

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (“MOU”) is executed on this ___ day of November, 2016 by and between the City of Detroit Downtown Development Authority (“DDA”), Palace Sports & Entertainment, LLC, a Delaware limited liability company (“PS&E”, and together with DDA, the “Parties”).

Recitals

A. Act 197, Michigan Public Acts, 1975, as amended (the “DDA Act”) was amended in 2012 (the “2012 DDA Act Amendments”) to allow downtown development authorities to capture tax increment revenues derived from state and local school taxes levied on or after July 1, 2010, for the purpose of financing a “catalyst development project” approved by the Michigan Strategic Fund and a downtown development authority. A catalyst development project is defined in the DDA Act as a project located in a municipality with a population greater than 600,000 and expected to result in at least \$300,000,000 in capital investment. Only one project may be so designated by each downtown development authority under the DDA Act. The 2012 DDA Act Amendments provided that costs associated with the land acquisition, preliminary site work, and construction of a catalyst development project may be paid for or reimbursed out of captured tax increment revenues derived from state and local school taxes levied on or after July 1, 2010. In addition, the 2012 DDA Act Amendments authorized the issuance of bonds after July 31, 2012, to pay for costs associated with a catalyst development project, and provided that a tax increment financing plan for such a project could pledge available tax increment revenues of the DDA as security for any bonds issued to develop and construct the project.

B. By resolution adopted on June 26, 2013, the DDA Board approved the expansion of Development Area No. 1 and certain amendments to the Restated City of Detroit Downtown Development Authority Tax Increment Financing Plan and Development Plan For Development Area No. 1 (as amended, the “Plan” or the “Development Plan”) necessary to proceed with a “catalyst development project” under the DDA Act for the development and construction of a new multi-purpose events center and related facilities (the “Arena”) and the development or redevelopment of vacant and/or underutilized properties in the area adjacent to or near the Arena (together with the Arena, the “Catalyst Development Project”). By resolution adopted on July 24, 2013, the Michigan Strategic Fund approved those amendments to the Plan which related to the Catalyst Development Project as required by the DDA Act. By resolution adopted on December 20, 2013, the Detroit City Council approved amendments to the Plan, including the Catalyst Development Project.

C. The DDA, Olympia Entertainment Events Center, LLC, as successor in interest to Olympia Development of Michigan Events Center, LLC (“OEEC”), and the Detroit Red Wings (the “Red Wings”) are parties to that certain Amended and

1 Restated Concession and Management Agreement dated as of December 11, 2014 (as
2 amended, the “Arena Concession Agreement”) for the purpose of establishing a
3 public-private partnership for development, construction and operation of the Arena.
4 Under the terms of the Arena Concession Agreement, the land and building
5 improvements comprising the Arena are a public facility owned by the DDA and
6 managed and operated by OEEC as concessionaire, subject to the terms and
7 conditions and for the time periods set forth thereunder. The Arena has subsequently
8 been named the Little Caesars Arena and is expected to be fully operational by
9 September 2017.

10 **D.** In order to provide financing for a portion of the costs of the construction
11 of the Arena, the Michigan Strategic Fund (“MSF”) issued its \$250,000,000 Limited
12 Obligation Revenue Bonds, Series 2014A (Events Center Project) (the “Series 2014A
13 Bonds”) and \$200,000,000 Limited Obligation Revenue Bonds, Series 2014B (Events
14 Center Project) (Federally Taxable) (the “Series 2014B Bonds”) and loaned the
15 proceeds of the Series 2014A and Series 2014B Bonds to the DDA. As security for the
16 Series 2014A Bonds, the DDA issued its Tax Increment Revenue Bond (Development
17 Area No. 1 Projects), Series 2014A (the “Series 2014A DDA Obligation”) and pledged
18 its Net General Tax Increment Revenues and Catalyst Project Revenues (each as
19 defined in the Series 2014A DDA Obligation) for payment of the Series 2014A DDA
20 Obligation. As security for the Series 2014B Bonds, the DDA issued its Concession
21 Revenue Bond (Development Area No. 1 Projects), Series 2014B (the “Series 2014B
22 DDA Obligation”) and pledged certain concession fee revenues to be received by the
23 DDA under the Arena Concession Agreement to the MSF for payment of the Series
24 2014B DDA Obligation.

25 **E.** PS&E and the Detroit Pistons Basketball Company (“Pistons
26 Basketball;” and together with PS&E and any affiliate thereof, the “Pistons”) have
27 agreed to the principal terms and conditions pursuant to which the Pistons will
28 relocate the venue for Pistons Basketball home games and related Pistons operations
29 from the Palace of Auburn Hills to the Arena commencing with the fall 2017 NBA
30 season.

31 **F.** In order to further develop, expand and enhance the Catalyst
32 Development Project and to induce the Pistons to relocate from the Palace of Auburn
33 Hills to the Arena, it is necessary and desirable to construct a new Pistons practice
34 facility and corporate offices and headquarters and to make certain additional
35 improvements to the Arena to accommodate the Pistons’ basketball, operational and
36 facility requirements.

37 **G.** The DDA has determined that the relocation of the Pistons to the Arena
38 will act as a major economic development catalyst for the City of Detroit (the “City”),
39 will have a beneficial effect on the property values of property within the DDA’s
40 downtown district and will create new business and employment opportunities.

1 **H.** DDA has determined that there is a public purpose to modify the
2 existing public-private partnership for the Arena to incorporate the construction of:
3 (1) additional improvements to the Arena to accommodate the Pistons' basketball,
4 operational and facility requirements; (2) a practice facility and corporate offices and
5 headquarters for the Pistons; and (3) other public facilities, public infrastructure and
6 public spaces in the DDA's Development Area No. 1 relating to the foregoing
7 (collectively the "Pistons Development Project").

8 **I.** In consideration of the DDA modifying the existing public-private
9 partnership for the Arena to incorporate the Pistons Development Project and
10 undertaking the transactions described herein, the Pistons will agree to (i) relocate
11 their basketball and related operations to the City of Detroit and (ii) develop and
12 administer programs and facilities intended to benefit the youth, residents, and
13 businesses of the City, as further described herein.

14 **J.** The Parties estimate and anticipate that the total cost of the Pistons
15 Development Project will be in the range of \$67 - \$95 million, that the private
16 investment in the Pistons Development Project will be approximately \$32 - \$55
17 million, and that the public investment will be no more than \$34.5 million, in 2016
18 dollars, such investments to be allocated as set forth herein.

19 **K.** The Parties desire to memorialize their mutual understandings and
20 intentions relative to the terms of the Pistons Development Project and the intended
21 roles of each party in assuring the successful completion of the Pistons Development
22 Project, and the respective contributions toward the costs of the Pistons Development
23 Project.

24 **I. General Description of the Pistons Development Project**

25 **A. Arena Basketball Related Improvements**

26 Certain enhancements and modifications will be made to the design and
27 development of the Arena to accommodate the Pistons basketball operations and
28 facility requirements (hereinafter referred to as the "Arena Improvements").

29 **B. Pistons Practice Facility and Corporate Offices**

30 The Pistons practice facility will be a first-class professional basketball
31 practice facility and training center with multiple basketball courts, training,
32 performance and rehabilitation facilities for Pistons players, and will serve as the
33 corporate offices and headquarters of PS&E and Pistons Basketball (hereinafter, the
34 "Practice Facility"). The Practice Facility will be located adjacent to the Arena on
35 the property depicted on **Exhibit B** hereto ("Site A") or such alternative site within
36 the City of Detroit selected by PS&E (an "Alternate Site"). If the location of the
37 Practice Facility at such Alternate Site would be permitted by law to be a public

1 facility owned by the DDA, as determined in DDA’s reasonable discretion, and is
2 otherwise acceptable to the DDA and PS&E to be operated by Pistons under a
3 concession agreement at such site, then such site is referred to herein as an
4 “Alternate Public Facility Site.” In the event that the Practice Facility is on Site A,
5 Site A will be incorporated into the Arena Concession Agreement and the Practice
6 Facility will be connected by a walkway to the Arena and may be constructed above
7 an estimated 600-unit parking facility to be developed and financed by OEEC on the
8 site in accordance with the Arena Concession Agreement. All references to the
9 “Practice Facility” herein shall not include any parking facility which OEEC may
10 construct on the same site.

11 **II. Costs of the Pistons Development Project**

12 It is understood that costs will include all costs (“Costs”) of the Pistons
13 Development Project, including the following: (i) all land acquisition costs; (ii) site
14 development costs, including demolition, environmental remediation, public
15 infrastructure and utilities; (iii) the specifications and designs for the Practice
16 Facility and the Arena Improvements; (iv) costs of construction, equipment,
17 furniture, and furnishings; (v) financing costs, including underwriting costs, fees, and
18 expenses, and the fees and expenses of attorneys, market analysts, consultants, and
19 the costs of credit enhancements, if any; (vi) capitalized interest during construction,
20 debt service reserve funds and other reserve fund requirements (capital repairs,
21 replacements and improvements, and deferred maintenance) attendant to financing;
22 (vii) DDA administrative costs associated with monitoring the development and
23 construction of the Practice Facility and the Arena Improvements, including internal
24 personnel and third party consultants; (viii) out-of-pocket costs of the State, City,
25 DDA and PS&E and its affiliates for attorneys, appraisers, environmental and other
26 consultants, inspecting architects, and a disbursing agent, paid out or incurred in
27 connection with the creation, negotiation, documentation, and delivery of all
28 agreements and memoranda and other documents related to the design and
29 construction of the Pistons Development Project; (ix) all costs associated with the
30 issuance of bonds; and (x) such other costs and expenses as the Parties shall mutually
31 approve, which approval shall not be unreasonably withheld. Costs shall include any
32 costs described above whether incurred prior to or after the date hereof.

33 **III. Ownership Structure**

34 **A. Little Caesars Arena Improvements**

35 The DDA will own all Arena Improvements pursuant to the Arena Concession
36 Agreement, as same may need to be amended to incorporate the Arena Improvements
37 in all necessary respects. Pistons will enter into a sub-concession agreement with
38 OEEC to provide PS&E and Pistons Basketball with use rights for Detroit Pistons
39 NBA basketball games and related activities and events in accordance with such
40 terms as may be agreed upon by OEEC and Pistons. In addition, Pistons shall enter

1 into a joinder of the Arena Concession Agreement in a form reasonably satisfactory
2 to the DDA and Pistons to commit to certain undertakings by Pistons for the benefit
3 of the DDA consistent with the undertakings made by OEEC and/or the Red Wings
4 with respect to insurance, indemnification, and related matters to protect the DDA
5 from any liability resulting from the Pistons use of the Arena.

6 **B. Practice Facility**

7 If the Practice Facility is located on Site A or other Alternate Public Facility
8 Site, the Practice Facility and the associated infrastructure and site improvements
9 shall be a public facility owned by the DDA. If located on Site A, it is anticipated that
10 DDA, OEEC, and Pistons will execute a supplement to the Arena Concession
11 Agreement (the "CMA Supplement") to incorporate the Practice Facility as part of
12 the Little Caesars Arena development and to provide that Pistons will be a co-
13 concessionaire solely with respect to the Practice Facility. Pursuant to the CMA
14 Supplement, Pistons shall have exclusive right to develop, use, manage and operate
15 the Practice Facility, subject to the terms of the CMA Supplement, and the Pistons
16 shall be solely responsible for paying the concession fees set forth in the CMA
17 Supplement. The activities taking place at the Practice Facility shall be directly
18 related and ancillary to the Pistons operations, management and team activities and
19 other entertainment events that occur at the Arena or any other purpose consented
20 to by the DDA. The DDA shall work with the City of Detroit to amend the planned
21 development for the Arena complex to annex the Practice Facility parcel into the
22 parcel(s) comprising the current Arena complex owned by the DDA to create a single
23 parcel owned by the DDA. In addition, the Pistons will commit to the DDA that during
24 the term of the CMA Supplement, the Pistons (i) will play all of its regular season
25 home games and post-season home games for each NBA season at the Arena, except
26 in connection with any event where the NBA designates the Pistons as the home team
27 at a NBA game played at a location outside of the Arena, (ii) will not enter into any
28 contract or agreement of any kind to transfer the Pistons' franchise if such transfer
29 would result in the Pistons relocating to a location other than the Arena, and (iii) will
30 not make a formal application to the NBA for approval to transfer the Pistons'
31 franchise to a location other than the Arena.

32 If the Practice Facility is located at an Alternate Site that is not an Alternate
33 Public Facility Site, the Practice Facility shall not be a public facility. In such event,
34 the DDA shall request that the Detroit Economic Growth Corporation work with the
35 City of Detroit and PS&E to identify and apply for appropriate and applicable tax
36 abatements and/or credits.

37 **IV. Land Acquisition and Related Development**

38 **A. Little Caesars Arena Improvements**

1 The DDA owns the land necessary for the Arena and no additional land
2 acquisition is required for the Arena Improvements.

3 **B. Practice Facility**

4 In the event that PS&E elects to locate the Practice Facility at Site A, OEEC
5 will cause its affiliate which currently owns the land necessary for the Practice
6 Facility to transfer Site A to the DDA pursuant to the Arena Concession Agreement.
7 In the event that PS&E elects to locate the Practice Facility at an Alternate Public
8 Facility Site, PS&E will cause such Alternative Public Facility Site to be transferred
9 to the DDA at no cost to the DDA. Any land acquisition costs will be financed solely
10 with the proceeds of the Concession Revenue Bonds (as defined below) and not from
11 the Tax Increment Revenue Bonds (as described below). The DDA and the Pistons
12 will work cooperatively in submitting a request to the City to vacate all streets, alleys
13 and utilities that are required for the Practice Facility development.

14 **V. Financing and Contributions**

15 The Parties estimate that the total cost of the Pistons Development Project will
16 be in the range of \$67 to \$95 million, including financing costs, but excluding debt
17 service and coverage reserves, allocated among the two component projects as follows:

18	Arena Improvements	\$35 to 40 million
19	Practice Facility	\$32 to 55million
20	Total:	<u>\$67 to 95 million</u>

21 **A. Project Financing--Public Funds**

22 *Tax Increment Revenue Bonds.* The Parties anticipate that the DDA will
23 refinance the outstanding Series 2014A Bonds and Series 2014A DDA Obligation
24 with the issuance by the DDA of a new series of tax-exempt tax increment revenue
25 bonds by the DDA (“Tax Increment Revenue Bonds”) secured by a pledge made by the
26 DDA of its Net General Tax Increment Revenues and Catalyst Project Revenues. In
27 addition to refinancing the outstanding balance of the Series 2014A Bonds, the DDA
28 expects to leverage the tax increment revenues to borrow additional funds to enable
29 the DDA to finance \$34,500,000 of additional costs related to the construction of the
30 Arena and any other Pistons Development Project costs eligible to be paid under the
31 DDA Act and the Development Plan. The \$34,500,000 additional proceeds of the Tax
32 Increment Revenue Bonds shall be disbursed by the DDA to pay eligible costs related
33 to the construction of the Arena and any other eligible Pistons Development Project
34 costs when incurred as construction progresses in accordance with the Arena
35 Concession Agreement to the extent such costs are for Arena Improvements or
36 otherwise pursuant to the CMA Supplement and the construction disbursement
37 terms required by the DDA.

38 *Concession Revenue Bonds.* In the event that the Practice Facility is located
39 on Site A or any Alternate Public Facility Site, the Parties anticipate that the DDA

1 will issue taxable bonds in an amount not to exceed \$55,000,000 payable solely from
2 and secured by a pledge made by the DDA of the concession fees paid by PS&E (or its
3 affiliate) under the CMA Supplement (the “Concession Revenue Bonds”). The
4 proceeds of the Concession Revenue Bonds shall be disbursed to or for the account of
5 PS&E (or its affiliate) as construction progresses in accordance with the CMA
6 Supplement and the construction disbursement terms required by the DDA. The
7 initial principal amount of the Concession Revenue Bonds will not exceed the funds
8 required to finance the acquisition of land and construction, development and
9 furnishing of the Practice Facility and costs of issuing the Concession Revenue Bonds,
10 plus such reserves as may be required by the purchaser(s) of the Concession Revenue
11 Bonds.

12 The Tax Increment Revenue Bonds and the Concession Revenue Bonds
13 (collectively, the “DDA Bonds”) shall be payable solely from the pledged revenues
14 described herein. PS&E, or its affiliates, shall be solely responsible for all Costs not
15 funded by proceeds of the DDA Bonds, including any construction cost overruns
16 relating to the construction of the Pistons Development Project.

17 It is anticipated that the Tax Increment Revenue Bonds will be repaid from
18 the following sources:

- 19 1. As security for the Tax Increment Revenue Bonds, an irrevocable pledge of
20 annual property tax capture by the DDA pursuant to MCL 125.1664(6) (the
21 “Catalyst Project Revenues”), subject to certain exceptions for future
22 brownfield development projects in the same manner as structured for the
23 Series 2014A Bonds to be applied to debt service on the Tax Increment
24 Revenue Bonds in the same manner as structured for the Series 2014A
25 Bonds.
- 26 2. As additional security for the Tax Increment Revenue Bonds, an
27 irrevocable pledge of the local incremental tax revenues captured by the
28 DDA and available after payment of debt service on outstanding senior lien
29 DDA bonds issued in 1996 and 1998 (the “Net General Tax Increment
30 Revenues”), subject to reimbursement to the DDA of payments of such
31 revenues exceeding scheduled amounts to be paid by the DDA during the
32 term of the Tax Increment Revenue Bonds, such reimbursement to be
33 made from subsequently available Net General Tax Increment Revenues
34 consistent with the pledge made by the DDA to secure the
35 Series 2014A Bonds.

36 It is anticipated that the Concession Revenue Bonds will be repaid from the
37 following sources:

- 38 1. As security for the Concession Revenue Bonds, annual concession fee
39 payments payable by PS&E (or its affiliate) pursuant to the CMA

1 Supplement (the “Concession Fee”); such payment shall terminate when
2 the Concession Revenue Bonds have been paid in full. The amount of the
3 annual concession fee payments shall be determined based on the
4 requirements of the purchaser(s) of the Concession Revenue Bonds.

5 In addition to repayment of the DDA Bonds, any of the foregoing funds may be
6 used for all costs permitted by the DDA Act, including but not limited to: costs
7 associated with development of the Pistons Development Project and the
8 establishment of appropriate reserves (including bond reserves, maintenance
9 reserves, and capital reserves).

10 Recourse to the parties herein in connection with the obligations under the
11 DDA Bonds shall be limited to the payment obligations described above in this
12 Section V.A. for which they are responsible pursuant to this MOU, the CMA
13 Supplement, or any other agreement related to the contribution of public and private
14 funds for the Pistons Development Project.

15 **VI. CMA Supplement for Practice Facility**

16 In the event that the Practice Facility is located on Site A or an Alternate
17 Public Facility Site, the DDA, OEEC and PS&E (or its affiliate) will enter into the
18 CMA Supplement relating to the construction, operation and management of the
19 Practice Facility. Pursuant to the CMA Supplement, and in consideration for the
20 annual payment set forth in Section V, the DDA will grant to PS&E (or its affiliate)
21 the exclusive right:

- 22 A. To use, manage and operate the Practice Facility during the term of the CMA
23 Supplement.
- 24 B. To all revenues derived from the Practice Facility including but not limited to
25 revenues and concessions from all events, activities and operations in or on the
26 Practice Facility, including naming rights and other sponsorship and
27 advertising, and to all intellectual property, including the right to sell, market,
28 copyright, secure a trademark for or otherwise exploit the same, all of which
29 will be more specifically set forth in the CMA Supplement.

30 The initial Term of the CMA Supplement shall be for 30 years, or for so long
31 as the Concession Revenue Bonds remain outstanding and as may be permitted by
32 law, followed by twelve (12) additional five-year renewal options, in each case in favor
33 of PS&E (or its affiliate) and upon the same terms and conditions as the initial Term.
34 The annual payment set forth above shall commence upon occupancy and shall be
35 paid until the MSF Bonds are paid in full. PS&E shall be entitled to assign its rights
36 and obligations under the CMA Supplement to an affiliate. PS&E shall have the
37 right to terminate the CMA Supplement prior to the end of its term upon prepayment
38 of the outstanding principal, premium (if any) and interest on the Concession

1 Revenue Bonds, or if such Concession Revenue Bonds are not callable, then upon the
2 funding of a defeasance escrow sufficient to pay the outstanding principal, premium
3 (if any) and interest on the Concession Revenue Bonds on their first call date so they
4 are no longer deemed outstanding under the terms of the bond resolution pursuant
5 to which they are issued.

6 **VII. Design and Construction Management**

7 In the event that the Practice Facility is located on Site A or an Alternate Public
8 Facility Site, PS&E (or its affiliate) in consultation with the DDA, will develop
9 minimum program requirements, designs, plans and specifications and construction
10 delivery systems for the Practice Facility and in cooperation with OEEC will develop
11 program requirements, designs, plans and specifications for the Arena
12 Improvements, and will further define and finalize costs of constructing and
13 developing the Pistons Development Project. The construction process shall comply
14 with all laws, including applicable bidding and bonding requirements. In the event
15 that the Practice Facility is located on Site A or an Alternate Public Facility Site,
16 PS&E (or its affiliate) and the DDA shall agree to minimum requirements as part of
17 the design of the Practice Facility. PS&E (or its affiliate) shall have control over the
18 design and construction of the Practice Facility. In the event that the Practice
19 Facility is located on Site A or an Alternate Public Facility Site, some of the material
20 terms and conditions to be incorporated into an agreement related to the construction
21 of the Practice Facility are attached to this MOU as **Exhibit C**.

22 **VIII. Community Benefits** To ensure that the Pistons Development Project
23 provides community benefits to the entire City, creates workforce development and
24 training opportunities for City Residents, and provides recreational opportunities in
25 the City's neighborhoods, PS&E agrees that it will make the following commitments
26 to the DDA and the City in the CMA Supplement or such other agreement as required
27 by the DDA and City:

28 **A.** PS&E will ensure that at least fifty-one percent (51%) of the workforce
29 related to the construction of the Practice Facility are City Residents, that City
30 Residents perform at least fifty one percent (51%) of the hours worked on the
31 construction of the Practice Facility, in accordance with the requirements of
32 Executive Order No. 2014-4 or any subsequent executive orders related to local hiring
33 requirements. The requirements of Executive Order 2014-4 or a subsequent executive
34 order shall apply to the construction of the Practice Facility regardless of whether or
35 not such construction is considered to be a publicly-funded construction project.

36 **B.** PS&E will use best efforts to ensure that at least thirty percent (30%) of the
37 total dollar value of City contracts related to the construction of the Practice Facility
38 are awarded to City based or headquartered businesses, in accordance with the
39 requirements of Executive Order No. 2014-5 or any subsequent executive orders

1 related to local contracting requirements. The requirements of Executive Order 2014-
2 5 or a subsequent executive order shall apply to the construction of the Practice
3 Facility regardless of whether or not such construction is considered to be a publicly-
4 funded construction project.

5 **C.** PS&E will use commercially reasonable efforts to maximize post-
6 construction employment opportunities with PS&E for City Residents.

7 **D.** PS&E will support workforce development initiatives for City Residents by
8 donating \$100,000 to Detroit Employment Solutions Corporation.

9 **E.** PS&E will partner with the Mayor’s Office to provide mentorship
10 opportunities for young City Residents.

11 **F.** PS&E will participate in the Grow Detroit’s Young Talent summer jobs
12 program.

13 **G.** PS&E will invest a total of \$2,500,000 over six years in the construction,
14 renovation and refurbishment of over 60 community recreational basketball facilities
15 in the City of Detroit in partnership with the City of Detroit’s Recreation department,
16 provided that before such investment by PS&E, the City must agree to a reasonable
17 and mutually agreeable maintenance plan for such facilities.

18 **H.** PS&E will host free youth basketball camps, clinics, and other events for
19 City Residents to promote youth basketball and youth enrichment programs in the
20 City.

21 **I.** PS&E will develop a program to enable City Residents and youth to attend
22 NBA basketball games in support of and in connection with community educational
23 programs and initiatives, including by making available 20,000 tickets per regular
24 season free of charge to City Residents and youth.

25 **J.** PS&E will appoint and maintain a liaison to meet, communicate, and
26 engage regularly with the existing Little Caesars Arena Neighborhood Advisory
27 Committee or, with respect to the Practice Facility if located on an Alternate Site that
28 receives a tax abatement from the City, any other committee created by the City for
29 purposes of engaging local residents with respect to the construction of the Practice
30 Facility, consistent with the City of Detroit’s community benefits ordinance,
31 commonly known as Proposal B, regardless of whether the Practice Facility is
32 considered to be a “Tier 1 Development Project” under such ordinance.

33 DDA and City shall be entitled to appropriate remedies if the above obligations are
34 not fulfilled.

VIII. Approvals of MSF

The DDA will work with the MSF to obtain any required review or approvals needed for the DDA Plan Amendment and financing as outlined in this MOU, including approval of extension of the capture period of the Catalyst Project Revenues as required to refinance and increase the DDA Tax Increment Bonds to an amount sufficient to enable the DDA to finance \$34,500,000 of the eligible costs related to the construction of the Arena and any other eligible Pistons Development Project costs as described herein.

IX. Agreements and Responsibilities of DDA

A. The DDA will prepare and submit to the City for approval an amendment to the DDA Plan (“DDA Plan Amendment”) to extend the term of the DDA Plan beyond its current expiration date of June 30, 2045 to support the issuance of the Tax Increment Revenue Bonds as described herein. Upon approval by the City of the DDA Plan Amendment, the DDA will submit the DDA Plan Amendment to the Michigan Strategic Fund for approval as required by Section 19(3) of the DDA Act for a Catalyst Development Project.

B. The DDA Plan Amendment will expand the projects which may be supported thereunder to include the components of the Pistons Development Project as set forth in this MOU.

C. The DDA agrees to continue to pledge the Net General Tax Increment Revenues toward repayment of the Tax Increment Revenue Bonds, subject to reimbursement to the DDA of payments of such revenues exceeding scheduled amounts to be paid by the DDA during the term of the Tax Increment Revenue Bonds, such reimbursement to be made from subsequently available Net General Tax Increment Revenues consistent with the pledge made by the DDA to secure the Series 2014A Bonds, and will cooperate in connection with the structure outlined in this MOU.

X. Agreements and Responsibilities of PS&E (or its affiliates)

Pursuant to the CMA Supplement, PS&E (or one or more of its affiliates) will commit to: (1) pay all Costs not funded by proceeds of the DDA Bonds, including construction costs overruns for the Pistons Development Project; (2) pay the maintenance costs and the costs of necessary capital improvements of the Pistons Development Project and (3) if applicable, pay an annual Concession Management Fee throughout the term of the Concession Revenue Bonds in an amount sufficient to pay the annual debt service requirements for the Concession Revenue Bonds.

Pistons represent that Pistons (and its affiliates, as applicable) and OEEC have reached agreement on all material terms with respect to the Pistons relocating the venue for Pistons Basketball home games and related Pistons operations from

1 the Palace of Auburn Hills to the Arena commencing with the fall 2017 NBA season,
2 as well as with respect to the transfer of Site A, as may be applicable, to the DDA
3 necessary for the development of the Practice Facility. Pistons acknowledge and
4 agree that the above representation and warranty is a material inducement to the
5 DDA to enter into this MOU, that the DDA is relying on such representation and
6 warranty, has changed and will continue to change its position in reliance thereon,
7 and that the DDA would not have entered into this MOU but for such representation
8 and warranty by Pistons.

9 **XI. Conditions Precedent**

10 The consummation of the transactions contemplated in this MOU are subject to
11 the following conditions precedent, which conditions may be waived by subsequent
12 agreement of the Parties hereto.

13 A. Approvals by the DDA. The approval by the Board of the DDA of the DDA
14 Plan Amendment, this MOU, the Arena CMA Amendment, the CMA
15 Supplement, and the other agreements and documents described herein.

16 B. Approvals by the City. The approval by the City of:

17 a. The DDA Plan Amendment;

18 b. Street vacations and zoning changes and such other governmental
19 approvals as may be needed.

20 C. Approvals by the MSF. The approval by the Board of the MSF of that part of
21 the DDA Plan Amendment constituting the Catalyst Development Project and
22 approval of the projects included in the Catalyst Development Project.

23 D. Approvals by OEEC. Such approvals as may be required from OEEC under
24 the Arena Concession Agreement or otherwise (i) to permit the refinancing of
25 the Series 2014A Bonds by the issuance of the DDA's Tax Increment Revenue
26 Bonds to raise contribution of \$34,500,000 of public funds to payment of costs
27 related to the construction of the Arena and other costs of the Pistons
28 Development Project as set forth herein and (ii) to amend or supplement the
29 Arena Concession Agreement to permit the CMA Supplement and the other
30 transactions contemplated by this MOU.

31 E. Regulatory Approvals. The issuance of any and all federal, state and local
32 orders, licenses and permits needed to complete the acquisition and
33 construction of the Practice Facility.

34 F. Issuance of Bonds. The issuance and sale of the DDA Bonds by the DDA to
35 fund certain undertakings under this MOU.

1 G. Pistons Approval. The approval by the members and/or managers of Pistons
2 (and/or any necessary affiliates) of the CMA Supplement and any other
3 agreement that may be required by DDA or the purchasers of the DDA Bonds
4 to complete the transactions contemplated by this MOU.

5 H. NBA Approval. The approval of the National Basketball Association (“NBA”)
6 of the Pistons’ relocation to the Arena.

7 I. Satisfaction of all Conditions Precedent in MOU between OEEC and PS&E.
8 All conditions precedent to the effectiveness of the Memorandum of
9 Understanding between OEEC and PS&E have been satisfied and the
10 documents completing the transactions outlined therein have been executed
11 and delivered.

12 J. Execution of Agreements. The execution by all relevant parties on or before
13 September 30, 2017 of the CMA Supplement, appropriate amendments and/or
14 supplements to the Arena Concession Agreement and all other agreements as
15 may be necessary or desirable in connection with the consummation of the
16 transactions contemplated in this MOU.

17 This Memorandum of Understanding expresses the present understanding and
18 intentions of the Parties and their respective willingness, upon the approval of the
19 proposed financing structure and agreement, subject to compliance with applicable
20 statutes, codes, ordinances and regulations and to necessary approvals by the Board
21 of the DDA, City, PS&E, the MSF, and any other governing authority, to take all
22 actions necessary to implement the proposed responsibilities. In addition, in the
23 event that this Memorandum of Understanding is not executed by all of the named
24 Parties, it shall nevertheless be deemed to express the present understanding of those
25 Parties which have executed it.
26

Signatories:

CITY OF DETROIT DOWNTOWN DEVELOPMENT AUTHORITY

By: _____

Its: _____

By: _____

Its: _____

PALACE SPORTS & ENTERTAINMENT, LLC

By: _____

Its: _____

1

1
2
3
4
5

EXHIBIT A

The Pistons Development Project

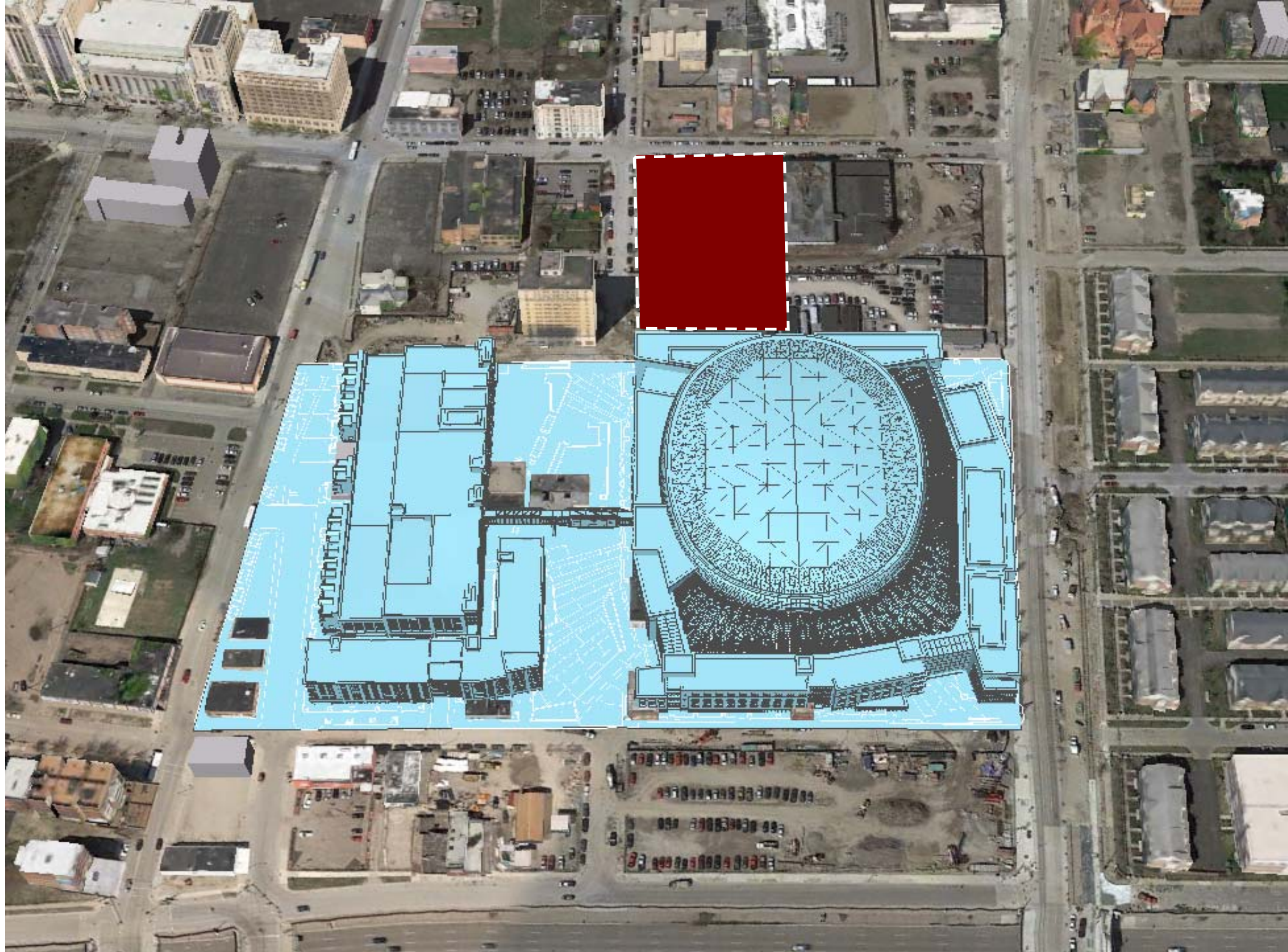
- A. Practice Facility
- B. Arena Improvements.

1
2
3
4

EXHIBIT B

Sketch of Location of Site A

[See attached]



1 deadline imposed upon PS&E (or its affiliate) by the architect for the Practice Facility
2 or any contractor for the Practice Facility provided PS&E (or its affiliate) has
3 delivered, within 36 hours of receipt by PS&E (or its affiliate) of any notice to PS&E
4 (or its affiliate) from such architect or contractor, a written notice to the DDA
5 specifying the nature of the participation or decision required and the requisite
6 deadline.

7 3. Approval of Contracts. The DDA shall be entitled to approve any subcontract
8 for the construction of the Practice Facility in excess of the amount to be specified in
9 the CMA, which approval shall not be unreasonably withheld. The DDA shall grant
10 PS&E (or its affiliate) the right to approve any contract, which approval shall not be
11 unreasonably withheld, proposed to be entered into by the DDA which is payable from
12 funds provided by the DDA or PS&E (or its affiliate), as applicable).

13 4. Change Orders.

14 (a) The DDA shall not be entitled to initiate or require, without the approval
15 of PS&E (or its affiliate), any change order to the construction contract for the
16 Practice Facility.

17 (b) All costs of change orders to the construction contract for the Practice
18 Facility that are requested by PS&E (or its affiliate) or required by law shall be paid
19 by PS&E (or its affiliate). Any change order authorizing work in excess of the amount
20 to be specified in the CMA or which results in an increase or decrease in the Project
21 Budget in excess of the amount to be specified in the CMA shall be approved by the
22 DDA, which approval shall not be unreasonably withheld.

23 5. DDA's Failure to Consent. The DDA shall agree to reimburse PS&E (or its
24 affiliate) for any increase in the Costs of the Practice Facility or any reduction in
25 revenues available from the Practice Facility associated with the failure of the DDA
26 to exercise any right of consent or approval granted to the DDA by this MOU,
27 including any increased costs associated with the failure of the DDA to consent to
28 proposed modifications of the final design of the Practice Facility, provided, however,
29 such obligation to reimburse shall arise only if a court of competent jurisdiction
30 determines in a final non-appealable order that the failure of the DDA to give its
31 consent or approval, as the case may be, was not reasonable.

32 6. Construction Disbursement Procedures. The Practice Facility Fund shall be
33 held by a financial institution selected by the DDA and approved by PS&E, or its
34 affiliate (the "Disbursing Agent"). Moneys shall be disbursed from the Practice
35 Facility Fund by the Disbursing Agent to pay Costs of the Practice Facility upon
36 satisfaction of the following conditions:

37 (a) PS&E (or its affiliate) is not in default under the
38 Concession/Management Agreement.

1 (b) Presentation by PS&E (or its affiliate) of a requisition certificate that (i)
2 specifies the Costs of the Practice Facility for which payment is being requested, (ii)
3 affirms that the work for which payment is being requested is in place and that such
4 work has been completed in accordance with the approved plans and specifications
5 for the Practice Facility, and (iii) certifies that the moneys remaining on deposit in
6 the Practice Facility Fund or irrevocably committed to be available for deposit in the
7 Practice Facility Fund will be sufficient to pay the remaining costs of the Practice
8 Facility.

9 (c) Approval of the above requisition certificate as correct by the architect
10 for the Practice Facility and by an inspecting architect hired by the DDA.