartha Downs	\$200,000	TP Purses (\$100,000); TP Operating Costs (\$100,000)
405730 Ontario Limited, operating as "Hiawatha Horse Park & Entertainment Centre"	\$84,000	TP Purse Enhancements
TOTAL		\$2,948,000***

* Notwithstanding that Non-Member Racetracks may be listed in this Schedule, no payments will be made to Non-Member Racetracks unless and until they become OR Racetrack Members, and all such payments are otherwise subject to the terms and conditions specified in the Agreement.

** OR Racetrack Member, where applicable, may allocate funds from TP Operating Costs to TP Purse Enhancements in a Funding Year.

*** To the extent that any portion of the Transition Payment is not paid by OLG to Ontario Racing for the benefit of OR Racetrack Members listed in this Schedule, the balance of the

Transition Payment may be allocated to OR Racetrack Members in such amounts (if any) and on such timing as OLG determines in its sole and absolute discretion.

**SCHEDULE 7.2(A)
QUARTERLY WAGERING REPORTS**

Note: Ontario Racing is not obligated to include any information regarding any Non-Member Racetrack in any Quarterly Wagering Reports.

FOR TRACKS ACCEPTING BETS UNDER A CPMA PERMIT	Wagers Placed In Ontario - UNDER WEG BETTING PERMIT					Wagers Placed Outside of Ontario		
	Total	Live on Track	Simulcast	OTB Teletheatre	TAB/HPI	Total	Start	dd-mm-yy
							End	dd-mm-yy
							Foreign Outside of Canada	Domestic Outside of Ontario

WAGERING

HANDLE - TB	-					-		
HANDLE - SB	-					-		
HANDLE - QH	-					-		
TOTAL HANDLE	-	-	-	-	-	-	-	-

REVENUES

GROSS TAKEOUT	-					-		
BREAKAGE REVENUE	-					-		
OUTSTANDING TICKET REVENUE	-					-		
GROSS REVENUE	-	-	-	-	-	-	-	-

TAXES, LEVIES AND OTHER REVENUE

DEDUCTIONS

CPMA LEVY (0.80%)	-							
ONTARIO TAX (0.50%)	-							
PMTR - OR HIP LEVY (3%)	-							
PMTR - HORSEMEN'S SHARE (0.4%)	-							
AGCO REGULATORY FEE	-							
INCOMING SIMULCASTS - HOST TRACK SHARE	-							
NET REVENUE	-	-	-	-	-			

FOOTNOTE:

RETAINED REBATES

PMTR - CUSTOMER SHARE (1.5%)	-							
PMTR - TRACK SHARE (1.25%)	-							
TOTAL RETAINED REBATES	-	-	-	-	-			

PMTR - REGULATORY FEE (0.75%)
JOINT VENTURE SIMULCAST REVENUE

	-							
	-					-		

DISTRIBUTION TO TRACKS:

Ajax	
Clinton	
Dresden	
Fort Erie	
Georgian	

SCHEDULE 7.2(B)(II)
SEMI-ANNUAL FINANCIAL REPORTING REQUIREMENTS
(OR RACETRACK MEMBERS)

Horse Racing Profit and Loss Statement by Member Racetrack

	Actual September 30/ March 31	Target September 30/ March 31	Variance	YTD Total	Year End Projection
Revenues					
Customer Wagering Commissions					
Live Racing	\$	\$	\$	\$	\$
Simulcast	\$	\$	\$	\$	\$
HPI/TAB	\$	\$	\$	\$	\$
Teletheatre	\$	\$	\$	\$	\$
Digital (e.g., Horse Racing 3.0)	\$	\$	\$	\$	\$
Joint Venture Revenue – Ontario Product	\$	\$	\$	\$	\$
Joint Venture Revenue – Non-Ontario Product	\$	\$	\$	\$	\$
Breakage	\$	\$	\$	\$	\$
Outstanding Ticket Revenue	\$	\$	\$	\$	\$
Subtotal – Wagering Related Revenue	\$	\$	\$	\$	\$
Difference between Net Revenue Allocation & Subtotal Wagering Commissions	\$	\$	\$	\$	\$

	Actual September 30/ March 31	Target September 30/ March 31	Variance	YTD Total	Year End Projection
Food and Beverage	\$	\$	\$	\$	\$
Other – Misc (i.e. program, promotional product)	\$	\$	\$	\$	\$
Lease Revenue					
Base + Additional Rent	\$	\$	\$	\$	\$
Gross Revenue	\$	\$	\$	\$	\$
Expenditures					
Cost of Racetrack Operations:					
Racing Related Expenses	\$	\$	\$	\$	\$
Salaries & Wages	\$	\$	\$	\$	\$
Marketing	\$	\$	\$	\$	\$
Deductions from Home Market Area Gross Wagering::					
PMTR Deductions (6.9% less 0.75% ORC Regulatory Fee)	\$	\$	\$	\$	\$
CPMA Levy (0.8%)	\$	\$	\$	\$	\$
Ontario Tax (0.5%)	\$	\$	\$	\$	\$

	Actual September 30/ March 31	Target September 30/ March 31	Variance	YTD Total	Year End Projection
The cost of providing cash awards to wagering customers participating in the provincial loyalty program administered by or on behalf of the Corporation	\$	\$	\$	\$	\$
Cost of Other					
Loss on Foreign Exchange	\$	\$	\$	\$	\$
Depreciation	\$	\$	\$	\$	\$
Total Expenditure	\$	\$	\$	\$	\$
Gross Profit Before Ontario Racing Shared Services Costs & Total Ontario Racing Funding	\$	\$	\$	\$	\$
Gross Profit Before Ontario Racing Shared Services Costs & Total Ontario Racing Funding as a % of Gross Revenue	%	%	%	%	%
Shared Services Costs of Ontario Racing ²	\$	\$	\$	\$	\$
Gross Profit Before Total Ontario Racing Funding	\$	\$	\$	\$	\$

² Costs shared by OR Members that may include items such as tote system administrative costs.

	Actual September 30/ March 31	Target September 30/ March 31	Variance	YTD Total	Year End Projection
Gross Profit Before Total Ontario Racing Funding as a % of Gross Revenue	%	%	%	%	%
Pari-Mutuel Tax Reduction (PMTR):					
Regulatory (0.75%)	\$	\$	\$	\$	\$
Tracks (1.25%)	\$	\$	\$	\$	\$
Customers (1.5%)	\$	\$	\$	\$	\$
Operational Funding from Ontario Racing					
Racetrack Payment – Operational Support Allocation	\$	\$	\$	\$	\$
Operational Enhancement Payment	\$	\$	\$	\$	\$
Other (i.e. Transition Payment Operating Costs)	\$	\$	\$	\$	\$
Total Funding from Ontario Racing	\$	\$	\$	\$	\$
Gross Profit After Funding from Ontario Racing	\$	\$	\$	\$	\$
Gross Profit After Total Ontario Racing Funding as a % of Gross Revenue	%	%	%	%	%

**SCHEDULE 7.3
KEY PERFORMANCE INDICATORS**

1. Performance Target Results by Member Racetrack

#	Metric Name	Data Point	Precision of Reporting	4					5					Rationale for Results
				Actual Results	Variation (%) to Targets submitted in Annual Business Plan									
				Q1	Q2	Q3	Q4	Cumulative YTD	Q1	Q2	Q3	Q4	Cumulative YTD	
1	Gross Bet on Ontario Races (M\$)	Gross Bet on Ontario Races (M\$)	2 decimal places											
2	Total Count of Tickets Sold at Racetracks	Total Count of Tickets Sold at Racetracks	Whole Number											
3	Average Field Size (Starters/Race)	Total number of Starters [A]	Whole Number											
		Total number of Races [B]	Whole Number											
		Average Field Size [A] / [B]	2 decimal places											
4	Gross Wagering Commissions (Revenue) to Racetracks (M\$)	Gross commissions received, through all available channels (i.e., Live, Simulcast, Teletheatre,	2 decimal places											

#	1 Metric Name	2 Data Point	3 Precision of Reporting	4 Actual Results				5 Variation (%) to Targets submitted in Annual Business Plan				Rationale for Results													
		TAB/HPI, from: (i) Ontario customers placing pari-mutuel bets on races conducted at Racetrack Members' tracks (ii) HMA Joint Venture Gross Wagering Handle (iii) Remotes Joint Venture Gross Wagering Handle [C]																							
		PMTR [D]	2 decimal places																						
		Breakage Revenue [E]	2 decimal places																						
		Outstanding Ticket Revenue [F]	2 decimal places																						
5	Racetrack Capital Reinvestment Rate (%)	Total Capital Expenditures (\$) [I]	2 decimal places																						

#	1 Metric Name	2 Data Point	3 Precision of Reporting	4 Actual Results				5 Variation (%) to Targets submitted in Annual Business Plan				Rationale for Results	
		Total Government Support to Racetracks (\$) [J]	2 decimal places										
6	Total Other Racetrack Revenue (M\$)	Total Other Racetrack Revenue (M\$)	2 decimal places										
7	Wager to Purse (Ratio)	Gross Bet on Ontario Races (M\$) [K]	2 decimal places										
		Purse funded from TPA (\$) [L]	2 decimal places										
		Purse funded from HIP (\$) [M]	2 decimal places										
		Purse funded from Surplus Carryover (\$) [N]	2 decimal places										
		Purse funded from Wagering Top-up (\$) [O]	2 decimal places										
		Purse funded from Other sources (\$) [P]	2 decimal places										
		Total Purse (\$) [Q] = [L]+[M]+[N]+[O]+[P]	2 decimal places										

#	1 Metric Name	2 Data Point	3 Precision of Reporting	4 Actual Results				5 Variation (%) to Targets submitted in Annual Business Plan					Rationale for Results
		Wager to Purse (Ratio) [K] / [Q]	2 decimal places										
8	Average Ontario Yearling Sales Price (\$/yearling)	Average Ontario Yearling Sales Price (\$/yearling)	For fiscal										
		Average Ontario Yearling Sales Price - TB (\$/yearling)	For fiscal										
		Average Ontario Yearling Sales Price - SB (\$/yearling)	For fiscal										
9	Total Number of Unique Starters (Count)	Total Number of Unique Starters (Count)	Whole number										
		Total Number of Unique Starters - TB (Count)	Whole number										
		Total Number of Unique Starters - SB (Count)	Whole number										
10	Total Number of Registered Foals (Count)	Number of Registered Foals (Count)	Whole number										

	1	2	3	4					5	
#	Metric Name	Data Point	Precision of Reporting	Actual Results					Variation (%) to Targets submitted in Annual Business Plan	Rationale for Results
		Number of Registered Foals – TB (Count)	Whole number							
		Number of Registered Foals – SB (Count)	Whole number							
11	FTEs employed per Government Funding (FTE/M\$)	FTEs employed per Government Funding (FTE/M\$)	For fiscal							

1. **Metric Name:**
This field captures the industry key performance indicator name.
2. **Data Point:**
This field lists the specific data points used in the calculation of the metrics.
3. **Precision of Reporting:**
This field lists the precision of reporting to be used when reporting the data points.
4. **Actual Results:**
The five columns in this section represent actual results for the current Funding Year on a quarterly and cumulative YTD basis.
5. **Variation (%) to Forecasts submitted in Annual Business Plan:**
These five columns represent the variation % of the Actual Results (4) to the forecasts that were submitted in the Annual Business Plan on a quarterly and cumulative YTD basis.

SCHEDULE 7.4
FORM OF ANNUAL COMPLIANCE CERTIFICATE

Annual Compliance Statement

To: Ontario Lottery and Gaming Corporation

From: [Horse Racing Ontario or Ontario Racing Management Inc.]

Date: [insert date]

Re: Funding Year – April 1, [year] to March 31, [year] (the "**Applicable Period**"), under the Funding Agreement dated as of May 7, 2018 between OLG, Horse Racing Ontario, Ontario Racing Management Inc. and Woodbine Entertainment Group (as amended, the "**Funding Agreement**")

Capitalized terms that are used but not defined herein have the respective meanings specified in the Funding Agreement.

On behalf of [**Horse Racing Ontario / Ontario Racing Management Inc.**], the undersigned directors certify to OLG that, to the best knowledge of the undersigned after making due enquiries, [**Horse Racing Ontario / Ontario Racing Management Inc.**] complied with and fulfilled its obligations under the Funding Agreement during the Applicable Period and prior thereto since the Commencement Date.

[Name – Director 1]

[Name – Director 2]

SCHEDULE 7.6(A)
QUARTERLY OPERATIONAL REPORTING

On a quarterly basis within 15 Business Days following the end of each quarter of each Funding Year, or more frequently upon OLG's request:

1. a summary of key RG initiatives completed;
2. purse statement including interest reporting;
3. details of payments and disbursements comprising Eligible Uses of Administration Payment;
4. details of payments and disbursements of Eligible Costs and Transition Payment Eligible Costs that are operating costs of the type listed in item 2 of Schedule A; and
5. provide actual vs budget for the Horse Improvement Payment using the categories from the Approved Annual Business Plan with associated variance explanations, as well as provide program levels results as follows:
 - (a) number of registered mares in Ontario;
 - (b) number of registered standing stallions in Ontario; and
 - (c) number of Ontario sired and Ontario bred and Ontario owned horses.

SCHEDULE 9.2(B)
LIST OF OR RACETRACK MEMBERS AS OF THE DATE OF
THE ORIGINAL FUNDING AGREEMENT

Picov Downs Inc.

Clinton Raceway Inc.

Dresden Agricultural Society

Flamboro Downs Limited

Fort Erie Live Racing Consortium

Georgian Downs Limited

Grand River Agricultural Society

Hanover, Bentinck and Brant Agricultural Society

Rideau Carleton Raceway Holdings Ltd.

Woodbine Entertainment Group

The WFA Raceway Corporation

EXHIBIT 9.2(H)(I)
ARTICLES AND BY-LAWS OF ONTARIO RACING

(attached)

**EXHIBIT 9.2(H)(II)
OR MEMBERSHIP AGREEMENT**

(attached)

EXHIBIT 9.2(H)(III)
ORM MANAGEMENT AGREEMENT

(attached)