

COURT FILE NO. DISTRICT OF ALBERTA
DIVISION NO. 1 – EDMONTON
24-1823083, 24-1823084, 24-1823085, 24-1812086

ESTATE NO. 24-1823083, 24-1823084, 24-1823085, 24-1812086

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE EDMONTON

**IN THE MATTER OF THE
BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985,
c. B-3, AS AMENDED**

**AND THE COMPANIES' CREDITORS ARRANGEMENT
ACT, R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE
OR ARRANGEMENT OF THE ALEXIS PARAGON
LIMITED PARTNERSHIP;
PARAGON CANADA ALEXIS, ULC;
PARAGON TAMARACK ALEXIS GP; and
PARAGON ALEXIS HOLDINGS INC.**

DOCUMENT AFFIDAVIT OF DON KOOTENAY

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION OF
PARTY FILING THIS
DOCUMENT

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File #204-169216
DUNCAN CRAIG LLP
LAWYERS MEDIATORS
2800 Scotia Place
10060 Jasper Avenue
Edmonton, Alberta, Canada, T5J 3V9

**AFFIDAVIT OF DON KOOTENAY
Sworn on January 14, 2014**

I, Don Kootenay, of Glenevis, Alberta, MAKE OATH AND SAY THAT:

- 1) I am a director of Alexis Trustee Corp. ("ATC") and have been since February of 2010 and as such, the matters herein deposed to are based on my personal knowledge except where stated to be based on information and belief and whereso stated I do verily believe the same to be true and on my review of correspondence and documents maintained by ATC in the ordinary course of business.

- 2) I have had the benefit of reviewing the Affidavits of each of Timothy Lavelle sworn January 6, 2014 and Scott Menke sworn January 13, 2014. I make this Affidavit to outline the position of ATC and the Alexis Nakota Sioux Nation (the "Nation"), without whom this project would not have been possible.

BACKGROUND

- 3) The Eagle River Casino and Travel Plaza was established pursuant to the Province of Alberta's First Nation's gaming policy which was approved by the Provincial Government in January of 2001 (the "Project"). Attached and marked **Exhibit "A"** is a copy of the first two sections of the policy obtained from the website of the Alberta Gaming and Liquor Commission ("AGLC").
- 4) The Project would not exist but for the Nation's involvement which is a pre-requisite for a casino to be operated on First Nation's lands.
- 5) Each of Paragon Canada Alexis, ULC ("Paragon") and the Silver Point Finance, LLP ("Silver Point") entities were well aware of this fact at the time of the Project's initial development.

NATION'S CONTRIBUTIONS

- 6) Paragraph 23 of Mr. Menke's Affidavit suggests that the Nation did not contribute any funds to the development of the Project. The statement is not entirely accurate.
- 7) Under the First Nation's Gaming Policy, most First Nations are eligible to receive significant First Nation's Development Fund ("FNDF") grants to be used for economic, social and educational purposes but not for casino purposes.
- 8) The entitlement to receive FNDF grant monies belongs solely to the Nation.
- 9) As part of the process for the development of the Project, the Nation made an application for an FNDF Grant (which was prepared by Paragon) and agreed to allocate 100% of its FNDF grant proceeds to the Project.
- 10) The total amount of the existing grant is \$88,243,673.00.
- 11) To the end of 2013, a total of \$29,891,299 has been paid out to the Nation under the FNDF grant and of that sum \$25,422,842 has been transferred by the Nation to the control of Paragon who then proceeded to expend these monies to pay expenses for the Project. The balance of funds remains in accounts of APLP and ATC.
- 12) All of that FNDF money is dedicated to the Project and is not otherwise available for the Nation to be put toward other initiatives for the Nation's benefit.

PARAGON CONTROL

- 13) Paragon is the General Partner of Alexis Paragon Limited Partnership ("APLP") and is the manager of the casino of Alexis Casino Limited Partnership ("ACLPL"). Attached and marked respectively as **Exhibits "B"** and **"C"** are copies of each agreement.

- 14) Paragon has complete control over 100% of the economic activity at the Project and handles all of the day-to-day accounting, record keeping, management and administration of the Project. They are in effective control of the entirety of the Project and have been since inception. Neither ATC nor the Nation have any control over the management of the Project.
- 15) Under the terms of the existing Partnership Agreement in APLP and the existing Management Agreement for the casino, ATC's responsibilities are limited to:
 - a) Maintaining its facility license and taking whatever steps are needed to do so subject to the management of Paragon; and
 - b) At a Management Committee level, which committee was established under of the APLP Limited Partnership Agreement, to vote on approval of annual operating budgets and receive information on a monthly basis about the ongoing operations at the Project. Even if ATC rejects any operating budget, the operations continue by default.
- 16) ATC has no effective ability to change the General Partner and no ability to terminate Paragon as the Manager under the Management Agreement unless the indebtedness of Silver Point is first satisfied.

HISTORY OF DIFFICULTIES WITH THE PROJECT

- 17) The Project opened in 2008. From inception it did not make money and was almost immediately in default of the obligations owing to Silver Point.
- 18) Under the terms of the existing FNDF grant, FNDF proceeds are not to be used to directly or indirectly support gaming or the business of the casino. That is, and has been, the position of AGLC at least since 2010, and is also the position of the provincial department of Aboriginal Relations.
- 19) The utilization of FNDF funds to buy supplies for the travel plaza and other aspects of the APLP business not relating to gaming are allowed, however AGLC has concerns with revenues derived from the sale of those supplies (such as fuel) from being utilized to support ongoing casino operations.
- 20) Commencing in July of 2010, AGLC conducted an audit which resulted in reallocated overhead. In October of 2010, AGLC advised ACLP that it had significant concerns that ACLP would not be able to continue unless it took significant steps to restructure its financial position and significantly reduce overhead.
- 21) Also in October of 2010, AGLC advised ACLP that it needed to review with Paragon, and address significant and unsustainable operating losses being incurred in the casino. Specifically, AGLC advised ACLP that administrative and overhead costs were significant and contributed significantly to operational losses for the casino.
- 22) Since 2010, AGLC has only been issuing six month conditional licenses to ACLP. One of the sustaining and ongoing conditions is that ACLP has injected into it over \$16,000,000.00 in order to properly capitalize the entity.

- 23) In 2010, AGLC had reviewed the operational expenses of the Project and noted that overhead expenses of similar casinos averaged approximately 22% of the gross casino revenue.
- 24) ATC was approached by AGLC and given an opportunity to review the books and records of a similar First Nation's casino operated in northern rural Alberta, but one which was a stand-alone facility without the benefit of either, at that time, a hotel or, as in the case of the Project, the Travel Plaza.
- 25) The review was for the period January 1, 2010 to October 31, 2010. The casino compared to had a larger population base to draw from and had 150 slot machines and 14 table games. The Project, by comparison, has 250 slot machines and 12 table games.
- 26) In terms of revenue, exclusive of food and beverage and the gas bar or retail, the Project over that period generated revenue of approximately \$3.8 Million dollars. The comparator generated revenue of \$2.5 Million dollars.
- 27) The surprising and startling statistic was however in relation to expenses. Over that ten month period, the Project operating expenses were \$7.2 Million dollars. The comparator casino expenses were \$1.58 Million dollars, a difference of some 356%. The expenses in question did not include rent or debt service.
- 28) The analysis undertaken by ATC was put in spreadsheet form and presented at the APLP Management Committee Meeting on December of 2010.
- 29) To date, from ATC's perspective, Paragon has not made significant efforts to reduce overhead to levels consistent with other similar rural casinos in Alberta. The problem at the Project is how Paragon has been managing it.
- 30) In the later portion of November, 2010, ACLP submitted a business plan to AGLC with a draft budget and documents for the restructuring of the Project debt. The restructuring included the development of the hotel which, caused to note, had the hotel to be completed by 2011. The hotel has never been completed.

Restructuring Efforts

- 31) Discussions about reducing the debt of the Project began in November of 2010 and continued between Paragon and ATC over the next several months with a view to developing a plan to restructure the debt. At all times, however, ATC was very clear that any such arrangement would have to be done in concurrence with Silver Point and in a manner which satisfied the regulatory requirements of each of AGLC and Alberta Aboriginal Relations.
- 32) While ATC certainly understands the high cost of construction and the recessionary environment during which the Project was constructed, Paragon has not been able to come up with a plan, since 2010, which addresses the following concerns of ATC:
 - a) The debt level needed to be reduced to a level which could be sustained by the Project;
 - b) Satisfactory arrangements being made with Silver Point respecting same;

- c) A significant reduction in overhead and operational costs to levels consistent with other Alberta rural casinos;
 - d) The construction and opening of a hotel; and
 - e) All such plans meeting the requirements of each of AGLC and Aboriginal Relations;
- 33) The present existing project agreements do not require Paragon to construct a hotel. However, as noted in the FNDF grant application, the phase two of the development involved construction of the hotel. In 2010, Mr. Menke promised then Chief Cameron Alexis of the Nation, who then informed members of the Nation, that the hotel would be constructed in 2011. That did not happen and the Nation has lost faith and confidence in Mr. Menke's word, and therefore Paragon's promises, ever since.
- 34) Every year that Paragon has been running the Project they have presented business models and forecasts to the Management Committee which show significant increased revenue projections which have never been supported by economic activity or the historical performance of the Project. Their projections have never been realistic.
- 35) On November 25, 2011 ACLP wrote to Paragon to advise of significant ongoing concerns with the operational business plan presented for the Project. Attached and marked as **Exhibit "D"** is a copy of that correspondence.
- 36) The letter noted that if ACLP did not receive an acceptable financial model and revised business plan which met ACLP's and AGLC's requirements prior to December 1st 2011, ACLP would have no choice but to meet a deadline imposed by ACLP and submit their draft business plan with a clear indication that ACLP did not support it and the reasons therefore.
- 37) Paragon did not amend its business plan. As a result, on December 1, 2011, ACLP submitted the business plan to AGLC with the note that ATC and ACLP were obligated to submit the business plan to AGLC with the note that it has yet to receive a business plan and feasible financial model acceptable to ACLP. Attached and marked as **Exhibit "E"** is a copy of that correspondence.
- 38) On December 14, 2011, Mr. Menke wrote to ATC essentially threatening litigation against ACLP and ATC if it did not comply with requests of Paragon to request the Nation look at a potentially new FNDF grant application to facilitate a refinancing and take out Silver Point.
- 39) On January 20, 2012, ATC responded to that correspondence, a copy of which is attached hereto and marked **Exhibit "F"**. The letter reiterated the ongoing concerns of ATC with respect to the operations of the Project and identified several concerns, each of which remain outstanding, which Paragon had yet to address before ATC, ACLP and the Nation could even consider any sort of refinancing proposal.
- 40) ATC made it very clear in that letter that it was the operational methodology being employed by Paragon which has led to excessive overhead charges and was by far the largest factor associated with the ongoing issues at the Project.
- 41) As no plan has been presented to make the project viable, ATC advised Paragon in that letter of its intention to present a motion at the January 25, 2012 Management Committee

Meeting in accordance with Article 3.1.d. of the APLP Limited Partnership Agreement to dissolve the partnership on the basis that the Project had been insolvent for three consecutive years.

- 42) A vote on that motion was delayed at the request of Paragon. Shortly thereafter a proposal was presented to ATC by Paragon respecting a potential "buy down" of the Silver Point indebtedness.
- 43) By letter from ATC's counsel dated February 16, 2012 addressed to counsel for Paragon, a number of questions were posed to Paragon respecting the proposed transaction. Attached and marked as **Exhibit "G"** is a copy of that letter.
- 44) The following day, on February 17, 2012, AGLC issued a further 6 month license for the casino facility to ATC which was said to expire on September 30, 2012. In addition to the conditions imposed previously, the AGLC imposed an additional condition that a third party conduct a business review of the ongoing viability of the operation. Ultimately that review was conducted by Grant Thornton. The general conclusion was that the Project was not viable in its present state.
- 45) In a meeting of March 15, 2012 with representative of Paragon, Paragon attempted to answer the questions posed by counsel's letter of February 16, 2012.
- 46) During this timeframe ATC was aware, at least based on information received from representatives of Paragon through discussion at Management Committee meetings that they were in discussions with Silver Point regarding either a buyout of Silver Point's indebtedness or a restructuring. Other than the potential buyout of their indebtedness, no other specific information was relayed to ATC regarding Silver Point's position.
- 47) The dissolution vote had been delayed. On August 13, 2012, after reviewing Paragon's then latest proposed refinancing model, ATC wrote to Paragon advising that the refinancing model does not meet either ATC's and ACLP's requirements. Attached and marked as **Exhibit "H"** is a copy of that letter.
- 48) On August 29, 2012 the Nation was advised by Aboriginal Relations of its intention to conduct an audit of the Nation's FNDF. Attached and marked as **Exhibit "I"** is a copy of that notification.
- 49) On September 13, 2012, ATC received notification from AGLC of a demand for an Irrevocable Letter of Credit in the amount of \$300,000.00 to secure gaming proceeds held in trust for AGLC in order to ensure continued operation of slot terminals without disruption. Attached and marked as **Exhibit "J"** is a copy of that letter of September 13, 2012.
- 50) On September 19, 2012, APLP placed Paragon on notice that it expected Paragon to post a Letter of Credit pursuant to the terms and conditions of the Casino Management Agreement. Attached and marked as **Exhibit "K"** is a copy of that letter.
- 51) On September 21, 2012 AGLC provided a license extension to December 31, 2012 for the casino facility but imposed a condition stipulating that: "effective immediately, FNDF funds cannot be used for pay (directly or indirectly) expenses of the Eagle River Casino (ACLP)".

52) On October 10, 2012 ATC's counsel wrote to Paragon's counsel outlining its concerns with the failure of Paragon to provide confirmation that it would post a Letter of Credit. Attached and marked as **Exhibit "L"** is a copy of that letter.

53) The Letter of Credit was ultimately posted.

Negotiations Between ATC and Paragon

54) In October of 2012, Paragon and ATC agreed that the business model was broken and could not work on a sustainable basis and that it was best for both parties that the partnership was ended. The dissolution motion was voted on but was not passed due to a deadlock.

55) Ultimately, a letter of intent was negotiated. A copy of that letter of intent is attached hereto and marked as **Exhibit "M"**. ATC and Paragon negotiated the letter of intent in good faith over a five month period. Paragon was then required to negotiate with Silver Point.

56) To be clear, it was always the position of ATC and the Nation, and remains the position to this day, that if there are monies to be paid to each of Silver Point, Paragon and Tamarack, that the split of funds needs to be negotiated and agreed to among those three parties.

57) ATC's preference, of course, is that the parties resolve matters on a consensual basis.

58) The amount of money requested by Paragon/Tamarack in the letter of intent was significant. However, the negotiations were left to Paragon to handle. Neither ATC nor the Nation have any ability to control discussions between Paragon and Silver Point. ATC did take steps to review it with each of AGLC and Aboriginal Relations. They were advised, however, that it remained subject to Silver Point approval.

59) ATC was not party to any direct discussions between Paragon and Silver Point, although we have been made aware through discussions with professional advisors and Viney Singal, a Paragon consultant, that the letter of intent was presented to Silver Point.

60) ATC attempted to facilitate those discussions over the summer. Attached and marked as **Exhibit "N"** is a copy of a letter in this regard. The meeting did not take place despite ATC's efforts.

Subsequent Events

61) The audit results from Aboriginal Relations were received by ATC in October. They confirmed that Paragon has not been properly allocating ANDF grant monies and that need to be rectified. The audit did not raise a specific concern with the May 2012 sweep by Silver Point.

62) The net result, however, is that Silver Point and Paragon have not been able to resolve their differences and no progress was made over the summer months.

63) No entity can operate a casino on the Nation's lands without the agreement of the Nation. The Nation has been extremely patient with Paragon since 2010 and is somewhat frustrated with a lack of movement on their part in terms of:

- a) Bringing expenses under control and in line with industry norms;
- b) Attempting to meet the regulatory requirements;
- c) Negotiating with Silver Point an amicable resolution to the matter; and
- d) Facilitating the construction of a long-awaited hotel at the Project.

64) It took ATC and Paragon over six months to negotiate the terms of the letter of intent, notwithstanding a preliminary agreement reached on October 12, 2012. The significant delays were of great concern to ATC but are consistent with ATC's experience with Paragon. They are slow to respond when questioned and they have generally not been interested in any solution to the problem which addresses in any significant way the concerns of ATC or the regulators. They have never, despite the terms of their Agreements, provided an audited financial statement for any year.

65) ATC is now concerned that Paragon is more interested in coming out of this with a significant payment for itself and its group as opposed to operating in the best interests of the Project.

66) The Nation's facility licence has only been extended for six months. The continued ongoing financial viability of the Project remains a concern to AGLC.

67) Of additional concern to the Nation is that the charity, Northern Isga Foundation ("Isga") derives significant funds from the operation of the casino. It employs a number of people who work in the casino as the "charitable gaming workers" and spins off a number of economic and social benefits to the Nation. In 2012 the charitable revenue was \$4.8 Million, \$3 Million of which went to sustain the employment of the gaming workers, \$1.8 Million of which went to benefit housing and other social programs on the reserve.

68) The casino remains important to the Nation.

69) In the circumstances, ATC is not in a position to support any plan or proposal which:

- a) Does not significantly reduce the amount of debt against the Project;
- b) Does not satisfy Silver Point, the holder of the loans and security against the Project; and
- c) Sees Paragon continue to manage the Project.

70) ATC is adamantly opposed to being brought into any proceeding run by Paragon. The Project structure was Paragon's idea. The Project was run, controlled and managed entirely by Paragon. They have not shown an ability to manage the Project efficiently or consistent with its regulations requirements to date. ATC has no faith in their ability to manage the Project and has no faith in their ability to negotiate with AGLC or Aboriginal Relations.

71) The Project is not able to sustain the professional fees and charges that Paragon is seeking to impose against it. I am informed by certain members of the financial staff at the casino, and do verily believe, that the Project is going to run out of money by the end of January, 2014.

SWORN BEFORE ME at the City of)
Edmonton, in the Province of Alberta, this)
14th day of January, 2014.)

A Commissioner for Oaths in and for the
Province of Alberta.

DARREN R. BREGANER
BARRISTER & SOLICITOR

Don Kootenay

This is Exhibit "A" referred to in the
Affidavit of

Don Kootenay

Sworn before me this 14 day

of January A.D. 2014

A Notary Public, A Commissioner for Oaths
in and for the Province of Alberta

DARREN R. BIEGANEK
BARRISTER & SOLICITOR

SECTION: 1. GENERAL INFORMATION

1.2 DEFINITIONS

1.2.1 In this handbook,

- a) "Advisor" means all independent advisors (cash cage advisor or count room advisor) or a person employed by the Licensed Charity to perform the duties of an advisor.
- b) "AGLC" means the Alberta Gaming and Liquor Commission.
- c) "Applicant" means an applicant as defined in Section 1(5) of the Gaming and Liquor Regulation.
- d) "Applicant's Associates" means an applicant's associates as defined in Section 1(7) of the Gaming and Liquor Regulation.
- e) "Board" means the Board of the AGLC.
- f) "Casino Facility Licensee" means the HFN holding a casino facility licence which authorizes the operation of a facility in which a casino Event may be conducted.
- g) "Casino Licence" means a licence issued by the AGLC to the HFN charity authorizing the charity to conduct and manage casino Events.
- h) "Casino Terms & Conditions and Operating Guidelines (CTCOG)" mean the AGLC's set of policy requirements and operating guidelines which apply to casino Events held in a licensed casino facility.
- i) "Charitable Community Benefit" means a benefit delivered to the HFN community in one of the areas recognized as charitable by the AGLC [see Subsection 1.2.1j)].
- j) "Charitable or Religious Purpose" means a purpose that is recognized as charitable by the AGLC and includes the following:

SECTION: 1. GENERAL INFORMATION

- i) relief of poverty;
 - ii) advancement of education;
 - iii) advancement of religion; and
 - iv) other purposes beneficial to the community.
- k) "Charity Worker" means a Registered Gaming Worker who is a paid employee of a First Nation charity that is working in the capacity of a general manager, alternate general manager, banker, cashier, chip runner, count room supervisor, sorter, counter, recorder or amalgamator.
- l) "Discrepancy Report" means a report prepared by the Casino Facility Licensee, Licensed Charity, registered worker and/or Charity Worker regarding a breach of the CTCOG, security breach or any other illegal activity.
- m) "Due Diligence Investigation" means a background check as defined in Section 9 of the Gaming and Liquor Regulation.
- n) "Event" means all casino table games conducted on a daily basis during the hours specified on the Casino Licence.
- o) "Host First Nation (HFN)" means a First Nation on whose reserve land there is located a casino facility licensed by the AGLC.
- p) "Host First Nation Charitable Casino Policies Handbook (HFNCCPH)" means the AGLC's set of policies which apply to licensed HFN charities conducting casino Events in a HFN casino facility.
- q) "Inspector" means someone designated by the AGLC as an Inspector under the *Gaming and Liquor Act* or any Police Officer as defined in the *Police Act*.
- r) "Licensed Charity" means the First Nation charitable or religious organization holding a Casino Licence issued

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- by the AGLC authorizing an Event within a HFN casino facility.
- s) "Minor" means a person under the age of 18 years.
 - t) "Other Entity" means a group eligible to receive Proceeds under AGLC policies from the Licensed Charity.
 - u) "Pit Boss" includes the floor supervisor or any other person employed in that capacity.
 - v) "Pit Supervisor" includes pit manager or any other person employed in that capacity.
 - w) "Proceeds" means the gross casino revenue less casino prizes and expenses, and the commission paid to Licensed Charities at whose licensed casino Events the AGLC conducts provincial lotteries. It also includes all interest, dividends or other income earned on casino Proceeds deposited in interest accounts or held, with AGLC approval, in deposit certificates or investments made by a trustee.
 - x) "Registered Gaming Worker" means a person registered by the AGLC to perform the function(s) specified in their registration.
 - y) "Sub-charity" means a group eligible to receive Proceeds under AGLC policies from the Licensed Charity.
 - z) "Voluntary Exclusion" means when an individual voluntarily agrees to be excluded from all licensed casino facilities in the Province of Alberta. (Forms are to be made available at all licensed casino facilities). The "Voluntary Self-Exclusion Program" is designed for people who feel it is in their best interest not to participate in casino gambling. By participating in this program, an individual is voluntarily agreeing to be banned from all licensed casino facilities in Alberta.

SECTION: 1. GENERAL INFORMATION

1.3 LEGISLATION AND BOARD POLICIES

- 1.3.1 Once a Casino Licence has been issued, the casino activity must be conducted in compliance with:
- a) the *Criminal Code* (Canada);
 - b) the *Gaming and Liquor Act* (Alberta);
 - c) the Gaming and Liquor Regulation (Alberta);
 - d) Board policies; and
 - e) the terms and conditions of licence.
- 1.3.2 The AGLC is the province's gaming authority, responsible for administering and regulating the gaming industry in Alberta, including the licensing and regulation of charitable casino gaming activities. The AGLC is established under the *Gaming and Liquor Act*.
- 1.3.3 Charitable casino gaming refers to Events conducted by the Licensed Charity.
- 1.3.4 Under the above noted federal and provincial legislation the AGLC may only issue gaming licences to charitable and religious organizations to conduct gaming activities if the Proceeds derived from these activities are used for charitable or religious objects or purposes.
- 1.3.5 The AGLC must ensure that its policies and the use of Proceeds by Licensed Charities comply with federal and provincial legislation. The policies established by the Board for eligibility for charitable casino licensing and the use of Proceeds are contained in this handbook.
- 1.3.6 Casino facilities and casino Events must be operated in accordance with the *Gaming and Liquor Act*, the Gaming and Liquor Regulation and Board policies established under the legislation including these terms and conditions.

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- 1.3.7 Casino Facility Licensees, Registered Gaming Workers and Licensed Charities must comply with the legislation and Board policies.
- 1.3.8 Registered gaming suppliers and Registered Gaming Worker suppliers, while providing gaming supplies or gaming workers (as authorized in their registration), must ensure that they and the supplies or gaming workers they provide comply with the *Gaming and Liquor Act*, the Gaming and Liquor Regulation and Board policies.
- 1.3.9 Facility licensees, Licensed Charities, Registered Gaming Workers and Charity Workers must comply with all federal and provincial laws.
- 1.3.10 Non-compliance with the legislation or Board policies contained in this handbook may result in disciplinary action by the Board pursuant to Part 4 of the *Gaming and Liquor Act*.
- 1.3.11 The policies of the Board reflect the guiding principles for gaming adopted by the province:
- a) The integrity of gaming will be ensured.
 - b) Gaming policies will reflect a commitment to social responsibility.
 - c) The financial return to eligible charities from charitable gaming is to be maximized for the benefit of charitable and religious groups, the programs or activities they deliver and the communities in which those programs or activities are undertaken.
 - d) Gaming policies will be supported by sound research and consultation with the public and stakeholders.
 - e) The collection and use of gaming revenue will be open and accountable.
 - f) Gaming activities will meet standards of quality to protect the integrity of gaming activities, provide gaming

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entertainment value to consumers and help to keep gaming dollars in the province.

- g) The guiding principles for gaming will be subject to review, to ensure they reflect Albertans' wishes.

1.4 ALBERTA GAMING AND LIQUOR COMMISSION (AGLC)

- 1.4.1 The AGLC is the province's gaming authority, responsible for conducting and managing provincial lotteries (as defined in Section 1(1)(x) of the *Gaming and Liquor Act*) and for licensing and regulating charitable gaming activities including HFN casinos.
- 1.4.2 The AGLC issues Casino Licences to charitable and religious groups to conduct casino Events.
- 1.4.3 Facility licences are issued by the AGLC and the facility licensees must operate under the charitable gaming model of the province. A casino Event may only occur under a Casino Licence issued by the AGLC to an eligible charitable or religious group.
- 1.4.4 The administration and monitoring of licensed casino facilities and casino Events is the responsibility of the AGLC.
- 1.4.5 Five (5) copies of the HFNCCPH and a copy of the *Gaming and Liquor Act* and Gaming and Liquor Regulation are provided to each Licensed Charity.
- 1.4.6 The Licensed Charity is responsible for ensuring the HFNCCPH is available to both its members and its Registered Gaming Workers.
- 1.4.7 The Licensed Charity is responsible to keep the HFNCCPH updated when amendments are received. A page titled "Record of Amendments" is located at the front of the handbook to keep track of updates issued and date inserted in the handbook.

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- 1.4.8 The Licensed Charity and its Charity Workers:
- a) are responsible for knowing the legislation and the policies referred to or contained in the HFNCCPH;
 - b) must ensure that all records, reports and financial control forms as required by the AGLC or its representatives are complete and accurate; and
 - c) must ensure that all communications (written or oral) with the AGLC or its representatives are accurate.
- 1.4.9 Additional or replacement copies of the HFNCCPH may be purchased from the AGLC for a fee of \$25.00 per copy or may be accessed at no charge on the AGLC's web site at www.aglc.gov.ab.ca.
- 1.4.10 Additional or replacement copies of the legislation may be obtained from the Queen's Printer Publication Services in Edmonton at (780) 427-4952 and in Calgary at (403) 297-6251 or may be accessed at no charge on the AGLC's web site at www.aglc.gov.ab.ca.

1.5 CONTACTING THE AGLC

- 1.5.1 Written communication may be addressed to any of the following:

Alberta Gaming and Liquor Commission
50 Corriveau Avenue
St. Albert, Alberta
T8N 3T5
Fax Number: (780) 447-8912

Alberta Gaming and Liquor Commission
110 Deerfoot Atrium
6715 - 8 Street NE
Calgary, Alberta
T2E 7H7
Fax Number: (403) 292-7302

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Alberta Gaming and Liquor Commission
3-7965 - 49 Avenue
Red Deer, Alberta
T4P 2V5
Fax Number: (403) 314-2660

Alberta Gaming and Liquor Commission
100-11039 – 78 Avenue
Grande Prairie, Alberta
T8W 1J7
Fax Number: (780) 832-3006

Alberta Gaming and Liquor Commission
3103 – 12 Avenue North
Lethbridge, Alberta
T1H 5P7
Fax Number: (403) 331-6506

- 1.5.2 The following is a list of AGLC office telephone numbers. Telephones will be answered by machine when staff are not available or calls are outside normal office hours. Normal office hours are 8:15 a.m. to 4:00 p.m. Monday to Friday, excluding holidays.

St. Albert (Head Office):	(780) 447-8600
Calgary:	(403) 292-7300
Red Deer:	(403) 314-2656
Grande Prairie:	(780) 832-3000
Lethbridge:	(403) 331-6500
Gaming Irregularities Only:	1-800-742-7818

- 1.5.3 The Internet address of the AGLC is www.aglc.gov.ab.ca.

1.6 TRAINING

- 1.6.1 Training is available to Applicants and Licensed Charities through the AGLC's Gaming Information for Charitable Groups (GAIN) program. The GAIN sessions include information on the following topics:

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- a) the licensing application process;
- b) eligibility for casino gaming licensing;
- c) approved use of casino Proceeds;
- d) reporting requirements following a casino Event; and
- e) legislation, regulation and policy that govern the conduct of casino Events.

Further information about the GAIN program may be obtained on the AGLC web site at www.aglc.gov.ab.ca or by contacting the AGLC at 1-866-307-7499 (toll free).

- 1.6.2 The Licensed Charity is responsible for training Charity Workers.

1.7 LICENSING AND REGISTRATION

- 1.7.1 A Casino Licence issued pursuant to Section 19(d) of the *Gaming and Liquor Regulation* authorizes a casino.
- 1.7.2 An Applicant for a casino Event licence must be a charitable or religious organization and must satisfy the Board that the Proceeds from the casino will be used for a charitable or religious object or purpose.
- 1.7.3 Charity Workers designated in Subsection 3.1.1 may be employed by, or paid by, the Licensed Charity.
- 1.7.4 The Board of Directors and key employees of the Licensed Charity shall be subject to a Due Diligence Investigation and must be approved by the AGLC.

1.8 RESPONSIBLE GAMBLING TRAINING

- 1.8.1 All Casino Facility Licensees' Registered Gaming Workers and Charity Workers must participate in the AGLC's Deal Us In Phase 1, responsible gambling awareness training sessions within 30 days of their hiring date.

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- 1.8.2 Licensed Charities are responsible for ensuring the Deal Us In Phase 1 responsible gambling awareness training is attended by all Charity Workers within the specified time period.
- 1.8.3 Deal Us In Phase 1 training is offered on-line at smartprograms.aglc.ca and through facilitated sessions provided by the Responsible Gambling Information Centre (RGIC) representatives located in most casinos.
- 1.8.4 All Casino Facility Licensees' Registered Gaming Workers must successfully complete, every five (5) years, Deal Us In Phase 1 responsible gambling awareness training sessions.
- 1.8.5 Detailed information regarding the AGLC's Deal Us In Program may be obtained by contacting the AGLC at 1-877-436-6336 or by email at info@dealusin.aglc.ca

1.9 VOLUNTARY SELF-EXCLUSION PROGRAM

- 1.9.1 Information regarding the Voluntary Self-Exclusion (VSE) Program may be found in Subsection 1.8 of the CTCOG.
- 1.9.2 If a Charity Worker identifies a patron enrolled in the VSE program within the casino facility, the worker must notify casino security immediately.

1.10 ABANDONED OR UNATTENDED CHILDREN

- 1.10.1 Information regarding abandoned or unattended children on casino facility property may be found in Subsection 1.9 of the CTCOG.
- 1.10.2 If a Charity Worker becomes aware of children left abandoned or unattended on casino facility property, the worker must notify casino security immediately.

1.11 MINORS

- 1.11.1 Minors (under 18 years of age) are not permitted within a casino facility, or other premises where a casino has been authorized, and is being conducted.

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1.11.2 A Licensed Charity must not use Minors as Charity Workers for a casino.

1.11.3 If a Charity Worker identifies any person who appears to be less than 25 years of age within the casino facility, the worker must notify casino security immediately.

1.12 EXTENDING CREDIT

1.12.1 Cashing personal cheques or extending credit in any form by the casino operator, office staff, Registered Gaming Workers, Charity Workers or any other casino or facility staff is prohibited.

Exception: Cash Call cheques as per Subsection 1.22 of the CTCOG may be accepted.

1.12.2 Reimbursement of Cash Call cheques shall be as follows:

a) On a nightly basis the Casino Facility Licensee is required to write a single cheque (on casino facility account) directly to the Licensed Charity for the total amount of all Cash Call cheques.

b) Should the float be significantly depleted, the Casino Facility Licensee shall be responsible for replenishing the float:

i) the Casino Facility Licensee may provide more cash; or

ii) purchase back the Cash Call cheques for cash.

1.13 CASINO ACCESS

1.13.1 Every Police Officer as defined in the *Police Act* is an Inspector for the purposes of the *Gaming and Liquor Act*.

1.13.2 Casino Facility Licensees, Licensed Charities, Registered Gaming Workers and Charity Workers are required to cooperate fully with AGLC Inspectors and Police Officers

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attending at a casino. A licensee must, on the request of an Inspector, the AGLC or an employee of the AGLC:

- a) assist the Inspector in carrying out an inspection, and
- b) provide the Inspector with records, documents, books of account and receipts and provide a place where they may be inspected, audited examined or copied.

1.13.3 To ensure compliance with the *Gaming and Liquor Act*, the Gaming and Liquor Regulation and Board policies, an AGLC Inspector:

- a) must be given full and unrestricted access to all areas of a casino facility;
- b) may take reasonable samples of gaming supplies;
- c) may inspect, audit, examine and make copies of any records, documents, books of account and receipts relating to a gaming activity, a provincial lottery, a gaming or facility licence, gaming supplies or may temporarily remove any of them for those purposes;
- d) may interview the licensee or agents of the licensee with regard to any of the records, documents, books of account and receipts;
- e) may interview and request identification from any person who appears to be a Minor who is found in the licensed facility;
- f) may interview and request identification from any person who appears to be a Minor who is found outside of the licensed facility if the Inspector has reasonable grounds to believe that the person is contravening or has contravened the *Gaming and Liquor Act*; and
- g) may seize identification from any person interviewed if the Inspector has reasonable grounds to believe that the identification is false or has been altered.

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1.13.4 A field technician, employed by or working on behalf of the AGLC in a casino facility installing, servicing or removing electronic gaming or gaming related equipment, has been designated by the AGLC as an Inspector pursuant to Section 98(1) of the *Gaming and Liquor Act*.

1.13.5 An auditor or person employed or working on behalf of the AGLC in a casino facility has been designated by the AGLC as an Inspector pursuant to Section 98(1) of the *Gaming and Liquor Act*.

1.14 HOURS OF OPERATION

1.14.1 Casino table games are allowed to operate a maximum of 14 consecutive hours, commencing no earlier than 10:00 a.m., and ending no later than 2:00 a.m.

1.14.2 Casino slot machines are allowed to operate a maximum of 17 consecutive hours commencing at 10:00 a.m., and ending no later than 3:00 a.m.

1.14.3 Casino poker rooms may operate 24 hours a day provided the conditions in Subsection 10.3.2 c) of the CTCOG are met.

1.14.4 Casinos are allowed to operate seven (7) days a week.

1.14.5 All casinos must be closed on Christmas Day.

1.15 DRESS

1.15.1 All Charity Workers must be in a uniform as approved by the Casino Facility Licensee or Licensed Charity. These uniforms will be worn when performing duties in a gaming pit or for cash cage/count room duties.

1.15.2 Each Casino Facility Licensee and Licensed Charity shall develop and enforce their own dress code for Registered Gaming Workers and Charity Workers to allow for easy recognition by patrons of the casino and to reduce the

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possibility of criminal activity taking place in the gaming pit or cash cage/count room.

- 1.15.3 Patrons are not permitted to wear costumes in the casino which conceal their identity (e.g. face or eye masks).

1.16 ADVERTISING

- 1.16.1 Information regarding casino facility advertising may be found in Subsection 1.15 of the CTCOG.
- 1.16.2 The Casino Facility Licensee is responsible for all costs of advertising. None of the advertising expenses may be paid either directly or indirectly by the Licensed Charities.

1.17 PROMOTIONS

- 1.17.1 Information regarding casino facility promotions may be found in Subsection 1.16 of the CTCOG.
- 1.17.2 The Casino Facility Licensee is responsible for all costs associated with a promotion. Any promotional activity that results in the Licensed Charity's revenue being reduced is prohibited.

1.18 TOURNAMENTS

- 1.18.1 Tournaments may only be held during a licensed casino Event (see Subsection 1.14).
- 1.18.2 A tournament may not adversely affect normal revenues for the Licensed Charity.
- 1.18.3 Casino Facility Licensees must disburse the revenue generated from entry fees, re-buys and add-ons with the Licensed Charity as follows:
- a) in tournaments where entry fees are \$150.00 and less, 10% of the revenue generated must be allocated as compensation to the Licensed Charity;

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- b) in tournaments where entry fees are greater than \$150.00, 2.5% of the revenue generated must be allocated as compensation to the Licensed Charity; and
- c) the remaining revenue generated must be allocated to the Casino Facility Licensee in order to pay all prize amounts.

1.18.4 Prior to the casino Event starting, the general manager must communicate the date, time and tournament fee schedule to the cash cage Advisor and/or count room Advisor by a memorandum posted in the cash cage and count room.

1.18.5 The count room Advisor must record tournament fees on the Master Revenue Report separately from the rake. The fee is to be clearly identified as "Tournament Fees."

This is Exhibit "B" referred to in the
Affidavit of

Don Kootenay

Sworn before me this 14 day
of January A.D. 2014

A Notary Public, A Commissioner for Oaths
in and for the Province of Alberta

DARREN R. BIEGANEN
BARRISTER & SOLICITOR

AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT
OF
ALEXIS/PARAGON LIMITED PARTNERSHIP

This Amended and Restated Limited Partnership Agreement is entered into as of the ____ day of _____, 2007 by and between **ALEXIS TRUSTEE CORP.**, a body corporate pursuant to the laws of the Province of Alberta, as agent for and on behalf of **ALEXIS NAKOTA SIOUX NATION**, as Limited Partner, and **PARAGON CANADA ALEXIS ULC**, a company pursuant to the laws of the Province of Nova Scotia, as General Partner;

WHEREAS:

- A. The Government of Alberta has approved a First Nations Gaming Policy based on that Province's charitable gaming legislation;
- B. The Nation wishes to avail itself of the Policy and to engage in economic development for its community and will, to those ends, establish the Alexis Trust with Alexis Trustee Corp. as sole Trustee;
- C. Paragon Gaming Inc., a corporation which controls Paragon Canada Alexis ULC, is an experienced developer and operator of Aboriginal gaming and ancillary facilities in the United States;
- D. Paragon Canada Alexis ULC is or will be a member of Paragon/Tamarack Alexis Partnership and has been or will be designated by Paragon/Tamarack Alexis Partnership to act in all matters relating to the Project, and as agent for and on behalf of Paragon/Tamarack Alexis Partnership except as otherwise expressly indicated;
- E. Alexis Trustee Corp., as agent for and on behalf of the Nation, and ultimately in its capacity as Trustee of Alexis Trust, wishes to partner with Paragon/Tamarack Alexis Partnership to develop and operate the Project on the terms set forth herein;
- F. Alexis Land Management Corp., a corporation wholly owned by the Nation, has or will enter into a Commercial Lease with Her Majesty the Queen in Right of Canada in respect of the Designated Lands;
- G. Alexis Land Management Corp. is prepared to enter into a Sublease with the Partnership in respect of the Project Lands, for a term expiring twenty (20) years after the Opening Day;
- H. Alexis Casino Limited Partnership, a limited partnership established by Alexis Trustee Corp. as agent for and on behalf of the Nation, and Alexis Casino Corp., intends to retain Paragon Canada Alexis ULC to manage and operate the Casino forming part of the Project, on the terms set forth in the Casino Management Agreement;

I. The Partners have acknowledged that the Project will be operated in accordance with all applicable federal and provincial laws;

J. The Partners entered into a Limited Partnership Agreement dated September ____, 2003 (the "**September 2003 Limited Partnership Agreement**") for the purposes of recording the relationship between them and their respective rights and duties in the Partnership;

K. The Partners have filed a Certificate of Limited Partnership at Alberta Corporate Registry, to evidence the fact that the General Partner and the Limited Partner formed the Partnership as a limited partnership under the *Partnership Act* (Alberta); and

L. The PARTNERS wish to enter into this Agreement in order to reflect certain amendments to the September 2003 Limited Partnership Agreement and to restate the terms of the September 2003 Limited Partnership Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSES THAT IN CONSIDERATION of the covenants and agreements contained in this Agreement, the parties hereto hereby agree that the September 2003 Limited Partnership Agreement is amended and restated as follows:

ARTICLE 1 - INTERPRETATION

1.1 Definitions

In this Agreement the following words have the following meanings:

- (a) **Additional Development** has the meaning ascribed thereto in Section 5.16;
- (b) **Adjusted Project Fee Pool** means for a fiscal period, the aggregate of the following amounts for such period:
 - (i) Project Fee Pool;
 - (ii) Slot Win Receipts;
 - (iii) Table Game Win Receipts;
 - (iv) Poker/Craps Table Receipts; and
 - (v) Casino Management Fee (but if the Casino Management Fee is a negative amount, then such amount shall be subtracted, and not added, when making this calculation);
- (c) **Affiliate** means any Person that directly or indirectly through one or more intermediaries, Controls or is Controlled by or is under common control with the Person specified;

- (d) **Agreement** means this Amended and Restated Limited Partnership Agreement as the same may be amended from time to time and the expressions "herein" and "hereof" and similar expressions used in any subsection, section or article of this Agreement refer and relate to the whole of this Agreement and not to that subsection, section or article only, unless otherwise expressly provided;
- (e) **Agreement Rate of Interest** means the Prime Rate plus one (1%) per cent per annum, calculated and compounded monthly;
- (f) **Applicable Law** means all public laws, statutes, ordinances, codes, acts, orders, by-laws, rules, regulations, Governmental Consents, permits, binding policies and guidelines, and requirements of all Governmental Authorities, which now or hereafter may be lawfully applicable to and enforceable against the Partnership, the Project or any part thereof, or any Partner, including those relating to employment, zoning, building, life/safety, occupancy or possession of land, environment and health;
- (g) **Auditors** means KPMG LLP, or another firm of independent nationally recognized Chartered Accountants appointed by the Partners from time to time to be the auditors for the Partnership, provided that such firm may not be the auditors of the Nation or of Paragon Gaming Inc.;
- (h) **Available Net Proceeds** has the meaning set forth in Section 4.9 hereof;
- (i) **Business Day** means any day which is not a Saturday, Sunday or day observed as a holiday under the laws of the Province of Alberta or the federal laws of Canada applicable therein;
- (j) **Capital Account** means the account of a Partner established pursuant to Section 4.1 hereof to which that Partner's Capital Contribution is credited;
- (k) **Capital Contribution** means the amount in cash or other property contributed or deemed to be contributed to the Partnership by a Partner under this Agreement;
- (l) **Casino** means those areas in the Project which are intended to be used or are used for the purposes of playing or operating Games of Chance;
- (m) **Casino Management Agreement** means the agreement between Paragon Canada Alexis ULC, as agent for Paragon/Tamarack Alexis Partnership and not as General Partner, and Alexis Casino Limited Partnership, for the management and operation of the Casino and the Casino Support Facilities (as defined therein);
- (n) **Casino Management Fee** means the management fee payable to Paragon Canada Alexis ULC, as agent for Paragon/Tamarack Alexis Partnership, under the Casino Management Agreement;

- (o) **Certificate** means the certificate to be filed under the *Partnership Act* (Alberta) to form the Partnership, as amended from time to time;
- (p) **Chairman** means the chairman of the Management Committee appointed under Subsection 6.2(b);
- (q) **Charity** means a company to be formed pursuant to the *Companies Act* of the Province of Alberta, or other charitable or not for profit entity as may be approved by the Gaming Commission;
- (r) **Control** (including the terms "Controlling", "Controlled by" and "under common Control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, relationship or otherwise;
- (s) **CPI** - the Consumer Price Index prepared by Statistics Canada (base year 1986 = 100) or its successor or successors for Alberta (all items) or any successor index or compilation prepared by Statistics Canada, its successor or successors; in the event that there ceases to be such an index or compilation, a similar measure selected by the General Partner;
- (t) **Credit Agreements** means the credit agreements and ancillary instrument(s) to be entered into pursuant to the Financing or otherwise in respect of the Project;
- (u) **Cumulative Project Development Deficit** has the meaning ascribed thereto in Section 4.6;
- (v) **Designated Lands** means those lands in that part of the Reserve Lands containing five hundred and one (501) acres (203 hectares) more or less, which are the subject of a Designation assented to on June 7, 2001 by the Nation, and accepted by the Governor General in Council for Canada on October 4, 2001, such lands being legally described as follows:

Lot 1 affecting theoretical north half Section 18, and south half Section 19, in Township 60, Range 12, W5M; and the north half of Section 13, in Township 60, Range 13, W5M and the intervening road allowances; as shown outlined on Registration Plan R.S.A. 2868R, containing 203 hectares (501 acres), more or less

Excepting thereout all mines and minerals, whether precious or base, solid, liquid or gaseous;
- (w) **Development Agreements** means all construction, supply or other agreements to be entered into by or on behalf of the Partnership relating in any way to the development of the Project, excluding the Project Agreements and also excluding any agreements to which the General Partner is not a party;

- (x) **Development Budget** means the budget for the development, construction and financing of the Project which shall include all sums set forth or referred to in the footnotes thereto that has been prepared by the General Partner and approved in writing by the Management Committee, as the same may be amended from time to time in accordance with the provisions of this Agreement;
- (y) **Development Costs** means those costs incurred in connection with the Project as are contemplated by the Development Budget;
- (z) **Development Schedule** means a schedule setting forth the dates of commencement and duration of the various development functions necessary to achieve Total Completion of the various components of the Project by the respective dates scheduled therefor therein, to be prepared by the General Partner as the same may be amended from time to time in accordance with the provisions of this Agreement;
- (aa) **Dispute** has the meaning ascribed thereto in Section 19.1;
- (bb) **Environmental Assessment Approval** means any approval to be obtained pursuant to the *Environmental Assessment Act* (Canada) or other Applicable Law in order for the Project to proceed;
- (cc) **Environmental Claim** means, with respect to any Person, any written notice, claim, demand or other written communication alleging or asserting liability for investigatory costs, cleanup costs, Governmental Authority response costs, damages to natural resources or other property, personal injuries, fines or penalties arising out of, based on or resulting from (i) the presence, or release into the environment, of any hazardous material, or (ii) any violation, or alleged violation, of any lawfully applicable Environmental Law;
- (dd) **Environmental Law** means any law or order relating to the regulation or protection of human health or the environment, including laws or orders relating to emissions, discharges, releases or threatened releases of pollutants, contaminants or toxic or hazardous substances or wastes into the environment or otherwise relating to the treatment, storage, disposal, transport or handling of pollutants, contaminants or toxic or hazardous substances or wastes;
- (ee) **Equity Return** has the meaning ascribed thereto in Section 3.6;
- (ff) **Expert** has the meaning ascribed thereto in Section 19.3;
- (gg) **FF&E** means all furniture, furnishings, equipment (including all equipment relating to Games of Chance except that which is owned by the Gaming Commission), fixtures, apparatus and other personal property used in, held in storage for use in, or required in connection with the operation of the Project;

- (hh) **Financier** means one or more lenders which provides the Financing and which may include the General Partner;
- (ii) **Financing** means all financing arranged by Paragon Canada Alexis ULC either as General Partner or on its own behalf for the development of the Project, including any expansion or refinancing of the Project and any capital expenditures associated with the Project;
- (jj) **Financing Differential** means for any fiscal period, the difference remaining, if any, when the Interest and Fee Cap is subtracted from the aggregate of Interest Expense and fees and charges in connection with the Financing, but if the Financing Differential is a negative amount, it shall be deemed to be zero (0);
- (kk) **Financing Restrictions** has the meaning ascribed thereto in Schedule "D";
- (ll) **First Nation Development Fund Receipts** means for any period, an amount equal to the gross receipts (without duplication) of the Nation and the Limited Partner during that period from the Province of Alberta either directly from the Alberta Lottery Fund (or any replacement thereof) or through the First Nations Development Fund Grant Program (or any replacement thereof) referable to or otherwise in respect of the operation of the Casino, together with any income earned thereon by the Nation or the Limited Partner, as the case may be;
- (mm) **Force Majeure** means any bona fide delay or state of affairs beyond the control of a Partner (other than as a result of financial incapacity of such Partner or any Affiliate of such Partner) which shall cause or contribute towards any such Partner being unable to fulfill or being delayed or restricted in the fulfillment of such Partner's obligations, including any such delay or state of affairs attributable in whole or in part to:
 - (i) the non-supply, non-provision or non-delivery or any service or utility or the doing of any work or the making of any repairs;
 - (ii) inability to obtain, or shortages in, any required material, goods, equipment, service, utility or labour;
 - (iii) any Applicable Law or by reason of its inability to procure any Governmental Consent (excluding, in respect of the Limited Partner, laws, customs or consents of the Nation other than those consents which in accordance with Applicable Law of Canada require the approval of the members of the Nation);
 - (iv) any strikes, lockouts, slowdowns or other combined action or workers of labour disputes;
 - (v) litigation or threatened litigation;

- (vi) accidents, acts of God, insurrection, war, riots or civil commotions;
- (vii) any Person failing to provide any consent or approval for which a request is made (excluding, in respect of the Limited Partner, laws, customs or consents of the Nation other than those consents which in accordance with Applicable Law of Canada require the approval of the members of the Nation); or
- (viii) another Person failing to perform its obligations under this Agreement, the Project Agreements or any other agreement relating to the Project to which any such other Person is a party;
- (nn) **Game of Chance** means a lottery scheme that may be conducted and managed (i) by a government of a province under the authority of paragraph 207(1)(a) of the *Criminal Code* (Canada) or (ii) by a charitable or religious organization under the authority of paragraph 207(1)(b) of the *Criminal Code* (Canada);
- (oo) **Gaming Commission** means the Alberta Gaming and Liquor Commission established under the Regulatory Legislation and any successor or replacement thereto;
- (pp) **Gaming Commission Terms and Conditions** means the Alberta Gaming and Liquor Commission Casino Terms and Conditions and Operating Guidelines issued January 19, 2006;
- (qq) **General Partner** means Paragon Canada Alexis ULC, acting in its capacity as General Partner of the Partnership as agent for Paragon/Tamarack Alexis Partnership, or any Substituted General Partner;
- (rr) **General Partner Adjusted Project Fee** means the proportion of the Adjusted Project Fee Pool which the number of Units held by the General Partner bears to the total number of Units issued and outstanding;
- (ss) **General Partner Development Fee** has the meaning ascribed thereto in Section 4.6;
- (tt) **General Partner Excess Capital Contribution** has the meaning ascribed thereto in Section 3.6;
- (uu) **General Partner Project Fee** has the meaning ascribed thereto in Section 4.6;
- (vv) **Governmental Authority** means any government, parliament, legislature, regulatory authority, council, agency, commission, board, court or instrumentality of Canada, any province or the Nation having jurisdiction over the Partnership or the Project;

- (ww) **Governmental Consent** means any licence, right, permit, franchise, privilege, registration, direction, decree, consent, order, permission, approval or authority to be issued or provided by a Governmental Authority, including binding directives issued by the Gaming Commission;
- (xx) **Grant Receipts** means for any period, an amount equal to the gross receipts of the Nation, the Limited Partner or any Affiliates during that period from the Province of Alberta or the Government of Canada, in any way related to the development or operation of the Project together with any income earned thereon by the Nation or the Limited Partner, as the case may be, less any administration fee that the Partners agree that the Nation, the Limited Partner or any Affiliates may retain;
- (yy) **Gross Revenue** means the aggregate of the revenue of the Partnership from all sources, including gains realized on the sale of capital property, as determined in accordance with Canadian generally accepted accounting principles as applied to a business similar to that of the Partnership;
- (zz) **Ground Lease** means the Commercial Lease for a term of forty-nine (49) years less a day, between Alexis Land Management Corp. and Her Majesty the Queen in Right of Canada, in respect of that portion of the Designated Lands identified as the Project Lands as shown on Schedule "B" hereto, and any amendment, extension, renewal or replacement thereof;
- (aaa) **GST** means the tax imposed under Part IX of the *Excise Tax Act* (Canada), or any tax replacing same, including any interest thereon and penalties relating thereto;
- (bbb) **Including** means including without limitation; and "include" and "includes" have corresponding meanings;
- (ccc) **Indian** has the meaning set out in the *Indian Act* (Canada);
- (ddd) **Infrastructure Facilities** means such road, water, sewage, utilities and other infrastructure facilities for the Project as are determined to be feasible and appropriate by the General Partner;
- (eee) **Intellectual Property of the General Partner** means (a) all trade names and brand names, trade marks, trade mark registrations and applications, and (b) works, copyrights, copyright registrations and applications, inventions, industrial designs, industrial design registrations and applications, trade secrets, know-how, policies, equipment and parts lists and descriptions, instruction manuals, inventors' notes, research data, unpatented blueprints, drawings and designs, formulae, processes, software and all source and object code versions thereof and all related documentation, all data bases, flow charts, service/operator manuals, internal control manuals and any enhancements, modifications or

substitutions thereof, together with all rights under licenses, technology transfer Agreements and other Agreements or licenses or instruments relating to any of the foregoing;

- (fff) **Intellectual Property of the Limited Partner** means all trade names and brand names, trade marks, trade mark registrations and applications, industrial designs, industrial design registrations and applications, and any enhancements, modifications or substitutions thereof relating solely to the Project, together with all rights under licences, technology transfer Agreements and other Agreements or licences or instruments relating to any of the foregoing but for greater certainty excluding the Intellectual Property of the General Partner;
- (ggg) **Interest and Fee Cap** has the meaning ascribed thereto in Schedule "D";
- (hhh) **Interest Expense** means for any period, the aggregate amount accrued in accordance with generally accepted accounting principles during such period (whether or not payable or paid) on account of interest (however designated and however arising) with respect to debt of the Partnership;
- (iii) **Lien** means an encumbrance, lien, charge, pledge, mortgage or security interest of any nature whatsoever;
- (jjj) **Limited Partner** at any time, means Alexis Trustee Corp., as agent for and on behalf of the Nation, and any Person who has become a Limited Partner in the Partnership in accordance with this Agreement;
- (kkk) **Limited Partner Adjusted Project Fee** means the proportion of the Adjusted Project Fee Pool which the number of Units held by the Limited Partner bears to the total number of Units issued and outstanding;
- (lll) **Limited Partner Project Fee** has the meaning ascribed thereto in Section 4.6;
- (mmm) **Losses** means, in respect of any matter, all claims, actions, demands, proceedings, suits, losses, obligations, damages, fines, penalties, liabilities, deficiencies, costs and expenses (including all legal and all other professional and consultant's fees and disbursements, interest, penalties and amounts paid in settlement) arising directly or indirectly, in respect of, in relation to, or as a consequence of such matter;
- (nnn) **Management Committee** means the committee established pursuant to Article 6;
- (ooo) **Management Committee Representatives** means the persons appointed to the Management Committee from time to time pursuant to Section 6.2;
- (ppp) **Mediation Period** has the meaning ascribed thereto in Section 19.3;

- (qqq) **Nation** means Alexis Nakota Sioux Nation, a First Nation having the status of a "band" under the *Indian Act* (Canada);
- (rrr) **Net Cash Flow** means the cash flow of the Partnership from operating, investing and financing activities as determined in accordance with Canadian generally accepted accounting principles;
- (sss) **Net Income** and **Net Loss** mean with respect to any fiscal period, the Net Income or Net Loss of the Partnership determined in accordance with Canadian generally accepted accounting principles;
- (ttt) **Non-Gaming Gross Revenue** means Gross Revenue less the portion thereof derived from the Casino;
- (uuu) **Non-Project Lands** means those lands in that part of the Designated Lands legally described as follows: Lot 1-3, Plan 91573, C.L.S.R.
- (vvv) **Opening Day** means the date when the Casino is first open to the general public with the approval of the Gaming Commission;
- (www) **Operating Budget** means with respect of a fiscal year, a budget or budgets for the Partnership, setting forth, on an annual basis (including monthly summaries) at a minimum, anticipated Gross Revenue, Operating Expenses, and Reserves, and which will state the assumptions used in its or their preparation as approved or deemed approved by the Management Committee in accordance with Section 7.4, as the same may be amended from time to time in accordance with the terms hereof and includes a Revised Operating Budget;
- (xxx) **Operating Expenses** means for any period, an amount equal to the aggregate of all operating expenses of the Partnership, including without limitation the following:
 - (i) Interest Expense;
 - (ii) reimbursement of General Partner's Personnel Expenses, as defined in Section 5.11;
 - (iii) all charges and payments pursuant to the Project Sublease;
 - (iv) applicable GST; and
 - (v) all other operating expenses of the Partnership ordinarily recognized in accordance with generally accepted accounting principles;

- (yyy) **Paragon/Tamarack Alexis Partnership** means a general partnership of Paragon Canada Alexis ULC and Tamarack Fund (2003) Limited Partnership, to be formed pursuant to the *Partnership Act* (Alberta);
- (zzz) **Partners** means the General Partner and the Limited Partner and **Partner** means any of them or any Person who becomes a partner in the Partnership;
- (aaaa) **Partnership** means the Limited Partnership formed under the *Partnership Act* (Alberta) pursuant to the provisions of this Agreement and by the filing of the Certificate and having the name **ALEXIS/PARAGON LIMITED PARTNERSHIP**;
- (bbbb) **Person** includes an individual, corporation, body corporate, partnership, firm, joint venture, association, trust or unincorporated organization, "band" within the meaning of the *Indian Act* (Canada), cooperative association, Governmental Authority or any trustee, executor, administrator or other legal representative;
- (cccc) **Poker/Craps Table Receipts** means, for any period, an amount equal to twenty-five (25%) per cent or such amended percentage of net poker table and net craps table proceeds as set out in Sections 10.3.2(c) and 9.2.3 of the Gaming Commission Terms and Conditions less expenses required to be paid by the Gaming Commission, if any;
- (dddd) **Prime Rate** means the rate of interest per annum established and reported by the **Bank of Nova Scotia** to the Bank of Canada from time to time as a reference rate of interest in order to determine the interest rate it will charge for demand loans in Canadian funds to Canadian customers and which it refers to as its "prime lending rate" or "prime rate";
- (eeee) **Principal Repayments** means, for any period, all repayments of the principal amount of the Financing and any other debt incurred in accordance with this Agreement, which are required to be made during that period, but not including Interest Expense;
- (ffff) **Project** means the Project Lands and all improvements thereon, including a hotel, the Casino and related support facilities, a restaurant, gas bar, convenience store, truck stop, Infrastructure Facilities, and such other facilities as may be developed on the Project Lands from time to time, together with all related parking improvements, food and beverage areas, shuttle and bus areas, amenities and any other improvements contemplated by the Project Plans that are integrated, and the businesses and other activities associated therewith;
- (gggg) **Project Agreements** means the Agreements listed in Schedule "A" hereto, and any amendment, extension renewal or replacement thereof;

- (hhhh) **Project Architect** means such firm of architects selected by the General Partner;
- (iii) **Project Development Deficit** has the meaning ascribed thereto in Section 4.6;
- (jjjj) **Project Fee Pool** has the meaning ascribed thereto in Section 4.7;
- (kkkk) **Project Fees** means the General Partner Project Fee and the Limited Partner Project Fee, and "**Project Fee**" means either the General Partner Project Fee or the Limited Partner Project Fee, as the context requires;
- (llll) **Project Lands** means those approximately fifty-eight (58) acres of land forming part of the Designated Lands legally described as follows: Lot 1-1 and 1-2, Plan 91573, C.L.S.R., and which are the subject of the Project Sublease;
- (mmmm) **Project Plans** means the construction plans and specifications relating to the construction and development of the Project that have been approved by the General Partner;
- (nnnn) **Project Sublease** means the Sublease for a term of twenty (20) years from the Opening Day between Alexis Land Management Corp. and the Partnership in respect of the Project Lands and any amendment, extension, renewal or replacement thereof;
- (oooo) **Quorum** in respect of a meeting of the Partners, has the meaning ascribed thereto in Section 16.8, and in respect of a meeting of the Management Committee, has the meaning ascribed thereto in Section 6.4;
- (pppp) **Register** means the register of Partners maintained by the General Partner;
- (qqqq) **Regulatory Legislation** means the *Gaming and Liquor Act* (Alberta) and all regulations made thereunder and all mandatory terms and conditions, directives and orders issued thereunder or pursuant thereto and including the First Nations Gaming Policy adopted by the Province of Alberta;
- (rrrr) **Requisitioning Partner** has the meaning ascribed thereto in Section 16.1;
- (ssss) **Reserve** means, with respect to the Partnership for any period, funds set aside or amounts allocated during such period to reserves maintained in amounts deemed sufficient by the General Partner to supplement cash flow, and to pay all costs and expenses of the Partnership including but not limited to Taxes, insurance premiums, debt service, repairs, replacements or renewals and other costs or expenses, incidental to the ownership, management or operation of the business and other assets of

the Partnership, and with respect to any other Person, means a similar amount in respect of such Person;

(tttt) **Reserve Lands** means the lands in the Province of Alberta known as Alexis Whitecourt Reserve No. 232, which have been set apart for the use and benefit of the Nation in accordance with the *Indian Act* (Canada);

(uuuu) **September 2003 Limited Partnership Agreement** has the meaning ascribed thereto in paragraph J of the Preamble;

(vvvv) **Slot Machine** means a machine or device in the Casino that allows a person to play a Game of Chance by the insertion of money, and that falls within the meaning of "slot machine" under subsection 198(3)(a) of the *Criminal Code* (Canada);

(wwwv) **Slot Win Receipts** means, for any period, an amount equal to fifteen (15%) per cent or such amended percentage of net sales generated by Slot Machines as set out in Sections 1.14.4 and 13.1.7 of the Gaming Commission Terms and Conditions less expenses required to be paid by the Gaming Commission if any;

(xxxx) **Special Resolution** means:

- (i) a resolution passed at a meeting of the Partners by Partners holding not less than seventy five (75%) per cent of the Units present in person or by proxy and voted on the resolution; or
- (ii) a written resolution signed in one or more counterparts by Partners holding not less than seventy five (75%) per cent of the Units;

(yyyy) **Substituted General Partner** means a Person who has been substituted as a General Partner in accordance with this Agreement;

(zzzz) **Substituted Limited Partner** means a Person who has been assigned Units and who has been approved as a Substituted Limited Partner by the General Partner under this Agreement;

(aaaaa) **Table Game** means a Game of Chance in the Casino other than a Slot Machine, Poker Table or Craps Table;

(bbbbb) **Table Game Win Receipts** means, for any period, an amount equal to seventy-five (75%) per cent or such amended percentage (including a change in percentage due to an increase in the number of Slot Machines in the Casino) of net Casino proceeds as set out in Section 2.5.3 of the Gaming Commission Terms and Conditions less expenses (including salaries and wages) required to be paid by the Gaming Commission, if any;

- (ccccc) **Tax** means any tax, duty, excise, fee, impost, remittances pursuant to Applicable Law, assessment, deduction, charge or withholding, including any GST, sales, land transfer, property, business, payroll, income, capital, value-added or other tax, and all liabilities with respect thereto, including any penalty and interest payable with respect thereto, levied, imposed or assessed from time to time upon or in respect of income, profits or assets of any nature of kind by any Governmental Authority;
- (ddddd) **Taxable Income or Tax Loss** means, in relation to any fiscal period, respectively, the amount of income or loss of the Partnership for that fiscal period as determined pursuant to the provisions of the *Income Tax Act* (Canada), including the amount of any taxable capital gain and allowable capital loss from the disposition of any capital property of the Partnership;
- (eeeeee) **Term** has the meaning ascribed thereto in Section 2.1;
- (fffff) **Total Completion** means full and total completion of the relevant components of the Project in accordance with the Project Plans and applicable provisions of the Development Agreements, as evidenced by certificates issued by the Project Architect and Construction Manager and the General Partner, including payment of all expenses and other costs under the Development Budget to the extent contemplated as being paid prior to the Opening Day and expiry of all construction lien periods arising under the Development Agreements without there being any outstanding lien claims registered against the Project;
- (ggggg) **Total Project Development Cost** means the total amount expended or to be expended, according to the General Partner's reasonable estimate based on the Development Budget, to develop the Project from commencement through to Total Completion;
- (hhhhh) **Unit** means a Unit in the assets and undertaking of the Partnership as described in Section 3.1;
- (iiii) **U.S. Prime Rate** means the rate of interest per annum publicly announced from time to time by Chase-Manhattan Bank as its prime rate in effect at its principal office in New York City.

1.2 Calculation of Interest

In calculating interest payable under this Agreement for any period of time, the first day of such period shall be included and the last day of such period shall be excluded.

1.3 Statute References

Any reference in this Agreement to any statute or any section thereof shall, unless otherwise expressly stated, be deemed to be a reference to such statute or section as amended, restated or re-enacted from time to time.

1.4 Headings & Schedules

In this Agreement, the headings are for convenience only and do not form a part of this Agreement. The preamble and the following schedules hereto form part of this Agreement:

- Schedule "A" - Project Agreements
- Schedule "B" - Project Lands
- Schedule "C" - Insurance
- Schedule "D" - Financing
- Schedule "E" - Partnership Expenses
- Schedule "F" - Management Committee Representatives

1.5 Singular and Plural

In this Agreement, words importing the masculine gender include the feminine and neuter genders, corporations and partnerships, and words in the singular include the plural, and vice versa, wherever the context requires.

1.6 Business Days

If any payment is required to be made or other action is required to be taken pursuant to this Agreement on a day which is not a Business Day, then such payment or action shall be made or taken on the next Business Day.

1.7 Interpretation

The interpretation of this Agreement shall not permit a revenue, expense, liability, recovery, receipt, payment, reserve or reimbursement to be duplicated.

1.8 Canadian Currency

All sums stated herein and in the schedules hereto are in Canadian currency, and books, records and bank accounts shall be maintained in Canadian currency.

1.9 Distributions

For greater certainty and notwithstanding any other reference in this Agreement to the General Partner's and the Limited Partner's entitlement to the General Partner Project Fee or the Limited Partner Project Fee in a fiscal period, including Sections 4.6, 4.7 and 4.12, the Partners acknowledge and agree that all such fees constitute distributions at the fiscal year-end, from the Partnership to the Partners.

ARTICLE 2 - THE PARTNERSHIP

2.1 Formation

The Partners hereby agree to form and do form the Partnership as a limited partnership under the *Partnership Act* (Alberta) and to carry on business under the firm name and style of "**ALEXIS/PARAGON LIMITED PARTNERSHIP**". The term of the Partnership shall continue until the date which is twenty (20) years after the Opening Day, subject to early termination or dissolution as herein provided (the "**Term**"). The Partners covenant to prepare, complete and file the Certificate required by the *Partnership Act* (Alberta) and to do all things and to execute and deliver all such documents, instruments and assurances as may be necessary to qualify, continue and keep in good standing the Partnership as a limited partnership.

2.2 Place of Business

The principal place of business of the Partnership shall be at the Project Lands, or at such other place or places as the General Partner may from time to time designate in writing.

2.3 Business of the Partnership

The business of the Partnership shall be to invest in, acquire, own, develop, repair, rent, lease, operate and otherwise deal with the Project, and in particular the Project Lands and any and all other businesses, services and activities necessary, incidental, ancillary or related thereto, either directly or as a Limited Partner in one or more limited partnerships created for the purposes of developing or operating the Project or certain aspects thereof, or any other business as determined by the General Partner and approved by the Management Committee.

2.4 Powers

The Partnership shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described in this Agreement and for the protection and benefit of the Partnership.

2.5 Fiscal Year

The fiscal year-end of the Partnership shall be December 31st in each calendar year.

ARTICLE 3 - UNITS AND CAPITAL CONTRIBUTIONS

3.1 Units

For the purpose of qualifying the rights of Partners, as more specifically set out in this Agreement, and, subject to any adjustments provided for in this Agreement, the Net Income, Net Losses, Net Cash Flow or Project Fee Pool allocations and other

distribution of income or losses derived by the Partnership and their respective interest in the assets and undertaking of the Partnership are hereby divided into Units, each Unit having the same rights and obligations as each other Unit. As of the date hereof the Partnership is divided into Units issued as follows:

- (a) the General Partner - forty (40) Units; and
- (b) the Limited Partner - sixty (60) Units.

3.2 Issuance of Units

No additional Units shall be issued unless approved by Special Resolution which shall specify the terms and conditions upon which additional Units may be issued. The public shall not be invited to subscribe for Units and no Units shall be issued to the public.

3.3 Permitted Holders of Units

Subject to the terms of Article 12 and the Regulatory Legislation, any Person shall be permitted to hold Units; provided, however, that in no event shall the number of Persons holding a Unit or Units be permitted to be more than fifty (50), exclusive of individuals:

- (a) who are in the employment of the Partnership or an Affiliate of the Partnership; or
- (b) who were formerly in the employment of the Partnership or of an Affiliate of the Partnership and while in that employment were and have continued after that employment to be Unit holders.

3.4 Subscription

Persons may subscribe for Units by delivering to the General Partner at its principal office a subscription form or such other form as the General Partner may require, completed and executed in a manner acceptable to the General Partner, and such other instruments, Agreements and documents as the General Partner may require. No subscription may be made or shall be accepted for a fraction of a Unit. Upon the acceptance by the General Partner of a subscription for Units, the General Partner shall cause the subscriber to be entered on the Register as a Partner and shall deliver to such subscriber a certificate specifying the number and class of Units held by such subscriber. Every certificate shall be signed manually by at least one (1) officer or director of the General Partner and any additional signatures may be printed or otherwise mechanically reproduced and, in such event, a certificate is as valid as if signed manually. A Person will become a Partner upon the date on which that Person's ownership of Units in the Partnership is entered in the Register.

3.5 Initial Payment of Capital

The one hundred (100) Units issued by the Partnership to the Limited Partner and the General Partner are issued in consideration for a cash Capital Contribution of Ten (\$10.00) Dollars per Unit, being the sum of One Thousand (\$1,000.00) Dollars in aggregate, to be paid concurrently with the execution of this Agreement.

3.6 Required Capital Contributions

The required Capital Contribution of the General Partner shall be limited to the amounts required or deemed to be paid in respect of the purchase of Units at the time of subscription for such Units by the General Partner. The General Partner may make additional Capital Contributions from time to time (the "General Partner Excess Capital Contribution"). No additional Units shall be issued to the General Partner in respect of any such additional Capital Contributions; however, the General Partner shall be entitled to an amount of distribution payable on the General Partner Excess Capital Contribution at a rate equal to the US Prime Rate plus two point five (2.5%) per cent calculated and compounded semi-annually (the "Equity Return") in addition to any other entitlements to Project Fees pursuant to Section 4.6 below. The required Capital Contribution of the Limited Partner shall be limited to the aggregate of:

- (a) the amounts required or deemed to be paid in respect of the purchase of Units at the time of subscription for such Units by the Limited Partner; and
- (b) except as may be prohibited by the Regulatory Legislation, an amount equal to the total of all First Nation Development Fund Receipts and Grant Receipts, which amount shall be paid by the Limited Partner to the Partnership forthwith upon each receipt by the Limited Partner from the Nation of First Nation Development Fund Receipts and Grant Receipts during the Term.

No additional Units shall be issued to the Limited Partner in respect of any Capital Contributions made pursuant to subsection (b) above; however, such Capital Contributions shall result in the Limited Partner's entitlement to the Partnership's interest in the Project Lands and all improvements thereon, and all FF&E as a return of the Limited Partner's Capital Contribution on dissolution of the Partnership or retirement of the Limited Partner from the Partnership in accordance with Section 13.3 and Section 13.6.

3.7 Contribution of the General Partner

The General Partner may make a Capital Contribution for the purchase of Units as set forth herein and with respect to the Units so purchased shall have the same rights as any other Partner. If the General Partner owns Units, the General Partner continues to be the General Partner but is entitled to be allocated Net Income, Net Loss and Project Fees and to receive distributions of Net Cash Flow with respect to the Units registered in the name of the General Partner on the same basis as the other Partners, in accordance with the provisions for such allocations and distributions set forth in this Agreement, without regard to its status as General Partner.

3.8 Return of Capital Contribution

Capital Contributions shall be returned to the Partners in the event of the liquidation, winding-up or dissolution of the Partnership after all Net Income, Net Loss and Project Fees to that time have been allocated and paid to the Partners in accordance with this Agreement. No Partner shall be entitled to demand a return of its Capital Contribution except upon the dissolution, winding-up or liquidation of the Partnership, at which time each holder of Units shall be entitled to share in the amount available for distribution in accordance with Article 13. However, nothing herein shall prevent distributions to a Partner pursuant to Article 4 which would result in a deficit balance in that Partner's Capital Account.

3.9 No Duty to Restore Negative Capital Account

Except to the extent otherwise required herein or agreed to in writing by a Partner, such Partner is not required to contribute or lend any cash to the Partnership to enable the Partnership to return any other Partner's Capital Contribution or to make any distribution to any Partner, even if such Partner has a deficit balance in its Capital Account. The interest of a Partner in the Partnership shall not terminate by reason of such Partner having a zero or negative balance in its Capital Account nor shall it impair such Partner's entitlement to allocations and distributions on its Partnership interest in accordance with Article 4..

ARTICLE 4 - ALLOCATIONS AND DISTRIBUTIONS

4.1 Separate Capital Accounts

The General Partner shall establish and maintain a separate Capital Account on the books of the Partnership for each Partner and shall, on receipt, credit such account with the Partner's Capital Contributions. Each Partner's Capital Account shall be credited (or, in the case of a negative allocation, debited) with Net Income or Net Loss allocated to such partner in accordance with Section 4.4.

4.2 Computation of Net Income or Net Loss

For the purpose of computing Net Income or Net Loss and Project Fees at the end of any fiscal period of the Partnership (comprised of all items of income, gain, deduction or loss for such fiscal period), the determination, recognition and classification of each such item shall be the same as its determination, recognition and classification for the purposes of computing the books of account of the Partnership maintained for that fiscal period in accordance with the provisions of Section 14.2 hereof.

4.3 Income or Loss

At the end of each fiscal year of the Partnership, the Net Income or Net Loss, and Taxable Income or Tax Loss, as the case may be, of the Partnership shall be determined in accordance with Canadian generally accepted accounting principles applied on a consistent basis and shall be audited by the Auditors.

4.4 General Allocations

- (a) Net Income and Taxable Income. All Net Income and Taxable Income of the Partnership shall be allocated for each fiscal period to the Partners equally in respect of each Unit held at the end of the fiscal period of the partnership.
- (b) Net Loss and Tax Loss. Net Loss and Tax Loss shall be allocated for each fiscal period to the Partners equally in respect of each Units held at the end of the fiscal period of the Partnership.
- (c) It is provided always that any income arising on the transfer of assets of the Partnership to the Limited Partner on dissolution of the Partnership or on the retirement of the Limited Partner in accordance with Section 13.3 or 13.6, respectively below, shall be allocated to the Limited Partner

4.5 Other Allocation Rules

- (a) Allocation Upon Transfers of Partnership Interests. If any Unit is transferred during any fiscal period, the Net Income or Net Loss and Taxable Income or Tax Loss, as the case may be, and the Project Fee, attributable to such Unit for such fiscal period, shall be divided and allocated proportionately between the transferor and the transferee based upon the number of days during such fiscal period for which each party was the holder of the Unit transferred, determined in accordance with the provisions of subsection 4.5(b) below.
- (b) Date Transfer Deemed to Occur. Subject to subsection 4.4(c) above and applicable government regulations, the Partnership will treat Partners who are the holders of Units as of the close of business on the first day of a calendar month as being the only holders with respect to such Units during such month; provided, however, that gain or loss on a sale or other disposition of all or substantially all of the Partnership assets or on a sale of other disposition of a substantial capital asset of the Partnership not in the ordinary course of business, as determined by the General Partner, shall be allocated to the holder of a Unit on the date of such sale or other disposition, and any distribution of proceeds of any such sale or other disposition shall be made to the holder of such Unit on the date of such sale or other disposition.
- (c) Computation of Taxable Income or Tax Loss. Subject to the further terms of this Section 4.5, the General Partner, in its sole discretion, may maintain such further records for the Partnership as it deems necessary or appropriate for income tax and other tax reporting purposes. In the maintenance of such records, and notwithstanding the definitions of Net Income and Net Loss, for the purposes of computing Taxable Income or Tax Loss and the recognition of income and loss for income tax purposes, income will be deferred for the maximum time and recognized in the minimum amount permissible by law, and in the case of a deduction from

income, such deduction will be taken at the earliest time and in the maximum amount permitted by law.

- (d) Capital Cost Allowance. The General Partner, when determining Taxable Income or Tax Loss of the Partnership, will deduct the maximum allowable capital cost allowance and other deductions available to the Partnership for that fiscal period under the governing income tax legislation.
- (e) Timing of Income Tax Allocations. All allocations of Net Income or Net Loss and Taxable Income or Tax Loss, shall be deemed to have been made on the last day of the fiscal period to which such Net Income or Net Loss and Taxable Income or Tax Loss, respectively, relate.

4.6 Project Fees

Subject to Section 4.12,

- (a) General Partner Project Fee. The General Partner shall be entitled to a Project Fee (the "**General Partner Project Fee**") for each fiscal period equal to the lesser of:

- (i) Twenty-five (25%) per cent of the Total Project Development Cost plus the Cumulative Project Development Deficit (the "**General Partner Development Fee**") where:

- (A) **Project Development Deficit** means, in a fiscal period, twenty-five (25%) per cent of Total Project Development Cost minus forty-five (45%) per cent of Net Income or plus forty-five (45%) per cent of Net Loss, as the case may be; and

- (B) **Cumulative Project Development Deficit** means the aggregate of all Project Development Deficits for each fiscal period from the commencement of this Agreement;

And

- (ii) Twenty (20%) per cent (or such other percentage as may be determined by the Management Committee from time to time) of Non-Gaming Gross Revenue PLUS that proportion of the Project Fee Pool which the number of Units held by the General Partner bears to the total number of Units issued and outstanding.
- (b) Limited Partner Project Fee. The Limited Partner shall be entitled to a Project Fee (the "**Limited Partner Project Fee**") for each fiscal period equal to that proportion of the Project Fee Pool which the number of Units held by the Limited Partner bears to the total number of Units issued and outstanding, LESS the aggregate of the following amounts:

- (i) any First Nation Development Fund Receipts and Grant Receipts not actually contributed by the Limited Partner to the Partnership;
- (ii) Taxes, if any, levied by the Nation in respect of or in relation to the Project, for such period;
- (iii) any additional costs of the Partnership arising with respect to the construction, ownership, operation, financing, sale, leasing or other transfer of the Project or any assets or activities related thereto to the extent arising from any of the following events after the date hereof: (A) the imposition by the Nation of any new Applicable Law, (B) the reinterpretation by the Nation of any existing Applicable Law, or (C) the material alteration in the enforcement by the Nation of any Applicable Law;
- (iv) the excess, if any, of amounts paid to Alexis Land Management Corp. under the Project Sublease, over the amounts paid by Alexis Land Management Corp. under the Ground Lease;
- (v) any payments made by the Partnership on behalf of a third party pursuant to a lease of the Non-Project Lands, including, without limitation, rent or insurance premiums; and
- (vi) the cost to the Partnership of the development and construction of infrastructure and the provision of services for the benefit of lands other than the Project Lands, including, without limitation, that portion of any permit or other fees for the use and occupation of Reserve lands attributable to lands other than the Project Lands, and additional infrastructure costs incurred for the purposes of providing water supply, sanitary sewer and stormwater management systems to the Non-Project Lands.

If any First Nation Development Fund Receipts or Grant Receipts as set out above are contributed to the Partnership in a fiscal period subsequent to the fiscal period in which they were received or if any Taxes, additional costs or excess amounts paid under the Project Sublease are refunded in a subsequent fiscal period, then any such amounts shall be added and not subtracted, when making this calculation.

4.7 Project Fee Pool

The Partners agree that for each fiscal period during the Term the Project Fees shall be determined with reference to the following formula:

Project Fee Pool means Net Cash Flow for such fiscal period, LESS the aggregate of funds set out in subsections 4.9 (a) to (d) that are distributed in accordance with subsections 4.9 (e) to (h) , all for the same period:

PLUS the aggregate of the following amounts, all for the same period:

- (a) all First Nation Development Fund Receipts and all Grant Receipts not actually contributed by the Limited Partner to the Partnership;
- (b) any Taxes levied by the Nation in respect of or in relation to any aspect of the Project, except for charges for water treatment, sewage or other similar services of the Nation, which are based on the Project's proportionate use of such services, as a percentage of the total usage by all users of such services, and are charged to the Project on commercially reasonable terms;
- (c) any additional costs of the Partnership arising with respect to the construction, ownership, operation, financing, sale, leasing or other transfer of the Project or any assets or activities related thereto to the extent arising from any of the following events after the date hereof: (i) the imposition by the Nation of any new Applicable Law, (ii) the reinterpretation by the Nation of any existing Applicable Law, or (iii) the material alteration in the enforcement by the Nation of any Applicable Law;
- (d) the excess, if any, of amounts paid to Alexis Land Management Corp. under the Project Sublease over amounts paid by Alexis Land Management Corp. under the Ground Lease with respect to the Project Lands;
- (e) any payments made by the Partnership on behalf of a third party pursuant to a lease of the Non-Project Lands, including, without limitation, rent or insurance premiums;
- (f) the cost to the Partnership of the development and construction of infrastructure and the provision of services for the benefit of lands other than the Project Lands, including, without limitation, that portion of any permit or other fees for the use and occupation of Reserve lands attributable to lands other than the Project Lands, and additional infrastructure costs incurred for the purposes of providing water supply, sanitary sewer and stormwater management systems to the Non-Project.
- (g) Financing Differential.

If any First Nation Development Fund Receipts or Grant Receipts as set out above are contributed to the Partnership in a fiscal period subsequent to the fiscal period in which they were received or if any Taxes, additional costs or excess amounts paid under the Project Sublease are refunded in a subsequent fiscal period, then any such amounts shall be subtracted and not added when making this calculation.

The Parties agree that the Project Fee Pool shall not include First Nations Tobacco Revenue and that the Limited Partner shall be entitled to all First Nations Tobacco Revenue.

4.8 Reserves

The General Partner on behalf of the Partnership will retain as a Reserve such proportion of the Gross Revenue of the Partnership and Capital Contributions of the Partners that, in the opinion of the General Partner acting reasonably:

- (a) is required to meet the current obligations of the Partnership in connection with the assets, undertaking, purposes or business of the Partnership;
- (b) is required to satisfy the covenants contained in any Agreements made by or on behalf of the Partnership or to which the Partnership has become obligated, including Agreements with lenders to the Partnership;
- (c) is required to make adequate provision for the repair or replacement of capital assets or equipment necessary for the conduct of the business of the Partnership and to ensure that such assets and equipment are in reasonable condition and in keeping with the caliber of the Project at the end of the Term;
- (d) is required to make adequate provision for future distributions of Available Net Cash Flow to the Partners; and
- (e) is required for any other purpose approved by the Management Committee.

4.9 Distribution of Sale, Financing and Insurance Proceeds

All funds:

- (a) arising or realized from the sale or disposition of all or part of the assets of the Partnership;
- (b) from any refinancing or additional financing;
- (c) insurance proceeds in respect of the assets of the Partnership; or
- (d) similar transactions authorized by the Management Committee;

(the "Available Net Proceeds")

shall be distributed as follows (except as otherwise determined by the Management Committee):

- (e) first, to repay all current obligations of the Partnership to creditors (including the General Partner to the extent that the General Partner has loaned money to the Partnership or has paid expenses of the Partnership);

- (f) second, to make adequate provision for the transfer to the Limited Partner of the Partnership's interest in the Project Lands and all improvements thereon, and all FF&E, in accordance with Article 13;
- (g) third, the General Partner Excess Capital Contribution;
- (h) fourth, to create a Reserve in an amount as determined by the General Partner acting in its sole discretion; and
- (i) any funds remaining after distribution in accordance with Subsections (e), (f), (g) and (h) above shall be included in the Project Fee Pool.

4.10 Payment of Project Fees

Subject to any adjustment pursuant to Section 4.12 and to the extent permitted under the Credit Agreements, the General Partner shall, after payment of all current obligations of the Partnership (including without limitation, payment of any Equity Return not actually distributed by the Partnership to the General Partner or not actually accrued by the Partnership in favour of the General Partner) and retention of the Reserve, distribute Net Cash Flow, first, to each Partner to the extent that such Partner's Adjusted Project Fee for the current period, and any prior period together with the equivalent of interest thereon pursuant to Section 4.11 below, has not actually been paid, beginning with the earliest such period, and thereafter to all Partners equally in respect of each Unit held, subject always to the requirement that in each year the General Partner with the approval of the Management Committee, must distribute so much of the Net Cash Flow as shall equal the General Partner's reasonable estimate of income taxes payable by the Partners, if any, on Taxable Income of the Partnership allocated to them. Any amount distributed to cover income taxes as aforesaid, which exceeds the amount otherwise distributable to a Partner hereunder, shall be set off and deducted from the next distribution to such Partner of Net Cash Flow. Distributions of Net Cash Flow shall be paid at least once quarterly, immediately upon determination of the Adjusted Project Fees for the preceding fiscal period.

4.11 Amount of Accrue on Excess Distributions and Deficiencies

An amount equivalent to interest at the Agreement Rate of Interest shall accrue on any distribution of Net Cash Flow to a Partner which is in excess of that Partner's Project Fee, from the date of distribution until such excess and all amounts accrued thereon are repaid by such Partner to the Partnership. An amount equivalent to interest at the Agreement Rate of Interest shall accrue on a Partner's entitlement to Project Fees which is not actually paid by way of distribution of Net Cash Flow from the date of entitlement until such deficiency in payment and all amounts accrued thereon are paid by the Partnership to such Partner.

4.12 Adjustments to Project Fees and Project Fee Pool

Notwithstanding the determination of the Project Fee Pool and the allocation of Project Fees pursuant to Sections 4.6 and 4.7 hereof, the Partners agree to adjust their respective entitlements on a quarterly basis if the Project Fees do not equal:

- (a) General Partner - General Partner Adjusted Project Fee LESS the aggregate of the following amounts all for the same period:
 - (i) Casino Management Fee (but if the Casino Management Fee is a negative amount, then such amount shall be added and not deducted, when making this calculation);
 - (ii) Financing Differential;
- (b) Limited Partner - Limited Partner Adjusted Project Fee LESS the aggregate of the following amounts all for the same period:
 - (i) Slot Win Receipts;
 - (ii) Table Game Win Receipts;
 - (iii) Poker/Craps Table Receipts;
 - (iv) any First Nation Development Fund Receipts and Grant Receipts not actually contributed by the Limited Partner to the Partnership;
 - (v) Taxes, if any, levied by the Nation in respect of or in relation to the Project, for such period;
 - (vi) the excess, if any, of amounts paid to Alexis Land Management Corp. under the Project Sublease, over the amounts paid by Alexis Land Management Corp. under the Ground Lease;
 - (vii) any additional costs of the Partnership arising with respect to the construction, ownership, operation, financing, sale, leasing or other transfer of the Project or any assets or activities related thereto to the extent arising from any of the following events after the date hereof: (A) the imposition by the Nation of any new Applicable Law, (B) the reinterpretation by the Nation of any existing Applicable Law, or (C) the material alteration in the enforcement by the Nation of any Applicable Law;
 - (viii) any payments made by the Partnership on behalf of a third party pursuant to a lease of the Non-Project Lands, including, without limitation, rent or insurance premiums; and
 - (ix) the cost to the Partnership of the development and construction of infrastructure and the provision of services for the benefit of lands other than the Project Lands, including, without limitation, that portion of any permit or other fees for the use and occupation of Reserve lands attributable to lands other than the Project Lands, and additional infrastructure costs incurred for the purposes of providing water supply, sanitary sewer and stormwater management systems to the Non-Project Lands.

If any First Nation Development Fund Receipts or Grant Receipts as set out above are contributed to the Partnership in a fiscal period subsequent to the fiscal period in which they were received or if any Taxes additional costs or excess amounts paid under the Project Sublease are refunded in a subsequent fiscal period, then any such amounts shall be added and not subtracted, when making this calculation. An amount equivalent to interest at the Agreement Rate of Interest shall accrue on any such adjustment which is not actually paid in the month following its calculation in accordance with Section 4.11.

If either Partner is of the view that further adjustments to the Project Fee Pool or Adjusted Project Fee Pool are necessary to ensure that the allocation of Project Fees is in accordance with the intention of the Partners, then that Partner may request that the Management Committee review, and if appropriate, make further adjustments to the Project Fee Pool or Adjusted Project Fee Pool, as the case may be. Notwithstanding the foregoing, either Partner shall further be entitled to submit any dispute concerning adjustments to the Project Fee Pool or Adjusted Project Fee Pool to the Expert in accordance with Article 19.

If the formula for distribution of the Casino receipts is in any way revised or amended from the distribution contemplated in the Regulatory Legislation as of the date of execution of this Agreement, then the Partners shall review and, if appropriate, amend the formulae for calculation of the Adjusted Project Fee Pool, the General Partner Project Fee and the Limited Partner Project Fee set out in this Agreement to ensure that such formulae continue to reflect the distribution of Casino receipts as required by the Regulatory Legislation.

ARTICLE 5 - POWERS, DUTIES AND OBLIGATIONS OF GENERAL PARTNER

5.1 Management Duties of General Partner

The business and affairs of the Partnership shall be managed by the General Partner except to the extent that this Agreement specifically requires the approval of the Management Committee. The General Partner shall not be entitled to any fees, salary or remuneration of any kind as General Partner of the Partnership, other than the General Partner Project Fee and reimbursement for expenses as provided in this Agreement.

5.2 Standard of Performance

Notwithstanding any other provision of this Agreement, the General Partner will perform its services and functions under this Agreement honestly, in good faith and in a diligent and efficient manner, exercising the same degree of care, skill and supervision as would be exercised by a reasonable and prudent manager of businesses comparable to the Partnership business. The obligations of the General Partner hereunder are to use reasonable commercial efforts to perform the referenced obligations and are not absolute obligations or guarantees of results and are subject to the Limited Partner, the Nation and its Affiliates performing their respective obligations hereunder and under the Project Agreements, to assist and enable the General Partner

to perform its obligations, and also subject to sufficient funds, both from financing and operations, being available to perform same. Unless the General Partner has failed to perform its obligations under this Agreement in accordance with the standards set out in this Section, the General Partner shall not be in breach of this Agreement, and shall not have failed to observe or perform any term, covenant or agreement herein in any material respect, and the Limited Partner will not be entitled to terminate this Agreement or to any other remedies in respect of this Agreement or the subject matter hereof.

5.3 Powers, Duties and Obligations

The General Partner shall have unlimited liability for the debts, liabilities and obligations of the Partnership. Any action taken by the General Partner on behalf of the Partnership in accordance with the terms of this Agreement and within the scope of its power and authority hereunder is deemed to be the act of the Partnership and binds the Partnership. A person, in dealing with General Partner acting on behalf of the Partnership, is not required to enquire into the authority of the General Partner to bind the Partnership and is entitled to rely conclusively upon the power and authority of the General Partner as set out in this Agreement.

5.4 Specific Powers and Duties

Subject only to the provisions of Sections 7.1 and 7.2, and subject to receipt of any required approvals or consents of Governmental Authorities and other third parties, the General Partner shall have full, necessary and exclusive power and authority on behalf of the Partnership, and in the name of the Limited Partner (if and to the extent required and unless otherwise stated and subject to the restrictions contained in Section 15.1), to manage, control, administer and operate the business, assets and affairs of the Partnership, to represent the Partnership, to make decisions regarding the undertaking and business of the Partnership and to do or cause to be done any and all acts deemed by the General Partner to be necessary, appropriate or incidental to the business of the Partnership, including without limiting the generality of the foregoing the power and authority to:

- (a) execute the Project Sublease, the Credit Agreements, and the other agreements described in Section 5.5;
- (b) provide over-all management, financial and business planning;
- (c) designate Management Committee Representatives to attend regularly scheduled meetings of the Management Committee to discuss matters requiring the approval of the Management Committee hereunder, and cause prompt distribution of minutes of such meetings in accordance with Section 6.6;
- (d) keep the Management Committee informed of all material events and developments pertaining to the business of the Partnership and the development of the Project;

- (e) borrow money in such manner and amounts, and from such sources as the General Partner deems appropriate, on such terms and conditions in accordance with the Financing Restrictions, including, without limiting the generality of the foregoing, for the purpose of financing capital expenditures and financing the general operations of the business of the Partnership;
- (f) determine, or where Management Committee approval is specifically required by this Agreement, make recommendations to the Management Committee with respect to, the location of the Project and the type and scope of the facilities comprising the Project;
- (g) designate the Project Architect and Construction Manager, and direct and co-ordinate their respective performance, and the performance of other consultants and all contractors engaged pursuant to the Development Agreements;
- (h) cause all construction activities to be carried out in a good and workmanlike manner, all in compliance with the Project Plans and Applicable Law;
- (i) arrange for the preparation of all working drawings and specifications required for the Infrastructure Facilities and/or the Project;
- (j) prepare or arrange for the preparation of all construction contracts and arrange for the preparation and execution of all other related documentation required in accordance with the development activities hereunder;
- (k) ensure that such personnel, contractors, consultants and work forces are retained or engaged as are necessary to ensure Total Completion in accordance with the Development Schedule;
- (l) ensure that such performance bonds, labour and materials bonds, other bonds and sureties and such guarantees and warranties as are required hereunder have been provided. Subject to availability at commercially reasonable costs, all major contractors and subcontractors shall be required to obtain all appropriate bonding in respect of the Project. Unless the General Partner shall otherwise reasonably determine, and subject to the requirements of the Ground Lease and the Project Sublease, the performance bonds of each major subcontractor will cover fifty (50%) per cent of the balance of the contract price of the applicable contract, naming the General Partner, the Partnership, and their respective Affiliates as joint obligees (as their interests may appear). Such bonds shall be provided no later than the date that the respective contractor or subcontractor has executed the contract for its respective component of the Project;

- (m) take title to any asset of the Partnership in the name of the General Partner or its nominee or trustee for the purpose of financing or any other purpose convenient for the benefit of the Partnership;
- (n) employ and dismiss from employment personnel, agents, representatives or professionals with the powers and duties, upon the terms, at the places and for the compensation as in the sole discretion of the General Partner may be necessary or advisable in the carrying on of the business of the Partnership;
- (o) sell or otherwise dispose of assets of the Partnership in the ordinary course of business;
- (p) maintain appropriate cost accounting records such that adherence to Canadian generally accepted accounting principles can be maintained;
- (q) keep or cause to be kept by the Construction Manager a daily log containing a record of weather, the Construction Manager's and the contractors' work on site, the number of workers, work accomplished, problems encountered and other similar relevant data as may be reasonably required;
- (r) when any contractor's work or a designated portion thereof appears to be substantially complete, prepare or cause to be prepared by the Project Architect a list of incomplete or unsatisfactory items and a schedule for completion thereof and assist the Project Architect in conducting inspections of the work;
- (s) assist the Project Architect in determining when any of the construction contracts have been completed, in accordance with the Project Plans, Applicable Law and the provisions of the Development Agreements and certifying as to such completion in accordance with the forms prescribed by Applicable Law;
- (t) cause the Project Architect to issue certificates of substantial performance in accordance with the *Builders' Lien Act* (Alberta);
- (u) following issuance of the certificate of Substantial Completion in respect of any component of the Project, evaluate the completion of work of the Construction Manager and the contractors and make recommendations to the Project Architect when work is ready for final inspections, and perform such additional supervisory functions as may be necessary to ensure Total Completion;
- (v) secure and transmit any required affidavits, releases and waivers in connection with the Project;
- (w) cause the Project Architect to issue a certificate of Total Completion when Total Completion has been achieved;

- (x) with the Project Architect, observe the Construction Manager's and the contractors' check-out and assist in their initial start-up and testing of utilities, operational systems and equipment for readiness, and cause the Construction Manager to deliver all keys, manuals, records and drawings, as appropriate;
- (y) ensure that the Partnership receives accurate, up to date "as-built" plans and drawings for the Project within ninety (90) days after Total Completion;
- (z) at all times during the term of any guarantees or warranties associated with any part of the Project, take such steps as the General Partner deems appropriate to address any evidence of faulty materials or workmanship used in connection with the Project prior to the expiry of any such guarantees or warranties;
- (aa) open accounts for the Partnership in the name of the Partnership, including separate accounts to be used in connection with the construction and development of the Project, and to designate and from time to time to change the signatories to the accounts;
- (bb) obtain and compile progress draw requests contemplated by the Development Agreements and the Financing and process the payment of costs and expenses for the development of the Project through the bank accounts established for such purpose;
- (cc) generally to do the things and to take the steps in connection with the Project Lands and the assets and undertaking of the Partnership which would be customarily carried out by a reasonable and prudent owner and operator, including arranging for Insurance as provided for in Schedule "C";
- (dd) invest funds not immediately required for the operation of the Partnership in such vehicles as the General Partner considers appropriate from time to time;
- (ee) commence or defend any action or proceeding in connection with the Partnership or its assets and undertaking, and in particular:
 - (i) at all times protect or cause to be protected the Project from all Liens arising from time to time at common law or under the provision of any statute (including liens for labour or materials under the *Builder's Lien Act* (Alberta), the *Indian Act* (Canada) or similar legislation); and
 - (ii) if and whenever any such Lien shall arise, take or cause to be taken such measures (whether monetary or non-monetary) as shall be necessary to procure the discharge thereof, including legal proceedings, if required;

- (ff) obtain all necessary Governmental Consents required for the Project in accordance with the Project Plans and Applicable Law, including in particular the Environmental Assessment Approval, and complying with the requirements of all of the same;
- (gg) file returns, reports or other information and documents required by any Governmental Authority;
- (hh) correct or remedy or cause to be corrected or remedied, any violations of Applicable Law relating to the Project; and
- (ii) perform such other actions as may be necessary or advisable to carry out the intent of this Agreement.

5.5 Specific Agreements

The General Partner, on behalf of the Partnership, is specifically authorized to enter into the following contracts, arrangements, and agreements relative to the Project, on such terms and conditions as the General Partner may deem appropriate (and where required by Section 7.2, on such terms and conditions as are approved by the Management Committee) and as may be amended, modified or replaced from time to time:

- (a) with the approval of Her Majesty the Queen in Right of Canada, a sublease of the Ground Lease from Alexis Land Management Corp., for a term expiring twenty (20) years after the Opening Day and to the extent that such lease relates to the Project Lands (herein referred to as the "Project Sublease");
- (b) an unconditional guarantee and indemnity of any Financier of any Financing, including the Financing Commitment, and the granting of security over all of the undertaking, property and assets of the Partnership, both present and future, including a leasehold mortgage in favour of the Financier in respect of the Partnership's interest in the Project Sublease, with a term not exceeding the Term;
- (c) with the approval of Her Majesty the Queen in Right of Canada, a sublease on reasonable commercial terms of part of the Project Lands to Alexis Casino Limited Partnership of the Casino and related FF&E;
- (d) with the approval of Her Majesty the Queen in Right of Canada, a sublease on reasonable commercial terms of part of the Project Lands to a third party to permit the development, construction and operation by the lessee of a gas bar, convenience store and related patron facilities and related Infrastructure Facilities;
- (e) a management agreement on reasonable commercial terms for a third party to manage the hotel to be located on the Project Lands;

- (f) an Insurance Trust Agreement among various Persons involved in the Project and the Insurance Trustee (as therein defined) dealing with the use and allocation of certain property insurance proceeds, provided same complies with the terms of the Ground Lease;
- (g) a construction contract on reasonable commercial terms for the development and construction of the Project and related Infrastructure facilities on the Project Lands;
- (h) agreements on reasonable commercial terms for the procurement and supply of Infrastructure Facilities to the Project; and
- (i) such agreements, leases, easements, licences, and other permits and arrangements, and any renewals or extensions thereof, as are necessary for the conduct, operation and management of the Partnership business, the provision of all necessary services to the Partnership and otherwise as required by Applicable Law.

5.6 Title to Property

The General Partner will hold legal title to the assets of the Partnership in its capacity as General Partner of the Partnership and deal with the assets in accordance with the terms of this Agreement.

5.7 Transactions Involving Affiliate

Provided that approval has been obtained in accordance with Section 7.1 or 7.2, as the case may be, and after full disclosure, the validity of a transaction, agreement or payment involving the Partnership and an Affiliate or Affiliate Personnel (as defined in Section 5.11) is not affected by reason of the relationship between the General Partner and the Affiliate or by reason of the approval or lack thereof of the transaction, agreement or payment by the directors of the General Partner, all of whom may be officers or directors of or are otherwise interested in or related to the Affiliate.

5.8 Limitation of Liability

The General Partner is not personally liable for the return of any Capital Contribution made by a Limited Partner to the Partnership. Moreover, notwithstanding anything else contained in this Agreement, neither the General Partner nor its officers, directors, shareholders, employees or agents is liable, responsible for, or accountable in damages or otherwise to the Partnership or a Limited Partner for an action taken or failure to act on behalf of the Partnership within the scope of the authority conferred on the General Partner by this Agreement or by law unless the act or omission was performed or omitted fraudulently or in bad faith or constituted wanton or wilful misconduct or gross negligence.

5.9 Indemnification

The Partnership will indemnify the General Partner, its officers, directors, shareholders, employees, or agents from and against Losses, by reason of acts, omissions or alleged acts or omissions arising out of the activities of the General Partner on behalf of the Partnership or in furtherance of the interest of the Partnership within the scope of authority conferred on the General Partner by this Agreement or by Applicable Law, but only if the acts, omissions or the alleged acts or omissions on which the actual or threatened action, proceeding or claim are based were performed in good faith and were not performed or omitted fraudulently or in bad faith or as a result of wanton or wilful misconduct or gross negligence by the General Partner, its officers, directors, shareholders, employees or agents.

5.10 Partnership Expenses

The General Partner and the Limited Partner shall be reimbursed by the Partnership, as and when the Partnership receives funds available therefor (which the Partners acknowledge will likely occur only upon receipt of the first drawdown of construction financing in respect of the Project), for all reasonable expenses incurred by each of them on behalf of the Partnership. The Partners acknowledge that each of them has incurred expenses prior to the execution of this Agreement, as set out in Schedule "E" in connection with the review and assessment of the Project and the Project Agreements as well as other expenses related to the Project, which expenses are to be reimbursed by the Partnership. The details of all such expenses shall be submitted to the Management Committee for approval and the Management Committee shall approve or disapprove such expenses at its first meeting. Any similar expenses which are proposed to be incurred by either Partner after the execution of this Agreement shall be submitted to the Management Committee for pre-approval. The Partners agree to cooperate to minimize the duplication of such expenses wherever reasonably possible. The Partners acknowledge that the General Partner agrees to advance to the Limited Partner upon receipt of funds from the Financing the sum set out in Schedule "E" towards the Limited Partner's approved expenses incurred prior to the execution of this Agreement. Provided always, in lieu of cash reimbursement for such approved expense, the General Partner may elect that such amount or part thereof shall constitute a General Partner's Excess Capital Contribution in accordance with Section 3.6. The Limited Partner acknowledges that advances made to it in respect of stipends for two individuals, in the amount of \$4,180.00 USD per month, shall be reimbursed to the General Partner by the Partnership as and when funds are available therefor.

5.11 General Partner's Personnel Expenses

If practical, all personnel retained to enable the General Partner to perform its duties hereunder shall be employees of the Partnership, except for concessionaires, licensees, tenants and other such users of the Project (such other users to be employees of the Nation or third parties). The General Partner shall be entitled to reimbursement of (i) the full cost to it of all personnel retained to enable it to perform its duties hereunder, including employee and retiree benefit costs of all Project Staff (as hereinafter defined); (ii) the cost of the Affiliate Personnel (as hereinafter defined) on a

per diem basis, and calculated as the actual cost to the Affiliate of the services of such personnel, plus a reasonable allocation of overhead associated with such personnel and travel and accommodation expenses; and (iii) fees paid by the General Partner to independent, third-party consultants for their services and expenses (collectively, "General Partner's Personnel Expenses"). All General Partner's Personnel Expenses shall be treated as expenses of the Partnership, without duplication hereunder or under any other Project Agreement, for the purpose of determining the Net Income or Net Loss of the Partnership. In this Section:

- (a) "Affiliate Personnel" means the personnel of Affiliates of the General Partner, whose services the General Partner shall be entitled to avail itself of in its management of the Partnership where determined by the General Partner to be necessary or advantageous for the Partnership; and
- (b) "Project Staff" means the General Partner's employees who are working in the operation of the Project.

5.12 Removal of General Partner

Subject to Section 5.13, the Limited Partner may remove the General Partner and substitute another Person as General Partner in its stead as Substituted General Partner, and may continue the business of the Partnership, only upon the following events:

- (a) the General Partner having been convicted by a Court of competent jurisdiction for committing a fraudulent act or fraudulent omission in relation to this Agreement or the operation of the Project;
- (b) the lapse or revocation of the General Partner's registration under the Regulatory Legislation, or a finding by the Gaming Commission that the General Partner has committed a material violation of the Regulatory Legislation, where such lapse, revocation or violation remains unremedied for a period in excess of sixty (60) days after the General Partner receives notice of same, or such shorter or longer period as may be permitted by the Gaming Commission to remedy same;
- (c) the adjudication of the General Partner as bankrupt or the appointment of a receiver of the assets and undertaking of the General Partner;
- (d) the dissolution, winding-up or liquidation of the General Partner, except as a consequence of merger, amalgamation, consolidation or other corporate reorganization) or the occurrence of an event which would permit a trustee or receiver to acquire control of the affairs of the General Partner during the term of this Agreement, unless the General Partner is replaced as provided herein;
- (e) the General Partner making an assignment for the benefit of creditors; or

- (f) default or material breach by the General Partner under the provisions of this Agreement (other than as described in Subsections 5.12(a) and (b)), or any other Project Agreement, which default remains unremedied for a period in excess of sixty (60) days after the Limited Partner gives notice to the General Partner specifying in reasonable detail the default;

and then only if:

- (g) the Limited Partner appoints, concurrently with the removal, a Substituted General Partner who, from the date of such removal, assumes all of the responsibilities and obligations of the removed General Partner under this Agreement and with respect to the Partnership; and
- (h) the Limited Partner delivers to the General Partner full and final releases from third parties in respect of any guarantee, indemnity or other instrument under which the General Partner or any of its Affiliates may have direct or indirect liability in relation to the Partnership or the Project.

5.13 Limitation on Removal of General Partner

Notwithstanding anything in this Agreement to the contrary, without the express written consent of the General Partner (which consent may be withheld in the General Partner's sole and absolute discretion), the Limited Partner covenants and agrees that it may not remove the General Partner nor terminate this Agreement for any reason (except as a result of any of the events described in Subsections 5.12(a) and (b)) at any time when the General Partner or any of its Affiliates are providing (or are obligated to provide) any Financing, credit enhancement, loan or other funding to the Partnership, the Nation, or any of their respective Affiliates with respect to the Partnership, the Project Lands or the Project, if such Financing, credit enhancement, loan or other funding is outstanding or any amounts are due and owing to the General Partner or any of its Affiliates thereunder. The Limited Partner agrees that during the period of time that the General Partner or any of its Affiliates are providing (or are obligated to provide) Financing, credit enhancement, loans or funding as aforesaid, the Limited Partner's sole remedy for any of the events described in Subsections 5.12(c) through (f) shall be to sue the General Partner for monetary damages incurred by the Limited Partner as a result of such event. In this Section, "credit enhancement, loans or funding" shall be limited to only those obligations in relation to which the General Partner or its Affiliates have contractual liability or in which the General Partner or its Affiliates have provided funding that has not been repaid; and further, "credit enhancement, loans or funding" shall not include any loans or other credit enhancements that the General Partner or its Affiliates may have assisted in obtaining from third party Financiers on behalf of the Partnership, but as to which the General Partner and its Affiliates have no direct or indirect liability.

5.14 Disputes

In the event that there is a Dispute as to whether an event (other than those events described in Subsections 5.12(a) and 5.12(b)) giving rise to a right to remove the General Partner has occurred or as to whether such event has been cured within the

applicable grace or cure period, such Dispute shall be subject to the provisions of Article 19 and:

- (a) any applicable grace or cure period shall not commence; and
- (b) the General Partner may elect to continue to operate the business of the Partnership;

until the final determination of such Dispute in accordance with Article 19.

5.15 Financier Appointment of General Partner

In the event that the Limited Partner removes the General Partner pursuant to Section 5.12, but does not appoint a Substituted General Partner, the Financier may appoint a Substituted General Partner, subject to the approval of the Gaming Commission, to continue the business of the Partnership until such time as the Limited Partner appoints a Substituted General Partner.

5.16 Similar Business

The General Partner shall not, in its own capacity, engage in any business other than the development and operation of the Project (including the Casino) and other activities integral or incidental or related thereto. Notwithstanding the foregoing, the General Partner shall be entitled to act as managing partner of the Paragon/Tamarack Alexis Partnership.

5.17 Project and Additional Developments

The Partners acknowledge that it is in the best interest of the Partnership and the Project and agree that:

- (a) any additional businesses or other developments ("**Additional Development**") which may be developed on the Project and Non-Project Lands shall be subject to the prior written approval of the Management Committee;
- (b) the Partners shall develop architectural design review guidelines in respect of Additional Developments on the Non-Project Lands; and
- (c) the Partners shall not facilitate or cooperate or participate in any Additional Development on the Non-Project Lands or any other Reserve Lands adjacent to the Designated Lands if the Additional Development would or could reasonably be expected to be unsightly, noxious or otherwise a nuisance to the Project. Neither of the Partners shall be restricted from participating in or making any submission to any third party environmental or other approval process in respect of any Additional Development.

5.18 Non-Competition Agreement.

The Partners will enter into a non-competition agreement, on customary terms and conditions, restricting the Limited Partner, the General Partner, the Nation and their respective Affiliates from being involved in any business or activity that is, or would be in competition with the Casino, and for a term equal to the Term and providing for the availability of equitable remedies in respect of any breach thereof.

ARTICLE 6 - MANAGEMENT COMMITTEE

6.1 Management Committee

Notwithstanding that the General Partner will be responsible for the day to day operation of the business of the Partnership, a Management Committee shall be established forthwith upon the Partners' execution of this Agreement, consisting of seven (7) members ("**Management Committee Representatives**") who shall be nominated and elected as provided in Section 6.2 to review and approve certain matters relating to the business of the Partnership during the Term.

6.2 Nominations, Replacement and Removal of Management Committee Representatives

- (a) Each of the General Partner and Ackroyd, Piasta, Roth & Day LLP ("Ackroyd"), or its designee shall be permitted, by notice to the Partners, to nominate three (3) individuals as its nominees to be elected and serve as Management Committee Representatives. The first six (6) Management Committee Representatives are the individuals listed in Schedule "F".
- (b) The seventh Management Committee Representative (the "Chairman") shall be an independent, impartial and qualified individual who shall be chosen by agreement of the General Partner and Ackroyd, and failing agreement shall be chosen by the Auditors. The first Chairman shall be appointed forthwith after the Partners' execution of this Agreement.
- (c) Subject to Subsection 6.2(d) of this Agreement, the nominees of each of the General Partner and Ackroyd shall be elected to serve as a Management Committee Representative for a term of not less than five (5) years.
- (d) In the event that any nominee dies, becomes unable to carry out his or her duties as a Management Committee Representative by reason of a disability, for any reason becomes ineligible or ceases to hold the appropriate licenses or registrations pursuant to the Regulatory Legislation, or is convicted by a Court of competent jurisdiction of committing fraud in relation to the Partnership or the Project then such nominee shall be immediately disqualified from acting as a Management Committee Representative and shall be removed from the Management Committee. Any Management Committee Representative who fails to

attend three consecutive Management Committee meetings may be removed by his or her Nominator at the discretion of that Nominator.

- (e) In the event of a vacancy occurring on the Management Committee for any reason whatsoever, such vacancy shall be filled with a nominee of the Nominator which nominated the former Management Committee Representative whose loss of office created the vacancy (provided that the removal and replacement of the Chairman shall require the agreement of the General Partner and Ackroyd and, failing such agreement, a person to fill a vacancy in the office of Chairman shall be chosen by the Auditors).

The Limited Partner agrees to vote at all meetings and in all written resolutions of the partners of Alexis Casino Limited Partnership, and to act in all other respects in connection with Alexis Casino Limited Partnership so as to ensure that:

- (f) the nominees selected by Ackroyd from time to time hereunder are promptly nominated and maintained in office as Operations Committee Representatives of Alexis Casino Limited Partnership pursuant to the Casino Management Agreement, subject to earlier resignation or removal of a nominee in accordance with this Agreement; and
- (g) any Management Committee Representative of Ackroyd referred to in Subsection (c) is promptly removed (unless such representative has already unconditionally resigned) from the Operations Committee established pursuant to the Casino Management Agreement, and that any successor nominee is promptly elected as an Operations Committee Representative of Alexis Casino Limited Partnership pursuant to the Casino Management Agreement.

6.3 Management Committee Meetings

Meetings of the Management Committee shall be held at least once every month unless otherwise agreed to by a majority of the Management Committee Representatives, and otherwise upon the reasonable request of a Management Committee Representative. Meetings of the Management Committee shall be chaired by the Chairman. Written notice of each Management Committee Meeting shall be given by the General Partner at least five (5) Business Days in advance, specifying the time and place or means of meeting and the nature of business to be transacted thereat, unless such notice is waived by a majority of Management Committee Representatives other than the Representative(s) who requested such meeting; provided however that no written notice shall be necessary if a meeting is held and a Quorum is present; and provided further that meetings may need to be convened on short notice and the Management Committee Representatives will agree to be available on short notice for such meetings. A Management Committee Representative may choose to participate in a meeting by means of conference telephone or other similar equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting in such manner shall constitute attendance and presence at such meeting.

6.4 Quorum

A quorum ("**Quorum**") for the purposes of any Management Committee meeting shall be five (5) Management Committee Representatives, comprised of two (2) Management Committee Representatives who are nominees of each of the General Partner and Ackroyd, respectively, and the Chairman. If, within half an hour after the time fixed for the holding of such meeting, a Quorum is not present, the meeting will be held at the same time and place on the day five (5) days later (or if that date is not a Business Day the first Business Day after that date), and the General Partner will give three (3) days notice to the Management Committee Representatives of the date of the reconvening of the adjourned meeting, and at such reconvened meeting the Quorum will consist of the Management Committee Representatives then present. Only matters scheduled to be acted upon at the adjourned meeting may be acted upon at the reconvened meeting.

6.5 Decisions

Decisions of the Management Committee shall be effective only if approved by a majority of votes cast at a Management Committee meeting or by a written resolution signed by all the Management Committee Representatives. The Chairman shall not be entitled to a second, extra or casting vote in the case of a tie vote at any meeting. Subject only to Article 19, any and all decisions of the Management Committee are final and binding on the Partners.

6.6 Minutes of Meetings

Minutes of each meeting of the Management Committee shall be prepared by the General Partner within five (5) Business Days following the meeting and shall be circulated to the Management Committee Representatives. If the contents of such minutes are not disputed within ten (10) Business Days of delivery thereof, the same shall constitute conclusive evidence of all decisions made and all approvals and disapprovals given by the Management Committee Representatives at such meeting, and all such approvals and disapprovals shall be deemed to have been given by the Management Committee in writing.

6.7 Compensation and Expense Reimbursement

The Management Committee Representatives shall be paid such fees or other compensation for acting as such as may be approved by the General Partner and the Management Committee from time to time, and shall be reimbursed for reasonable out-of-pocket expenses incurred in connection with his or her service to the Partnership, as approved by the General Partner and the Management Committee. Such costs will be treated as operating costs of the Partnership.

6.8 Emergencies

Notwithstanding any requirement for Management Committee approval herein, if, in an emergency, any work or action is urgently required and a required approval cannot be immediately obtained, the General Partner is hereby authorized and instructed to

proceed with such steps as in its discretion are deemed urgently necessary for the protection and preservation of the Project or to protect any Partner or their Affiliates from exposure to a penalty, liability or expense and immediately thereafter the General Partner shall notify the Management Committee of all steps so taken.

6.9 Delegation of Approval Authority

From time to time the General Partner may delegate responsibility for dealing with some or all matters for which the General Partner's approval is required under this Agreement, to one or more of its Management Committee Representatives. Unless the General Partner expressly so delegates in writing, with notice to the Limited Partner of the identity of the delegate(s), the extent of his or their authority and any other relevant information, the General Partner's Management Committee Representatives shall have no authority to approve matters requiring the General Partner's approval hereunder.

ARTICLE 7 - BUDGETS & OTHER APPROVALS

7.1 Partnership Approval

Unless specifically authorized by this Agreement or a Special Resolution, the General Partner shall not on behalf of or in the name of the Partnership:

- (a) commence or acquire or agree to commence or acquire any business assets or undertaking other than an interest in the Project Lands, the Project and any businesses services and activities necessary, incidental ancillary or related thereto;
- (b) issue any additional Units;
- (c) resign as General Partner or transfer or assign any of its rights and obligations as General Partner to any Person;
- (d) commingle the funds of the Partnership with the funds of the General Partner or any Affiliate of the General Partner or any other Person;
- (e) sell, lease or exchange all or substantially all of the property, assets or undertaking of the Partnership.

For greater certainty the matters for which no approval is required pursuant to Subsection 9.2(d) shall be considered to have been specifically authorized by this Agreement.

7.2 Management Committee Approval

Without the prior written approval of the Management Committee, the General Partner shall not on behalf of or in the name of the Partnership:

- (a) make any material change to the Project Plans, Development Budget or the Development Schedule;

- (b) make any material amendment to, or terminate, the Project Sublease, or any other subleases of all or part of the Project Lands;
- (c) construct the Project other than substantially in accordance with the Development Agreements, the Project Plans, the Development Schedule and the Approved Development Budget;
- (d) enter into, directly or indirectly, or amend, any contract in respect of the Project with any Person that is related to, or does not deal at arm's length (within the meaning of the *Income Tax Act* (Canada)) with any Partner or any Affiliate thereof, save and except for the Project Agreements and contracts with skilled labourers which are entered into in the ordinary course on commercially reasonable terms and at market rates;
- (e) enter into any contract, relationship or understanding of any type whatsoever including, without limiting the foregoing, any purchase, sale, lease, loan, borrowing or expenditure, except for the Financing, in excess of the sum of One Hundred Thousand (\$100,000) Dollars for any single transaction; guarantee the obligations of or liabilities of or make loans to the General Partner or any Affiliate of the General Partner, except as specifically set forth in the Credit Agreements;
- (f) finalize the terms of any arrangements leading to or forming part of the Environmental Assessment Approval; and
- (g) undertake any other matter for which the Development Agreements or the Project Plans provide that such approval is to be obtained.

On receipt of an approval request, the Management Committee shall consider the same promptly and shall give or refuse such approval in writing as soon as possible thereafter. Any refusal shall be accompanied by a reasonably detailed written explanation therefor. Upon any refusal the General Partner may initiate the process provided for in Article 19 in respect of the matter.

7.3 Restriction on Uses of Economic Development Fund

The General Partner shall ensure that Capital Contributions of the Limited Partner which are derived from First Nation Development Fund Receipts shall be held in an account segregated from other Partnership funds (which account shall be an interest bearing deposit account in a bank acceptable to the Financier and under terms acceptable to the Financier), and the General Partner shall ensure that such funds are used solely to pay (i) operating costs of the Project, subject to the terms of the Casino Sublease, (ii) payments on Financing, the proceeds of which were used to build the Project, subject to the terms of the Casino Sublease, and (iii) distributions to the General Partner and the Limited Partner as provided in this Agreement. The Casino will reimburse the Partnership for Casino operating and financing costs under the Casino Sublease.

7.4 Operating Budget

- (a) Preparation. The General Partner shall, not less than forty-five (45) days and not more than sixty (60) days in advance of each fiscal year, submit to the Management Committee a draft operating budget for the Partnership for such fiscal year. In its preparation of the draft operating budget, the General Partner shall base its estimates upon the most recent and reliable information then available, taking into account industry averages, the location of the Project and the General Partner's experience and knowledge. Following the submission of the draft operating budget, the Management Committee will meet for a discussion thereof.
- (b) Approval. Each draft operating budget shall be subject to the written approval of the Management Committee and, to the extent required by the Credit Agreements, the Financier. The Management Committee shall have thirty (30) days after receipt of the draft operating budget to review and approve it, and failing any objection within such period, the draft operating budget as submitted by the General Partner shall be deemed approved. In the event that the Management Committee disapproves any item or category in the draft operating budget, the Management Committee shall provide specific reasons for its disapproval. Notwithstanding the foregoing, the Management Committee shall not be entitled to withhold approval based on its objection to: (i) the General Partner's reasonable projections of Gross Revenues or the components thereof; (ii) projected costs and expenses which are specifically authorized or permitted under this Agreement or any other Project Agreement; (iii) costs and expenses that are not within the control of the General Partner and/or the Partnership; or (iv) increases in projected costs and expenses of operating the Partnership, which increases are primarily caused by projected increases in Gross Revenues. Notwithstanding the foregoing, the General Partner shall be entitled to submit any disputed or disapproved item or category to the Expert in accordance with Section 19.3. Pending a resolution of the matter, the General Partner shall operate the Partnership business such that:
 - (i) the undisputed portions of the draft operating budget shall be deemed to have been approved by the Management Committee; and
 - (ii) with respect to items other than Gross Revenues or any component thereof, the corresponding item contained in the Operating Budget for the immediately preceding year (as adjusted to be the number obtained by multiplying the amount for such item by a fraction, the numerator of which is the CPI for the month in which the draft operating budget was submitted to the Management Committee for approval, and the denominator of which is the CPI for the same month a year earlier) shall be substituted in the draft operating budget in respect of such disputed portions.

- (c) Compliance With Operating Budget. In managing the business of the Partnership and in carrying out the Operating Budget, the General Partner shall propose quarterly amendments to the Operating Budget as necessary to keep the Operating Budget consistent with the operational needs of the Partnership. The same approval and dispute resolution process as is applicable to the Operating Budget shall apply to any such proposed quarterly amendment. During the intervals between such amendments, the General Partner may reallocate budgeted Operating Expenses from any line item to another line item within a particular department if and as needed to carry out the purposes of this Agreement. The General Partner also agrees to make reasonable efforts to curtail Operating Expenses if Gross Revenues fall below those projected. The General Partner shall also be entitled to (i) make other expenditures or withdrawals approved or authorized by the Management Committee; and (ii) undertake expenditures reasonably necessary to appropriately address any emergency or exigent circumstances provided that in such case, the General Partner shall, to the extent practicable in the circumstances, apprise the Management Committee of such emergency or exigent circumstances and the actions being taken by the General Partner in connection therewith prior to, or in any event, as soon as reasonably practicable after, undertaking such expenditures and actions.
- (d) Revised Operating Budgets. If at any time during any fiscal year, the General Partner shall, in the performance of its duties hereunder, determine that the Operating Budget is no longer appropriate because of changes in conditions, circumstances or otherwise, the General Partner shall submit to the Management Committee for its written approval and to the extent required by the Credit Agreements to the Financier, a revised operating budget for the remainder of the fiscal year, indicating in narrative form, the reasons why the assumptions used as a basis of preparing the Operating Budget for such year are no longer valid (a "**Revised Operating Budget**"). The same approval and dispute resolution process as is applicable to the Operating Budget shall be applicable to each Revised Operating Budget.
- (e) Operating Budgets Not a Guarantee. The Limited Partner acknowledges that the projections contained in each Operating Budget submitted from time to time to the Management Committee, are estimates based on the Manager's best business judgment under the circumstances then prevailing and are subject to and may be affected by changes in financial, economic, weather and other conditions and circumstances beyond the General Partner's reasonable control, and the giving of such Operating Budgets shall never be construed as a guarantee or warranty by the General Partner to the Limited Partner or any other person that the projections contained in such Operating Budgets will in fact occur. For greater certainty, the failure to meet any Operating Budget shall be deemed not to be an event entitling the Limited Partner to terminate or replace the General Partner.

7.5 Development Budget

- (a) Budget Management. The Partners agree that the Project shall be developed in the stages set out from time to time in the Project Plans and the Development Schedule and that, except for planning and design work for the entire Project, no stage may be commenced unless and until the General Partner is satisfied that sufficient financing is available to fund all Development Costs associated with such stage and that current and expected market conditions are such that proceeding with such stage appears to be advantageous.
- (b) Approval and Compliance with Development Budget. The General Partner shall submit to the Management Committee a draft development budget for the Project. The Management Committee shall meet to discuss the draft development budget and shall have thirty (30) days after receipt of same to review and approve it. Failing any objection within such period, the draft development budget as submitted by the General Partner shall be deemed approved. In the event that the Management Committee disapproves any item or category in the draft development budget, the Management Committee shall provide specific reasons for its disapproval. The General Partner shall be entitled to submit any disapproved item or category to the Expert in accordance with Section 19.3. The General Partner is authorized to make the expenditures authorized under the Development Budget. The General Partner may submit amendments to the Development Budget from time to time to keep the Development Budget consistent with the needs of the Partnership. During the intervals between any such amendments, the General Partner may reallocate budgeted Development Costs from any line item to another line item within a particular category if and as needed to carry out the purposes of this Agreement.
- (c) Financing for Cost Overruns. Subject to the accuracy of the representations and warranties of the Limited Partner herein, and to matters of Force Majeure, the General Partner is responsible for ensuring that the construction of the Project is completed at a cost that does not exceed the amount specified in the Development Budget. In the event that the Development Costs for the Project exceed the amounts set forth in the Development Budget and such excess Development Costs (i) cannot be wholly or partially financed with the Financing, and (ii) do not arise out of inaccuracy in the representations and warranties of the Limited Partner or General Partner herein, the General Partner shall seek additional financing to ensure that the construction of the Project can thereafter be performed to Total Completion within the amounts yet to be advanced or expended under the Development Budget. For greater certainty, the failure to meet the Development Budget shall not be an event entitling the Limited Partner to terminate or replace the General Partner.

ARTICLE 8 - LIMITED PARTNER

8.1 Status of Limited Partner

The Limited Partner represents and warrants to the General Partner that it:

- (a) is not a "non-eligible person" within the meaning of the *Investment Canada Act*;
- (b) is a resident of Canada within the meaning of the *Income Tax Act* (Canada);
- (c) has the capacity and competence to enter into and be bound by this Agreement;

and will at the request of the General Partner provide such evidence of its status as the General Partner may require.

8.2 Limitations on Authority of Limited Partner

The Limited Partner in its capacity as a Limited Partner, except to the extent permitted by law, will not:

- (a) take part in the control of the business of the Partnership or exercise any power in connection therewith;
- (b) execute any document which binds or purports to bind any other Partner or the Partnership;
- (c) hold itself out as having the power to act for or to undertake any obligation or responsibility on behalf of any other Partner or the Partnership.

8.3 Obligations of Limited Partner

The Limited Partner hereby covenants in favour of the General Partner that it will perform promptly, honestly and faithfully all of its obligations under this Agreement. In addition to the Limited Partner's obligations set out elsewhere in this Agreement, but subject always to Subsection 8.2(a), the Limited Partner agrees to take all such steps and actions as are within its power or control and permitted by Applicable Law:

- (a) not to interfere with or jeopardize the Charity and Alexis Casino Limited Partnership obtaining and at all times maintaining without interruption, respectively, a gaming licence and a facility licence in respect of the Project pursuant to the Regulatory Legislation;
- (b) to prevent the creation of any Liens in respect of the Project Lands or in respect of any adjacent lands where such Liens in respect of such adjacent lands could materially affect the efficient operation of the Project. In the event that the Limited Partner becomes aware of any such potential or actual Lien in respect of the Project Lands or adjacent lands, it will take

all actions that are within its power or control to ensure the removal or extinguishment of such potential or actual Lien;

- (c) to provide any consents or approvals under any Applicable Law that, in the opinion of the General Partner, are necessary or desirable for the efficient conduct of the Partnership business, or for the development, construction, efficient operation or financing of the Project;
- (d) to cooperate with the General Partner in the performance of its duties hereunder;
- (e) to make, or cause to be made, application from time to time for, and use its best efforts to maximize the monies available as First Nation Development Fund Receipts and Grant Receipts for the Project and to service the Financing, and to contribute all First Nation Development Fund Receipts and Grant Receipts to the Partnership in accordance with section 3.6;
- (f) to deliver to the General Partner, as soon as available and in any event within ninety (90) days after the end of each fiscal year of the Limited Partner, Alexis Land Management Corp., Alexis Casino Corp. and Alexis Casino LP, respectively, audited financial statements consisting of a balance sheet, statements of income, surplus and changes in financial condition of such entity for such year, setting forth in each case in comparative form the figures for the previous fiscal year (if such figures were prepared for the previous fiscal year), together with copies of all reports submitted to, and communications with, the Gaming Commission;
- (g) not to enter into any agreement or contract with any Affiliate of the Nation, the Charity or the Limited Partner, or any member of the Nation, or any other person with which the Nation, the Charity or the Limited Partner does not deal at arm's length within the meaning of the *Income Tax Act* (Canada), in respect of the Project, without prior disclosure to, and the approval of, the General Partner;
- (h) not to renew, extend, replace, amend, waive or otherwise vary, or terminate any Project Agreement to which it is a party, without the prior approval of the General Partner;
- (i) not to authorize or take any actions that could materially adversely affect the Partnership business or the development, construction or efficient operation of the Project or the General Partner's rights under this Agreement, including permitting any activities on Reserve Lands which would or could reasonably be expected to compete with the Project, the passage of any by-laws, the imposition of any Tax, or the issuance of any orders, permits, certificates or other instruments, under Applicable Law or otherwise, without the approval of the General Partner. To the extent that any circumstances arise that could adversely affect the Partnership business or the Project or any of the General Partner's rights in respect

thereof, the Limited Partner will take all necessary steps within its power or control and permitted by Applicable Law to rectify the matter;

- (j) not to carry on any business or other activity except as expressly provided for in this Agreement, and without limiting the generality of the foregoing, the Limited Partner will not without the General Partner's approval, incur, secure or guarantee any indebtedness; acquire, transfer or encumber any assets; enter into, amend, waive or otherwise vary, any agreements, claims or other binding arrangements; amalgamate, merge or combine with any person, or cease carrying on its activities in accordance with this Agreement; wind up, dissolve or terminate its existence, permit same to occur, or enter into any binding arrangement to do so;
- (k) not to permit the transfer of beneficial ownership or encumbrance of any of the shares of Alexis Casino Corp., Alexis Land Management Corp., Alexis Trustee Corp., or any of the units of Alexis Casino Limited Partnership, or the Nation's interest in the Alexis Business Trust, nor to permit the entry into any binding arrangement to do so.

8.4 Limited Liability of Limited Partner

Subject to the provisions of the *Partnership Act* (Alberta) and notwithstanding anything else contained in this Agreement, the liability of the Limited Partner for the debts, liabilities and obligations of the Partnership is limited to the amount of its Capital Contribution. The Limited Partner shall have no further liability for such debts, liabilities or obligations and shall not be liable for any claims or assessments or be required to make contributions to the Partnership except as specifically required by this Agreement. For greater certainty, if compliance with any of the items in Section 8.3 in any particular instance would have the effect of extending the Limited Partner's liability for debts, liabilities or obligations of the Partnership beyond the amount of its Capital Contribution, then the Limited Partner shall not be required to so comply in that instance.

8.5 No Actions or Liens

Except as specifically permitted herein, the Limited Partner covenants that it will not during the term of this Agreement bring any action for partition or sale or otherwise in connection with any interest in the Project or any assets of the Partnership whether real or personal, nor register or permit any Lien to be recorded or remain undischarged against the Project or any assets of the Partnership.

8.6 Compliance with Laws

The Limited Partner will on request of the General Partner immediately execute the Certificate and other documents considered by the General Partner to be necessary to comply with any Applicable Law or regulation of any jurisdiction in Canada, for the continuation, operation and good standing of the Partnership.

8.7 General Partner to Satisfy Judgments

In furtherance of the intent of the Partners that the Limited Partner shall have limited liability:

- (a) the General Partner shall arrange to prosecute, defend, settle or compromise actions at law or in equity at the expense of the Partnership as such may be necessary to enforce or protect the Partnership's interests; and
- (b) the General Partner shall satisfy any judgment, decree, decision or settlement against the Partnership out of Partnership assets and income.

ARTICLE 9 - ADDITIONAL COVENANTS OF THE GENERAL PARTNER

9.1 Positive Covenants

In addition to the other covenants and obligations to be performed by the General Partner hereunder, the General Partner agrees to do the following during the Term:

- (a) Maintain Corporate Existence. - maintain its corporate existence, rights and power under the laws of the Province of Nova Scotia and qualify and remain duly qualified to do business in the Province of Alberta;
- (b) Shareholdings. - unless otherwise consented to by the Limited Partner, but subject to the terms of the Credit Agreements and to obtaining any consent of the Financier required thereby, cause the existing shareholders of the General Partner to:
 - (i) if the General Partner is a private corporation, (1) own at least fifty (50%) per cent of the issued and outstanding shares of the General Partner or (2) maintain Control of the General Partner; and
 - (ii) if the General Partner is a public corporation, (1) own the largest single holding of the issued and outstanding shares of the General Partner, which holding shall constitute at least thirty (30%) per cent of all the issued and outstanding shares of the General Partner or (2) maintain Control of the General Partner;
- (c) Compliance with Laws. - except to the extent contested in good faith, comply in all material respects with all Applicable Law;
- (d) Maintain Registration under Regulatory Legislation. - maintain registration as a gaming supplier under the Regulatory Legislation;
- (e) Compliance with all Project Agreements. - perform promptly and faithfully all of its obligations under this Agreement and, in all material respects, obligations under the other Project Agreements to which it is a party; and

- (f) Nation Procurement. - to the extent permitted by Applicable Law, whenever reasonably practicable in the performance of its duties hereunder and on the basis of comparable qualifications, quality and price, purchase materials from, retain the services (including hiring, training and promotion) of local Nation people, or manufacturers and suppliers which are owned or operated by, in the following order of priority:
 - (i) members of the Nation;
 - (ii) residents of the Reserve Lands;
 - (iii) members of other First Nations; and
 - (iv) members of the surrounding communities;
- (g) Conduct of Business. - conduct the business and affairs of the Partnership in such a manner that, so far as possible, the liability of the Limited Partner for the liabilities and obligations of the Partnership will be limited to its Capital Contribution.

9.2 Negative Covenants

During the Term, the General Partner agrees that it will not without the written consent of the Management Committee:

- (a) Business. - engage in any business other than the Partnership business, the development and operation of the Project (including the Casino and related support facilities) and other activities incidental or related thereto or authorize or take any actions that could materially adversely affect the Partnership business or the development, construction or efficient operation of the Project or the Limited Partner's rights under this Agreement;
- (b) Liens. - except pursuant to the Financing, directly or indirectly create or incur, or purport to create or incur, any Lien, on or with respect to any property or asset (including any document or instrument in respect of goods or accounts receivable) whether now owned or held or hereafter acquired, or assign or otherwise convey any right to receive the proceeds or income therefrom, or bring any action for partition or sale in connection with any interest in the Project or any assets of the Partnership whether real or personal;
- (c) Debt. - directly or indirectly create, incur, assume, guarantee or otherwise become or remain directly or indirectly liable with respect to, any debt other than with respect to the business to which the General Partner's activities are restricted under Section 5.15; or
- (d) Consolidation, Merger, Sale of Assets. - to the extent not prohibited under the Credit Agreements:

- (i) consolidate with, amalgamate or merge into any other Person or permit any other Person to consolidate with, amalgamate or merge into it, unless Paragon Gaming Inc. is in Control of the consolidated, amalgamated or merged entity and such entity enters into an agreement satisfactory in form and substance to the Limited Partner pursuant to which such entity agrees to be bound by the terms and conditions of this Agreement and all other Project Agreements to which the General Partner is a party;
- (ii) sell, lease, abandon or otherwise dispose of all or substantially all of its assets, except for the sale or disposition to a Person Controlled by Paragon Gaming Inc. and such Person enters into an agreement satisfactory in form and substance to the Limited Partner pursuant to which such Person agrees to be bound by the terms and conditions of this Agreement and all other Project Agreements to which the General Partner is a party; or
- (iii) liquidate, dissolve, windup, continue under another jurisdiction or undertake a reorganization, except for a reorganization pursuant to which Paragon Gaming Inc. or its shareholders Control the reorganized entity and such entity enters into an agreement satisfactory in form and substance to the Limited Partner pursuant to which such entity agrees to be bound by the terms and conditions of this Agreement and all other Project Agreements to which the General Partner is a party.

ARTICLE 10 - REPRESENTATIONS AND WARRANTIES

10.1 Representations and Warranties of the General Partner

The General Partner represents and warrants as of the date hereof and up to and including the date for removal of the conditions subsequent set out in Section 22.1 herein as follows, and acknowledges that the Limited Partner is relying on such representations and warranties in connection with the transactions contemplated by this Agreement:

- (a) Organization. Paragon Canada Alexis ULC is a company duly formed and organized under the laws of the Province of Nova Scotia and extra-provincially registered in the Province of Alberta. Paragon/Tamarack Alexis Partnership is a general partnership to be formed pursuant to the *Partnership Act* (Alberta).
- (b) Ownership. All of the issued and outstanding shares of the General Partner are owned by Paragon Gaming Inc. The only members of Paragon/Tamarack Alexis Partnership are or will be Paragon Canada Alexis ULC and Tamarack Fund (2003) Limited Partnership.

- (c) Options. No Person has any right or option, contingent or otherwise, to acquire any interest in Paragon/Tamarack Alexis Partnership, nor any of the capital stock of Paragon Canada Alexis ULC.
- (d) Capacity and Authorization. The General Partner has all necessary capacity, power and authority to enter into and to carry out the provisions of this Agreement. This Agreement has been duly authorized by the General Partner and constitutes a valid and binding obligation of the General Partner, enforceable against the General Partner in accordance with its terms.
- (e) No Violation. Neither the execution and delivery of this Agreement nor the fulfillment of or compliance with the terms and conditions hereof:
 - (iv) conflicts with or results in a breach of any of the terms, conditions or provisions of or constitutes a default under the constating documentation of the General Partner; or
 - (v) conflicts in a material respect with or results in a material breach of any of the terms, conditions or provisions of or constitutes a material default under any material agreement, licence or other instrument to which the General Partner is a party or by which it is bound.
- (f) Litigation. There are no actions, suits or proceedings pending or threatened against the General Partner which could reasonably be expected to materially adversely affect its ability to perform its obligations under any of the Project Agreements or which would reasonably be expected to materially adversely affect the development, financing or operation of the Project.
- (g) Registration. To the best of its knowledge and belief Paragon Canada Alexis ULC will by the Opening Day be registered under the Regulatory Legislation.
- (h) Contracts and Commitments. The General Partner has disclosed to the Limited Partner each pre-existing agreement and commitment (whether written or oral) entered into by the General Partner or any of its Affiliates relating, directly or indirectly, in any way to the operation of the Project, and has set forth and disclosed in written form the material substance of all oral agreements to such effect. The General Partner has delivered to the Limited Partner copies of all such pre-existing agreements and commitments.
- (i) Financial Data. To the best of its information and belief, all financial information provided by the General Partner to the Limited Partner represents a reasonable estimate of Gross Revenues and Operating Expenses of the Partnership.

10.2 Representations and Warranties of the Limited Partner

The Limited Partner represents and warrants as of the date hereof and up to and including the date for removal of the conditions subsequent set out in Section 22.1 herein as follows, and acknowledges that the General Partner is relying on such representations and warranties in connection with the transactions contemplated by this Agreement:

- (a) Organization. The Limited Partner is a corporation incorporated under the *Business Corporations Act* (Alberta). The Nation is a First Nation having the status of a "band" under the *Indian Act* (Canada). Alexis Trust is a trust to be created solely for the benefit of the Nation. The sole trustee of Alexis Trust will be Alexis Trustee Corp..
- (b) Ownership. All of the issued and outstanding shares of Alexis Trustee Corp. are beneficially owned by the Nation.
- (c) Options. No Person other than the Nation has or will have any right or option, contingent or otherwise, to acquire any beneficial or ownership interest in Alexis Trust or Alexis Trustee Corp..
- (d) Capacity and Authority. Alexis Trustee Corp. is entering into this Agreement as agent for and on behalf of the Nation and it has authority to bind the Nation. Alexis Trustee Corp. will act as sole Trustee of Alexis Trust and Alexis Trustee Corp. has or will have all the necessary capacity, power and authority to enter into and to carry out the provisions of this Agreement. This Agreement has been duly authorized by the Limited Partner and constitutes a valid and binding obligation of the Limited Partner, enforceable in accordance with its terms.
- (e) No Violation. Neither the execution and delivery of this Agreement nor the fulfillment of or compliance with the terms and conditions hereof does now or will hereafter:
 - (i) conflict with or result in a breach of any of the terms, conditions or provisions of or constitute a default under the constating documentation of Alexis Trustee Corp., Alexis Trust or any Substituted Limited Partner;
 - (ii) conflict in a material respect with or result in a material breach of any of the terms, conditions or provisions of or constitute a material default under any material agreement, licence or other instrument to which Alexis Trustee Corp., Alexis Trust or any Substituted Limited Partner is or will be a party or by which such entity is or will be bound;
 - (iii) conflict with or be inconsistent with the *Indian Act* (Canada) and regulations, by-laws enacted pursuant to that Act (including by-laws of the Nation), or with any other Applicable Law; or

- (iv) conflict with or be inconsistent with the Ground Lease.
- (f) Project Lands. No Person has any right, interest, permit, privilege or claim of any kind in or in respect of the Project Lands that would have a material adverse impact on the operation of the Project during the Term.
- (g) Contracts and Commitments. Alexis Trustee Corp. and the Nation have disclosed to the General Partner each pre-existing agreement and commitment (whether written or oral) entered into by the Limited Partner, the Nation or any of its Affiliates relating, directly or indirectly, in any way to the operation of the Project, and has set forth and disclosed in written form the material substance of all oral agreements to such effect. Alexis Trustee Corp. has delivered to the General Partner copies of all such pre-existing agreements and commitments.

10.3 Survival of Representations and Warranties. The representations and warranties of the parties contained herein are given as of the date hereof and up to and including the date for removal of the conditions subsequent set out in Sections 22.1 and 22.2 herein, and shall survive the execution and delivery of this Agreement.

ARTICLE 11 - INTELLECTUAL PROPERTY

11.1 Intellectual Property of the Limited Partner

The Partners acknowledge and agree that the Intellectual Property of the Limited Partner shall be the property of the Limited Partner. The Limited Partner grants to the Partnership a royalty-free, non-transferable exclusive right during the Term to use the Intellectual Property of the Limited Partner in connection with the operation, advertising and promotion of the Project and related activities and the right to sub-license such rights during the Term. The General Partner shall determine the Intellectual Property of the Limited Partner to be used to identify, advertise and promote the Project. The General Partner may, to the extent that it deems appropriate for the purposes of carrying out its obligations hereunder, but is not required to, utilize such Intellectual Property of the Limited Partner in connection with the management of the Partnership and the Project.

11.2 Intellectual Property of the General Partner

The Partners acknowledge and agree that the Intellectual Property of the General Partner shall be the property of the General Partner. The General Partner grants to the Partnership a royalty-free, non-transferable, non-exclusive right to use the Intellectual Property of the General Partner in connection with the General Partner's operation, advertising and promotion of the Project and related activities. The General Partner shall determine the Intellectual Property of the General Partner to be used to identify, advertise and promote the Project. The General Partner may, to the extent that it deems appropriate for the purposes of carrying out its obligations hereunder, but is not required to, utilize such Intellectual Property of the General Partner in connection with the management of the Project.

11.3 Software

The Partners acknowledge and agree that any copyright in software developed or acquired by the General Partner from time to time during the Term, as an expense of the Partnership, for use in connection with the Project, and in which the General Partner owns copyright (either because (i) such software was created or developed by employees of the General Partner, or (ii) the rights in such software were assigned to the General Partner from outside contractors or any other third party owners), shall be the sole property of the General Partner.

11.4 Development Agreements

The General Partner will use commercially reasonable efforts to include in all Development Agreements a provision which provides for a release of copyright, if any, and other rights in plans, designs and other similar property in favour of each of the General Partner and the Limited Partner and which provides each of them with the right to use such plans, design and other similar property.

11.5 License After Expiry of Term

Upon the expiry of the Term, and provided that the Limited Partner has satisfied its duties and obligations under this Agreement in all material respects, the General Partner agrees to grant to the Limited Partner or its nominee a royalty-free, non-transferable, non-exclusive right to use that portion of the Intellectual Property of the General Partner which is directly or indirectly related to the Project and reasonably necessary for the continued operation of the Project.

ARTICLE 12 - TRANSFER OF UNITS

12.1 Restriction on Sale

Unless otherwise unanimously agreed by the Partners, and subject always to the Regulatory Legislation, no Units may be sold, assigned, transferred, pledged, hypothecated or encumbered by a Partner except in compliance with the provisions of this Article 12, Article 20 and Section 7.1.

12.2 Transfer of Units

No transfer of Units shall be effective unless the Assignment will not, in the opinion of the General Partner, result in the termination of the Partnership or the creation of a lien, charge or other encumbrance upon the Project or the undertaking of the Partnership, and unless and until the transferee:

- (a) has satisfied all requirements of the Regulatory Legislation;
- (b) has executed and acknowledged such instruments, in form and substance satisfactory to the General Partner as the General Partner shall deem necessary or desirable to effect such transfer and to confirm the

Agreement of the transferee to be bound by the terms of this Agreement and to assume the obligations of the transferor under this Agreement;

- (c) if the transferee is a corporation, delivers such certified copies of resolutions, extracts of by-laws, articles or other documents as the General Partner may reasonably require;
- (d) delivers such releases for income tax purposes, if any, as may from time to time be required by the General Partner;
- (e) pays such disbursements including legal fees as are incurred by reason of the transfer or such other amount as the General Partner may from time to time reasonably require; and
- (f) has been approved by any secured lender to the Partnership as to creditworthiness, to the extent that such approval is required by any such secured lender.

Subject to compliance with the foregoing, the General Partner shall accept the transfer and shall:

- (g) record at the registered office of the Partnership any such transfer;
- (h) make such filings as are required by law; and
- (i) forward a notice of the transfer to the transferee.

The transferee, unless the transferee is a General Partner, shall become a Limited Partner in respect of the transferred Units upon ownership of those Units being entered in the Register.

12.3 Parties Not Bound to See to Trust or Equity

Except in relation to the Units held by Alexis Trustee Corp., which the Partners acknowledge will be held by Alexis Trustee Corp. in its capacity as trustee for the Alexis Trust, and the Units held by the General Partner, which the Partners acknowledge will be held by the General Partner in its capacity as agent for Paragon/Tamarack Alexis Partnership or otherwise as required by law, no Person will be recognized by the Partnership or any Partner as holding any Unit on trust, and the Partnership and Partners will not be bound or compelled in any way to recognize (even when having actual notice) any equitable, contingent, future or partial interest in any Unit or in any fractional part of a Unit or any other rights in respect of any Unit except an absolute right to the entirety of the Unit in the Partner registered as holder of such Unit.

12.4 Release and Assumption of Liability

When a transfer of any Unit is approved and the transferee is entered in the Register as a Partner, the transferor of that Unit will be relieved of all other liabilities

under this Agreement relating to such Unit to the extent permitted by law and the transferee will assume all such liabilities.

12.5 Insolvency or Bankruptcy

If a Limited Partner becomes insolvent or bankrupt or, if otherwise by operation of law, the Units of a Limited Partner vests in any other Person, that Person, or an assignee of that Person, will not be recorded as or become a Limited Partner until:

- (a) it produces evidence satisfactory to the General Partner of such entitlement; and
- (b) it delivers such other evidence, approvals, and consents that may be required by law or by this Agreement.

12.6 Amendment of Certificate

Subject to compliance with the restrictions on assignment and transfer of a Unit, upon receipt of any communication from any holder of a Unit which necessitates the filing of an amendment to the Certificate, the General Partner shall promptly prepare, file and cause to be recorded the amendments to the Certificate at the proper registry offices in the Province of Alberta to reflect such changes.

ARTICLE 13 - TERMINATION AND DISSOLUTION OF PARTNERSHIP

13.1 Dissolution

The Partnership shall be dissolved prior to the expiry of the term of the Partnership upon the occurrence of any of the following events:

- (a) the disposition of the Project and all other Partnership assets and final distribution of proceeds therefrom in accordance with the terms hereof;
- (b) the written consent of both the General Partner and the Limited Partner to the dissolution of the Partnership;
- (c) the bankruptcy, dissolution or winding-up (except dissolution as a consequence of merger, amalgamation, consolidation or other corporate reorganization) of the General Partner or the occurrence of an event which would permit a trustee or receiver to acquire control of the affairs of the General Partner during the Term of this Agreement, unless the General Partner is replaced as provided herein or a receiver and manager is appointed over the General Partner, its affairs, undertaking, properties or assets in accordance with the terms of the Credit Agreements;
- (d) the declaration by the General Partner or the Management Committee of the dissolution of the Partnership following three (3) consecutive fiscal years of insolvency of the Partnership, or
- (e) the termination of this Agreement pursuant to Section 13.2 hereof.

The dissolution is effective on the day on which the event occurred giving rise to the dissolution but the Partnership does not terminate until its assets have been distributed in accordance with this Agreement.

13.2 Termination by Limited Partner

Notwithstanding any other provision of this Agreement, but subject to the Credit Agreements and the Regulatory Legislation, at anytime following the tenth (10th) anniversary of the Opening Day, the Limited Partner may terminate this Agreement and dissolve the Partnership by providing the General Partner with six (6) months notice in writing of its intention to terminate this Agreement and dissolve the Partnership. The termination of this Agreement and dissolution of the Partnership shall not be effective unless:

- (a) all Financing is repaid by the termination date specified in the notice;
- (b) at least sixty (60) days prior to the termination date specified in the notice, the Limited Partner pays the General Partner a lump sum equal to the net present value of the total General Partner Project Fee that would otherwise be payable for the period from the termination date to the date which is twenty (20) years from the Opening Day (the "Remaining Term"), using a discount rate as determined by a fellow of the Canadian Institute of Actuaries, who is agreeable to the Partners. The General Partner Project Fee during the Remaining Term shall be based on the average General Partner Project Fee for the five (5) year period immediately preceding the date of the notice of termination.

13.3 Liquidation of the Partnership Assets

In the event that the liquidation of the Partnership assets is necessitated for any reason, the General Partner, or in the event that the General Partner is bankrupt, a receiver selected by a Special Resolution, will commence to wind up the affairs of the Partnership and to liquidate its assets following payments of all debts and liabilities of the Partnership and any expenses of liquidation, (the Project Lands, all improvements thereon, and all FF&E, shall become the property of the Limited Partner upon termination of this Agreement). During the period of liquidation, the Partners will continue to share Available Net Cash Flow and Available Net Proceeds in accordance with Section 4.10 hereof and to the extent permitted under the Credit Agreements. The General Partner or receiver has the full right and unlimited discretion to determine the time, manner and terms of any sale of assets of the Partnership pursuant to the liquidation, having regard to the activity and condition of the relevant market and general economic conditions. During the course of liquidation, the General Partner or receiver will operate the Partnership business and the assets and undertaking of the Partnership, and the receiver shall have all of the powers and authority of the General Partner under this Agreement. The Partnership shall pay to the receiver his reasonable fees and disbursements incurred in carrying out his duties hereunder.

13.4 Distribution on Dissolution

On dissolution of the Partnership, following the payment of all debts and liabilities of the Partnership and any expenses of liquidation, but conditional upon the right of the General Partner or receiver to set up Reserves as it may deem necessary for any contingent or unforeseen liabilities or obligations of the Partnership, the assets and funds of the Partnership (including any proceeds of liquidation) will be distributed to the Partners such that:

- (a) the Limited Partner shall receive, by way of return of its Capital Contribution, all of the Partnership's interest in and to the Project Lands and all improvements thereon, and all FF&E and the General Partner shall have no further interest in the Project Lands or the FF&E;
- (b) the General Partner shall receive the General Partner Excess Capital Contribution, and any due and unpaid Equity Return thereon; and
- (c) thereafter, the remaining assets of the Partnership shall be distributed to the Partners in accordance with Section 4.10, with such assets being treated as Available Net Cash Flow for the period in which the dissolution occurred.

13.5 Termination

Upon the completion of the liquidation of the Partnership and the distribution of all of the Partnership funds, the Partnership terminates and the General Partner has the authority to execute and record any certificate as well as the other documents required to effect the dissolution or termination of the Partnership, and the Limited Partner may, at its option, continue the business of the Partnership without further compensation to the General Partner.

13.6 Continuity

The Partnership shall not dissolve or terminate upon the occurrence of any event (except as specifically set out in this Agreement), including the admission of a Substituted General Partner or Substituted Limited Partner or by the withdrawal, removal, death, insolvency, bankruptcy or other disability of a Partner.

13.7 Extension of Term

Notwithstanding anything to the contrary herein, and in lieu of dissolving the Partnership upon the expiration of the twenty (20) year Term in accordance with Section 2.1, it is provided that upon written notice by the General Partner to the Limited Partner prior to the expiration of the Term, the General Partner may elect that:

- (a) the Partnership continues for a further ten (10) years after the expiration of the Term;

- (b) the Limited Partner will retire from the Partnership at the expiration of the Term;
- (c) the assets of the Partnership will be liquidated or distributed as provided in Section 13.3 only on the Limited Partner's retirement and withdrawal from the Partnership; and
- (d) the General Partner together with a related party of the General Partner shall be entitled to continue the Partnership uninterrupted for such business purposes as they may desire thereafter.

ARTICLE 14 - RECORDS

14.1 Register

The General Partner will:

- (a) maintain a registered office at Edmonton, or such other place in Alberta as may be stipulated by the General Partner, and keep there a copy of the Certificate and amendments thereto and a copy of this Agreement and amendments thereto;
- (b) maintain a Register and record the full names and last known resident addresses of the Partners, or if the Partner is a corporation, an address of the corporation in Alberta, the number of Units held by each Partner, whether each Partner is a Limited Partner or General Partner, particulars of registration and transfer of Units and record any mortgage or pledge of any Unit;
- (c) maintain such other records as may be required by law; and
- (d) from time to time make on behalf of the Partnership all filings, with any Governmental Authority, that are required to be made by the Partnership.

14.2 Books and Records

The General Partner shall cause to be maintained a complete set of books and records in accordance with Canadian generally accepted accounting principles truly and correctly reflecting the transactions of the Partnership. The Limited Partner and the Management Committee Representatives shall have the right to inspect the said books at any time during normal business hours upon prior notice to the General Partner.

14.3 Financial Statements

The General Partner shall provide, at the expense of the Partnership, periodic management and financial operating statements (which shall include a comparison of actual Operating Expenses and Development Costs to the Operating Budget and the Development Budget, and such other information as may be reasonably requested by the Limited Partner) to the Limited Partner at least monthly, within twenty (20) days after

the end of each month, and full financial statements audited by the Auditors at least annually, within ninety (90) days after the end of each fiscal year. The General Partner will submit to the Limited Partner financial statements for Canadian tax purposes for filing with their tax returns on an annual basis following the end of each fiscal year of the Partnership.

14.4 Furnish Information to Auditors

The Partners shall, for the account and expense of the Partnership, make available to the Auditors such information and material as may be reasonably required by the Auditors for the purpose of their audit. The Partners shall each give such cooperation as is necessary for the Auditors to carry out their duties in respect of the Partnership.

14.5 Review of Financial Statements

The Limited Partner shall be entitled to submit any objection it may have with respect to the financial statements contemplated by Section 14.3, including in respect of Project Fees, Net Income and Net Loss, and the computation or payment thereof, within one hundred and eighty (180) days after submission of the same by the General Partner. If the Limited Partner does not submit any objections in respect of such financial statements within such one hundred and eighty (180) day period, then the Limited Partner shall not be entitled to object to or take issue with such financial statements, including in respect of Project Fees, Net Income and Net Loss, and the computation, allocation or payment thereof with respect to the fiscal year addressed by such financial statements; provided that it is expressly understood and agreed that the failure of the Limited Partner to object to or take issue with such financial statements within such one hundred and eighty (180) day period shall not preclude the Limited Partner or any of its Affiliates from subsequently taking any action or exercising any remedies available at law by reason of any fraudulent misrepresentation contained in such financial statements or the audit thereof.

ARTICLE 15 - POWER OF ATTORNEY

15.1 Power of Attorney

The Limited Partner hereby irrevocably nominates, constitutes and appoints the General Partner, with full power of substitution, as its agent and true and lawful attorney to act on its behalf with full power and authority in its name, place and stead to execute swear to, acknowledge, deliver and record or file as and where required (subject to the approvals required by this Agreement and any contrary intention expressed herein):

- (a) the Certificate, any amendment thereto and any other instruments or documents required to qualify, continue, amend and keep in good standing the Partnership as a limited Partnership;
- (b) all instruments and certificates necessary to reflect any amendment of this Agreement;

- (c) any instrument required in connection with the dissolution and termination of the Partnership including any elections under the *Income Tax Act* (Canada), as amended from time to time and under any analogous legislation;
- (d) the documents necessary to be filed with the appropriate governmental body or authority in connection with the business, property, assets and undertaking of the Partnership;
- (e) the documents on behalf of and in the name of the Partnership as may be necessary or advisable to give effect to the business of the Partnership; and
- (f) all other instruments and documents on behalf of and in its name or in the name of the Partnership including, without limitation, any and all deeds, indentures, mortgages, security instruments, debt instruments and guarantees as may be deemed necessary or desirable by the General Partner to carry out fully this Agreement.

The power of attorney granted herein is irrevocable and is a power coupled with an interest and will survive the assignment by a Limited Partner of the whole or any part of the interest of a Limited Partner in the Partnership, and extends to the heirs, executors, administrators, successors and assigns of the Limited Partner, and may be exercised by the General Partner on behalf of the Limited Partner either by identifying the Limited Partner executing any instrument with a signature as attorney and agent for the Limited Partner or by referring to the Partnership name and executing as a General Partner on behalf of the Partnership, or by executing under the General Partner's name as a General Partner of the Partnership. Notwithstanding the foregoing any instrument which would legally be executed by the General Partner on behalf of a Limited Partner pursuant to the power of Attorney shall also be binding if executed personally by such Limited Partner. The Limited Partner agrees to execute and deliver forthwith a separate Power of Attorney incorporating the powers contained in this Section 15.1, if requested by the General Partner. The Limited Partner agrees to be bound by any representations and actions made or taken by the General Partner pursuant to this Power of Attorney and hereby waives any and all defences which may be available to contest, negate or disaffirm the action of the General Partner taken in good faith and in accordance with this Agreement under this Power of Attorney. The grant of authority and the power herein contained survives the delivery of an assignment by a Limited Partner of the whole or any portion of its Units.

ARTICLE 16 - MEETINGS OF THE PARTNERS

16.1 Requisitions of Meeting

Either Partner (the "**Requisitioning Partner**") may convene a meeting by giving written notice to the other Partner in accordance with this Agreement, and such meeting shall be held within forty five (45) days after the giving of such notice. Every meeting, however convened, will be conducted in accordance with this Agreement.

16.2 Place of Meeting

Meetings of the Partners will be held in Alberta unless the Partners shall otherwise mutually agree. A Partner may choose to participate in a meeting by means of conference telephone or other similar equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting in such manner shall constitute attendance and presence at such meeting.

16.3 Notice of Meeting

Notice of any meeting will be given to each Partner in person or by prepaid registered mail or by hand not less than twenty one (21) days prior to such meeting, and will state:

- (a) the time, date and place of such meeting; and
- (b) in general terms, the nature of the business to be transacted at the meeting.

16.4 Accidental Omissions

Accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting, by any Partner, will not invalidate the proceedings at that meeting if such Partner is in attendance.

16.5 Corporations and Trusts

A Partner which is a corporation or a trust may appoint under seal an officer, director, trustee or other authorized person as its representative to attend, vote and act in its behalf at a meeting of the Partners.

16.6 Attendance of Others

Any officer or director of a Partner, and the solicitor for a Partner and the Partnership will be entitled to attend any meeting of the Partners. The General Partner has the right to authorize the presence of any other person at a meeting regardless of whether the person is a Partner. With the approval of the General Partner, that person is entitled to address the meeting.

16.7 Chairman

The President of the General Partner, or in his absence any officer of the General Partner, shall act as chairman of all meetings of the Partners. If no such person is present or all such persons refuse to act, the Limited Partner shall choose another person present to be chairman.

16.8 Quorum

Subject to this Agreement, a quorum ("**Quorum**") at any meeting of the Partners will consist of two (2) representatives of each of the Limited Partner and the General

Partner. If, within half an hour after the time fixed for the holding of such meeting, a Quorum is not present, the meeting will be held at the same time and place on the day fourteen (14) days later (or if that date is not a Business Day the first Business Day after that date), and the Requisitioning Partner will give three (3) days notice to the other Partner of the date of the reconvening of the adjourned meeting, and at such reconvened meeting the Quorum will consist of the Partners then present in person or represented by proxy.

16.9 Voting

Each Unit shall entitle the holder thereof to exercise one vote at meetings of the Partners in respect of matters to be decided by Partners. Every question submitted to a meeting will be decided by a Special Resolution on a show of hands unless a poll is demanded by a Partner, in which case a poll will be taken. On any vote at a meeting of the Partners, a declaration of the chairman concerning the result of the vote will be conclusive.

16.10 Poll

A Poll requested or required concerning:

- (a) the election of a chairman or an adjournment, will be taken immediately on request; or
- (b) any other matter will be taken at the meeting or an adjournment of the meeting in such manner as the chairman directs;

and each Person present or represented at the meeting will have the number of votes for each Unit of which he is registered as the owner.

16.11 Resolution Binding

Any resolution passed in accordance with this Agreement will be binding on all the Partners and their respective heirs, executors, administrators, successors and assigns, whether or not any such Partner was present or represented in person or voted against any resolution so passed.

16.12 Specific Powers Exercisable by Special Resolution

The Partners may by Special Resolution:

- (a) waive any default on the part of the General Partner on such terms as they may determine;
- (b) continue the Partnership in the event that the Partnership is terminated by operation of law;
- (c) agree to any compromise or arrangement by the Partnership with any creditor, creditors, or class or classes of creditors or with the holders of any shares or securities of the General Partner;

- (d) require the General Partner on behalf of the Partnership to enforce any obligation or covenant on the part of any Limited Partner provided for in this Agreement;
- (e) amend, modify, alter or repeal any Special Resolution previously passed by the Partners.

16.13 Minutes

The General Partner will cause minutes to be kept of all proceedings and resolutions at every meeting, and any consent resolutions of the Partners to be made and entered in books to be kept for that purpose, and any minutes, if signed by the chairman of the meeting or by the chairman of the next succeeding meeting, will be deemed evidence of the matters stated in them and such meeting will be deemed to have been duly convened and held and all resolutions and proceedings shown in them will be deemed to have been duly passed and taken.

16.14 Additional Rules and Procedures

To the extent that the rules and procedures for the conduct of a meeting of the Partners are not prescribed in this Agreement, the rules and procedures will be determined by the chairman.

ARTICLE 17 - NOTICES

17.1 Notice to Partners

A notice, demand, request, statement or other evidence required or permitted to be given under this Agreement must be in writing. It will be sufficiently given if :

- (a) personally delivered to the party to whom it is intended or if such party is a corporation to an officer of that corporation; or
- (b) transmitted by facsimile or delivered, to the address or facsimile number of the party to whom it is intended as follows:
 - (i) if to the General Partner, then:

c/o Paragon Canada Alexis ULC
3rd Floor, 10072 Jasper Avenue
Edmonton, AB
T5J 1V8
Attention: President

Facsimile Number (780)498.5540

With a copy to:

Jack N. Agrios Prof. Corp.
Barrister & Solicitor

1325, 10180 - 102 Street
Edmonton, AB T5J 3S4
Attention: Jack N. Agrios, Q.C.

Facsimile Number (780) 969-6901

(ii) if to the Limited Partner, then:

Alexis Trustee Corp.
P.O. Box 7
Glenevis, Alberta
T0E 0X0
Attention: President
Facsimile Number: (403)967-5484

With a copy to:

Ackroyd Piasta, Roth & Day LLP
Barristers & Solicitors
1500, 10665 Jasper Avenue
Edmonton, Alberta
T5J 3S9
Attention: D.B. Roth
Facsimile Number (780) 423-8948

or to such other address or number as a party may from time to time direct in writing.

Any notice delivered before 4:30 p.m. local time on a Business Day shall be deemed to have been received on the date of delivery and any notice delivered after 4:30 p.m. local time on a Business Day or delivered on a day other than a Business Day, shall be deemed to have been received on the next Business Day. Any notice sent by facsimile before 4:30 p.m. local time on a Business Day shall be deemed to have been received when the sender receives the answer back confirming receipt by the recipient; provided, however, that any facsimile received after 4:30 p.m. local time on a Business Day or received on a day other than a Business Day shall be deemed to have been received on the next Business Day.

ARTICLE 18 - INDEMNIFICATION

18.1 Indemnity by the General Partner

The General Partner will, from time to time and at all times hereafter, well and truly save, defend and keep harmless and fully indemnify the Limited Partner and its officers, employees and agents of, from and against all manner of Losses which may be brought against or made upon the Limited Partner, its officers, employees and agents, or any of them and of, from and against all Losses which may be sustained, incurred or paid by the Limited Partner, its officers, employees and agents, or any of them, by reason of, or on account of:

- (a) any material breach by the General Partner of, or any material inaccuracy of, any representation or warranty of the General Partner contained in this Agreement or in any agreement, certificate or other document delivered pursuant hereto;
- (b) any material breach or material non-performance by the General Partner of any covenant to be performed by it that is contained in this Agreement or in any agreement, certificate or other document delivered pursuant hereto; and
- (c) any negligence, fraudulent act or fraudulent omission by the General Partner in the performance of its duties under this Agreement or in the operation of the Partnership business.

The General Partner will pay to the Limited Partner and to each such officer, employee or agent on demand any Losses which may be sustained, incurred or paid by the Limited Partner or by any of its officers, employees and agents in consequence of or in settlement or in discharge or on account thereof and on default of payment by the General Partner of any Losses in accordance with this Section 18.1 any and all such monies so paid or payable may be deducted, to the extent not prohibited by the Credit Agreements, from any monies owing to the General Partner by the Limited Partner under this Agreement, or on any account whatever, or may be recovered from the General Partner in any court of competent jurisdiction as monies paid at the General Partner's request.

18.2 Indemnity by the Limited Partner

The Limited Partner will, from time to time and at all times hereafter, well and truly save, defend and keep harmless and fully indemnify the General Partner and its officers, employees and agents of, from and against all manner of Losses which may be brought against or made upon the General Partner, its officers, employees and agents, or any of them and of, from and against all Losses which may be sustained, incurred or paid by the General Partner, its officers, employees and agents, or any of them, by reason of, or on account of:

- (a) any material breach by the Limited Partner of, or any material inaccuracy of, any representation or warranty of the Limited Partner contained in this Agreement or in any Agreement, certificate or other document delivered pursuant hereto;
- (b) any material breach or material non-compliance by the Limited Partner of any covenant to be performed by it that is contained in this Agreement or in any Agreement, certificate or other document pursuant hereto; and
- (c) any negligence, fraudulent act or fraudulent omission by the Limited Partner in the performance of its duties under this Agreement.

The Limited Partner will pay to the General Partner and to each such officer, employee or agent on demand any Losses which may be sustained, incurred or

paid by the General Partner or by any of its officers, employees and agents in consequence of or in settlement of or in discharge or on account thereof and on default of payment by the Limited Partner of any Losses in accordance with this Section 18.2 any and all such monies so paid or payable may be deducted from any monies owing to the Limited Partner by the General Partner under this Agreement on any account whatever or may be recovered from the Limited Partner in any court of competent jurisdiction as monies paid at the Limited Partner's request.

18.3 Timely Notice

Whenever a Partner shall become aware of any claim which would subject the other Partner to the provisions of this Article 18, the Partner shall provide timely notice thereof to the other Partner.

18.4 No Subrogation

Nothing in this Agreement shall be deemed to create any right of recovery whether by way of subrogation or otherwise on the part of any insurance or surety company.

18.5 Insurance

Notwithstanding the provisions of Sections 18.1 and 18.2, no Party will be required to make any payments pursuant thereto to any other Party of any such Losses to the extent such Losses are paid from insurance proceeds.

ARTICLE 19 - ENFORCEMENT PROVISIONS

19.1 Notice of Concern

In the event any dispute, claim, difference or question arises concerning the construction, meaning, effect or implementation of this Agreement that requires consideration (a "**Dispute**"), either Partner may provide notice to the other Partner of same. The recipient of such notice shall have a reasonable period of time to consider and, if it believes fit, address the concern, such period not to exceed forty five (45) days. If the concern is addressed to the reasonable satisfaction of the Partner giving the notice (as confirmed by such Partner in writing), the dispute shall be deemed to be cured and may not be the basis for further remedies hereunder.

19.2 Good Faith Discussion

If the concern is not addressed to the reasonable satisfaction of the Partner who provided notice of same, the Partners shall consult in good faith to discuss the concern and possible remedial action which could take place to address it. This process shall be completed within thirty (30) days unless the Partners otherwise agree in writing. If the concern is addressed to the reasonable satisfaction of the Partner who provided the notice (as confirmed by such Partner in writing), this dispute shall be deemed to be cured and may not be the basis for further remedies hereunder.

19.3 Mediation

In the event that an acceptable resolution of the concern is not achieved pursuant to the foregoing provisions of this Article, the Dispute shall, unless the Partners otherwise agree, be the subject of non-binding and without prejudice mediation by recourse to a Person or Persons generally recognized as having familiarity with and expertise in the matter which is the subject of the Dispute (an "Expert"), which, in the case of budget matters, shall be a member of a major accounting firm with experience in operations similar to the Project, excluding the Auditors and the accountants of either Partner. Either Partner may initiate such mediation by giving notice to the other Partner to that effect. Within ten (10) Business Days after the delivery of such notice, the Partners shall meet and attempt to appoint a single Expert for non-binding and without prejudice mediation of such Dispute. If the Partners are unable to agree on a single Expert within such ten (10) Business Day period, then, upon notice given by any of them and within five (5) Business Days of such notice, any Party may apply to a judge of the Court of Queen's Bench of Alberta for the appointment of an Expert. The Expert selected shall then promptly mediate the Dispute between the Partners and shall render its recommendation within thirty (30) days of its appointment (the "Mediation Period"). The costs related to such mediation shall, in the absence of agreement between the Partners to the contrary, be borne in accordance with the Expert's recommendation. Each Partner agrees that it will give substantial weight and due regard for the recommendation of the Expert. Notwithstanding the foregoing, following the Mediation Period, the Partners shall be entitled to seek resolution of such Dispute in accordance with normal remedies and recourses available pursuant to Applicable Law.

19.4 Arbitration

The Partners agree to give good faith consideration on a case by case basis to arbitration of any Dispute as a means of resolution of same.

ARTICLE 20 - ASSIGNMENT

20.1 Assignment by General Partner

- (a) Prohibited Assignments. Except as provided in the following Subsections 20.1(b) and (c) and to the extent permitted under the Credit Agreements, the General Partner may not assign this Agreement without the prior written consent of the Limited Partner, and without approval of the Gaming Commission, if such assignment is not part of a sale of all or substantially all of the assets of Paragon Gaming Inc. or any other transaction resulting in a change of Control of Paragon Gaming Inc.
- (b) Permitted Assignments. Subject to approval of the Gaming Commission, the General Partner:
 - (i) with the prior written consent of the Limited Partner, such consent not to be unreasonably withheld, shall have the right to assign this Agreement to any Affiliate of the General Partner, or to any assignee Controlled by Paragon Gaming Inc. who acquires all, or

substantially all of the assets of the General Partner, whether through a merger, consolidation or purchase transaction, and assumes all of the General Partner's obligations hereunder. In such event, with the approval of the Limited Partner, the General Partner shall be released of all of its covenants and obligations hereunder, other than liabilities accruing, or based upon events occurring, prior to the date of such assignment; or

- (ii) shall have the right to assign this Agreement in accordance with the Credit Agreements.

The General Partner shall have the right to charge, mortgage, pledge, assign and grant a security interest in its interest in the Partnership and this Agreement to a Financier without the consent of the Limited Partner, but the Financier shall require the approval of the Gaming Commission and the prior written consent of the Limited Partner, such consent not to be unreasonably withheld, to further assign such interest in the Partnership and this Agreement to a third party.

- (c) Immediate Family. Notwithstanding subsection 20.1(b) and subject to approval of the Gaming Commission, the transfer of any of the direct or indirect ownership interests in Paragon Gaming Inc. by any individual, including management of Paragon Gaming Inc. to members of the immediate family of such individual under and by virtue of his or her last will and testament or by the laws of intestacy relating to such individual or by any lifetime transfer in connection with estate planning of such individual, shall be permitted and shall not be deemed to be a violation of Subsection 20.1(b) of this Agreement. As utilized in this Subsection, the term "immediate family" of any individual shall mean the spouse, children, grandchildren of such individual or the trustee of any trust for any such individual's spouse, children or grandchildren.

20.2 Remedies

Any assignment, transfer, mortgage or other transaction by the parties hereto in violation of the provisions of this Article 20 shall be null and void.

20.3 Certain Termination Rights

Notwithstanding any other provision of this Agreement but subject to the Credit Agreements, if following the fifth anniversary of the Opening Day, the General Partner seeks the approval of the Limited Partner in accordance with this Agreement to a proposed transaction (the "**Transaction**") the result of which would otherwise, but for this Section, constitute a default of the General Partner under Subsection 9.1(b), 9.2(d) or 20.1(a) hereof and the Limited Partner, acting unreasonably, does not approve the Transaction, then the Partners agree as follows:

- (a) the General Partner, if it is not otherwise in default under this Agreement, may, by giving at least thirty (30) days prior written notice to the Limited

Partner, complete the Transaction and, in such event, the General Partner shall not be, as a result of such Transaction, in default under Subsection 9.1(b), 9.2(d) or 20.1(a), as the case may be, provided the General Partner has given a written notice to the Limited Partner of the completion of the Transaction within five days thereof;

- (b) if the General Partner elects to complete the Transaction, then the Limited Partner shall have the right, at its option, upon at least one hundred and eighty (180) days written notice to the General Partner (given not later than sixty (60) days following the Limited Partner's receipt of the notice of completion of the Transaction referred to in (a) above) to terminate the General Partner or this Agreement;
- (c) if the Limited Partner elects to terminate the General Partner or this Agreement in accordance with (b) above, (i) the General Partner shall be entitled, to the extent not prohibited by the Credit Agreements, to recover all amounts owing to the General Partner under this Agreement at the effective date of termination, and (ii) upon such termination, the General Partner shall be released from any liabilities and obligations under this Agreement except for those which arose prior to the effective date of termination;
- (d) if the Limited Partner elects to terminate the General Partner or this Agreement in accordance with (b) above, the General Partner shall reimburse the Limited Partner to a maximum amount of Fifty Thousand (\$50,000) Dollars for the direct and indirect costs and expenses incurred by the Limited Partner in connection with the selection of a replacement general partner for the Partnership including the costs relating to the preparation and printing of any request for proposals for a replacement general partner, the preparation and negotiation or renegotiation of Project Agreements between the parties thereto and third parties including any Financier and for legal, accounting and other professional fees; and
- (e) if the General Partner elects to complete the Transaction and the Limited Partner does not exercise its right to terminate the General Partner or this Agreement, the General Partner shall, as a condition of completing the Transaction, obtain from the third party who, upon the completion of the Transaction, will have Control of the General Partner, an agreement satisfactory in substance and form to the Limited Partner pursuant to which the third party agrees to be bound by the terms and conditions of this Agreement.

Nothing contained in this Section 20.4 shall be construed or interpreted as limiting or affecting any other rights or remedies the Limited Partner may have under this Agreement or at law as a result of any default by the General Partner hereunder other than a default under Subsection 9.1(b), 9.2(d) or 20.1(a).

ARTICLE 21 - EQUITABLE REMEDIES

21.1 Equitable Remedies

The Partners acknowledge the unique nature of the Project, that the continued operation of the Project without interruption is vital to its success, and that the Financier's security and recourse for monetary recovery will be limited to the Project. The Partners acknowledge and agree that a remedy in damages for any breach by either of them of this Agreement will be inadequate and that, accordingly, each Partner shall be entitled, in addition to any remedies for damages and such other remedies to which it may be entitled, to equitable remedies, including the remedies of specific performance, and mandatory and prohibitory injunction, or interim, temporary and permanent bases without the necessity of proving actual damage to the moving Partner. The right of the moving Partner to such relief shall not be construed to prevent it from pursuing, either consecutively or concurrently, any and all other legal or equitable remedies available to it for such breach or threatened breach, including the recovery of monetary damages. The foregoing covenants of the Partners in this Section are of the essence of this Agreement, shall be construed as independent of all other provisions in this Agreement, and shall survive any termination of this Agreement. The existence of any claim or action of the other Partner against the moving Partner under this Section, whether predicated on this Agreement or otherwise, shall not constitute a defence to enforcement by the moving Partner under this Section of the other Partner's covenants in this Section.

ARTICLE 22 - CONDITIONS SUBSEQUENT

22.1 Conditions Subsequent

This Agreement and the rights and obligations of the Partners hereunder are subject to the satisfaction or waiver of each of the following conditions subsequent by September 30, 2007 or such other date as the Partners may agree upon:

- (a) the obtaining of a Financing Commitment;
- (b) the issuance to the Partners of all necessary gaming and facility licenses and gaming supplier registrations under the Regulatory Legislation;
- (c) the approval, execution and delivery of the Project Agreements by all parties thereto;
- (d) there being no litigation against any Partner, the Nation or any of its Affiliates in respect of the Project;
- (e) there being no material adverse change in the commercial prospects for the Project, or Applicable Law;
- (f) the Partners approving a Funding Agreement being entered into between the Nation and Her Majesty the Queen in Right of the Province of Alberta;

all on terms and conditions satisfactory to each of the Partners.

22.2 Failure to Satisfy Conditions Subsequent

If any of the conditions subsequent in Section 22.1 are not fulfilled or waived by both Partners on or before September 30, 2007 or such other date as the Partners may agree upon, then either Partner may, at its option, terminate this Agreement. In such event the Partnership shall be dissolved and the provisions of Article 13 shall apply.

22.3 Facilitating Amendments

This Agreement may not be amended except with the unanimous written consent of both Partners. The Partners acknowledge and agree that this Agreement will be provided to certain third parties whose satisfaction with the terms of the agreement between the Partners and other Persons respecting the Project will be required in connection with satisfying the conditions subsequent hereto and otherwise to facilitate the success of the Project. Accordingly, the Partners, acting in good faith, will consider any amendments to the terms of this Agreement (which may include a restatement or replacement hereof) which may be proposed to facilitate satisfaction of the relevant third parties, satisfaction of the conditions subsequent to this Agreement, and the success of the Project.

ARTICLE 23 - MISCELLANEOUS PROVISIONS

23.1 Binding Agreement

Subject to the restrictions on assignment and transfer herein contained, this Agreement will enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators and other legal representatives, successors and assigns.

23.2 Time

Time is of the essence of this Agreement.

23.3 Counterparts

This Agreement, or any amendment to it, may be executed in multiple counterparts, each of which will be deemed an original Agreement, and all of which will constitute one Agreement. This Agreement may also be executed and adopted by signing the Subscription Form, the Assignment, a single execution page or similar instrument signed by a Limited Partner with the same effect as if such Limited Partner had executed a counterpart of this Agreement. All counterparts and adopting instruments shall be construed together and shall constitute one and the same Agreement.

23.4 Governing Law

This Agreement will be governed and construed according to the laws of the Province of Alberta and the parties hereto irrevocably attorn to the jurisdiction of the courts thereof.

23.5 Severability

If any part of this Agreement is declared invalid or unenforceable by a court of competent jurisdiction, then such part will be deemed to be severable from this Agreement and will not affect the remainder of this Agreement.

23.6 Further Assurances

The parties will do such things and execute and deliver such documents as may be necessary or desirable to carry out the terms of this Agreement.

23.7 Force Majeure

Notwithstanding any other provision of this Agreement, if, by reason of Force Majeure, a party is unable to perform in whole or in part, its obligations under this Agreement, then in such event and only during such period of inability to perform, such party shall be relieved of those obligations to the extent it is so unable to perform and such inability to perform, so cause, shall not make such a party liable to any other, and any time period in which such obligation is performed shall be extended for such period of inability to perform. Any party so affected, shall use reasonable commercial efforts to otherwise comply with these obligations hereunder.

23.8 No Other Remuneration

Save and except for the remuneration payable to the General Partner in accordance with the Casino Management Agreement, no salary or other remuneration shall be paid to any of the Partners from the normal operations of the Partnership business unless prior approval has been obtained by Special Resolution.

23.9 Entire Agreement

This Agreement constitutes the entire agreement between the parties hereto relating to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, negotiations and discussions, whether verbal or written, of the parties. There are no general, specific, implied or express warranties, representations, conditions or other agreements by or between the parties in connection with the entering into of this Agreement or the subject matter hereof except as specifically set forth herein.

IN WITNESS WHEREOF the parties hereto have hereunto set their hands and seals, or corporate seals in the presence of their duly authorized officers in that behalf, effective as of the day and year first above written.

SIGNED, SEALED AND DELIVERED
by the General Partner
in the presence of

PARAGON CANADA ALEXIS ULC,
as agent for and on behalf of
PARAGON/TAMARACK ALEXIS
PARTNERSHIP

Witness: Signature

PER:

Witness: Print Name

PER:

SIGNED, SEALED AND DELIVERED
by the Limited Partner
in the presence of

ALEXIS TRUSTEE CORP.
as agent for an on behalf of
ALEXIS FIRST NATION

Witness: Print

PER:

Witness: Print Name

PER:

PER:

23.9 Entire Agreement

This Agreement constitutes the entire agreement between the parties hereto relating to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, negotiations and discussions, whether verbal or written, of the parties. There are no general, specific, implied or express warranties, representations, conditions or other agreements by or between the parties in connection with the entering into of this Agreement or the subject matter hereof except as specifically set forth herein.

IN WITNESS WHEREOF the parties hereto have hereunto set their hands and seals, or corporate seals in the presence of their duly authorized officers in that behalf, effective as of the day and year first above written.

SIGNED, SEALED AND DELIVERED
by the General Partner
in the presence of

PARAGON CANADA ALEXIS ULC,
as agent for and on behalf of
PARAGON/TAMARACK ALEXIS
PARTNERSHIP

Witness: Signature

PER:

Witness: Print Name

PER:

SIGNED, SEALED AND DELIVERED
by the Limited Partner
in the presence of

ALEXIS TRUSTEE CORP.
as agent for an on behalf of
ALEXIS FIRST NATION

Witness: Print

PER:

Witness: Print Name

PER:

PER:

SCHEDULE "A"

PROJECT AGREEMENTS

Cooperation Agreement among Alexis Nakota Sioux Nation, Alexis Land Management Corp. and Alexis/Paragon Limited Partnership

Alexis/Paragon Limited Partnership Agreement between Alexis Business Trust and Paragon Canada Alexis ULC

Partnership Agreement between Paragon Canada Alexis ULC and Tamarack Fund Alexis Limited Partnership

Alexis Casino Limited Partnership Agreement between Alexis Business Trust and Alexis Casino Corp.

Casino Management Agreement between Alexis Casino Limited Partnership and Paragon Canada Alexis ULC

Economic Development Fund Agreement between Province of Alberta and Alexis Nakota Sioux Nation

Commercial Lease between Her Majesty the Queen in Right of Canada and Alexis Land Management Corp.

Sublease by Alexis Land Management Corp.. in favour of Alexis/Paragon Limited Partnership

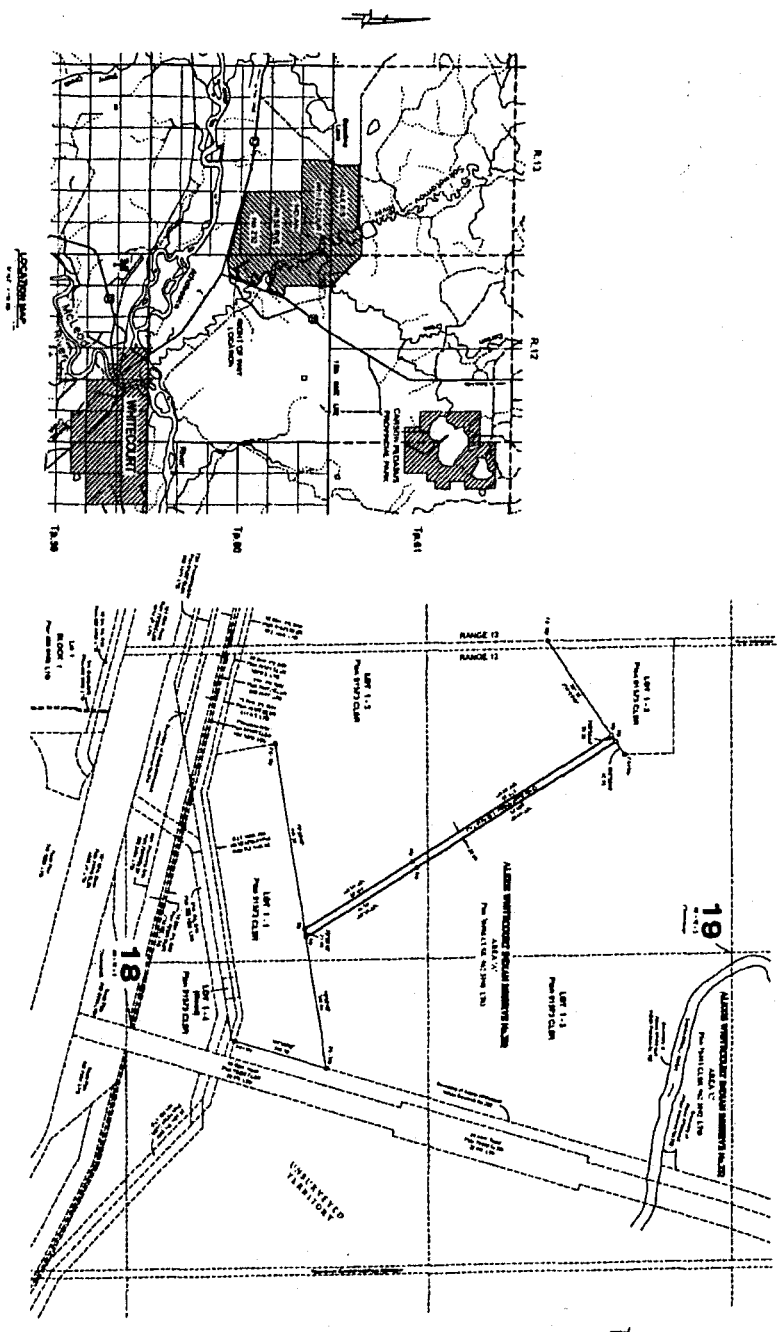
Sublease by Alexis/Paragon Limited Partnership in favour of Alexis Casino Limited Partnership

Financing Agreements and Credit Agreements, as defined in certain of the Project Agreements, and all mortgages, security agreements, non-disturbance agreements and other documents relating thereto

Construction, supply and other agreements to be entered into by or on behalf of Alexis/Paragon Limited Partnership which relate to the development of the Project or any part thereof

Servicing agreements to be entered into which relate to the provision of services to the Project or any part thereof

SCHEDULE "B"
PROJECT LANDS



1. Utility Right-of-Way is not shown
2. Not

ABR. 1.1
The Utility Right-of-Way is not shown
1. Utility Right-of-Way is not shown
2. Not

LEGEND

1. Utility Right-of-Way is not shown
2. Not

The Utility Right-of-Way is not shown
1. Utility Right-of-Way is not shown
2. Not

CELESTIAL CORRECT
On the 2nd day of January 1988
Signed: [Signature]
[Name]

Registration Plan and Field Notes of
Utility Right-of-Way
Within Part of
Lot 1-3, Plan 91573 CLSR
N.W. 1/4 Sec. 18 A
S.W. 1/4 Sec. 19
T. 68 - R. 12 - W. 5 M.

Alberta Whitecourt Indian Reserve No. 232
Province of Alberta
2000

Scale: 1" = 100'

ALBERTA WHITECOURT INDIAN RESERVE
2000

1. Utility Right-of-Way is not shown
2. Not

SCHEDULE "C"

INSURANCE

All insurance premiums hereunder shall be treated as Operating Expenses. To the extent consistent with the Credit Agreement, the following provisions shall apply to insurance coverage for the Project:

1. **Types of Coverage** - At all times throughout the Term, the following types of insurance for the Project, stated as a minimum, shall be obtained and maintained.
 - (a) **Property Insurance** - Building and structures are to be insured, on an "all-risk" form and are to be covered on a replacement cost basis or completed contract value on appropriate property or builders risk insurance forms. Personal property, including inventories, is to be insured on an "all risk" form on a replacement cost basis. Specific high valued property such as gold and silver objects, art objects, special glass (windows or personal use items), statuary, blueprints, etc., should be specifically insured on an "all risk" form at their current replacement values. Flood, earthquake and/or other special perils and hazards are to be insured where necessary or reasonably required.
 - (b) **Business Interruption** - Coverage shall be provided at an amount determined by the Management Committee for loss of gross earnings including, if applicable, flood, earthquake, riot, civil commotion and expropriation. Other special perils or hazards are to be insured to the extent appropriate and necessary. Deductibles shall be set at reasonable levels in consideration of the Project's exposures and ability to bear financial responsibility.
 - (c) **Boiler and Machinery Insurance** - Coverage shall be provided on a comprehensive form for all boiler and machinery equipment including air conditioning equipment and shall include all piping, valves, pressure tanks, hoses, lines and related apparatus and shall include coverage "on site," "in transit," and testing.
 - (d) **Liability Insurance**
 - (i) **General Limits** - Coverage shall be obtained and maintained for comprehensive general liability, automobile liability, professional liability (if applicable) exposures for a minimum of One Million Dollars (\$1,000,000), (except as modified below) for each occurrence and Two Million Dollars (\$2,000,000) annual aggregate.
 - (ii) **Umbrella Excess Liability** - Coverage shall be obtained in the amount of Fifty Million (\$50,000,000) Dollars each occurrence and in the aggregate applying excess of the primary limits provided by the underlying General Liability, Automobile Liability, Employers

Liability and any other coverages scheduled as underlying insurances.

- (iii) **Automobile Liability Insurance** - Automobile liability insurance coverage shall provide bodily injury and property damage liability coverage as well as any "no-fault" or other benefits where required by Applicable Law, uninsured motorists coverage, medical payments coverage and other coverage if required and must include coverage for all owned, non-owned, and hired or borrowed vehicles. Underinsured and uninsured motorists coverage limits shall be at least One Million Dollars (\$1,000,000) each person per occurrence. Medical payments coverage shall be at least Five Thousand Dollars (\$5,000) each person per accident. Applicable Law no fault benefits shall be equal to the statutory requirements
- (iv) **Scope of Liability Coverage** - All liability coverages must provide for the defense of claims. General liability coverage shall be provided on a comprehensive occurrence form insuring against claims for personal injury, sickness, disease or death and property damage and shall include: premises and operations; innkeepers liability, personal injury liability and medical coverage, contractual liability for all oral or written agreements; safety deposit box liability (if applicable), independent contractor liability; elevator liability; host liquor liability; liquor liability or "dram shop" liability for Five Million Dollars (\$5,000,000) per occurrence for bodily injury and property damage; employees as insured; employee benefit liability, directors' and officers' (D&O) liability and such other coverage deemed reasonable and necessary by the General Partner
- (e) **Workers' Compensation Insurance** - Workers' compensation coverage shall be obtained and maintained in accordance with Applicable Law and employer's liability insurance of not less than One Million Dollars (\$1,000,000.00) per accident/disease .
- (f) **Health Insurance** - Such health insurance coverage to employees as may be required by Applicable Law or broader coverage as may otherwise determined by the General Partner from time to time.
- (g) **Crime Insurance** - Coverage shall be provided for money, securities, and other property for loss inside and outside the Project premises including transportation by messenger, in an amount of at least One Million Dollars (\$1,000,000) each loss. Coverage should include depositor's forgery, counterfeit currency and other such coverage as may be necessary. Employee dishonesty coverage shall be provided in an amount of at least One Million Dollars (\$1,000,000) for each loss and will provide coverage for all employees having access to money, securities, and other property.
- (h) **Other Coverage** - Coverage shall be provided in respect of such other risks against which it is now, or hereafter may be, customary to insure in

the operation of similar properties, having regard for the nature of the business and the geographical, geological and climactic nature of the Project's location.

- (i) **Concessionaire's Coverage** - If the General Partner grants any leases, licenses or concessions in accordance with the provisions of this Agreement, the General Partner shall require such tenants, licensees and concessionaires to carry such insurance as is normal and customary for the relevant tenant, licensee or concessionaire and to furnish certificates evidencing such insurance in such reasonable amounts as may be specified in the lease, license or concession or otherwise agreed upon between the General Partner and the tenant, licensee and concessionaire.
- 2. **General Requirements as to Form of Policies** - The General Partner and the Limited Partner shall be named insureds in all policies maintained pursuant to this Agreement, as their interests may appear, but with the Partnership recognized as the primary insured party, and each such policy shall contain a waiver by the insurer of the rights of recourse or subrogation by the insurer against the Partners. All insurance shall be in such form and with such companies as shall be satisfactory to the Management Committee and the General Partner and shall comply with the requirements of the Credit Agreements, provided, however, that the General Partner shall use reasonable commercial efforts to require any mortgage or loan agreement relating to the Project to provide that the proceeds of insurance shall be made available for the repair and restoration of the Project. The Project insurance policies provided for in this Schedule shall specify that they are primary and if any other policies of insurance, including policies maintained by the General Partner, are determined to apply to any claim, such other policy coverage shall be deemed to be in excess of such Project policies, as applicable. The General Partner shall have access to all such insurance policies including certificates, not less than 30 days prior to the expiration of all prior policies.
- 3. **Blanket Insurance** - All insurance described in this Schedule may be obtained through blanket insurance programs or as part of the overall insurance for the Project provided that the requirements specified herein are substantially fulfilled.
- 4. **Premium Advance** - If the General Partner shall pay or advance on behalf of any of insurance premiums or related insurance costs for insurance matters authorized by the Management Committee in the Operating Budget or otherwise, the General Partner shall be entitled to prompt reimbursement of same as an Operating Expense.
- 5. **Access to Insurance Information** - The Nation Entities shall at all times make available to the General Partner or the Partnership's insurance agents or insurance brokers all information relating to existing coverage, claims histories as applicable, copies of policies, certificates, binders and the like. The Nation Entities further authorize the General Partner, its insurance agents or brokers to obtain such information directly from the Nation's insurance agents, brokers, and

insurance carriers and hereby grants to the General Partner, its insurance agents or brokers full access to all such information.

6. **Quality of Insurance Carrier** - All insurance coverage shall be written by insurance companies that are A.M. Best rated, A/XI or higher and are authorized to do business in the Province of Alberta.
7. **Reserve** - Upon termination of this agreement, a reserve in an amount determined by the Management Committee based on loss projections shall be established from Gross Revenues to cover the amount of any insurance retention and all other costs and expenses that will eventually have to be paid by either Partner with respect to pending or contingent claims, including those that arise after termination for causes arising during the Term.

SCHEDULE "D"

FINANCING RESTRICTIONS

1.1 Financing Restrictions - The Financing shall be on the following terms (the "Financing Restrictions"):

- (a) the Nation shall not be required to guarantee repayment in respect of the Financing;
- (b) security and recourse for monetary recoveries for the Financing will be limited to the agreements, revenue and assets comprising or derived from the Project, the interest of the General Partner in the Partnership and any management fees and other monies to which the General Partner or the Partnership may be entitled;
- (c) the rights and remedies available to the Financier upon the occurrence of an event of default shall not include recourse to any assets of the Nation other than its interests in the Project, but may include the right to take possession of and continue to manage the Project and to enter into arrangements with any third party gaming licensee and/or facility licensee and/or registered gaming supplier, as the case may be, in that regard, subject to the Regulatory Legislation;

1.2 Interest and Fee Cap - The interest and fees associated with the Financing shall be subject to the following limitations (the "Interest and Fee Cap"):

- (a) the interest rate, dividend rate or comparable cost of capital for the Financing to the Partnership will not exceed the U.S. Prime Rate plus 2.5%; and
- (b) the fees and charges payable in connection with the Financing will be limited to:
 - (i) a Financing initiation fee not exceeding 2.5% of the maximum amount of the Financing;
 - (ii) fees and charges in respect of the evaluation, exercise and enforcement of rights and remedies of the Financier, which are customarily paid in commercial transactions; and
 - (iii) fees and charges in respect of any change in capital requirements of the Financier under Applicable Law.

SCHEDULE "E"
PARTNERSHIP EXPENSES

SCHEDULE "F"

MANAGEMENT COMMITTEE REPRESENTATIVES

Nominees of the General Partner:

1. Scott Menke
2. Diana Bennett
3. John Cahill

Nominees of Ackroyd, Piasta, Roth & Day LLP 1. Lyndon Aginas

2. Philip Cardinal
3. to be named

Chairman:

Peter Elzinga

Original to
AAA

CASE CTU (Sec 113, 140)
financing impacts
in the ~~the~~

AS
Associated

Does
leader
have enough
notre +
care right
in case of
default

ALEXIS CASINO LIMITED PARTNERSHIP
("CASINO LP")
-and-

Tenant
under lease
Sullivan

PARAGON CANADA ALEXIS ULC in a PARS

CASINO MANAGEMENT AGREEMENT

by parties? MSA, as
Are they adequate?
If not, need to be
called.

Similar
to
HCA
management
agmt?

This is Exhibit "C" referred to in the
Affidavit of
Don Kodachay
Sworn before me this 14 day
of January A.D., 2014

A Notary Public, A Commissioner for Oaths
in and for the Province of Alberta
DARREN R. BIEGANEK
BARRISTER & SOLICITOR

What date?
(I could
sign)

CASINO MANAGEMENT AGREEMENT

THIS AGREEMENT made effective as of the _____ day of September, 2003

BETWEEN:

ALEXIS CASINO LIMITED PARTNERSHIP, a limited partnership
formed pursuant to the *Partnership Act* of the Province of Alberta ("Casino LP")

-and-

PARAGON CANADA ALEXIS ULC, a company formed pursuant to the
Companies Act of the Province of Nova Scotia, (the "Manager")

WHEREAS:

- A. The Government of Alberta has approved a First Nations Gaming Policy to permit gaming on Reserve Lands of qualifying First Nations in Alberta, based on that Province's charitable gaming legislation;
- B. The Nation wishes to avail itself of the Policy and to engage in economic development for its community and has, to those ends, entered into a business relationship with Paragon Canada Alexis ULC to develop and operate the Project on the Designated Lands which are the subject of the Leases;
- C. Paragon Gaming Company Inc., a corporation which controls the Manager, is an experienced developer and operator of Aboriginal gaming and ancillary facilities in the United States;
- D. The Nation has established Casino LP to carry out the operations of the Casino and the Casino Support Facilities as part of the Project;
- E. Casino LP intends to enter into the Casino Sublease and to secure a facility licence under the Regulatory Legislation, and wishes to retain the Manager to operate the Casino and the Casino Support Facilities on the terms set forth herein;
- F. Casino LP and the Manager have acknowledged that the Casino and the Casino Support Facilities will be operated in accordance with all applicable federal and provincial laws;

NOW THEREFORE THIS AGREEMENT WITNESSES THAT in consideration of the representations, warranties, indemnities, covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are acknowledged by each party hereto), the Parties agree as follows:

ARTICLE 1
INTERPRETATION

1.1 **Definitions.** In this Agreement the following words shall have the following meanings:

- (a) **"Affiliate"** - any Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified;
- (b) **"AGLC Account"** - a Bank Account to be established in the name of Casino LP and from time to time designated by the Gaming Commission as the account for the deposit of all monies payable to the Gaming Commission pursuant to the Slot Retailer Agreement;
- (c) **"Agreement"** - this Casino Management Agreement as amended, modified or supplemented from time to time;
- (d) **"Agreement Rate of Interest"** - the Prime Rate plus 1% per annum, calculated and compounded monthly;
- (e) **"Alexis/Paragon LP"** - Alexis/Paragon Limited Partnership, a Limited Partnership formed pursuant to the *Partnership Act* of the Province of Alberta;
- (f) **"Applicable Law"** - all public laws, statutes, ordinances, codes, acts, orders, by-laws, rules, regulations, Regulatory Legislation, Governmental Consents, permits, binding policies and guidelines, and requirements of all Governmental Authorities, which now or hereafter may be lawfully applicable to and enforceable against the Project or any part thereof or any Party, including those relating to employment, zoning, building, life/safety, occupancy or possession of land, environment and health;
- (g) **"Approved Operating Budget"** - with respect to an Operating Year, the Operating Budget for the Casino and the Casino Support Facilities (to be shown separately to the extent required by the Regulatory Legislation), as approved or deemed approved by Casino LP and the Manager in accordance with Section 4.7, as the same may be amended from time to time in accordance with the terms hereof;
- (h) **"Auditors"** - KPMG LLP or such other firm of independent nationally recognized chartered accountants appointed by the Parties, with the approval of Casino LP, as auditors for Casino LP, provided that such firm may not be the auditors of the Nation or of Paragon Gaming Inc. ;
- (i) **"Bank Accounts"** - the AGLC Account, the Operating Account and the Operating Reserve Account;
- (j) **"Base Rent"** - the rent payable under the Casino Sublease;

- (k) "Business Day" - any day which is not a Saturday, Sunday or day observed as a holiday under the laws of the Province of Alberta or the federal laws of Canada applicable therein;
- (l) "Capitalized Lease Obligations" - all obligations of Casino LP, as lessee, under agreements for the lease or rental of real or personal property that, in conformity with general accepting accounting principles, are required to be capitalized;
- (m) "Casino" - those areas in the Project which are intended to be used or are used for the purposes of playing or operating Games of Chance, having a size, configuration and amenities determined to be commercially viable, feasible and appropriate by the Manager;

? (n) "Casino Facility and Services Agreement" - the agreement to be entered into between the Charity and Casino LP in respect of the provision by Casino LP to the Charity of the Casino facility and services for fees, and any amendment, extension, renewal or replacement thereof;

(o) "Casino LP" - Alexis Casino Limited Partnership, a limited partnership formed pursuant to the *Partnership Act* of the Province of Alberta;

(p) "Casino Sublease" - the sublease to be entered into between EcDev LP as sublessor and Casino LP as sublessee with respect to the Casino and the Casino Support Facilities and approved by the Manager, in respect of premises located on the Project Lands, for a term of twenty (20) years less a day, and any amendment, extension, renewal or replacement thereof;

? (q) "Casino Support Facilities" - all support facilities in the Project relating to gaming carried on in the Casino, as determined by the Manager, acting reasonably, to be feasible and appropriate;

(r) "Charity" - a company to be formed pursuant to the *Companies Act* of the Province of Alberta or other charitable or not for profit entity as may be approved by the Gaming Commission;

(s) "Control" (including the terms "Controlling", "Controlled by" and "under common Control with") - the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, relationship or otherwise;

(t) "CPI" - the Consumer Price Index prepared by Statistics Canada (base year 1986 = 100) or its successor or successors for Alberta (all items) or any successor index or compilation prepared by Statistics Canada, its successor or successors; in the event that there ceases to be such an index or compilation, a similar measure selected by the Manager and approved by Casino LP;

(u) "Credit Agreements" - the credit agreements and ancillary instrument(s) to be entered into pursuant to the Financing or otherwise in respect of the Project;

- (v) "Debt" - all indebtedness other than any indebtedness for trade payables, accounts payable, accruals or liabilities incurred or arising in the ordinary course of business but including all indebtedness for borrowed money;
- (w) "Designated Lands" - those lands in that part of the Reserve Lands containing 501 acres (203 hectares) more or less, which are the subject of a Designation assented to on June 7, 2001 by the Nation, and accepted by the Governor General in Council for Canada on October 4, 2001, such lands being legally described as follows:
- Lot 1 affecting theoretical north half Section 18, and south half Section 19, in Township 60, Range 12, W5M; and the north half of Section 13, in Township 60, Range 13, W5M and the intervening road allowances; as shown outlined on Registration Plan R.S.A. 2868R, containing 203 hectares (501 acres), more or less
- Excepting thereout all mines and minerals, whether precious or base, solid, liquid or gaseous.
- (x) "Dispute" - the meaning ascribed thereto in Section 14.1;
- (y) "EcDev LP" - Alexis/Paragon Economic Development Limited Partnership, a limited partnership formed pursuant to the *Partnership Act* of the Province of Alberta;
- (z) "Environmental Claim" - with respect to any Person, any written notice, claim, demand or other written communication alleging or asserting liability for investigatory costs, cleanup costs, Governmental Authority response costs, damages to natural resources or other property, personal injuries, fines or penalties arising out of, based on or resulting from (i) the presence, or release into the environment, of any hazardous material, or (ii) any violation, or alleged violation, of any lawfully applicable Environmental Law;
- (aa) "Environmental Law" - any law or order relating to the regulation or protection of human health or the environment, including laws or orders relating to emissions, discharges, releases or threatened releases of pollutants, contaminants or toxic or hazardous substances or wastes into the environment or otherwise relating to the treatment, storage, disposal, transport or handling of pollutants, contaminants or toxic or hazardous substances or wastes;
- (bb) "Expert" - the meaning ascribed thereto in Section 14.3;
- (cc) "FF&E" - all furniture, furnishings, equipment (including all equipment relating to Games of Chance except that which is owned by the Gaming Commission), fixtures, apparatus and other personal property used in, held in storage for use in, or required in connection with the operation of the Casino and the Casino Support Facilities;

- (dd) "FF&E Repairs" - for any period, normal maintenance and repairs of FF&E as contemplated in the Approved Operating Budget;
- (ec) "Financier" - the meaning ascribed thereto in Section 3.1;
- (ff) "Financing" - the meaning ascribed thereto in Section 3.1;
- (gg) "Force Majeure" - any bona fide delay or state of affairs beyond the control of a Party (other than as a result of financial incapacity of such Party or any Affiliate of such Party) which shall cause or contribute towards any such Party being unable to fulfil or being delayed or restricted in the fulfilment of such Party's obligations, including any such delay or state of affairs attributable in whole or in part to:
 - (i) the non-supply, non-provision or non-delivery of any service or utility or the doing of any work or the making of any repairs;
 - (ii) inability to obtain, or shortages in, any required material, goods, equipment, service, utility or labour;
 - (iii) any Applicable Law or by reason of its inability to procure any Governmental Consent (excluding, in respect of Casino LP, laws, customs or consents of the Nation other than those consents which in accordance with Applicable Law of Canada require the approval of the members of the Nation);
 - (iv) any strikes, lockouts, slowdowns or other combined action of workers or labour disputes;
 - (v) litigation or threatened litigation;
 - (vi) accidents, acts of God, insurrection, war, riots or civil commotions;
 - (vii) any Person failing to provide any consent or approval for which a request is made (excluding, in respect of Casino LP, laws, customs or consents of the Nation other than those consents which in accordance with Applicable Law of Canada require the approval of the members of the Nation); or
 - (viii) another Person failing to perform its obligations under this Agreement, the Project Agreements or any other agreement relating to the Project to which any such other party hereto is a party;
- (hh) "Game of Chance" - a lottery scheme that may be conducted and managed (i) by a government of a province under the authority of paragraph 207(1)(a) of the *Criminal Code* (Canada) or (ii) by a charitable or religious organization under the authority of paragraph 207(1)(b) of the *Criminal Code* (Canada);

- (ii) **"Gaming Commission"** - the Alberta Gaming and Liquor Commission established under the Regulatory Legislation and any successor or replacement thereto;
- (jj) **"Governmental Authority"** - any government, parliament, legislature, regulatory authority, council, agency, commission, including the Gaming Commission, board, court or instrumentality of Canada, the Province or the Nation having jurisdiction over the Project;
- (kk) **"Governmental Consent"** - any licence, right, permit, franchise, privilege, registration, direction, decree, consent, order, permission, approval or authority to be issued or provided by a Governmental Authority, including binding directives issued by the Gaming Commission;
- (ll) **"Gross Receipts"** - for any period, the aggregate of all receipts of Casino LP during that period including without limitation:
 - (i) any investment or interest income received;
 - (ii) any contributions to or reimbursements of common expenses within the Project which are incurred by Casino LP; and
 - (iii) an amount equal to any amounts withdrawn from any Reserve, to the extent that a corresponding amount, when previously contributed to such Reserve, was treated as an Operating Expense;
- (mm) **"GST"** - the tax imposed under Part IX of the Excise Tax Act (Canada), or any tax replacing same, including any interest thereon and penalties relating thereto;
- (nn) **"Improvements"** - all buildings, structures, works, facilities, services, landscaping, parking and other improvements made by any Person;
- (oo) **"Including"** - including without limitation; and "include" and "includes" have corresponding meanings;
- (pp) **"Indian"** - the meaning set out in the *Indian Act* (Canada);
- (qq) **"Insurance"** - policies of insurance of the types described in Schedule "A" hereto, to the extent that the Manager considers such insurance appropriate in relation to the Casino and the Casino Support Facilities;
- (rr) **"Intellectual Property of Casino LP"** - all trade names and brand names, trade marks, trade mark registrations and applications, industrial designs, industrial design registrations and applications, and any enhancements, modifications or substitutions thereof relating solely to the Project, together with all rights under licences, technology transfer agreements and other agreements or licences or instruments relating to any of the foregoing but for greater certainty excluding the Intellectual Property of the Manager;

- (ss) "Intellectual Property of the Manager" - (a) all trade names and brand names, trade marks, trade mark registrations and applications, and (b) works, copyrights, copyright registrations and applications, inventions, industrial designs, industrial design registrations and applications, trade secrets, know-how, policies, (including the Operating Policies), equipment and parts lists and descriptions, instruction manuals, inventors' notes, research data, unpatented blueprints, drawings and designs, formulae, processes, software and all source and object code versions thereof and all related documentation, all data bases, flow charts, service/operator manuals, internal control manuals and any enhancements, modifications or substitutions thereof, together with all rights under licenses, technology transfer agreements and other agreements or licenses or instruments relating to any of the foregoing;
- (tt) "Interest Expense" - for any period, the aggregate amount accrued during such period (whether or not payable or paid) on account of (i) interest (however designated and however arising) with respect to Debt of Casino LP and (ii) the interest components of rental payments under all Capitalized Lease Obligations, all determined in accordance with generally accepted accounting principles;
- (uu) "Leases" - the following lease and sub-lease agreements in respect of the Designated Lands or portions thereof:
- (i) Commercial lease between Her Majesty the Queen in Right of Canada and Alexis Land Management Corp. in respect of the Designated Lands for a term of forty nine (49) years less a day;
- (ii) Sublease between Alexis Land Management Corp. and Alexis/Paragon Limited Partnership in respect of the Project Lands for a term of twenty (20) years;
- (iii) Sublease between Alexis/Paragon Limited Partnership and EcDev LP in respect of the Project Lands, [with the exception of lands to be used for the development and operation of a hotel and related patron facilities within the Project] for a term of twenty (20) years less a day; and
- (iv) Casino Sublease. (i.e. Ec Dev LP, Paragon, To Casino LP (affiliates).)
- (vv) "Licence" - the meaning ascribed thereto in Section 12.2;
- (ww) "Licensees" - the meaning ascribed thereto in Section 12.2;
- (xx) "Lien" - an encumbrance, lien, charge, pledge, mortgage or security interest of any nature whatsoever;
- (yy) "Losses" - in respect of any matter, all claims, actions, demands, proceedings, suits, losses, obligations, damages, fines, penalties, liabilities, deficiencies, costs and expenses (including all legal and all other professional and consultant's fees and disbursements, interest, penalties and amounts paid in settlement) arising

directly or indirectly, in respect of, in relation to, or as a consequence of such matter;

- (zz) "Manager" - Paragon Canada Alexis ULC, its successors and permitted assigns;
- (aaa) "Manager's Fee" - the meaning ascribed thereto in Section 5.1;
- (bbb) "Manager's Personnel Expenses" - the meaning ascribed thereto in Subsection 4.8(a);
- (ccc) "Mediation Period" - the meaning ascribed thereto in Section 14.3;
- (ddd) "Nation" - Alexis First Nation, a First Nation having the status of a "band" under the *Indian Act* (Canada);
- (eee) "Nation Entities" - the Nation, the Charity, Casino LP, Alexis Land Management Corp., Alexis Casino Corp., Alexis Trust, Alexis Trustee Corp.;
- (fff) "Opening Day" - the date when the Casino is first open to the general public with the approval of the Gaming Commission;
- (ggg) "Operating Account" - the Bank Account to be established in the name of Casino LP as provided in Section 7.2;
- (hhh) "Operating Budget" - in respect of an Operating Year, a budget or budgets for Casino LP, setting forth, on an annual basis (including monthly summaries) at a minimum, anticipated Gross Receipts, Operating Expenditures, (including the Manager's Personnel Expenses) and Reserves, and which will state the assumptions used in its or their preparation;
- (iii) "Operating Expenditures" - in respect of Casino LP, for any period, an amount equal to the aggregate of all operating expenditures paid by the Manager on behalf of Casino LP, including without limitation the following:
 - (i) FF&E Repairs;
 - (ii) Interest;
 - (iii) Reimbursement of Manager's Personnel Expenses, as defined in Section 4.9(a);
 - (iv) Base Rent and charges in respect of Common Areas pursuant to the Casino Sublease;
 - (v) Amounts contributed to the Operating Reserve and other Reserves, if any;
 - (vi) Applicable GST;
 - (vii) Principal Repayments; and

- (viii) All other operating expenditures ordinarily recognized in accordance with generally accepted accounting principles;
- but excluding such of the following as are applicable:
- (ix) Any payments under the Casino Sublease other than Base Rent and charges in respect of Common Areas;
 - (x) Any payments in respect of Tax to any Nation Entity or Affiliate thereof, other than GST;
 - (xi) Any other payments directly or indirectly to the Nation; ✓
 - (xii) Depreciation, amortization and any other expenses not requiring a cash payment; and
 - (xiii) Any outlays not undertaken by the Manager or provided for in the Approved Operating Budget;
- (lij) "Operating Period" - the period from and including the Opening Day to the end of the Term; ✓
- (kkk) "Operating Policies" - a collective term for the standards, policies and procedures to be developed by the Manager in accordance with Section 4.4 hereof in connection with the operation of the Casino and the Casino Support Facilities, including hiring and training policies and procedures, human resource programs, marketing programs, insurance and bonding, credit and collection, security (both physical and gaming), cash management and investment policies and purchasing and inventory policies and procedures, as may be amended from time to time in accordance with the terms hereof and all of which shall comply with all Applicable Law;
- (lll) "Operating Reserve" - the meaning ascribed thereto in Subsection 4.7(g);
- (mmm) "Operating Reserve Account" - the Bank Account to be established in the name of Casino LP as provided in Section 7.3;
- (nnn) "Operating Years" - an Operating Year shall be each period from January 1 to December 31, inclusive, during the Operating Period, to the end of the Term except that the first Operating Year shall be the period beginning on the Opening Day and ending on the following December 31 and, if this Agreement shall be terminated effective on a date other than December 31 in any year, then the period from January 1 of the year in which such termination occurs to such effective date of termination shall be treated as an Operating Year;
- (ooo) "Operations Committee" - the committee established pursuant to Section 4.9;
- (ppp) "Operations Committee Representatives" - the representatives of Casino LP and the Manager on the Operations Committee;

- (qqq) "Parties" - the parties to this Agreement;
- (rrr) "Person" or "person" - includes an individual, corporation, partnership, firm, trust, joint venture, association, unincorporated organization, "band" within the meaning of the *Indian Act* (Canada), body corporate, personal representative, co-operative association or Governmental Authority;
- ✓ (sss) "Pre-Opening Period" - the period prior to the Opening Day;
- (ttt) "Prime Rate" - the rate of interest per annum established and reported by The Bank of Nova Scotia to the Bank of Canada from time to time as a reference rate of interest in order to determine the interest rate it will charge for demand loans in Canadian funds to its Canadian customers and which it refers to as its "prime lending rate" or "prime rate";
- ✓ (uuu) "Principal Repayments" - for any period, all repayments of the principal amount of the Financing, any other Debt, and any Capitalized Lease Obligations incurred in accordance with this Agreement, which are required to be made during that period, but not including Interest Expense;
- (vvv) "Project" - the Project Lands and all Improvements thereon, including the Casino, the Casino Support Facilities, a hotel, restaurant, gas bar, convenience store, infrastructure facilities, and such other facilities as may be developed on the Project Lands from time to time, together with all related parking improvements, food and beverage areas, shuttle and bus areas, amenities and any other improvements contemplated by the Project plans that are integrated and the businesses and other activities associated therewith;
- (www) "Project Agreements" - the agreements listed in Schedule B hereto, and any amendment, extension, renewal or replacement thereof;
- (xxx) "Project Lands" - those approximately 15 acres of land forming part of the Designated Lands, as more specifically identified in Schedule C;
- (yyy) "Province" - Her Majesty the Queen in Right of Alberta;
- (zzz) "Reserve Lands" - the lands in the Province of Alberta known as Alexis Whitecourt Reserve No. 232, which have been set apart for the use and benefit of the Nation in accordance with the *Indian Act* (Canada);
- (aaaa) "Reserves" - the Operating Reserve of Casino LP, and any other reserve of Casino LP established in accordance with the terms hereof;
- (bbbb) "Regulatory Legislation" - *Gaming and Liquor Act* (Alberta) and all regulations made thereunder and all mandatory terms and conditions, directives and orders issued thereunder or pursuant thereto and including the First Nations Gaming Policy adopted by the Province;

(cccc) "Revised Operating Budget" - the meaning attributed thereto in Subsection 4.7(e);

(dddd) "Slot Machine" - a machine or device that allows a person to play a Game of Chance by the insertion of money, and that falls within the meaning of "slot machine" under subsection 198(3)(a) of the *Criminal Code* (Canada);

(eeee) "Slot Retailer Agreement" - the agreement to be entered into ~~between the Gaming Commission and Casino LP~~ in respect of the conduct and management of Games of Chance operated on or through Slot Machines, and any amendment, extension, renewal or replacement thereof;

(ffff) "Tax" - any tax, duty, excise, fee, impost, remittances pursuant to Applicable Law, assessment, deduction, charge or withholding, including any sales, property, business, payroll, income, capital, value-added or other tax, and all liabilities with respect thereto, including any penalty and interest payable with respect thereto, levied, imposed or assessed from time to time upon or in respect of income, profits or assets of any nature or kind by any Governmental Authority;

(gggg) "Term" - the meaning ascribed thereto in Section 10.1;

(hhhh) "U.S. Prime Rate" - the rate of interest per annum publicly announced from time to time by Chase-Manhattan Bank as its prime rate in effect at its principal office in New York City.

1.2 **References.** Except as otherwise specifically indicated, all references to Article, Section and Subsection numbers refer to Articles, Sections and Subsections of this Agreement, and all references to Schedules refer to the Schedules attached hereto. The words "herein", "hereof", "hereunder", "hereinafter" and words of similar import refer to this Agreement as a whole and not to any particular Article, Section or Subsection hereof.

1.3 **Accounting Terms.** Accounting terms used herein, unless otherwise defined, shall have the meaning accorded thereto by Canadian generally accepted accounting principles.

1.4 **Recitals and Schedules.** The recitals and schedules attached to this Agreement and listed below shall have the same force and effect as if the information contained therein were contained in the body of this Agreement:

Schedule "A" - Insurance

Schedule "B" - Project Agreements

Schedule "C" - Project Lands

1.5 **Number and Gender.** Unless the context requires otherwise, words importing the singular include the plural and vice versa and words importing gender include all genders.

- 1.6 **Business Days.** If any payment is required to be made or other action is required to be taken pursuant to this Agreement on a day which is not a Business Day, then such payment or action shall be made or taken on the next Business Day.
- 1.7 **Calculation of Interest.** In calculating interest payable under this Agreement for any period of time, the first day of such period shall be included and the last day of such period shall be excluded.
- 1.8 **Statute References.** Any reference in this Agreement to any statute or any section thereof shall, unless otherwise expressly stated, be deemed to be a reference to such statute or section as amended, restated or re-enacted from time to time.
- 1.9 **Headings.** The table of contents hereto and the headings of any Article, Section or part thereof are inserted for purposes of convenience only and do not form part hereof.
- 1.10 **Interpretation.** The interpretation of this Agreement shall not permit a revenue, expense, liability, recovery, receipt, payment, reserve or reimbursement to be duplicated.
- 1.11 **Paramountcy.** In the event of any conflict or inconsistency between the provisions of this Agreement and those of the Credit Agreements, the latter shall prevail and be paramount.
- 1.12 **Canadian Currency.** All sums stated herein and in the Schedules hereto are in Canadian currency, and books, records and bank accounts shall be maintained in Canadian currency.

ARTICLE 2
APPOINTMENT OF MANAGER

- 2.1 **Appointment of Manager.** Casino LP hereby retains and appoints the Manager as an independent contractor, on a sole and exclusive basis, to assist in operating and managing (collectively, "Managing") the Casino and the Casino Support Facilities in accordance with this Agreement for the Term, and the Manager hereby accepts such appointment as an independent contractor upon and subject to the terms, conditions, covenants and provisions set forth herein.

- 2.2 **Standard of Performance.** Notwithstanding any other provision of this Agreement, the Manager will perform its services and functions honestly, in good faith and in a diligent and efficient manner, exercising the same degree of care, skill and supervision as would be exercised by a reasonable and prudent manager of facilities comparable to the Casino and Casino Support Facilities. The obligations of the Manager hereunder are to use reasonable commercial efforts to perform the referenced obligations and are not absolute obligations or guarantees of results and are subject to Casino LP performing its obligations hereunder to assist and enable the Manager to perform its obligations, and also subject to sufficient funds of the Casino, both from financing and operations, being available to perform same. Unless the Manager has failed to perform its obligations under this Agreement in accordance with the standards set out in this Section, the Manager shall not be in breach of this Agreement, and shall not have failed to observe or perform any term, covenant or agreement herein in any material respect, and Casino LP will not be entitled to terminate this Agreement or any other remedies in respect of this Agreement or the subject-matter thereof.

NOTE

**ARTICLE 3
FINANCING**

- 3.1 **Financing.** The Manager shall obtain from one or more lenders, which may include the Manager or a Nation Entity, (the "Financier") an operating line of credit and other loans or credit facilities to be used in the operations of the Casino and/or the Casino Support Facilities (the "Financing"), on terms consistent with the following:

- (a) the Nation shall not be required to guarantee repayment in respect of the Financing;
- (b) security and recourse for monetary recoveries for the Financing will be limited to the agreements, revenue and assets comprising or derived from the Casino or the Casino Support Facilities, as the case may be;
- (c) ~~the rights and remedies available to the Financier upon the occurrence of an event of default shall not include recourse to any assets of the Nation other than its interests in Casino LP or Casino LP other than its interest in the Casino and Casino Support Facilities, but may include the right to take possession of and continue to manage the Casino and the Casino Support Facilities and to enter into arrangements with any third party gaming licensee and/or facility licensee and/or registered gaming supplier, as the case may be, in that regard, subject to the Regulatory Legislation;~~
- (d) the interest rate, dividend rate or comparable cost of capital for the Financing to Casino LP will not exceed the U.S. Prime Rate plus 2.5%; and
- (e) the fees and charges payable in connection with the Financing will be limited to:

- Does our financing comply?*
- (i) a Financing initiation fee not exceeding 2.5% of the maximum amount of the Financing;
 - (ii) fees and charges in respect of the evaluation, exercise and enforcement of rights and remedies of the Financier, which are customarily paid in commercial transactions;
 - (iii) if the Manager is the Financier, fees and charges in respect of any change in capital requirements due to a change in the scope of the Project; and
 - (iv) where the Manager is the Financier, on otherwise commercially reasonable terms.

ARTICLE 4 OPERATING PERIOD

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4.1 Manager as Agent. Casino LP shall, during the Term and in accordance with Applicable Law, operate the Casino in which the conduct of Games of Chance will take place. Casino LP hereby retains and appoints the Manager as Casino LP's sole and exclusive agent to operate on behalf of and for the account of Casino LP the Casino and Casino Support Facility and all other activities related thereto, upon and subject to the terms, conditions, covenants and provisions set forth herein for the Term. The Manager hereby accepts such appointment as agent upon and subject to such terms, conditions, covenants and provisions.

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4.2 Limitation on Authority of Manager. The Parties hereby acknowledge that pursuant to Applicable Law, the Gaming Commission has been authorized by the Province to conduct and manage or participate in the conduct or management of Games of Chance including Games of Chance operated on or through Slot Machines in the Province of Alberta and further that Casino LP may be licensed to operate a facility for the conduct of Games of Chance, and may enter into a Slot Retailer Agreement. Therefore:

- (a) In order to ensure compliance with such Applicable Law, in addition to any other limitations on the powers and authority of the Manager as set forth herein, the Manager shall comply at all times with the Regulatory Legislation and shall not, in connection with this Agreement, take any action which would have a material adverse effect on the conduct and management of Games of Chance without obtaining the prior approval of Casino LP. Without limiting the foregoing:
- (i) the Manager shall not take any action in connection with the operation of the Casino or the Casino Support Facilities that is inconsistent in any material respect with the Operating Policies without the written approval of Casino LP; and

- (ii) Casino LP and their authorized representatives shall, in accordance with the Operating Policies, be provided with working space and office support in or near the Casino and be entitled to access to all areas of the Casino.
- (b) In acting hereunder in all matters relative to this Agreement and in approving or consenting to any matter hereunder not otherwise specifically provided for, Casino LP and the Manager shall act in a reasonable manner and in accordance with the requirements of paragraph 207(1)(a) and (b) of the *Criminal Code* (Canada) and the provisions of the Casino Facility and Services Agreement and the Slot Retailer Agreement.

4.3 Manager Duties. During the Operating Period, and, to the extent practicable and desirable, during the Pre-Opening Period, the Manager shall, and is authorized to, in compliance with this Agreement and the then current Approved Operating Budgets and the Operating Policies, perform, or cause to be performed for the account and expense of the Casino, the following services for Casino LP:

- (a) obtain and maintain all Governmental Consents required in connection with the proper, efficient and legal operation of the Casino and the Casino Support Facilities, other than as are required to be obtained by any of the Nation Entities, and assist Casino LP to obtain and maintain all Governmental Consents required by it in connection with the proper, efficient and legal operation of the Casino and the Casino Support Facilities;
- (b) do or cause to be done all such things relating to the operation of the Casino and the Casino Support Facilities which are necessary to ensure compliance with Applicable Law;
- (c) perform and, where desirable, contract for all things necessary or advisable for the proper, efficient and secure operation of the Casino and the Casino Support Facilities;
- (d) purchase or lease such supplies or equipment as it may, acting reasonably, consider necessary or advisable for the proper operation of the Casino and the Casino Support Facilities;
- (e) enter into or cause to be entered into such contracts for the furnishing of utilities and maintenance and other services to the Casino and the Casino Support Facilities as shall be reasonably necessary for the proper operation and maintenance thereof;
- (f) make all repairs, decorations, revisions, alterations and improvements to the Casino and the Casino Support Facilities as shall be reasonably necessary for the proper maintenance thereof in good order, condition, repair and appearance for a first class operation;

- (g) ensure that the Insurance is maintained in force and do, or cause to be done, all such acts and things to comply with the terms of all applicable Insurance policies;
- (h) employ and dismiss from employment personnel, agents, representatives or professionals with the powers and duties, upon the terms, at the places for and at the compensation as in the discretion of the Manager may be necessary or advisable in carrying on the business of the Casino and the Casino Support Facilities;
- (i) take all reasonable steps within its power and control to correct or remedy or cause to be corrected or remedied, any violations of Applicable Law relating to the Casino and the Casino Support Facilities;
- (j) grant leases, licenses or concessions for space within the Casino or Casino Support facilities; and
- (k) perform such other actions as it may, acting reasonably, consider necessary or advisable to carry out the intent of this Agreement, provided that in connection with the foregoing the Manager shall not enter into any contract for goods, services or materials, the term of which extends over more than 12 months or which would, over the term of the contract, commit the expenditure of moneys in excess of \$100,000 per Operating Year other than in accordance with Operating Policies where such policies specifically contemplate expenditures in excess of \$100,000 per Operating Year for specified classes or types of contracts, without the written approval of Casino LP, which approval may be specifically reflected by an Approved Operating Budget.

Casino LP shall provide such co-operation and further assurances as are reasonably required in order to accomplish the foregoing.

- 4.4 **Operating Policies.** The Manager, in co-operation with Casino LP, shall develop the Operating Policies, which shall be subject to the approval of Casino LP. The Manager shall also obtain the prior written approval of Casino LP to any significant changes to the standards, policies and procedures set forth in the Operating Policies. Casino LP shall have thirty (30) days after receipt of the Operating Policies, or a proposed amendment thereto, as the case may be, to review and approve them, and failing any objection within such period, the Operating Policies as submitted or amended by the Manager shall be deemed approved. In the event that Casino LP disapproves any portion of the Operating Policies, or a proposed amendment thereto, as the case may be, Casino LP shall provide the Manager with specific reasons for its disapproval, and in the twenty (20) day period following receipt of such disapproval, the Parties will attempt to resolve in good faith the disapproved portion. In the event of a disagreement at the end of the twenty (20) day period, the matter shall be submitted to the Expert in accordance with Sections 14.3 and 14.4. Pending a resolution of the matter, the Manager shall operate the Casino and the Casino Support Facilities such that:

- (a) the undisputed portions of the Operating Policies shall be deemed to have been approved by all Parties; and
- (b) the Manager may elect to proceed as if the disputed portion of the Operating Policies, or amendment thereto, as the case may be, were approved in accordance with this Section, provided that the Manager is satisfied that to do so would not violate any Applicable Law, and provided further that if the Expert later determines that such disputed portion or amendment ought not to be approved, the Manager shall, on its own account, be responsible for any Losses as a result of the Manager's electing to proceed as aforesaid.

4.5 **Objectives.** The parties acknowledge, among other things, that the Operating Policies will:

- (a) in accordance with Subsection 4.11(f):
 - (i) seek to maximize the employment, recruitment and training of, and
 - (ii) optimize the purchase of goods and services from,
certain persons referred to therein, provided always that the Manager's requirements as to bonding and insurance are fully satisfied ;
- (b) provide that the Manager shall use its reasonable efforts to seek, in each written contract entered into by it which over the term of the contract commits the expenditure of moneys in excess of One Hundred Thousand (\$100,000) Dollars in respect of the operation of the Casino or the Casino Support Facilities, a provision to the effect that if this Agreement, or the appointment of the Manager hereunder, is terminated, such contract may be terminated by the Manager, or assigned by the Manager, without penalty or charge for the assignment, to one or more of the Nation Entities, at their option.

4.6 **Business Hours.** The Parties agree that the policy of the Project shall be to operate the Casino and the Casino Support Facilities for the maximum times and periods permitted by Applicable Law, subject to emergency situations and any provisions relating thereto in the Operating Policies.

4.7 **Operating Budget.**

- (a) **Preparation.** The Manager shall, not less than forty-five (45) days and not more than sixty (60) days in advance of each Operating Year, submit to Casino LP an Operating Budget for the Casino and the Casino Support Facilities for such Operating Year. In its preparation of such Operating Budget, the Manager shall base its estimates upon the most recent and reliable information then available,

taking into account industry averages, the location of the Casino and the Manager's experience and knowledge.

- (b) Review. Following the submission of the Operating Budget, representatives of Casino LP and the Manager will meet for a discussion thereof, including a comparison with the previous year's performance of the Casino, and a discussion of marketing strategy.
- (c) Approval. Each Operating Budget shall be subject to the written approval of Casino LP and, to the extent required by the Credit Agreements, the Financier. Casino LP shall have thirty (30) days after receipt of the Operating Budget to review and approve it, and failing any objection within such period, the Operating Budget as submitted by the Manager shall be deemed approved. In the event that Casino LP disapproves any item or category in the Operating Budget, Casino LP shall provide the Manager with specific reasons for its disapproval, and in the twenty (20) day period following receipt of such disapproval, the Parties will attempt to resolve in good faith the disapproved items or categories. Notwithstanding the foregoing, Casino LP shall not be entitled to withhold approval based on its objection to: (1) the Manager's reasonable projections of Gross Receipts or the components thereof; (2) projected costs and expenses which apply to the Project as a whole, or which are specifically authorized or permitted under this Agreement or any other Project Agreement; (3) costs and expenses that are not within the control of the Manager and/or Casino LP; or (4) increases in projected costs and expenses of operating the Casino or the Casino Support Facilities, which increases are primarily caused by projected increases in Gross Receipts. In the event of a disagreement at the end of the twenty (20) day period, the matter shall be submitted to the Expert in accordance with Sections 14.3 and 14.4. Pending a resolution of the matter, the Manager shall operate the Casino and the Casino Support Facilities such that:
 - (i) the undisputed portions of the Operating Budget shall be deemed to have been approved by all Parties; and
 - (ii) with respect to items other than Gross Receipts, or any component thereof, the corresponding item contained in the Approved Operating Budget for the immediately preceding year (as adjusted to be the number obtained by multiplying the amount for such item by a fraction the numerator of which is the CPI for the month in which the Operating Budget was submitted to Casino LP for its approval and the denominator of which is the CPI for the same month a year earlier) shall be substituted in the Operating Budget in respect of such disputed portions.
- (d) Compliance with Operating Budgets. In managing the Casino and the Casino Support Facilities during the Operating Period and in carrying out the Approved Operating Budget, the Manager shall propose quarterly amendments to the Approved Operating Budget as necessary to keep the Approved Operating Budget consistent with the operational needs of the Casino and the Casino Support Facilities. The same approval and dispute resolution process as is

applicable to the Operating Budget shall be applicable to any such proposed quarterly amendment. During the intervals between such amendments, the Manager may reallocate budgeted Operating Expenditures from any line item to any other line item within a particular department if and as needed to carry out the purposes of this Agreement. Additionally, if the actual Gross Receipts for any quarter in any Operating Year exceed those projected in the Approved Operating Budget for that Operating Year, the amounts budgeted in such Approved Operating Budget for the Project operations shall be deemed to be increased to an amount that bears the same ratio to the amounts budgeted for such items as actual Gross Receipts for such period bear to the projected Gross Receipts for such period. Manager also agrees to make reasonable efforts to curtail Operating Expenditures if Gross Receipts fall below those projected, taking into account the need to continue to provide the level of services required to meet the Casino's operating standards, as well as the need to increase revenues. The Manager shall also be entitled to (i) make other expenditures or withdrawals approved or authorized by Casino LP; and (ii) undertake expenditures reasonably necessary to appropriately address any emergency or exigent circumstances provided that in such case, the Manager shall, to the extent practicable in the circumstances, apprise Casino LP of such emergency or exigent circumstances and the actions being taken by the Manager in connection therewith prior to, or in any event as soon as reasonably practicable after, undertaking such expenditures and actions.

- (e) Revised Operating Budgets. If at any time during any Operating Year, the Manager shall, in the performance of its duties hereunder, determine that the Operating Budget relating to such Operating Year is no longer appropriate because of changes in conditions, circumstances or otherwise, the Manager shall submit to Casino LP for its written approval and to the extent required by the Credit Agreements, to the Financier, a Revised Operating Budget for the remainder of the Operating Year, indicating, in narrative form, the reasons why the assumptions used as a basis of preparation of the original Operating Budget for such Operating Year are no longer valid (once approved, a "Revised Operating Budget"). The same approval and dispute resolution process as is applicable to the Operating Budget shall be applicable to each Revised Operating Budget.
- (f) Operating Budgets Not a Guarantee. Casino LP acknowledges that, notwithstanding the Manager's experience in the operation of gaming facilities, the projections contained in each Operating Budget and in each Revised Operating Budget submitted from time to time to Casino LP by the Manager, are estimates based on the Manager's best business judgment under the circumstances then prevailing and are subject to and may be affected by changes in financial, economic, weather and other conditions and circumstances beyond the Manager's reasonable control and the giving of such Operating Budgets and Revised Operating Budgets shall never be construed as a guarantee or warranty by the Manager to the Nation Entities or any other Person that the projections contained in such Operating Budgets or revised Operating Budgets will, in fact, occur. For greater certainty, the failure to meet any Approved Operating Budget

shall be deemed not to be an event referred to in Section 10.3 entitling Casino LP to terminate this Agreement.

- (g) Operating Reserve. For any Operating Year, the Manager shall establish a reserve in the Approved Operating Budget to satisfy the types of expenses and liabilities identified in Section 1.1(hhh) to be accumulated over such period of time and in such amounts as the Manager shall determine until such reserve contains sufficient funds to cover such expenses and liabilities for a period of time as the Manager deems sufficient in the event that Gross Receipts actually received will be insufficient to pay or reserve for such expenses and liabilities, as contemplated by Section 1.1(hhh), to ensure the short and long term continuous and orderly operation of the Casino and the Casino Support Facilities ("Operating Reserve").

4.8 Security. The costs of any security services arranged by the Manager shall be included as an Operating Expense of the Casino, and to the extent that such services are made available to other facilities in the Project, the Manager shall arrange for the Casino to be reimbursed for a proportionate share of such expenses. In the event the Manager arranges private security service, each security officer shall be bonded in sufficient amounts commensurate with his enforcement duties and obligations.

4.9 Personnel.

- (a) Manager as Employer. If practical, all personnel retained to enable the Manager to perform its duties hereunder shall be employees of Casino LP, with the exception of volunteers (paid or otherwise) to be provided by the Charity pursuant to the Regulatory Legislation.
- (b) Personnel Expenses. The Parties acknowledge that the Manager shall be entitled to reimbursement of (i) the full cost to it of all personnel retained to enable it to perform its duties hereunder, including employee and retiree benefit costs of all personnel referred to in paragraph (c), and (ii) the cost of the Affiliate Personnel on a per diem basis, and calculated as the actual cost to the Affiliate of the services of such personnel, plus a reasonable allocation of overhead associated with such personnel, and travel and accommodation expenses (collectively "Manager's Personnel Expenses").
- (c) Use of Affiliates' Personnel. Subject to subsection 4.11(i), Manager shall be entitled to avail itself of the services of personnel of Affiliates of the Manager ("Affiliate Personnel") in its management of the Casino and the Casino Support Facilities where determined by the Manager to be necessary or advantageous for the Casino.
- (d) Casino Staff. Subject to the Operating Policies, as a first priority, the Manager shall establish all conditions and standards for recruiting, selecting, hiring,

training, promoting, transferring, supervising and discharging of its employees, and in accordance with the Operating Policies shall supervise all such activities, including identifying, selecting, interviewing, hiring and training personnel to be employees and negotiations with employee or any labour unions representing the employees of the Casino, levels of compensation and all other employee benefit programs. The Manager will, whenever reasonably practical, maximize the training, recruitment and employment of First Nations peoples at all levels in the operation and management of the Casino and Casino Support Facilities.

4.10 Operations Committee.

- (a) Establishment. Notwithstanding the fact that the Manager will be responsible for the day-to-day operation of the Casino and the Casino Support Facilities, and subject to Section 4.2 hereof, the Parties hereby agree to establish an Operations Committee, consisting of three (3) representatives of each of Casino LP and the Manager ("Operations Committee Representatives"), to review on a monthly basis the operations of the Casino and to monitor results relative to Approved Operating Budgets, and otherwise, to ensure ongoing consultation and cooperation on all matters relating to the Casino and the Casino Support Facilities during the Term.
- (b) Operations Committee Representatives of Casino LP. At all times, the Operations Committee Representatives of Casino LP shall be the same as the members of the board of directors of Alexis Casino Corp.
- (c) Operations Committee Meetings. The Operations Committee shall meet once each month at a regularly scheduled time, with the agenda for such informal meetings being circulated to each Operations Committee Representative at least two (2) Business Days in advance of each meeting. One of the Manager's Operations Committee Representatives shall chair the Operations Committee. An Operations Committee Representative may choose to participate in a meeting by means of conference telephone or similar communication equipment by means of which all Persons participating in the meeting can hear each other, and participation in a meeting in such manner shall constitute attendance and presence at such meeting.

4.11 Additional Covenants of Manager. In addition to the other covenants and obligations to be performed by the Manager hereunder, the Manager agrees to do the following during the Term:

- (a) Maintain Corporate Existence. Maintain its corporate existence, rights and power under the laws of the Province of Nova Scotia and qualify and remain duly qualified to do business in the Province of Alberta;

- (b) Shareholdings. Unless otherwise consented to by Casino LP, but subject to the terms of the Credit Agreements and to obtaining any consent of the Financier required thereby, cause the existing shareholders of the Manager to:
 - (i) if the Manager is a private corporation, (1) own at least 50% of the issued and outstanding shares of the Manager or (2) maintain Control of the Manager; and
 - (ii) if the Manager is a public corporation, (1) own the largest single holding of the issued and outstanding shares of the Manager, which holding shall constitute at least 30% of all the issued and outstanding shares of the Manager or (2) maintain Control of the Manager;
- (c) Compliance with Laws. Except to the extent contested in good faith, comply in all material respects with all Applicable Law;
- (d) Maintain Registration under the Regulatory Legislation. Maintain registration as a gaming supplier under the Regulatory Legislation;
- (e) Compliance with all Project Agreements. Perform promptly and faithfully all of its obligations under this Agreement and, in all material respects, obligations under the other Project Agreements to which it is a party;
- (f) Nation Procurement. To the extent permitted by Applicable Law, whenever ~~reasonably practicable~~ in the performance of its duties hereunder and on the basis of comparable qualifications, quality and price, purchase materials from, and retain the services (including hiring, training and promotion) of local Nation people, or manufacturers and suppliers which are owned or operated by, in the following order of priority:
 - (i) members of the Nation;
 - (ii) residents of the Reserve Lands;
 - (iii) members of other First Nations; and
 - (iv) members of the surrounding communities;
- (g) Change of Senior Operating Personnel. To the extent reasonably possible, notify Casino LP and the Gaming Commission in advance of any change to the senior operating personnel of the Casino, including the individuals responsible for overall operations, financial, gaming and security activities;
- (h) Minimum Cash on Hand. Maintain cash on hand in an amount to be determined by the Manager, it being acknowledged by the Parties that the Manager will accumulate such amount during the first six months following the Opening Day; and

- (i) Non-Arm's Length Contracts. Not to enter into any agreement or contract with any Affiliate of the Manager or any Person that is related to or does not deal at arm's length (within the meaning of the *Income Tax Act* (Canada)) in respect of the Casino without prior disclosure to Casino LP.

4.12 Negative Covenants of Manager. During the Term, the Manager agrees that it will not without the written consent of Casino LP:

- (a) Business. Engage in any business other than the operation of the Casino and the Casino Support Facilities, the development and operation of the Project and other activities incidental or related thereto or authorize or take any actions that could materially adversely affect the development, construction or efficient operation of the Project; ✓
- (b) Liens. Directly or indirectly create or incur, or purport to create or incur, any Lien, on or with respect to any property or asset (including any document or instrument in respect of goods or accounts receivable) whether now owned or held or hereafter acquired, or assign or otherwise convey any right to receive the proceeds or income therefrom;
- (c) Consolidation, Merger, Sale of Assets. To the extent not prohibited under the Credit Agreements:
 - (i) consolidate with, amalgamate or merge into any other Person or permit any other Person to consolidate with, amalgamate or merge into it, unless Paragon Gaming Inc. is in Control of the consolidated, amalgamated or merged entity and such entity enters into an agreement satisfactory in form and substance to Casino LP pursuant to which such entity agrees to be bound by the terms and conditions of this Agreement and all other Project Agreements to which the Manager is a party;
 - (ii) sell, lease, abandon or otherwise dispose of all or substantially all of its assets, except for the sale or disposition to a Person Controlled by Paragon Gaming Inc. and such Person enters into an agreement satisfactory in form and substance to Casino LP pursuant to which such Person agrees to be bound by the terms and conditions of this Agreement and all other Project Agreements to which the Manager is a party; or
 - (iii) liquidate, dissolve, windup, continue under another jurisdiction or undertake a reorganization, except for a reorganization pursuant to which Paragon Gaming Inc. or its shareholders Control the reorganized entity and such entity enters into an agreement satisfactory in form and substance to Casino LP pursuant to which such entity agrees to be bound by the terms and conditions of this Agreement and all other Project Agreements to which the Manager is a party.

- (d) Legal Action. Retain legal counsel to defend or institute legal action on behalf of Casino LP.

ARTICLE 5 MANAGER'S FEE

- 5.1 Entitlement. In consideration of the Manager's performance of services under this Agreement, the Manager shall be entitled to a fee (the "Manager's Fee") in accordance with this Article 5.

- 5.2 Amount. The Manager's Fee for any period will be an amount equal to the Gross Receipts of Casino LP during that period ~~less Operating Expenditures of Casino LP during that period, plus any applicable GST.~~

- 5.3 Payment. The Manager's Fee calculated in accordance with this Article 5 shall be payable monthly by withdrawal from the Operating Account, to be adjusted if necessary, concurrently with the delivery to Casino LP of the monthly reports described in Subsection 7.11(a).

ARTICLE 6 OBLIGATIONS AND ENTITLEMENTS OF CASINO LP

- 6.1 Performance of Agreements. Casino LP hereby covenants in favour of the Manager that it will perform promptly, honestly and faithfully all of its obligations under this Agreement and the Project Agreements to which it is a party. Casino LP will take all steps within its power or control to ensure that it obtains and at all times maintains without interruption, a facility licence pursuant to the Regulatory Legislation.
- 6.2 Consent, Approvals. Casino LP will provide any consents or approvals that are within its power or control under any Applicable Law that, in the opinion of the Manager, are necessary or desirable for the efficient operation of the Casino and the Casino Support Facilities, and will take such other actions within its power or control to cooperate with the Manager in the performance of its duties hereunder.

6.3

Financier's Security. Casino LP will grant in favour of the Financier the security contemplated to be provided by it under the Credit Agreements, provided same is in accordance with this Agreement and will execute and deliver all other documents and agreements required or contemplated by the Credit Agreements and the Financing Commitment therefor, provided that there will be no recourse to any assets of the Nation other than its interest in Casino LP or of Casino LP other than its interest in the Casino and the Casino Support Facilities.

6.4

Government Funding. Without limiting the provisions of Subsections 4.5(a), 4.9(b) and 4.9(d), Casino LP will use its reasonable efforts to obtain all available government funding assistance for the training of personnel for the Casino, and will consult with the Manager in that regard.

6.5

Project Operations. Casino LP agrees that, subject to its rights and remedies herein and in the other Project Agreements, and subject to the terms of the Regulatory Legislation, it shall take all steps within its power or control to cause the Casino to be operated for the purpose of gaming throughout the Term.

6.6

Non-Arm's Length Transactions. Casino LP will not enter into any agreement or contract with any Affiliate of any Nation Entity, or any member of the Nation, or any other person with which any Nation Entity does not deal at arm's length within the meaning of the *Income Tax Act* (Canada), in respect of the Project, without prior disclosure to, and the written approval of, the Manager.

6.7

No Modification of Project Agreements. Casino LP will not, and to the extent within its power and control, will not permit any of its Affiliates to, enter into, renew, extend, replace, amend, waive or otherwise vary, or terminate the Casino Sublease or any other Project Agreement without the prior approval of the Manager.

6.8

No Conflicts. Casino LP will not authorize or take any actions that could materially adversely affect the development, construction or efficient operation of the Project or the Manager's rights in respect thereof, including permitting or supporting any gaming activities (with the exception of bingo facilities) on Reserve Lands other than pursuant to this Agreement, or the issuance of any orders, permits, certificates or other instruments under Applicable Law or otherwise, without the approval of the Manager. To the extent that any circumstances arise that could materially affect the Project or any of the Manager's rights in respect thereof, Casino LP will take all necessary steps within its power to rectify any matter that may arise.

- 6.9 Reports. Casino LP shall cause to be delivered to the Manager as soon as available and in any event within ninety (90) days after the end of each fiscal year ~~/audited/~~ financial statements of Casino LP consisting of a balance sheet as of the end of such year, statements of income, surplus and changes in financial condition for such year, setting forth in each case in comparative form the figures for the corresponding periods of the previous fiscal year, if such figures were prepared for the previous fiscal year, and copies of all reports submitted to, and communications with, the Gaming Commission.
- 6.10 Covenant re Ownership and Activities of Casino LP. Casino LP will ~~not~~ carry on any business or other activity except as expressly provided for in this Agreement. Casino LP will not, without the Manager's approval and the Gaming Commission's approval:
- (a) issue, repurchase, or redeem or approve the transfer of any partnership interest, and for greater certainty will not admit any additional limited partners, nor substitute its general partner, ~~nor permit any transfer or encumbrance of any of the shares of its general partner except to an Affiliate or an Affiliate of a Nation Entity;~~
 - (b) incur, secure or guarantee any indebtedness, nor acquire, transfer or encumber any assets;
 - (c) enter into, amend, waive or otherwise vary, any agreements, claims or other binding arrangements;
 - (d) amalgamate, merge or combine with any person except an Affiliate or an Affiliate of a Nation Entity; or
 - (e) cease carrying on its activities in accordance with the Agreement, wind up, dissolve or terminate its existence;
- nor permit same to occur, nor enter into any binding arrangement to do so.

ARTICLE 7
BANK ACCOUNTS; RECORDS AND REPORTS

- 7.1 Bank Accounts. The Bank Accounts for the Casino shall be established in Casino LP's name at a banking institution or institutions selected by the Manager. Only the Manager shall be entitled to receive Gross Receipts in respect of the Casino.
- (a) The parties agree that the ~~only persons authorized to make withdrawals, payments and other transfers from the Bank Accounts will be designated representatives of the Manager.~~

- (b) The parties further agree that only designated representatives of the Manager will be authorized to make deposits, payments and other transfers to any of the Bank Accounts and the AGLC Account.
- (c) The Manager shall, subject to the maintenance of appropriate house banks and petty cash funds at the Casino, on a daily basis deposit in one or more of such Bank Accounts as provided herein all Gross Receipts and shall be entitled to disburse the same only for the purposes set forth in this Article 7. In addition, the Manager shall be entitled to maintain such funds as it reasonably deems proper in house banks, petty cash funds and gaming bankroll at the Casino, in accordance with the Operating Policies. No funds shall be disbursed or withdrawn from the Bank Accounts except in accordance with this Article 7. The provisions of this Article 7 will be subject to the terms of the Credit Agreements. The Manager shall not overdraw the Bank Accounts.

7.2 Operating Account.

- (a) **Deposits.** To the Operating Account, the Manager will cause to be deposited all Gross Receipts received by it including the balance in the AGLC Account from time to time after the Gaming Commission has withdrawn all amounts owed to it;
- (b) **Disbursements.** From the Operating Account (or, if appropriate, from the house banks or petty cash funds available to Casino LP), the Manager will (and is hereby irrevocably authorized and directed by Casino LP to) cause to be paid the following amounts in the following priority (and without duplication) at such times as are required in connection with the operation of the Casino and the Casino Support Facilities:
 - (i) Operating Expenditures of Casino LP; and
 - (ii) Contributions to the Operating Reserve in accordance with the applicable Approved Operating Budget.

7.3 Operating Reserve Account.

- (a) **Deposits.** To the Operating Reserve Account, the Manager will cause to be deposited from the Operating Account such amounts as are provided in the applicable Approved Operating Budget.
- (b) **Disbursements.** From the Operating Reserve Account the Manager will (and is hereby irrevocably authorized and directed by Casino LP to) cause to be paid to the Operating Account such amounts in accordance with the Approved Operating Budget as are necessary to enable the payment from the Operating Account of the amounts referred to in Subsection 7.2(b)(i).

7.4 AGLC Account.

- (a) **Deposits.** To the AGLC Account, the Manager will cause to be deposited (after payment of winnings to players thereof) all receipts derived from Games of Chance operated on or through Slot Machines or otherwise pursuant to the Slot Retailer Agreement, at such times as are required in connection with the operation of the Casino.
- (b) **Disbursements.** From the AGLC Account, after payment of all amounts owing to the Gaming Commission pursuant to the Slot Retailer Agreement, the Manager will (and is hereby irrevocably authorized and directed by Casino LP to) cause to be paid to the Operating Account the balance remaining in the AGLC Account from time to time.

7.5 Depository Agreement. The Parties acknowledge that the foregoing banking agreements will be subject to any depository agreement arrangements which the Manager may subsequently agree upon with its selected financial institution. ✓

7.6 Operating Reserve. The Manager shall establish, out of Gross Receipts of the Casino or the Casino Support Facilities, as the case may be, and to the extent not prohibited by the Credit Agreements, the Operating Reserve to be used in accordance with this Agreement in the event that Gross Receipts actually received will be insufficient to pay or reserve for the expenses and liabilities contemplated hereby. In the event that it becomes necessary, in accordance with the terms of this Agreement, to withdraw funds from the Operating Reserve, such amounts shall be added to the amount to be deposited into the Operating Reserve in the immediately succeeding month, to the extent available, with the balance to be carried forward on the same basis, until such time as the funds in the Operating Reserve are replenished.

7.7 Accounting/No Commingling. The Manager acknowledges that all monies received by the Manager pursuant to any of the obligations provided for in this Agreement in connection with the operation of the Casino and the Casino Support Facilities shall be accounted for in the manner provided for in this Article 7. The Manager shall not commingle Bank Account funds with its own funds.

7.8 Cash Management. The Manager shall develop and adhere to cash management policies and procedures including, subject to Section 7.7, transfers to and between Bank Accounts. The Manager may, to the extent not prohibited by the Credit Agreements, withdraw funds from the Bank Accounts for the purposes of investment.

7.9 **Financial Year of Parties.** The financial year of each of the Parties shall coincide with the Operating Year for the Casino.

7.10 **Books and Records.** The Manager shall keep or cause to be kept full and adequate books of account for Casino LP, and such other records as are necessary to reflect the results of the operation of the Casino and the Casino Support Facilities. The Manager shall keep such books and records in all material respects in accordance with Canadian generally accepted accounting principles consistently applied. Such books and records shall be maintained at or near the Project, or such other places as the Manager may reasonably determine.

7.11 **Reports.**

- (a) **Monthly Financial Reports.** The Manager shall, within twenty (20) days after the end of each month, prepare and submit to Casino LP, written reports for the Casino and the Casino Support Facilities, for the account and expense of the Casino, setting out:
 - (i) a statement of income for the Casino on a departmental basis for the preceding month and the year to date on an accrual basis with comparisons to the Approved Operating Budget and the prior year results and showing separately for the preceding month, the computation of the Manager's Fee proposed to be paid for such preceding month, a balance sheet and a statement of changes in financial position;
 - (ii) an operating statement reconciling Operating Reserves taken in previous months to amounts from such Reserves incurred and paid; and
 - (iii) bank reconciliations of the Bank Accounts as at the end of the previous month.
- (b) **Annual Financial Statements.** The Manager shall cause to be delivered to Casino LP as soon as practicable and, in any event, within ninety (90) days after the end of each Operating Year, for the account and expense of the Casino, the audited annual financial statements of the Casino and the Casino Support Facilities as at the end of each such year, such financial statements to consist of at least a balance sheet as at the end of the year and statements of income, retained earnings and changes in financial position for the year then ended and a statement of the calculation of the Manager's Fees as at the end of each such Operating Year, with a report of the Auditors on such financial statements. In respect of each Operating Year, the Manager shall use its best efforts to provide to the Auditors, within the time frame requested by the Auditors, all information and assistance requested by the Auditors to facilitate the audit of the financial statements for such Operating Year so as to enable the Manager to deliver such

audited financial statements within sixty (60) days after the end of such Operating Year.

- (c) Regulatory Reporting. The Manager shall furnish or cause to be furnished to Casino LP, for the account and expense of the Casino, promptly after the filing or receiving thereof, copies of all reports and notices which the Manager files with or receives from the Gaming Commission relating to non-compliance with the Regulatory Legislation.

7.12 Casino LP Review of Financial Reports. Casino LP shall be entitled to submit any objection it may have with respect to the financial statements contemplated by Section 7.11, including in respect of Gross Receipts and the Manager's Fee, including the computation or payment thereof, within one hundred eighty (180) days after submission of the same by the Manager. If Casino LP does not submit any objections in respect of such financial statements within such 180 day period, then Casino LP shall not be entitled to object to or take issue with such financial statements, including in respect of Gross Receipts or the Manager's Fee, including the computation or payment thereof with respect to the Operating Year addressed by such financial statements; provided that it is expressly understood and agreed that the failure of Casino LP to object to or take issue with such financial statements within such 180 day period shall not preclude Casino LP from subsequently taking any action or exercising any remedies available at law by reason of any fraudulent misrepresentation or fraudulent omission contained in such financial statements or the audit thereof.

7.13 Rights of Inspection. The Manager agrees to make available to Casino LP all reports, accounts, records and other documents relating to the operation of the Casino and the Casino Support Facilities and to furnish, or cause to be furnished, such information respecting the condition or operations, financial or otherwise, of the Manager, the Casino or the Casino Support Facilities, as Casino LP may from time to time reasonably request. The Manager shall permit in accordance with and subject to Applicable Law any authorized representatives designated by Casino LP to, upon reasonable notice, visit and inspect any of the properties of the Manager to inspect books of account and all other property, books and records relating to the Casino and the Casino Support Facilities, and to make copies and take extracts therefrom and to discuss its affairs, finances and accounts with, and to be advised as to the same by, its officers and its independent public accountants and by this provision the Manager authorizes such accountants to discuss with such representatives the affairs, finances and accounts of the Manager, all at such times as may be reasonably requested in accordance herewith, provided that (i) Casino LP shall not have any duty to make or cause to be made any such inspection and shall not incur any liability or obligation for not making any such inspection, for not making the same carefully or properly, or for not completing the same and (ii) the fact that such inspection may not have been made by Casino LP or any representative thereof shall not relieve the Manager of any obligations it might otherwise have under this Agreement.

The Manager shall maintain the Manager's accounts with respect to matters arising under this Agreement in such a manner as to enable Casino LP to readily extract financial statements pertaining to the Casino and the Casino Support Facilities.

- 7.14 **Furnish Information to Auditors.** The Manager shall, after reasonable notice from Casino LP or the Auditors, for the account and expense of the Casino, make available to the Auditors such information and material as may be reasonably required by such Auditors for the purpose of their audit. The Parties shall each give such cooperation as may be necessary for such Auditors to carry out their duties in respect of the Casino, as the case may be.

ARTICLE 8

REPRESENTATIONS AND WARRANTIES

- 8.1 **Representations and Warranties of the Manager.** The Manager represents and warrants that as of the date hereof and up to and including the date for removal of the conditions subsequent set out in paragraph 18.1 herein the following:

- (a) **Organization.** The Manager is a company duly formed and organized under the laws of the Province of Nova Scotia and extra-provincially registered in the Province of Alberta.
- (b) **Ownership.** All of the issued and outstanding shares of the Manager are owned by Paragon Gaming Inc.
- (c) **Options.** No Person has any right or option, contingent or otherwise, to acquire any of the capital stock of the Manager.
- (d) **Capacity and Authorization.** The Manager has all necessary capacity, power and authority to enter into and to carry out the provisions of this Agreement. This Agreement has been duly authorized by the Manager and constitutes a valid and binding obligation of the Manager, enforceable against the Manager in accordance with its terms.
- (e) **No Violation.** Neither the execution and delivery of this Agreement nor the fulfilment of or compliance with the terms and conditions hereof:
 - (i) conflicts with or results in a breach of any of the terms, conditions or provisions of or constitutes a default under the constating documentation of the Manager; or
 - (ii) conflicts in a material respect with or results in a material breach of any of the terms, conditions or provisions of or constitutes a material default under any material agreement, licence or other instrument to which the Manager is a party or by which it is bound.

- (f) Litigation. There are no actions, suits or proceedings pending or threatened against the Manager which could reasonably be expected to materially adversely affect its ability to perform its obligations under any of the Project Agreements or which would reasonably be expected to materially adversely affect the development, financing or operation of the Casino or the Casino Support Facilities.
- (g) Registration. To the best of its knowledge and belief the Manager will by the Opening Day be registered under the Regulatory Legislation.
- (h) Financial Data. To the best of its knowledge and belief, all financial information provided by the Manager to Casino LP is true and accurate and represents a reasonable estimate of Gross Receipts and Operating Expenditures of the Casino.

The Manager acknowledges that Casino LP is relying on such representations and warranties in connection with the transactions contemplated by this Agreement.

8.2 Representations and Warranties of Casino LP. Casino LP represents and warrants that as of the date hereof and up to and including the date for removal of the conditions subsequent set out in Section 18.1 herein the following:

- (a) Organization. Casino LP will be a limited partnership to be formed pursuant to the *Partnership Act* (Alberta). The general partner of Casino LP, Alexis Casino Corp., is a corporation incorporated under the *Business Corporations Act* (Alberta). The only limited partner of Casino LP will be Alexis Trust. The Nation is a First Nation having the status of a "band" under the *Indian Act* (Canada). The sole trustee of Alexis Trust will be Alexis Trustee Corp., a corporation incorporated under the *Business Corporations Act* (Alberta).
- (b) Ownership. All of the issued and outstanding shares of Alexis Trustee Corp. and Alexis Casino Corp. are legally and beneficially owned by the Nation.
- (c) Options. No Person has any right or option, contingent or otherwise, to acquire any ownership interest in any of the Nation Entities.
- (d) Capacity and Authority. Once formed, Casino LP and its general partner, Alexis Casino Corp. will have all the necessary capacity, power and authority to enter into and to carry out the provisions of this Agreement. This Agreement will be duly authorized by Casino LP and will constitute a valid and binding obligation of Casino LP, enforceable in accordance with its terms.
- (e) No Violation. Neither the execution and delivery of this Agreement nor the fulfilment of or compliance with the terms and conditions hereof:
 - (i) will conflict with or result in a breach of any of the terms, conditions or provisions of or constitutes a default under the constating documentation of Casino LP, once formed, or its general partner, Alexis Casino Corp.;

- (ii) will conflict in a material respect with or results in a material breach of any of the terms, conditions or provisions of or constitutes a material default under any material agreement, licence or other instrument to which Casino LP, once formed, will be party or by which it will be bound;
 - (iii) conflicts with or is inconsistent with the *Indian Act* (Canada) and regulations, by-laws enacted pursuant to that Act (including by-laws of the Nation), or with any other Applicable Law; or
 - (iv) conflicts with or is inconsistent with the Casino Sublease.
- (f) Casino Sublease. Subject to approval by her Majesty the Queen in Right of Canada of the Leases, the Casino Sublease, when executed, will be a legal, valid and binding agreement of Casino LP, enforceable in accordance with its terms. No Persons have any right, interest, permit, privilege or claim of any kind in or in respect of the Project Lands that would have a material adverse impact on the operation of the Casino or the Casino Support Facilities during the Term.
- (g) Contracts and Commitments. Alexis Casino Corp., which will be the General Partner of Casino LP, has disclosed to the Manager each pre-existing agreement and commitment (whether written or oral) entered into by any Nation Entity relating, directly or indirectly, in any way to the operation of the Casino or the Casino Support Facilities and has set forth and disclosed in written form the material substance of all oral agreements to such effect. Alexis Casino Corp. has delivered to the Manager copies of all such pre-existing agreements and commitments.
- (h) New Buffalo Gaming. The Master Agreement dated August 2000, between the Nation and New Buffalo Gaming Inc. is terminated.

Casino LP acknowledges that the Manager is relying on such representations and warranties in connection with the transactions contemplated by this Agreement.

- 8.3 Survival of Representations and Warranties. The representations and warranties of the parties contained herein are given as of the date hereof and up to and including the date for removal of the conditions subsequent and shall survive the execution and delivery of this Agreement.

ARTICLE 9 INTELLECTUAL PROPERTY

- 9.1 Intellectual Property of Casino LP. The Parties acknowledge and agree that the Intellectual Property of Casino LP shall be the property of Casino LP. Casino LP grants to the Manager a royalty-free, non-transferable exclusive right during the Term to use the Intellectual Property of Casino LP in connection with the operation, advertising and promotion of the Casino and related activities and the right to sub-license such rights during the Term. The Manager shall determine the Intellectual Property of Casino LP to

be used to identify, advertise and promote the Casino. The Manager may, to the extent that it deems appropriate for the purposes of carrying out its obligations hereunder, but is not required to, utilize such Intellectual Property of Casino LP in connection with the management of the Casino.

- 9.2 **Intellectual Property of the Manager.** The Parties acknowledge and agree that the Intellectual Property of the Manager shall be the property of the Manager. The Manager grants to Casino LP a royalty-free, non-transferable, non-exclusive right to use the Intellectual Property of the Manager in connection with the Manager's operation advertising and promotion of the Casino and related activities. The Manager shall determine the Intellectual Property of the Manager to be used to identify, advertise and promote the Casino. The Manager may, to the extent that it deems appropriate for the purposes of carrying out its obligations hereunder, but is not required to, utilize such Intellectual Property of the Manager in connection with the management of the Casino.
- 9.3 **Software.** The Parties acknowledge and agree that any copyright in software developed or acquired by the Manager from time to time during the Term, as an expense of the Casino, for use in connection with the Casino or the Casino Support Facilities, and in which the Manager owns copyright (either because (i) such software was created or developed by employees of the Manager, or (ii) the rights in such software were assigned to the Manager from outside contractors or any other third party owners), shall be the sole property of the Manager.
- 9.4 **Licence after Expiry of Term.** Upon the expiry of the Term, and provided that Casino LP has satisfied its duties and obligations under this Agreement in all material respects, the Manager agrees to grant to Casino LP a royalty free, non-transferrable, non-exclusive right to use that portion of the Intellectual Property of the Manager which is directly or indirectly related to the Casino and reasonably necessary for the continued operation of the Casino.

ARTICLE 10

TERM AND TERMINATION

- 10.1 **Term.** The term of this Agreement (the "Term") shall commence on the date hereof and shall, subject to earlier termination in accordance with the provisions hereof, terminate on the twentieth (20th) anniversary of the Opening Day.
- 10.2 **Termination by Manager.** Subject to Section 10.7 and to the Credit Agreements, if any of the following events shall happen:
- CCDA

- (a) Casino LP having been convicted by a court of competent jurisdiction for committing a fraudulent act or fraudulent omission or wilful neglect in relation to this Agreement or the operation of the Casino;
- (b) the lapse or revocation of Casino LP's licence under the Regulatory Legislation, or a finding by the Gaming Commission that Casino LP has committed a material violation of the Regulatory Legislation by Casino LP, where such lapse, revocation or violation remains unremedied for a period in excess of sixty (60) days after Casino LP receives notice of the same, or such shorter or longer period as may be permitted by the Gaming Commission to remedy same;
- (c) any representation or warranty made by Casino LP in Section 8.2 of this Agreement ~~proves to have been incorrect~~ in any material respect when made and, as a consequence, there is a material adverse impact on the Manager;
- (d) Casino LP fails to perform or observe any other covenant, agreement or term contained in this Agreement in any material respect and, as a consequence, there is a material adverse impact on the Manager and any such failure shall remain unremedied for thirty (30) days after the date on which Casino LP receives notice of such failure from the Manager, or such longer period as may be reasonably regarded as necessary to remedy such failure, provided that Casino LP has commenced within a reasonable time and in good faith the remedying of such failure within such thirty (30) day period and thereafter prosecutes to completion with diligence and continuity the remedying thereof; or
- (e) Casino LP fails to perform or observe any term, covenant or agreement contained in a Project Agreement in any material respect which has a material adverse impact on the Manager and such failure remains unremedied for thirty (30) days after the date on which Casino LP receives notice of such failure from the Manager, or for such shorter grace period as may be provided for in the applicable Project Agreement, or for such longer period as may be reasonably regarded as necessary to remedy such failure; provided, however, that in the latter case Casino LP has commenced within a reasonable time and in good faith the remedying of such failure within such thirty (30) day period or within such shorter grace period as may be provided for in the applicable Project Agreement, and thereafter prosecutes to completion with diligence and continuity the remedying thereof;

then, in addition to any other rights the Manager may have under this Agreement, if the Manager believes in its reasonable judgement that default or event, if it continues to exist, will not permit the Casino and the Casino Support Facilities to be viably operated and that alternative remedies available to the Manager against Casino LP are not adequate under the circumstances, the Manager has the right, at its option, to terminate this Agreement upon at least ninety (90) days prior written notice to Casino LP (except that upon the occurrence of an event described in Subsections 10.2(a) or 10.2(b) and the expiry of the period referred to in Subsection 10.2(b), if applicable, the Manager may terminate this Agreement immediately upon written notice to Casino LP).

10.3 Termination by Casino LP. Subject to Sections 10.4, 10.5 and 10.6 and to the Credit Agreements, if any of the following events shall happen:

- (a) the Manager having been convicted by a court of competent jurisdiction for committing a fraudulent act or fraudulent omission or wilful neglect in relation to this Agreement or the operation of the Casino;
- (b) the lapse or revocation of Manager's licence under the Regulatory Legislation, or a finding by the Gaming Commission that the Manager has committed a material violation of the Regulatory Legislation by the Manager, where such lapse, revocation or violation remains unremedied for a period in excess of sixty (60) days after the Manager receives notice of the same, or such shorter or longer period as may be permitted by the Gaming Commission to remedy same;
- (c) any representation or warranty made by the Manager in Section 8.1 of this Agreement proves to have been incorrect in any material respect when made and, as a consequence, there is a material adverse impact on Casino LP;
- (d) subject to Subsection 10.3(b), the Manager fails to perform or observe any covenant, agreement or term contained in this Agreement in any material respect and, as a consequence, there is a material adverse impact on the Nation Entities taken as a whole and any such failure shall remain unremedied for thirty (30) days after the date on which the Manager receives notice of such failure from Casino LP, or such longer period as may be reasonably regarded as necessary to remedy such failure, provided that the Manager has commenced within a reasonable time and in good faith the remedying of such failure within such thirty (30) day period and thereafter prosecutes to completion with diligence and continuity the remedying thereof; or
- (e) the Manager fails to perform or observe any term, covenant or agreement contained in a Project Agreement in any material respect which has a material adverse impact on the Nation Entities taken as a whole and such failure remains unremedied for thirty (30) days after the date on which the Manager receives notice of such failure from Casino LP, or for such shorter grace period as may be provided for in the applicable Project Agreement, or for such longer period as may be reasonably regarded as necessary to remedy such failure; provided, however, that in the latter case the Manager has commenced within a reasonable time and in good faith the remedying of such failure within such thirty (30) day period or within such shorter grace period as may be provided for in the applicable Project Agreement, and thereafter prosecutes to completion with diligence and continuity the remedying thereof;

and then only if:

- (f) Casino LP delivers to the Manager full and final releases from third parties in respect of any guarantee, indemnity or other instrument under which the Manager or any of its Affiliates may have direct or indirect liability in relation to the Project;

then in addition to any other rights Casino LP may have under this Agreement, if Casino LP believes in its reasonable judgement that the default or event, if it continues to exist, will not permit the Casino and the Casino Support Facilities to be viably operated and that alternate remedies available to the Nation Entities against the Manager are not adequate under the circumstances, Casino LP shall have the right, at its option, upon at least ninety (90) days prior written notice to the Manager, to terminate this Agreement (except that upon the occurrence of an event described in Subsections 10.3(a) or 10.3(b) and the expiry of the period referred to in Subsection 10.3(b), if applicable, Casino LP may terminate this Agreement immediately upon written notice to the Manager and compliance with Subsection 10.3(f)).

10.4 Limitation on Termination by Casino LP. Notwithstanding anything in this Agreement to the contrary, without the express written consent of the Manager (which consent may be withheld in the Manager's sole and absolute discretion), Casino LP covenants and agrees that it may not terminate this Agreement for any reason (except as a result of any of the events described in Subsections 10.3(a) and (b)) at any time when the Manager or any of its Affiliates are providing (or are obligated to provide) any Financing, credit enhancement, loan or other funding to any of the Nation Entities with respect to the Project, if such Financing, credit enhancement, loan or other funding is outstanding or any amounts are due and owing to the Manager or any of its Affiliates thereunder. Casino LP agrees that during the period of time that the Manager or any of its Affiliates are providing (or are obligated to provide) Financing, credit enhancement, loans or funding as aforesaid, Casino LP's sole remedy for any of the events described in Subsections 10.3(c) through (e) shall be to sue the Manager for monetary damages incurred by Casino LP as a result of such event. In this Section, "credit enhancement, loans or funding" shall be limited to only those obligations in relation to which the Manager or its Affiliates have contractual liability or in which the Manager or its Affiliates have provided funding that has not been repaid; and further, "credit enhancement, loans or funding" shall not include any loans or other credit enhancements that the Manager or its Affiliates may have assisted in obtaining from third party Financiers on behalf of Casino LP, but as to which the Manager and its Affiliates have no direct or indirect liability.

10.5 Disputes. In the event that there is a dispute as to whether an event (other than those events described in Subsections 10.3 (a) and (b)) giving rise to a right of termination has occurred or as to whether such event has been cured within the applicable grace or cure period, such dispute shall be subject to the provisions of Article 14 and:

- (a) any applicable grace or cure period shall not commence; and
- (b) the Manager may elect to continue to operate the Casino and the Casino Support Facilities;

until the final determination of such dispute in accordance with Article 14.

10.6 Payments on Termination.

- (a) Right of Recovery of Manager. The Parties acknowledge and agree that, in the event of termination of the Manager as Manager under this Agreement or the termination of this Agreement pursuant to the termination rights of Casino LP under this Article 10, the Manager shall be entitled, to the extent not prohibited by the Credit Agreements, to recover together with interest thereon at the Agreement Rate of Interest:

- (i) subject to Subsection 10.6 (b), all outstanding and unpaid Manager's Fees;
- (ii) Losses in respect of claims and defending third party claims not attributable to the negligence or default of the Manager (except to the extent covered by insurance proceeds);
- (iii) Losses suffered or incurred by the Manager in respect of which it has a right of indemnification under Article 11 or 13 or otherwise; and
- (iv) all other amounts owing to the Manager under this Agreement,

from time to time from Gross Receipts received to the extent Gross Receipts are available for such purpose.

- (b) Unpaid Manager's Fees. The right of the Manager to recover any outstanding and unpaid Manager's Fees as aforesaid shall be subject to the condition that the amount of the Manager's Fee asserted by the Manager to be outstanding and unpaid is accurate, and for this purpose the Manager agrees to provide audited financial statements as required by Section 7.11 for the period in question. In the event that the amount of the Manager's Fee asserted by the Manager to be outstanding and unpaid is disputed, Casino LP shall pay the Manager the undisputed portion thereof and thereafter the Manager shall receive the balance of the Manager's Fee, if any, determined to be outstanding.
- (c) Indemnification of Manager on Termination. In the event of termination of the Manager or this Agreement, the Manager shall be indemnified and held harmless in respect of (i) any obligation or liability arising under any agreement entered into by it or on behalf of any Nation Entity pursuant to or in connection with the Casino or the Casino Support Facilities and (ii) any customary and usual obligations to employees employed by it in connection with the Casino or the Casino Support Facilities. Notwithstanding the foregoing, there shall be no obligation to indemnify the Manager on account of any breach or non-performance by the Manager of any covenant to be performed by it under this Agreement.

10.7 Casino LP's Rights upon Termination.

- (a) Assignment of Contracts. It shall be a condition to the right of the Manager to recover the payments set out under Section 10.6 that on termination of the Manager or this Agreement:

- (i) Casino LP shall have a period of thirty (30) days, commencing on the later to occur of the date of notice of termination and the date of delivery to Casino LP of the contract in question, to determine whether it wishes that it or its nominee be assigned, without payment of any bonus, penalty or other consideration, the Manager's rights under and respect of:
- (A) contracts in respect of materials or goods acquired for the operation of the Casino or the Casino Support Facilities, and warranties and guarantees issued by the supplier of such materials;
 - (B) contracts in respect of services in connection with the operation of the Casino or the Casino Support Facilities;
- and during such period Casino LP shall be provided with copies of, or access to, such contracts, for the purpose of making such determinations;
- (ii) in the event that Casino LP determines that it or its nominee shall so be assigned, and so assume, any such contract, such contract shall to the extent not prohibited under the Credit Agreements, be assigned to Casino LP or its nominee without the payment of any penalty or other charge for such assignment and the Manager shall be indemnified and held harmless in respect of any obligation or liability arising under such contract other than in respect of any breaches or defaults by the Manager under such contract; and
- (iii) in the event that Casino LP does not advise the Manager within such thirty (30) day period that it wishes it, or its nominee, be assigned the Manager's rights, and assume the Manager's obligations, under such contract, the Manager may terminate such contract.
- (b) Records on Termination. Upon termination of this Agreement in accordance with this Article 10, Casino LP shall be entitled to receive original copies of all records, documents and books of account maintained by the Manager relating to the operation of the Casino and the Casino Support Facilities pursuant to the terms of this Agreement which are in the possession or control of the Manager, provided, however, that the Manager may elect to retain notarial or other copies of such records, documents and books of account, and Casino LP shall produce the originals of such records, documents and books of account whenever reasonably required to do so by the Manager for the purpose of legal proceedings, dealings with any Governmental Authorities or any other purpose reasonably required by the Manager.

ARTICLE 11 **INDEMNIFICATION**

- 11.1 Indemnity by the Manager. The Manager will, from time to time and at all times hereafter, well and truly save, defend and keep harmless and fully indemnify Casino LP

and its officers, employees and agents of, from and against all manner of Losses which may be brought against or made upon Casino LP, its officers, employees and agents, or any of them and of, from and against all Losses which may be sustained, incurred or paid by Casino LP, its officers, employees and agents, or any of them, by reason of, or on account of:

- (a) any material breach by the Manager of, or any material inaccuracy of, any representation or warranty of the Manager contained in this Agreement or in any agreement, certificate or other document delivered pursuant hereto;
- (b) any material breach or material non-performance by the Manager of any covenant to be performed by it that is contained in this Agreement or in any agreement, certificate or other document delivered pursuant hereto; and
- (c) any negligence, fraudulent act or fraudulent omission by the Manager in the performance of its duties under this Agreement or in the operation of the Casino.

The Manager will pay to Casino LP and to each such officer, employee or agent on demand any Losses which may be sustained, incurred or paid by Casino LP or by any of its officers, employees and agents in consequence of or in settlement or in discharge or on account thereof and on default of payment by the Manager of any Losses in accordance with this Section 11.1 any and all such monies so paid or payable may be deducted, to the extent not prohibited by the Credit Agreements, from any monies owing to the Manager by Casino LP under this Agreement, or on any account whatever, or may be recovered from the Manager in any court of competent jurisdiction as monies paid at the Manager's request.

11.2 Indemnity by Casino LP. Casino LP and its general partner, Alexis Casino Corp., with joint and several liability, will, from time to time and at all times hereafter, well and truly save, defend and keep harmless and fully indemnify the Manager and its officers, employees and agents of, from and against all manner of Losses which may be brought against or made upon the Manager, its officers, employees and agents, or any of them and of, from and against all Losses which may be sustained, incurred or paid by the Manager, its officers, employees and agents, or any of them, by reason of, or on account of:

- (a) any material breach by Casino LP of, or any material inaccuracy of, any representation or warranty of Casino LP contained in this Agreement or in any Agreement, certificate or other document delivered pursuant hereto;
- (b) any material breach or material non-compliance by Casino LP of any covenant to be performed by it that is contained in this Agreement or in any Agreement, certificate or other document delivered pursuant hereto; and
- (c) any negligence, fraudulent act or fraudulent omission by Casino LP in the performance of its duties under this Agreement or in the operation of the Casino.

Casino LP will pay to the Manager and to each such officer, employee or agent on demand any Losses which may be sustained, incurred or paid by the Manager or by any of its officers, employees and agents in consequence of or in settlement of or in discharge or on account thereof and on default of payment by Casino LP of any Losses in accordance with this Section 11.2 any and all such monies so paid or payable may be deducted from any monies owing to Casino LP by the Manager under this Agreement on any account whatever or may be recovered from Casino LP in any court of competent jurisdiction as monies paid at Casino LP's request.

- 11.3 **Timed Notice.** Whenever a Party shall become aware of any claim which would subject the other Party to the provisions of this Article 11, the Party shall provide timely notice thereof to the other Party.
- 11.4 **No Subrogation.** Nothing in this Agreement shall be deemed to create any right of recovery whether by way of subrogation or otherwise on the part of any insurance or surety company.
- 11.5 **Insurance.** Notwithstanding the provisions of Sections 11.1 and 11.2, no Party will be required to make any payments pursuant thereto to any other Party of any such Losses to the extent such Losses paid from insurance proceeds.

ARTICLE 12
TITLE MATTERS

- 12.1 Title to Casino.

- (a) The Parties agree and acknowledge that Casino LP shall take all steps within its power or control to obtain a leasehold interest and possessory rights in respect of the Casino and the Casino Support Facilities pursuant to the Casino Sublease, which shall permit the further granting of possessory rights to the Manager as set out in Section 12.2.
- (b) The Parties acknowledge that the Gaming Commission will supply at its expense and retain title to Slot Machines and related property including fixtures and signs for use in the Casino.
- (c) The cost of purchasing or leasing gaming equipment other than Slot Machines used in the Casino shall be paid by Casino LP and the equipment shall constitute assets of Casino LP.
- (d) The cost of purchasing or leasing gaming equipment other than Slot Machines used in the Casino Support Facilities shall be paid by Casino LP and the

equipment shall constitute assets of Casino LP separate and apart from the Casino assets.

- 12.2 Access to Casino. Casino LP hereby grants to the Manager, its officers, directors, employees, agents and representatives and permitted assigns (collectively, the "Licensees") a licence coupled with an interest in land (the "Licence") pursuant to which the Licensees shall be entitled to full and unimpeded access to the Casino and the Casino Support Facilities during the Term for all purposes pertaining to the rights and obligations of the Manager in the performance of its services hereunder. The Licence shall enure to the benefit of the Manager and its successors and permitted assigns and shall be binding upon the successors and assigns of Casino LP. Upon the written request of the Manager, Casino LP will, subject to any consent required under the Casino Sublease, execute a registrable document evidencing the grant of the Licence and the Manager shall be entitled to register the same at Indian Land Registry against Casino LP's leasehold interest.

- 12.3 Assets of Casino LP. If, at any time, the Manager has within its possession any asset of Casino LP (including but not limited to revenues of Casino LP), then the Manager shall be deemed to be a trustee of such asset for Casino LP.

ARTICLE 13 DESTRUCTION/EXPROPRIATION

- 13.1 Destruction. Subject to the provisions of the Leases, if during the Term, all or substantially all of the Casino and the Casino Support Facilities shall be destroyed by fire or other casualty, then within thirty (30) days, either Party may elect to terminate this Agreement upon ninety (90) days written notice to the other Party. If either Party so elects, the Manager shall be entitled to receive its entitlement under any policies of Insurance and otherwise as contemplated by Section 10.6. If neither Party elects to terminate this Agreement, the provisions of Section 13.2 shall apply.

- 13.2 Damage. Subject to Section 13.1 and the provisions of the Leases, if during the Term the Casino or the Casino Support Facilities are damaged or destroyed, the Manager shall, with all reasonable diligence and in accordance with the Manager's reasonable judgment, proceed to process the claim with the applicable Insurance carriers, including settling such claim, and to make the necessary arrangements with appropriate contractors and suppliers to repair and/or replace the damage, to the same condition as existed prior to the damage or destruction. Casino LP's consent shall not be required for the Manager to perform any of the foregoing. To the extent available, Insurance proceeds shall be applied to complete the repair or replacement. Casino LP agrees to promptly sign any documents necessary to process and/or adjust the Insurance claim, as well as any contracts with contractors and suppliers. The Manager shall have the right to discontinue

operating the Casino and/or the Casino Support Facilities to the extent it deems necessary for safe and orderly operation and to comply with Applicable Law.

13.3 **Expropriation.** Subject to the provisions of the Leases, if, during the term, all or substantially all of the Casino and Casino Support Facilities is expropriated, then within thirty (30) days, either party may elect to terminate this Agreement upon ninety (90) days written notice to the other Party. If either Party so elects, the Manager shall be entitled to receive its entitlement as contemplated by Section 13.4.

13.4 **Proceeds of Expropriation.** Subject to the provisions of the Leases, if, during the Term, the Project or any part thereof is expropriated, the Manager shall be entitled to that portion of the proceeds of compensation as are attributable to the Losses suffered or incurred by the Manager. In the event of a disagreement with respect to the portion of the proceeds of compensation attributable to Losses suffered or incurred by the Manager, the matter shall be submitted to the Expert in accordance with Sections 14.3 and 14.4.

ARTICLE 14 **ENFORCEMENT PROVISIONS**

14.1 **Notice of Concern.** In the event any dispute, claim, difference or question arises between the Parties concerning the construction, meaning, effect or implementation of this Agreement that requires consideration (a "Dispute"), any Party may provide notice to the other Party of same. The Party receiving such notice shall have a reasonable period of time to consider and, if it believes fit, address the concern, such period not to exceed forty five (45) days. If the concern is addressed to the reasonable satisfaction of the Party giving the notice (as confirmed by such Party in writing), the dispute shall be deemed to be cured and may not be the basis for further remedies hereunder.

14.2 **Good Faith Discussion.** If the concern is not addressed to the reasonable satisfaction of the Party who provided notice of same, the Parties shall consult in good faith to discuss the concern and possible remedial action which could take place to address it. This process shall be completed within thirty (30) days unless the Parties otherwise agree (in writing). If the concern is addressed to the reasonable satisfaction of the Party who provided the notice (as confirmed by such Party in writing), this dispute shall be deemed to be cured and may not be the basis for further remedies hereunder. ✓

14.3 **Mediation.** In the event that an acceptable resolution of the concern is not achieved pursuant to the foregoing provisions of this Article, the Dispute shall, unless the Parties otherwise agree, be the subject of non-binding and without prejudice mediation by ✓

recourse to a Person or Persons generally recognized as having familiarity with and expertise in the matter which is the subject of the Dispute (an "Expert"), which, in the case of budget and operational policy matters, shall be a member of a major accounting firm with experience in casino operations, excluding the Auditors and Accountants of either Party. Any Party may initiate such mediation by giving notice to the other Party to that effect. Within ten (10) Business Days after the delivery of such notice, the Parties shall meet and attempt to appoint a single Expert for non-binding and without prejudice mediation of such Dispute. If the Parties are unable to agree on a single Expert within such ten (10) Business Day period, then, upon notice given by any of them and within five (5) Business Days of such notice, any Party may apply to a judge of the Court of Queen's Bench of Alberta for the appointment of an Expert. The Expert selected shall then promptly mediate the Dispute between the Parties and shall render its recommendation within thirty (30) days of its appointment (the "Mediation Period"). The costs related to such mediation shall, in the absence of agreement between the Parties to the contrary, be borne in accordance with the recommendation of the Expert. Each of the Parties agrees that it will give substantial weight and due regard for the recommendation of the Expert. Notwithstanding the foregoing, following the Mediation Period, each of the Parties shall be entitled to seek resolution of such Dispute in accordance with its normal remedies and recourses available pursuant to Applicable Law.

- 14.4 Arbitration. The Parties agree to give good faith consideration on a case-by-case basis to arbitration of any Dispute as a means of resolution of same.

For, too uncertain (not given to)
ARTICLE 15
ASSIGNMENT OF AGREEMENT *preparing*
not then provided
unnecessary

15.1 Assignment by Manager.

- (a) Prohibited Assignments. Except as provided in the following Subsections 15.1(b) and (c) and to the extent not prohibited under the Credit Agreements, the Manager may not assign this Agreement without the prior written consent of Casino LP, and without approval of the Gaming Commission, if such assignment is not part of a sale of all or substantially all of the assets of Paragon Gaming Inc. or any other transaction resulting in a change of Control of Paragon Gaming Inc.
- (b) Permitted Assignments. Subject to approval of the Gaming Commission, the Manager shall have the right to assign this Agreement to any Affiliate of the Manager, or to any assignee Controlled by Paragon Gaming Inc. who acquires all, or substantially all of the assets of the Manager, whether through a merger, consolidation or purchase transaction, and assumes all of the Manager's obligations hereunder. In such event, the Manager shall be released of all of its covenants and obligations hereunder, other than liabilities accruing, or based upon events occurring, prior to the date of such assignment.

- (c) Immediate Family. For greater certainty, but subject to approval of the Gaming Commission, the transfer of any of the direct or indirect ownership interests in Paragon Gaming Inc. by any individual, including management of Paragon Gaming Inc. to members of the immediate family of such individual under and by virtue of his or her last will and testament or by the laws of intestacy relating to such individual or by any lifetime transfer in connection with estate planning of such individual, shall be permitted and shall not be deemed to be a violation of Subsection 4.11(b), 4.12(c) or 15(1)(a) of this Agreement. As utilized in this Subsection, the term "immediate family" of any individual shall mean the spouse, children, grandchildren of such individual or the trustee of any trust for any such individual's spouse, children or grandchildren.
- 15.2 Successors and Assigns. Subject to the foregoing, this Agreement shall enure to the benefit of and be binding upon the Parties hereto, their respective heirs, legal representatives, successors and permitted assigns.
- 15.3 Remedies. Any assignment, transfer, mortgage or other transaction by the Parties hereto in violation of the provisions of this Article 15 shall be null and void.
- 15.4 Certain Termination Rights. Notwithstanding any other provision of this Agreement but subject to the Credit Agreements, if following the fifth anniversary date of the Opening Day, the Manager seeks the approval of Casino LP in accordance with this Agreement to a proposed Transaction (the "Transaction") the result of which would otherwise, but for this Section 15.4, constitute a default of the Manager under Subsection 4.11(b), 4.12(d) or 15.1(a) hereof and Casino LP does not approve the Transaction, acting reasonably, then the Parties agree as follows:
- (a) the Manager, if it is not otherwise in default under this Agreement, may, by giving at least thirty (30) days prior written notice to Casino LP, complete the Transaction and, in such event, the Manager shall not be, as a result of such Transaction, in default under Subsection 4.11(b), 4.12(d) or 15.1(a), as the case may be, provided the Manager has given a written notice to Casino LP of the completion of the Transaction within five (5) days thereof;
 - (b) if the Manager elects to complete the Transaction, then Casino LP shall have the right, at its option, upon at least ninety (90) days written notice to the Manager (given not later than sixty (60) days following Casino LP's receipt of the notice of completion of the Transaction referred to in (a) above) to terminate the Manager or this Agreement;
 - (c) if Casino LP elects to terminate the Manager or this Agreement in accordance with (b) above, (i) the Manager shall be entitled, to the extent not prohibited by the Credit Agreements to recover, in accordance with Section 10.6, the amounts set out therein and (ii) upon such termination, the Manager shall be released from

any liabilities and obligations under this Agreement except for those which arose prior to the effective date of termination;

- (d) if Casino LP elects to terminate the Manager or this Agreement in accordance with (b) above, the Manager shall reimburse Casino LP to a maximum amount of \$50,000 for the direct and indirect costs and expenses incurred by Casino LP in connection with the selection of a replacement manager for the Casino including the costs relating to the preparation and printing of any request for proposals for a replacement manager, the preparation and negotiation or renegotiation of Project Agreements between the Parties and third parties including any Financier and for legal, accounting and other professional fees; and
- (e) if the Manager elects to complete the Transaction and Casino LP does not exercise its right to terminate the Manager or this Agreement, the Manager shall, as a condition of completing the Transaction, obtain from the third party who, upon the completion of the Transaction, will have Control of the Manager, an agreement satisfactory in substance and form to Casino LP pursuant to which the third party agrees to be bound by the terms and conditions of this Agreement.

Nothing contained in this Section 15.4 shall be construed or interpreted as limiting or affecting any other rights or remedies Casino LP may have under this Agreement or at law as a result of any default by the Manager hereunder other than a default under Subsection 4.11(b), 4.12(d) or 15.1(a).

ARTICLE 16

EQUITABLE REMEDIES

- 16.1 **Equitable Remedies.** The Parties acknowledge the unique nature of the Project, that the continued operation of the Casino and the Casino Support Facilities without interruption is vital to its success, and that the Financier's security and recourse for monetary recovery will be limited to the Project. The Parties acknowledge and agree that a remedy in damages for any breach by any of them of this Agreement will be inadequate and that, accordingly, each Party shall be entitled, in addition to any remedies for damages and such other remedies to which it may be entitled, to equitable remedies, including the remedies of specific performance, and mandatory and prohibitory injunction, or interim temporary and permanent bases without the necessity of proving actual damage to the moving Party. The right of the moving Party to such relief shall not be construed to prevent it from pursuing, either consecutively or concurrently, any and all other legal or equitable remedies available to it for such breach or threatened breach, including the recovery of monetary damages. The foregoing covenants of the Parties in this Section are of the essence of this Agreement, shall be construed as independent of all other provisions in this Agreement, and shall survive any termination of this Agreement. The existence of any claim or action of the other Party against the moving Party under this Section, whether predicated on this Agreement or otherwise, shall not constitute a defence to enforcement by the moving Party under this Section of the other Party's covenants in this Section.

ARTICLE 17
GENERAL PROVISIONS

- 17.1 **Disclosure.** Except as otherwise provided herein, the Parties acknowledge and agree that information provided by one Party to the other pursuant to or in connection with this Agreement, (including all documents and correspondence relating to the negotiation hereof) may comprise trade secrets or scientific, technical, commercial, financial or labour relations information, supplied in confidence, disclosure of which could reasonably be expected to prejudice significantly the competitive position or interfere significantly with the contractual or other negotiations of one or both Parties or result in undue loss to one or both Parties or undue gain to the other. Accordingly, except as may be required by Applicable Law, all such information provided by any Party hereto pursuant to or in connection with this Agreement shall be kept confidential by the Parties and shall only be made available to such of a Party's employees, advisors and consultants as are required to have access to the same in order for the recipient Party to adequately use such information for the purposes for which it was furnished who shall be similarly bound to these provisions and, in the case of the Manager, to Governmental Authorities or to its Financiers in order to comply with financial disclosure requirements. The Parties agree that the Financier shall be entitled to disclose such confidential information to potential syndicate Financiers approved by the Parties provided that such Financiers enter into confidentiality agreements acceptable to the Parties.
- 17.2 **Notices.** Any notice, demand, request, consent, agreement or approval which may be or is required to be given pursuant to this Agreement shall be in writing and shall be sufficiently given or made if served personally upon the Party for whom it is intended, or mailed by registered mail, return receipt requested or sent by telegram and in the case of
- (a) Casino LP, addressed to it at:
- Box 7
Glevenis, Alberta
T0E 0X0
Telecopier: (403)967-5484
Attention: General Partner
- with a copy to:
- Ackroyd, Piasta, Roth & Day LLP
1500, 10665 Jasper Avenue
Edmonton, Alberta
T5J 3S9
Telecopier: (780) 423-8948
Attention: D.B. Roth

(b) the Manager, addressed to it at:

Paragon Canada Alexis ULC
770 East Warm Springs
Suite 120
Las Vegas, NV
89119
Telecopier: (702) 631-5161
Attention: President

with a copy to:

Jack N. Agrios Prof. Corp.
Barrister & Solicitor
2700, 10155 - 102 Street
Edmonton, Alberta
T5J 4G8
Telecopier: (780) 424-5866
Attention: Jack N. Agrios, Q.C.

or to such other address or in care of such other officers as a Party may from time to time advise to the other Party by notice in writing. The date of receipt of any such notice, demand, request, consent, agreement or approval if served personally or by telegram shall be deemed to be the date of delivery thereof (if such day is a Business Day and if not, the next following Business Day), or if mailed as aforesaid, the date of delivery by a postal authority.

17.3 **Binding Agreement.** Subject to the restrictions on assignment and transfer herein contained, this Agreement will enure to the benefit of and be and be binding upon the parties hereto and their respective heirs, executors, administrators and other legal representatives, successors and assigns.

17.4 **No Partnership or Joint Venture.** Nothing contained in this Agreement shall be construed to be or create a partnership or joint venture between the Parties, their successors and permitted assigns.

17.5 **Severability and Enforceability.** If any provision of this Agreement is determined to be invalid, illegal or unenforceable as written, such provision shall be enforced to the maximum extent permitted by Applicable Law, failing which such provision will be deemed to be severable from this Agreement and will not affect the remainder of this Agreement.

- 17.6 **Time of Essence: Extensions or Abridgements of Time.** Time shall in all respects be of the essence hereof. The time for doing or completing any matter provided for herein may be extended or abridged by an agreement in writing signed by the Parties or by their respective counsel who are hereby expressly appointed in that regard.
- 17.7 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta.
- 17.8 **Submission to Jurisdiction: Waivers.** Each of the Parties irrevocably agrees that any action or proceeding with respect to this Agreement or for recognition and enforcement of any judgment in respect thereof brought by any other Party hereto or its successors or assigns, may be brought and determined in the Court of Queen's Bench of Alberta, and each of the Parties hereby irrevocably submits generally and unconditionally, to the nonexclusive jurisdiction of the aforesaid court; provided, however, that such consent to jurisdiction is solely for the purpose referred to in this Section and shall not be deemed to be a general submission to the jurisdiction of said court or in the Province of Alberta other than for such purpose. Each of the Parties hereby irrevocably waives, and agrees not to assert, by way of motion, as a defence, counterclaim or otherwise in any action or proceeding with respect to this Agreement any claim that it is not personally subject to the jurisdiction of the above-named court for any reason other than the failure to serve process in accordance with this Section 17.9, that it is exempt or immune from jurisdiction of such court or from any legal process commenced in such court.
- 17.9 **Survival of Covenants.** Any covenant, term or provision of this Agreement which, in order to be effective must survive the termination of this Agreement, shall survive any such termination.
- 17.10 **Third Parties.** None of the rights or obligations hereunder of any Party shall enure to the benefit of or be enforceable by or against any Party other than the Parties to this Agreement and their respective successors and permitted assigns.
- 17.11 **Waivers.** Failure by any Party to insist upon the strict performance of any covenant, agreement, term or condition of this Agreement, or to exercise any right or remedy consequent upon the breach thereof, shall not constitute a waiver of any such breach or any subsequent breach of such covenant, agreement, term and condition. No covenant, agreement, term or condition of this Agreement and no breach thereof shall be waived, altered or modified except by written instrument. No waiver of any breach shall affect or alter this Agreement, but each and every covenant, agreement, term and condition of this Agreement shall continue in full force and effect with respect to any other then existing or subsequent breach thereof.

17.12 **Force Majeure.** Notwithstanding any other provision of this Agreement, if, by reason of Force Majeure, a Party is unable to perform in whole or in part its obligations under this Agreement, then in such event and only during such period of inability to perform, such Party shall be relieved of those obligations to the extent it is so unable to perform and such inability to perform, so caused, shall not make such Party liable to any other, and any time period in which such obligation is to be performed shall be extended for such period of inability to perform. Any Party so affected shall use all reasonable commercial efforts to otherwise comply with its obligations hereunder.

17.13 **Approvals.** Wherever the provisions of this Agreement contemplate an approval or consent of or to or a decision with respect to any action, person, document or plan by any Party, this Agreement (unless the text hereof expressly states that such approval or consent may be arbitrarily or unreasonably withheld) shall be deemed to provide that:

- (a) such request for approval, consent or decision shall (except with respect to approval of a budget or a revised budget):
 - (i) clearly set forth the matter in respect of which such approval, consent or decision is being sought;
 - (ii) form the sole subject matter of the correspondence containing such request for approval, consent or decision; and
 - (iii) clearly state that such approval, consent or decision is being sought;otherwise such request shall be deemed never to have been made;
- (b) such approval, consent or decision shall be in writing and shall not be unreasonably withheld, delayed or conditioned; and
- (c) if the Party from whom such approval, consent or decision is requested fails to respond within thirty (30) days of the request (unless otherwise specified in this Agreement), such approval, consent, or decision shall be deemed to have been given.

17.14 **Counterparts.** This Agreement may be executed in counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument.

17.15 **Entire Agreement.** The Project Agreements constitute the entire agreements between the parties hereto relating to the subject matter hereof and supersede all prior and contemporaneous agreements, understandings, negotiations and discussions, whether verbal or written, of the parties. There are no general, specific, implied or express warranties, representations, conditions or other agreements by or between the parties in

connection with the entering into of these Agreements or the subject matter hereof except as specifically set forth herein.

ARTICLE 18
CONDITIONS SUBSEQUENT

18.1 Conditions Subsequent. This Agreement and the rights and obligations of the Parties hereunder are subject to the satisfaction or waiver of each of the following conditions subsequent by June 30, 2004 or such other date as the Parties may agree:

- (a) the formation and organization of Casino LP, and its limited partner;
- (b) the transactions and arrangements provided for herein having been structured so as to minimize Taxes payable by the Partners and First Nations members employed in the Project, and the Nation and the Charity being exempt from taxation under the *Income Tax Act* (Canada) and the *Excise Tax Act* (Canada), all as confirmed by an opinion of tax counsel;
- (c) the obtaining of a Financing Commitment;
- (d) the final terms and conditions of the First Nations Gaming Policy and the Regulatory Legislation being no less favourable than as it exists as of date of this Agreement and being implemented on or before the day immediately preceding the expiry date of these conditions;
- (e) the issuance to Casino LP of all necessary gaming and facility licenses under the Regulatory Legislation;
- (f) the issuance to the Manager of a gaming supplier registration under the Regulatory Legislation;
- (g) the approval, execution and delivery of the Project Agreements by all parties thereto;
- (h) there being no litigation against any Party or any Nation Entity in respect of the Project;
- (i) there being no material adverse change in the commercial prospects for the Project, or Applicable Law; and ✓
- (j) the parties approving a Funding Agreement entered into between the Alberta First Nations Gaming Association and Alberta Community Development.

all on terms and conditions satisfactory to the Parties.

- 18.2 Failure to Satisfy Conditions Subsequent. If any of conditions subsequent in Section 18.1 are not fulfilled or waived by June 30, 2004 or such other date as the Parties may agree upon, either Party may, at its option, terminate this Agreement.
- 18.3 Facilitating Amendments. This Agreement may not be amended except with the unanimous written consent of all Parties. The Parties acknowledge and agree that this Agreement will be provided to certain third parties whose satisfaction with the terms of the agreement between the Parties respecting the Project will be required in connection with satisfying the conditions subsequent hereto and otherwise to facilitate the success of the Project. Accordingly, the Parties, acting in good faith, will consider any amendments to the terms of this Agreement (which may include a restatement or replacement hereof) which may be proposed to facilitate satisfaction of the relevant third parties, satisfaction of the conditions subsequent, and the success of the Project.
- 18.4 Amendment to Regulatory Legislation. In the event that Regulatory Legislation is amended so as to permit a greater degree of gaming, the Parties agree to review this Agreement but nothing herein contained shall be deemed to give Casino LP the right to terminate or abridge the Manager's rights hereunder as a result of such amendment.

IN WITNESS WHEREOF, Alexis Casino Corp. has executed this Agreement as general partner of and agent for Alexis Casino Limited Partnership and Paragon Canada Alexis ULC has executed this Agreement in its personal capacity, all as of the day and year first above written.

ALEXIS CASINO LIMITED
PARTNERSHIP, by its General Partner,
ALEXIS CASINO CORP.

Per: 

Per: 

Per: 

PARAGON CANADA ALEXIS ULC

Per: 

Authorized Signatory

Per: _____

Authorized Signatory

SCHEDULE "A"

INSURANCE

14,
addition to
check

All insurance premiums hereunder shall be treated as Operating Expenses. To the extent consistent with the Credit Agreement, the following provisions shall apply to insurance coverage for the Casino:

1. Types of Coverage. At all times throughout the Term, the following types of insurance for the Project, stated as a minimum, shall be obtained and maintained.

1.1 Property Insurance. Building and structures are to be insured, on an "all-risk" form and are to be covered on a replacement cost basis or completed contract value on appropriate property or builders risk insurance forms. Personal property, including inventories, is to be insured on an "all risk" form on a replacement cost basis. Specific high valued property such as gold and silver objects, art objects, special glass (windows or personal use items), statuary, blueprints, etc., should be specifically insured on an "all risk" form at their current replacement values. Flood, earthquake and/or other special perils and hazards are to be insured where necessary or reasonably required.

1.2 Business Interruption. Coverage shall be provided at an amount agreed upon by the Manager and Casino LP for loss of gross earnings including, if applicable, flood, earthquake, riot, civil commotion and expropriation. Other special perils or hazards are to be insured to the extent appropriate and necessary. Deductibles shall be set at reasonable levels in consideration of the Project's exposures and ability to bear financial responsibility.

1.3 Boiler and Machinery Insurance. Coverage shall be provided on a comprehensive form for all boiler and machinery equipment including air conditioning equipment and shall include all piping, valves, pressure tanks, hoses, lines and related apparatus and shall include coverage "on site," "in transit," and testing.

1.4 Liability Insurance

(a) General Limits. Coverage shall be obtained and maintained for comprehensive general liability, automobile liability, professional liability (if applicable) exposures for a minimum of One Million Dollars (\$1,000,000), (except as modified below) for each occurrence and Two Million Dollars (\$2,000,000) annual aggregate.

(b) Umbrella Excess Liability. Coverage shall be obtained in the amount of \$50,000,000 each occurrence and in the aggregate applying excess of the primary limits provided by the underlying General Liability, Automobile Liability, Employers Liability and any other coverages scheduled as underlying insurances.

(c) Automobile Liability Insurance. Automobile liability insurance coverage shall provide bodily injury and property damage liability coverage as well as any "no-

fault" or other benefits where required by Applicable Law, uninsured motorists coverage, medical payments coverage and other coverage if required and must include coverage for all owned, non-owned, and hired or borrowed vehicles. Underinsured and uninsured motorists coverage limits shall be at least One Million Dollars (\$1,000,000) each person per occurrence. Medical payments coverage shall be at least Five Thousand Dollars (\$5,000) each person per accident. Applicable Law no fault benefits shall be equal to the statutory requirements

(d) Scope of Liability Coverage. All liability coverages must provide for the defense of claims. General liability coverage shall be provided on a comprehensive occurrence form insuring against claims for personal injury, sickness, disease or death and property damage and shall include: premises and operations; innkeepers liability, personal injury liability and medical coverage, contractual liability for all oral or written agreements; safety deposit box liability (if applicable), independent contractor liability; elevator liability; host liquor liability; liquor liability or "dram shop" liability for Five Million Dollars (\$5,000,000) per occurrence for bodily injury and property damage; employees as insured; employee benefit liability, directors' and officers' (D&O) liability and such other coverage deemed reasonable and necessary by the Manager.

1.5 Workers' Compensation Insurance. Workers' compensation coverage shall be obtained and maintained in accordance with Applicable Law and employer's liability insurance of not less than One Million Dollars (\$1,000,000.00) per accident/disease.

1.6 Health Insurance. Such health insurance coverage to employees as may be required by Applicable Law or broader coverage as may otherwise be mutually agreed upon between Casino LP and the Manager from time to time.

1.7 Crime Insurance. Coverage shall be provided for money, securities, and other property for loss inside and outside the Project premises including transportation by messenger, in an amount of at least One Million Dollars (\$1,000,000) each loss. Coverage should include depositor's forgery, counterfeit currency and other such coverage as may be necessary. Employee dishonesty coverage shall be provided in an amount of at least One Million Dollars (\$1,000,000) for each loss and will provide coverage for all employees having access to money, securities, and other property.

1.8 Other Coverage. Coverage shall be provided in respect of such other risks against which it is now, or hereafter may be, customary to insure in the operation of similar properties, having regard for the nature of the business and the geographical, geological and climactic nature of the Project's location.

1.9 Concessionaire's Coverage. If the Manager grants any leases, licenses or concessions in accordance with the provisions of this Agreement, the Manager shall require such tenants, licensees and concessionaires to carry such insurance as is normal and customary for the relevant tenant, licensee or concessionaire and to furnish certificates evidencing such insurance in such reasonable amounts as may be specified in

the lease, license or concession or otherwise agreed upon between the Manager and the tenant, licensee and concessionaire.

2. General Requirements as to Form of Policies. Casino LP and the Manager shall be named insureds in all policies maintained pursuant to this Agreement, as their interests may appear, but with Casino LP recognized as the primary insured party, and each such policy shall contain a waiver by the insurer of the rights of recourse or subrogation by the insurer against the Parties. All insurance shall be in such form and with such companies as shall be satisfactory Casino LP and the Manager and shall comply with the requirements of the Credit Agreement, provided, however, that the Manager shall use reasonable commercial efforts to require any mortgage or loan agreement relating to the Casino to provide that the proceeds of insurance shall be made available for the repair and restoration of the Casino. The Casino insurance policies provided for in this Schedule shall specify that they are primary and if any other policies of insurance, including policies maintained by the Manager, are determined to apply to any claim, such other policy coverage shall be deemed to be in excess of such Casino policies, as applicable. The Manager shall have access to all such insurance policies including certificates, not less than 30 days prior to the expiration of all prior policies.

3. Blanket Insurance. All insurance described in this Schedule may be obtained through blanket insurance programs or as part of the overall insurance for the Project provided that the requirements specified herein are substantially fulfilled.

4. Premium Advance. If the Manager shall pay or advance on behalf of any of insurance premiums or related insurance costs for insurance matters authorized by Casino LP in the Approved Budget or otherwise, the Manager shall be entitled to prompt reimbursement of same as an Operating Expense.

5. Access to Insurance Information. The Nation Entities shall at all times make available to the Manager or the Manager's insurance agents or insurance brokers all information relating to existing coverage, claims histories as applicable, copies of policies, certificates, binders and the like. The Nation Entities further authorize the Manager, its insurance agents or brokers to obtain such information directly from the Nation's insurance agents, brokers, and insurance carriers and hereby grants to the Manager, its insurance agents or brokers full access to all such information.

6. Quality of Insurance Carrier. All insurance coverage shall be written by insurance companies that are A.M. Best rated, A/XI or higher and are authorized to do business in the Province of Alberta.

7. Reserve. Upon termination of this agreement, a reserve in an amount determined by the Manager based on loss projections shall be established from Gross Receipts to cover the amount of any insurance retention and all other costs and expenses that will eventually have to be paid by either Casino LP or Manager with respect to pending or contingent claims, including those that arise after termination for causes arising during the Term.

SCHEDULE "B"

PROJECT AGREEMENTS

Cooperation Agreement among Alexis First Nation , Alexis Land Management Corp. and Alexis/Paragon Limited Partnership

Alexis/Paragon Limited Partnership Agreement between Alexis Trust and Paragon Canada Alexis ULC

Partnership Agreement between Paragon Canada Alexis ULC and Tamarack fund (2003) Limited Partnership

Alexis/Paragon Economic Development Limited Partnership Agreement between Alexis/Paragon Limited Partnership and Paragon Canada Alexis ULC

Alexis/Paragon Hotel Limited Partnership Agreement between Alexis/Paragon Limited Partnership and Paragon Canada Alexis ULC

Alexis Casino Limited Partnership Agreement between Alexis Trust and Alexis Casino Corp.

Casino Management Agreement between Alexis Casino Limited Partnership and Paragon Canada Alexis ULC

Slot Retailer Agreement between Alberta Gaming and Liquor Commission and Alexis Casino Limited Partnership

Economic Development Fund Agreement between Alberta Community Development and Alexis First Nation

Commercial Lease between Her Majesty the Queen in Right of Canada and Alexis Land Management Corp.

Sublease by Alexis Land Management Corp. in favour of Alexis/Paragon Limited Partnership

Sublease by Alexis/Paragon Limited Partnership in favour of Alexis/Paragon Economic Development Limited Partnership

Sublease by Alexis/Paragon Limited Partnership in favour of Alexis/Paragon Hotel Limited Partnership

Sublease by Alexis/Paragon Economic Development Limited Partnership in favour of Alexis/Paragon Hotel Limited Partnership

Sublease by Alexis/Paragon Economic Development Limited Partnership in favour of Alexis Casino Limited Partnership

Management Agreements, Technical Services Agreements, Fee Agreements, and License and Royalty Agreements between Alexis/Paragon Hotel Limited Partnership and Marriott Hotels of Canada, Ltd., International Hotel Licensing Company S.a.r.l. and Marriott International, Inc. (or other entities to be determined by Alexis/Paragon Hotel Limited Partnership) to manage the hotels forming part of the Project

Financing Agreements and Credit Agreements, as defined in certain of the Project Agreements, and all mortgages, security agreements and documents relating thereto

Construction, supply and other agreements to be entered into by or on behalf of Alexis/Paragon Limited Partnership, Alexis/Paragon Economic Development Limited Partnership and Alexis/Paragon Hotel Limited Partnership which relate to the development of the Project or any part thereof

Servicing agreements to be entered into by or on behalf of Alexis Land Management Corp. which relate to the provision of services to the Project or any part thereof

Insurance Trust Agreement between the Insurance Trustee (as defined therein) and various Persons involved in the Project.

Such other agreements, contracts, instruments or arrangements as may be entered into between any Person referred to in this Schedule, in relation to the Project

ALEXIS FIRST NATION LAND DESIGNATION AREA

MASTER PLAN

- LEGEND**
- LAND DESIGNATION BOUNDARY
 - RESERVE BOUNDARY
 - PROPOSED / FUTURE ROADS
 - EXISTING ROAD
 - TREATED WATER RESERVOIR / PUMPHOUSE

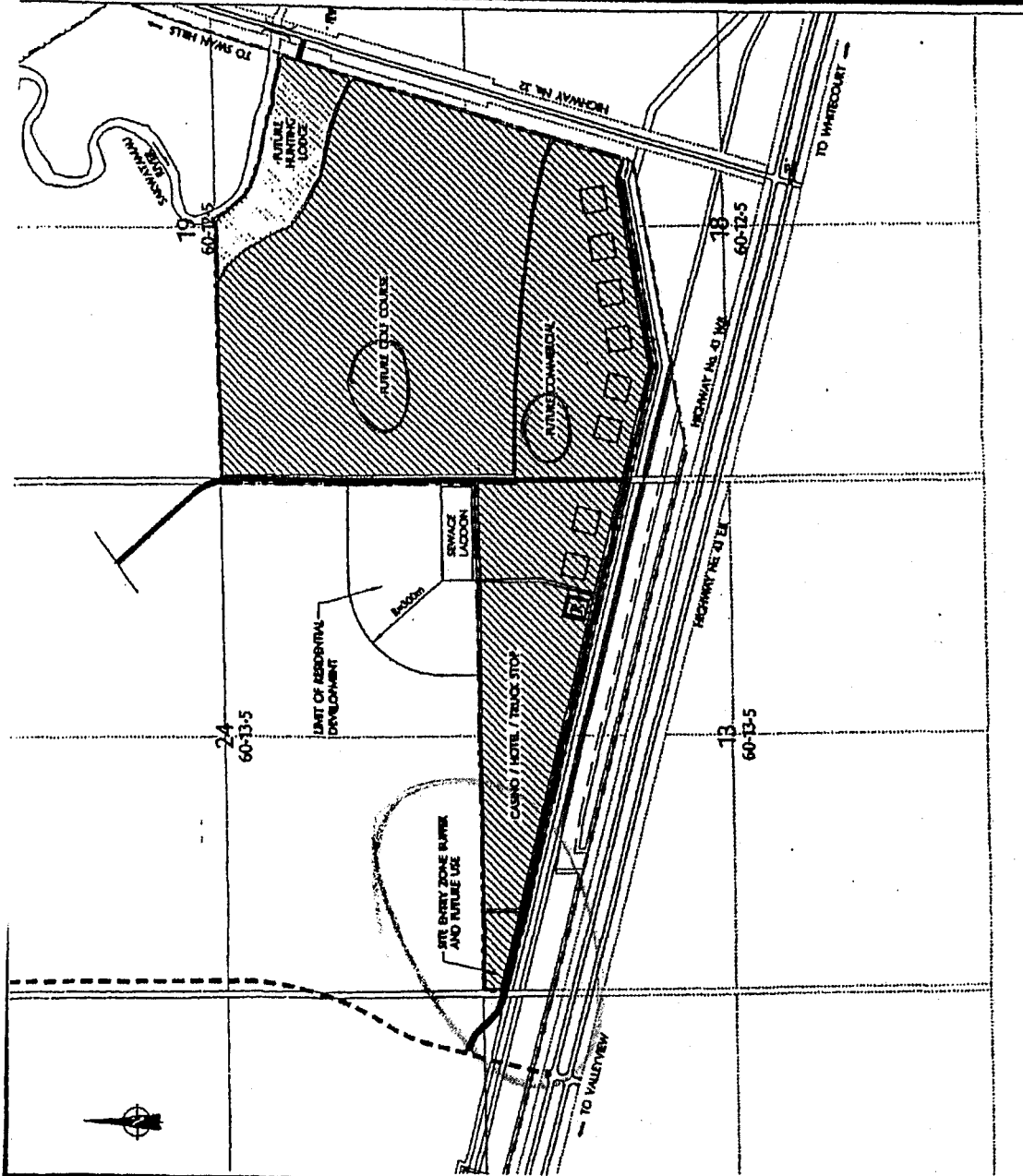
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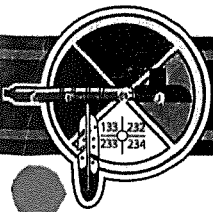
Schedule "C"

SCALE: 1:12,500

FEBRUARY, 2002

ASSOCIATED
ENGINEERING
AE





ALEXIS CASINO LIMITED PARTNERSHIP

November 25, 2011

Delivered via Email
Original Mailed

Doug Osrow
Chief Financial Officer
Paragon Gaming
Suite 150
6650 via Austi Parkway
Las Vegas, NV 89119

This is Exhibit "D" referred to in the
Affidavit of

Don Kooelenay
Sworn before me this 14 day
of January A.D. 2011

A Notary Public, A Commissioner for Oaths
in and for the Province of Alberta

DARREN R. BIEGANEK
BARRISTER & SOLICITOR

Re: Eagle River Casino – Business Plan

Dear Mr. Osrow:

On November 23, 2011, Alexis received the enclosed Eagle River draft business plan from Paragon. As the holder of the Eagle River Casino facility license and limited partner of APLP, this business plan fell significantly short of the provisions Alexis has required from its casino manager and partner. See below our specific comments and concerns:

1. Page 1 : 4th Paragraph – As the ACLP budget is yet to be approved, please clarify that PALX has forecasted ACLP generate gross revenues of \$22.7m.
2. Page 1 : 5th Paragraph – As the ACLP budget is yet to be approved, please clarify that PALX has forecasted ACLP will incur a loss, after allocated overhead, of \$6.1m in 2011.
3. Page 2 : 2nd Paragraph – In 2007, Alexis agreed to phase the Eagle River Hotel development with the understanding that construction would recommence within 12 to 18 months after the casino opening. In 2007, at the request of Paragon, Chief Cameron Alexis addressed a letter to the AGLC requesting support in the phasing of the Eagle River Hotel and that construction would recommence 12 to 18 months after the casino opening. In 2009, Alexis approved Paragon providing junior debt to APLP, at a substantial rate of prime plus 15%, with the understanding the hotel recommencement was forthcoming. Since the opening of the Eagle River Casino, the hotel recommencement has been discussed during every APLP Management Committee meeting. During these monthly Management Committee meetings, Paragon has represented the importance of the hotel to the short and long term success of the Eagle River Casino & Travel Plaza. During meetings with the AGLC on October 27, 2010 and February 24, 2011 and June 27, 2011, Paragon represented to the AGLC and Alexis that the Eagle River Hotel would be developed concurrently with the refinancing of APLP. Over the past year, the hotel market in Whitecourt has not added additional supply while



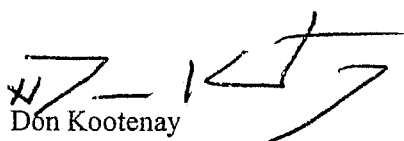
ALEXIS CASINO LIMITED PARTNERSHIP

the demand for hotel rooms has grown. Given the above, and Alexis' patience that over 45 months has passed since the casino opening, it is unequivocally unacceptable to Alexis that Paragon delay the Eagle River Hotel for an additional three years. Alexis will not approve a refinancing proposal or new FNDF application that does not include the development of the Eagle River Hotel concurrently with the refinancing of APLP. Further, as stated over the past 20 months, it is Alexis' requirement that any refinancing proposal leave Alexis in the same, or better, position than that afforded within the existing agreements; this includes all provisions of the Eagle River Hotel. If Paragon cannot meet the spirit and intent of its agreements with Alexis by raising outside capital, Alexis suggests that Paragon simply directly fund the development of the Eagle River Hotel.

4. Page 2 : Paragraph 4 – The AGLC has requested the funds injected into ACLP be unencumbered. Alexis is not willing to incur any form of ACLP loan structure, but rather expects Paragon meet the AGLC's requirement that \$16m in unencumbered funds be injected into ACLP.
5. Page 2 : Paragraph 5 – Paragon has not provided a plan to ACLP which significantly reduces ACLP's overhead from current levels. If Paragon foresees ACLP being profitable and able to repay its casino lease and overhead payables, Alexis would like to understand Paragon's operational methodology with financial backup.

In addition to the above-mentioned items, Alexis is still awaiting a feasible financial model, that includes the development of a hotel, and leaves Alexis' in the same, or better position, than that currently afforded throughout the various Eagle River agreements. In June 2011, Paragon indicated this financial model was forthcoming, however Alexis continues to await its receipt. Alexis requests it receive this financial model prior to December 1, 2011. If Alexis does not receive an acceptable financial model and revised business plan that meets Alexis' and the AGLC's requirements prior to December 1, 2011, Alexis will have no choice but to meet the AGLC's December 1, 2011 deadline by submitting Paragon's draft business plan with a clear indication that Alexis does not support the business plan and the reasons why Alexis does not support the business plan.

We eagerly await the revised business plan and financial model.



Don Kootenay
Director
ACLP / ATC

Enclosure



Draft 2012 Business Plan

Overview

Going into 2012, ACLP, Paragon Canada Alexis ("PALX"), and the Eagle River Casino and Travel Plaza management team are focused on continuing to find operational efficiencies as well as drive revenues at the property. As delineated in the charts in the Appendix A, table drop is much more consistent than in previous years and slot coin-in activity has finally returned to pre-recession levels. Further, projected 2011 year end results demonstrate that the planned reductions in payroll and operating expenses discussed as goals for 2011 have largely been realized. PALX and the management team are committed to finding further efficiencies, wherever possible, that will allow the property to grow and minimize the impact on customer service.

ACLP, the lessee of the casino from APLP, and the developer of the facility and operator of the travel plaza, currently pays a lease to APLP of approximately \$3.2m per year and incurs shared/allocated overhead expenses from APLP of approximately \$5.0-\$6.0m per year. Due to the underperformance of the asset, ACLP has been unable to pay these amounts to APLP over the past 4 years.

APLP continues to see steady increases in its fuel & convenience store business, with revenues estimated at over \$9.6m for 2011, up 43% year over year. APLP is still significantly levered, with over \$55.6 m in senior debt and \$13.2m in junior debt (inclusive of PIK amounts). APLP is currently in default with its senior lenders but is actively working on a recapitalization plan to address this situation. On November 15, 2011 the General Partner transmitted to the Limited Partner Silverpoint's willingness to write down the existing notes by over \$40 million. By December 15, 2011 the General Partner will have a LOI to the Limited Partner identifying the entity expected to "take out" SilverPoint's discounted debt.

The draft 2012 budget is attached hereto in full, and a summary is included at the end of this plan as Appendix B. ACLP is forecasting gross revenues of \$22.7m, up from ~\$22.0m in 2011. Net revenues, according to Canadian GAAP are estimated at \$6.5m versus ~\$6.3m in 2011. Allocated overhead expenses are estimated at \$4.5m.

ACLP Financial & Operational summary

As presented in Appendix B, since its opening, ACLP has incurred losses, after allocated overhead, of \$(10.1)m in 2009, \$(6.5)m in 2010, and an estimated \$(6.1)m in 2011. For 2012, ACLP expects to reduce this loss further to \$(6.0)m. PALX, ACLP, and APLP will continue to work to identify areas within its operation where it can streamline its expenses and become more efficient.

Recapitalization Plan & Casino Lease

While the improvements shown above for 2012, combined with those seen from 2009 -2011 are welcomed, they are not significant enough to improve the combined operations of the Eagle River Casino & Travel Plaza to profitability considering the debt on the project. PALX, its partners, and the Alexis First Nation are committed to making this property a success and believe it is fiscally prudent for the long term viability of the property to reduce the outstanding debt.

Simply put, the projects results are nowhere near original expectations. Hence, our plan is for the project to reduce its senior debt to approximately \$12m. While we believe the completion of the hotel would greatly increase the operating results of the property, it is difficult to make the business case for that development at this time given the fact that the proposed hotel would have to be completed on the premise that no FNDF monies would be available to subsidize its development or its operation in a market that is significantly competed due to the recent increase in hotel supply in Whitecourt. These facts, combined with the complexity of Eagle River's current debt structure, has led the General Partner to conclude its attention is best spent on reducing the senior leverage to reasonable amounts so the project's cash flow can service principal and interest of the restructured debt. The General Partner believes that, with continued improvement in project performance as the local market grows, there will be a sound business case to support the completion of an economically viable hotel. In summary, the next three years of property cash flow will be used to service the payment of principal and interest on the new debt, leaving little to no capital to invest in completing the hotel.

Equity cure

PALX and ACLP understand the importance of ensuring the financial sustainability of the Eagle River Casino and improving its capital structure. As you are aware, the principals of PALX's parent company invested an additional C\$9.1m into APLP in 2008 in order to decrease the leverage of the partnership, and MNP Capital has C\$8.0m of equity in the project partnership, which currently has negative value.

In order to raise additional funds into either the ACLP or the APLP entities, the Partners must be able to show current and new investors that equity capital will be returned with above market rate returns. In addition, because of the partnership structure and the various subordination agreements, any new capital invested directly into ACLP will essentially rank below the new senior debt, the existing C\$9.1m junior debt/equity and the existing C\$8.0m equity. This makes it very difficult to raise new capital.

As shown on Appendix B, we are forecasting ACLP's annual loss to improve to \$(6.0)m in 2012 from an estimated \$(6.1)m in 2011, and \$(6.5)m in 2010. Much of this loss is attributed to the \$3.3m casino lease and the \$5.0-\$6.0m in annual allocated overhead. The General Partner has stated its recommendation to both ACLP and AGLC that the accumulated Casino Lease payment of \$ 13.1m be forgiven in much the same light that the senior debt has been written down. If PALX is successful with the recapitalization, reduction in overhead, and hotel plan, we believe the casino's share of allocated overhead can be significantly reduced and place ACLP into a profitable financial position. Over the next few years, ACLP would be able to repay the arrears of a restated casino lease as well as overhead payables due to APLP, and improve its negative equity position.

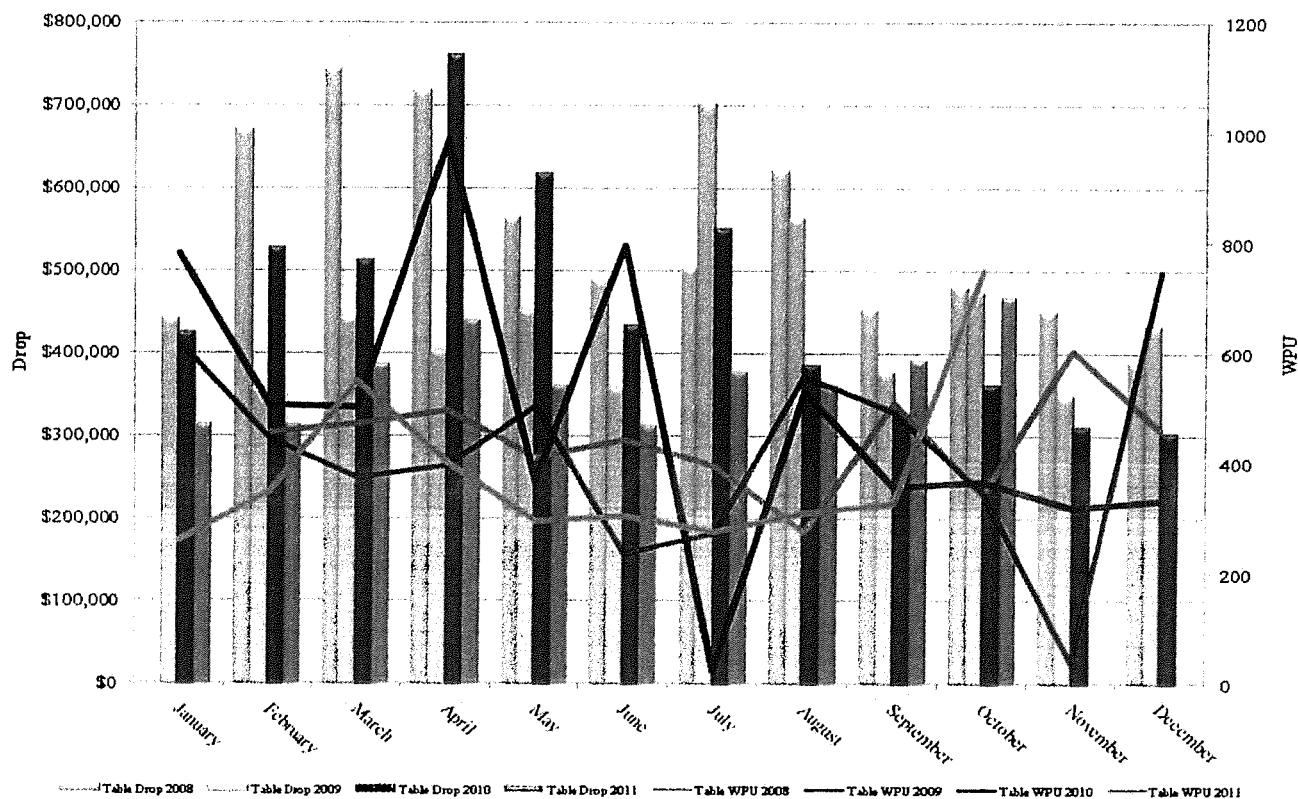
Therefore, we would propose working with the AGLC on:

- 1) Determining how to pass through some of the savings/forgiveness of debt from the recapitalization plan to ACLP
- 2) Revaluing the casino lease based on the economics of the recapitalization plan
- 3) Re-allocating overhead to ACLP post hotel construction

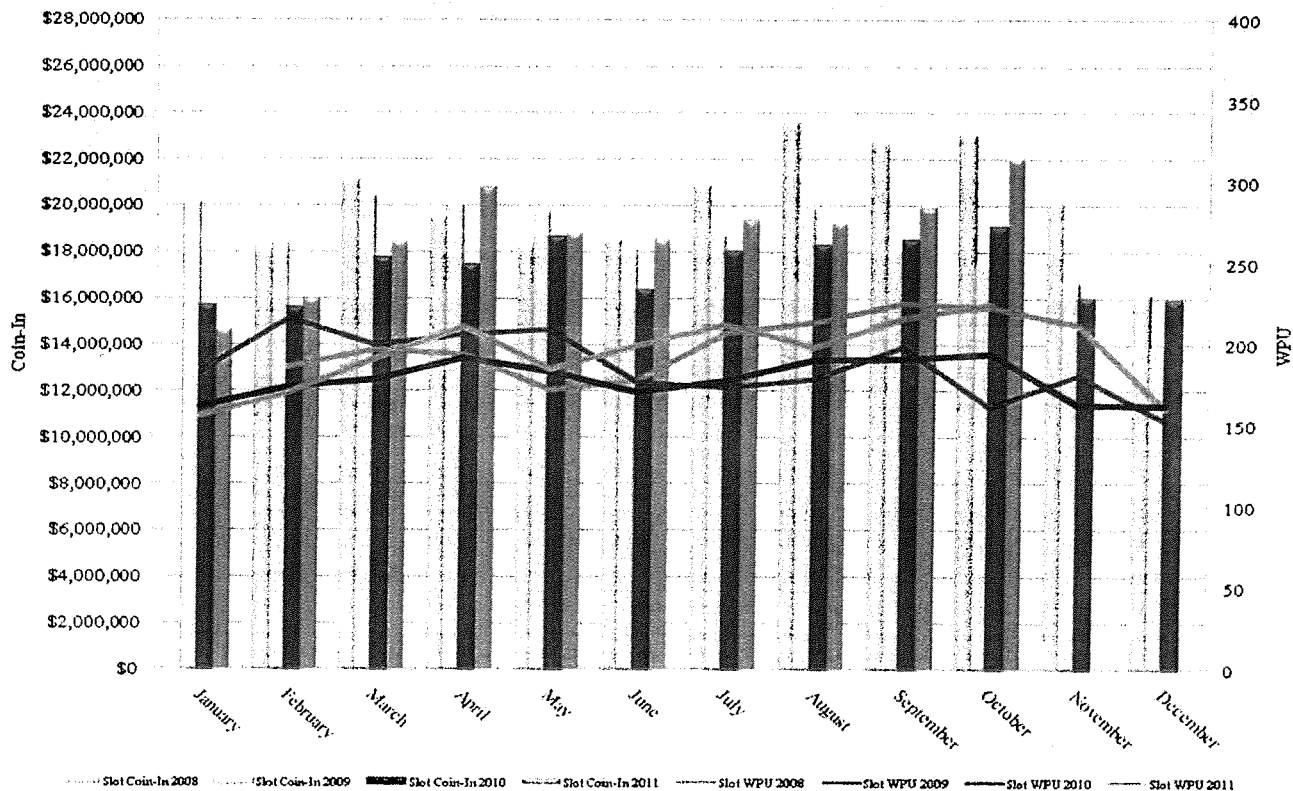
In conclusion, Paragon has been committed to its partnership with Alexis for over ten years, and has expended whatever efforts have been necessary to keep the project moving forward through a series of significant challenges that would have made most gaming companies reconsider its position. Paragon believes the Eagle River Casino & Travel Plaza has turned the corner and will continue to improve in overall performance and profitability given the goals and objectives outlined in this plan. Paragon looks forward to continue its collaboration with Alexis and secure the benefits both partners envisioned in 2001.

Appendix A

Eagle River Monthly Table Drop vs WPU



Eagle River Monthly Slot Coin-In vs WPU



Appendix B

7

Eagle River Casino & Travel Plaza Combined operational summary of operations Historical Results (in millions C\$)

	2008 (audited)			2009 (audited)			2010 (unaudited)			2011 (unaudited)	
	ACLP	APLP	Combined	ACLP	APLP	Combined	ACLP	APLP	Combined	ACLP	APLP
Revenues	\$ 6.4	\$ 4.8	\$ 11.3	\$ 6.3	\$ 5.4	\$ 11.7	\$ 6.2	\$ 7.1	\$ 13.3	\$ 6.3	\$ 7.1
Expenses											
COGS	1.4	4.3	5.7	1.6	4.7	6.3	1.5	6.3	7.7	1.5	6.3
SG&A	5.3	9.0	14.3	4.3	7.8	12.0	3.6	5.8	9.4	3.2	5.8
Alloc Overhead	8.1	(8.1)	-	7.1	(7.1)	-	4.4	(4.4)	-	4.5	(4.5)
Lease	3.0	(3.0)	-	3.3	(3.3)	-	3.3	(3.3)	-	3.3	(3.3)
	17.9	2.1	20.0	16.3	2.0	18.4	12.7	4.4	17.2	12.4	4.4
EBITDA	\$ (11.5)	\$ 2.7	\$ (8.8)	\$ (10.1)	\$ 3.4	\$ (6.7)	\$ (6.5)	\$ 2.7	\$ (3.9)	\$ (6.1)	\$ 2.7
FNDF		5.0	5.0		5.1	5.1		4.9	4.9		4.9
Adj. EBITDA	\$ (11.5)	\$ 7.7	\$ (3.8)	\$ (10.1)	\$ 8.5	\$ (1.6)	\$ (6.5)	\$ 7.5	\$ 1.0	\$ (6.1)	\$ 7.5
Deprec & Amz.		3.2	3.2		2.7	2.7		2.5	2.5		2.5
Interest, net		5.0	5.0		7.7	7.7		8.5	8.5		8.5
Other (Inc)/Exp		0.5	0.5		(1.4)	(1.4)		-	-		-
Net Income	\$ (11.5)	\$ (1.1)	\$ (12.5)	\$ (10.1)	\$ (0.5)	\$ (10.2)	\$ (6.5)	\$ (3.4)	\$ (9.9)	\$ (6.1)	\$ (3.4)
Senior Debt	\$ 38.9	\$ 38.9	\$ 38.9	\$ 43.1	\$ 43.1	\$ 43.1	\$ 49.4	\$ 49.4	\$ 49.4	\$ 49.4	\$ 49.4
Junior Debt	\$ 9.3	\$ 9.3	\$ 9.3	\$ 9.7	\$ 9.7	\$ 9.7	\$ 11.4	\$ 11.4	\$ 11.4	\$ 11.4	\$ 11.4



ALEXIS CASINO LIMITED PARTNERSHIP

December 1, 2011

Mr. Merv Murch
Manager - Due Diligence
Alberta Gaming and Liquor Commission
50 Corriveau Ave.
St. Albert, AB T8N 3T5

This is Exhibit " E " referred to in the
Affidavit of

Don Koptenay
Sworn before me this 14 day
of January A.D., 2014

A Notary Public, A Commissioner for Oaths
in and for the Province of Alberta

DARREN R. BIEGANEK
BARRISTER & SOLICITOR

Re: Eagle River Casino & Travel Plaza - Business Plan

Dear Mr. Murch:

We are in receipt of Mr. Stephen Kiss' letter dated October 7, 2011 regarding the Eagle River Casino & Travel Plaza - Casino Facility License. As per Mr. Kiss' letter, we understand the Board of the Alberta Gaming and Liquor Commission ("AGLC") issued a Casino Facility License to Alexis Casino Limited Partnership ("ACLP") o/a the Eagle River Casino & Travel Plaza, for the dates of October 1, 2011 to February 29, 2012, with the condition that ACLP submit a business plan to the AGLC by December 1, 2011 that incorporates the requirements from the previously issued Casino Facility License.

As you are aware, ACLP contracted the management and implementation of its Casino Facility License to Paragon Canada Alexis ULC ("Paragon"). Paragon is also the General Partner of the Alexis/Paragon Limited Partnership ("APLP") with the wholly owned Alexis entity, Alexis Trustee Corp. ("ATC") being the Limited Partner. Alexis entered into its relationship with Paragon with the understanding Paragon would use its gaming expertise to realize on the potential of the Eagle River target markets while operating the property on an industry comparable basis.

The Eagle River Casino & Travel Plaza opened on January 31, 2008 and today the current financial position of both ACLP and APLP is troublesome to say the least. ACLP has lost money every year since opening and is in a negative \$31.8m position as of September 30, 2011. While the year over year losses have been improving (2008 -\$10.5m, 2009 -\$9.0m, 2010 -\$6.5m, 2011 -\$6.1m est) Paragon continues to forecast a loss for ACLP in 2012 of \$6.0m. Regarding APLP, on March 31, 2010 the Keep-Well Agreement with the Senior Lender, SilverPoint Capital, expired. APLP continues to remain in default with the senior lender and since April 1, 2010, ATC has patiently awaited the delivery of a business plan and feasible financial model from Paragon that meets the requirements of the AGLC and Aboriginal Relations, while providing Alexis with all privileges provided within the existing Partnership agreements. Today, 20 months after the expiration of the Keep-Well



ALEXIS CASINO LIMITED PARTNERSHIP

Agreement, ATC and ACLP must unfortunately inform the AGLC that Alexis have still yet to receive a business plan and feasible financial model acceptable to it.

Upon receiving Mr. Kiss' October 7, 2011 letter, ACLP immediately requested Paragon provide a business plan that meets the AGLC's license condition. On November 23, 2011 ACLP received the attached business plan from Paragon. On November 28, 2011 ACLP informed Paragon this business plan was not acceptable and provided Paragon with an opportunity to submit a revised business plan. On November 30, 2011 Paragon informed ACLP that it stands by its business plan and did not submit a revise version. As such and in an attempt to meet the AGLC's Casino Facility License condition deadline of December 1, 2011, ACLP must submit to the AGLC the attached business plan, with the following comments:

1. Paragon's draft budget indicates ACLP will lose \$6.0m in 2012. ACLP is currently reviewing the draft 2012 budget, however in general, ACLP does not accept that ACLP must continue to operate at a loss. ACLP understands other comparable rural casinos operate at a profit and continues to question why Paragon is unable to operate ACLP profitably.
2. In 2007, Alexis agreed to phase the Eagle River Hotel development with the understanding that construction would recommence within 12 to 18 months after the casino opening. In 2007, at the request of Paragon, Chief Cameron Alexis addressed a letter to the AGLC requesting an approval to phase the Eagle River Hotel with the understanding construction would recommence within 12 to 18 months after the casino opening. In 2009, Alexis approved a Paragon partner to provide junior debt to APLP, at a substantial rate of prime plus 15%, with the understanding the hotel recommencement was forthcoming. Since the opening of the Eagle River Casino, the hotel recommencement has been discussed on a monthly basis where Paragon has represented the importance of the hotel to the short and long term success of the Eagle River Casino & Travel Plaza. During meetings with the AGLC on October 27, 2010, February 24, 2011 and June 27, 2011, Paragon represented to the AGLC and Alexis that the Eagle River Hotel would be developed concurrently with the refinancing of APLP. Over the past year, the hotel market in Whitecourt has not added additional supply while the demand for hotel rooms has grown. Given the above, and Alexis' patience that over 45 months has passed since the casino opening, it is unequivocally unacceptable to Alexis that Paragon delay the development of the Eagle River Hotel for an additional three years. ACLP sees the immediate development of the Eagle River Hotel as a way to increase the profitability of ACLP and address any potential FNDF concerns.



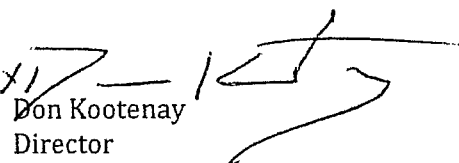
ALEXIS CASINO LIMITED PARTNERSHIP

3. As ACLP understand it, the AGLC has placed a Casino Facility License condition that an estimated \$16m in unencumbered funds be injected into ACLP. Paragon's business plan does not address the AGLC's license condition.

Given all the above-mentioned issues, ATC, ACLP and the Alexis First Nation remain committed to the successful long-term operation of the Eagle River Casino & Travel Plaza, which includes the development of the hotel in the near term. Alexis sees comparable operations throughout Alberta and wholeheartedly believes, that given the right opportunity, the Eagle River Casino & Travel Plaza can be a profitable venture providing tremendous benefits to the Alexis First Nation and its members.

In closing, we would like to sincerely thank the AGLC Board and staff for its continued patience on these matters.

Ishnish,



Don Kootenay
Director
ACLP / ATC

Enclosure

Cc: Dennis Amerine - Paragon Gaming



Draft 2012 Business Plan

Overview

Going into 2012, ACLP, Paragon Canada Alexis ("PALX"), and the Eagle River Casino and Travel Plaza management team are focused on continuing to find operational efficiencies as well as drive revenues at the property. As delineated in the charts in the Appendix A, table drop is much more consistent than in previous years and slot coin-in activity has finally returned to pre-recession levels. Further, projected 2011 year end results demonstrate that the planned reductions in payroll and operating expenses discussed as goals for 2011 have largely been realized. PALX and the management team are committed to finding further efficiencies, wherever possible, that will allow the property to grow and minimize the impact on customer service.

ACLP, the lessee of the casino from APLP, and the developer of the facility and operator of the travel plaza, currently pays a lease to APLP of approximately \$3.2m per year and incurs shared/allocated overhead expenses from APLP of approximately \$5.0-\$6.0m per year. Due to the underperformance of the asset, ACLP has been unable to pay these amounts to APLP over the past 4 years.

APLP continues to see steady increases in its fuel & convenience store business, with revenues estimated at over \$9.6m for 2011, up 43% year over year. APLP is still significantly levered, with over \$55.6 m in senior debt and \$13.2m in junior debt (inclusive of PIK amounts). APLP is currently in default with its senior lenders but is actively working on a recapitalization plan to address this situation. On November 15, 2011 the General Partner transmitted to the Limited Partner Silverpoint's willingness to write down the existing notes by over \$40 million. By December 15, 2011 the General Partner will have a LOI to the Limited Partner identifying the entity expected to "take out" SilverPoint's discounted debt.

The draft 2012 budget is attached hereto in full, and a summary is included at the end of this plan as Appendix B. ACLP is forecasting gross revenues of \$22.7m, up from ~\$22.0m in 2011. Net revenues, according to Canadian GAAP are estimated at \$6.5m versus ~\$6.3m in 2011. Allocated overhead expenses are estimated at \$4.5m.

ACLP Financial & Operational summary

As presented in Appendix B, since its opening, ACLP has incurred losses, after allocated overhead, of \$(10.1)m in 2009, \$(6.5)m in 2010, and an estimated \$(6.1)m in 2011. For 2012, ACLP expects to reduce this loss further to \$(6.0)m. PALX, ACLP, and APLP will continue to work to identify areas within its operation where it can streamline its expenses and become more efficient.

Recapitalization Plan & Casino Lease

While the improvements shown above for 2012, combined with those seen from 2009 -2011 are welcomed, they are not significant enough to improve the combined operations of the Eagle River Casino & Travel Plaza to profitability considering the debt on the project. PALX, its partners, and the Alexis First Nation are committed to making this property a success and believe it is fiscally prudent for the long term viability of the property to reduce the outstanding debt.

Simply put, the projects results are nowhere near original expectations. Hence, our plan is for the project to reduce its senior debt to approximately \$12m. While we believe the completion of the hotel would greatly increase the operating results of the property, it is difficult to make the business case for that development at this time given the fact that the proposed hotel would have to be completed on the premise that no FNDF monies would be available to subsidize its development or its operation in a market that is significantly competed due to the recent increase in hotel supply in Whitecourt. These facts, combined with the complexity of Eagle River's current debt structure, has led the General Partner to conclude its attention is best spent on reducing the senior leverage to reasonable amounts so the project's cash flow can service principal and interest of the restructured debt. The General Partner believes that, with continued improvement in project performance as the local market grows, there will be a sound business case to support the completion of an economically viable hotel. In summary, the next three years of property cash flow will be used to service the payment of principal and interest on the new debt, leaving little to no capital to invest in completing the hotel.

Equity cure

PALX and ACLP understand the importance of ensuring the financial sustainability of the Eagle River Casino and improving its capital structure. As you are aware, the principals of PALX's parent company invested an additional C\$9.1m into APLP in 2008 in order to decrease the leverage of the partnership, and MNP Capital has C\$8.0m of equity in the project partnership, which currently has negative value.

In order to raise additional funds into either the ACLP or the APLP entities, the Partners must be able to show current and new investors that equity capital will be returned with above market rate returns. In addition, because of the partnership structure and the various subordination agreements, any new capital invested directly into ACLP will essentially rank below the new senior debt, the existing C\$9.1m junior debt/equity and the existing C\$8.0m equity. This makes it very difficult to raise new capital.

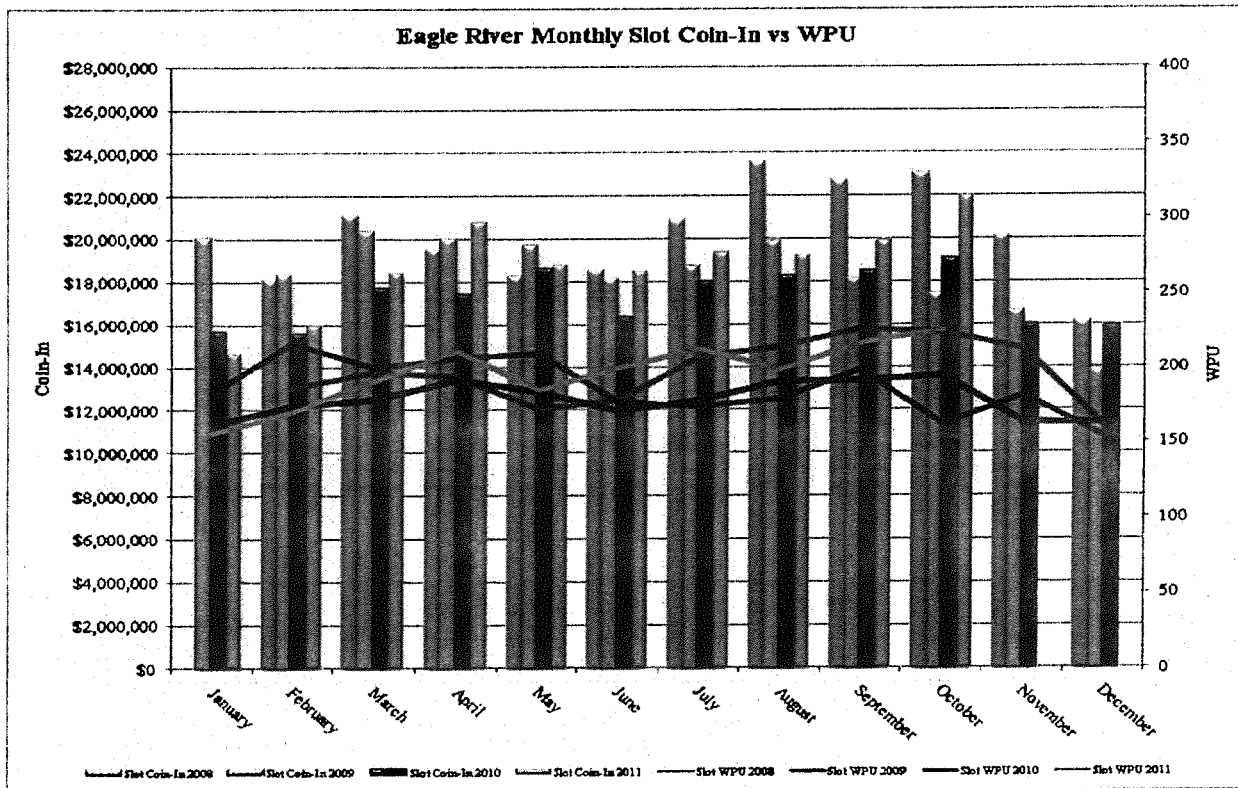
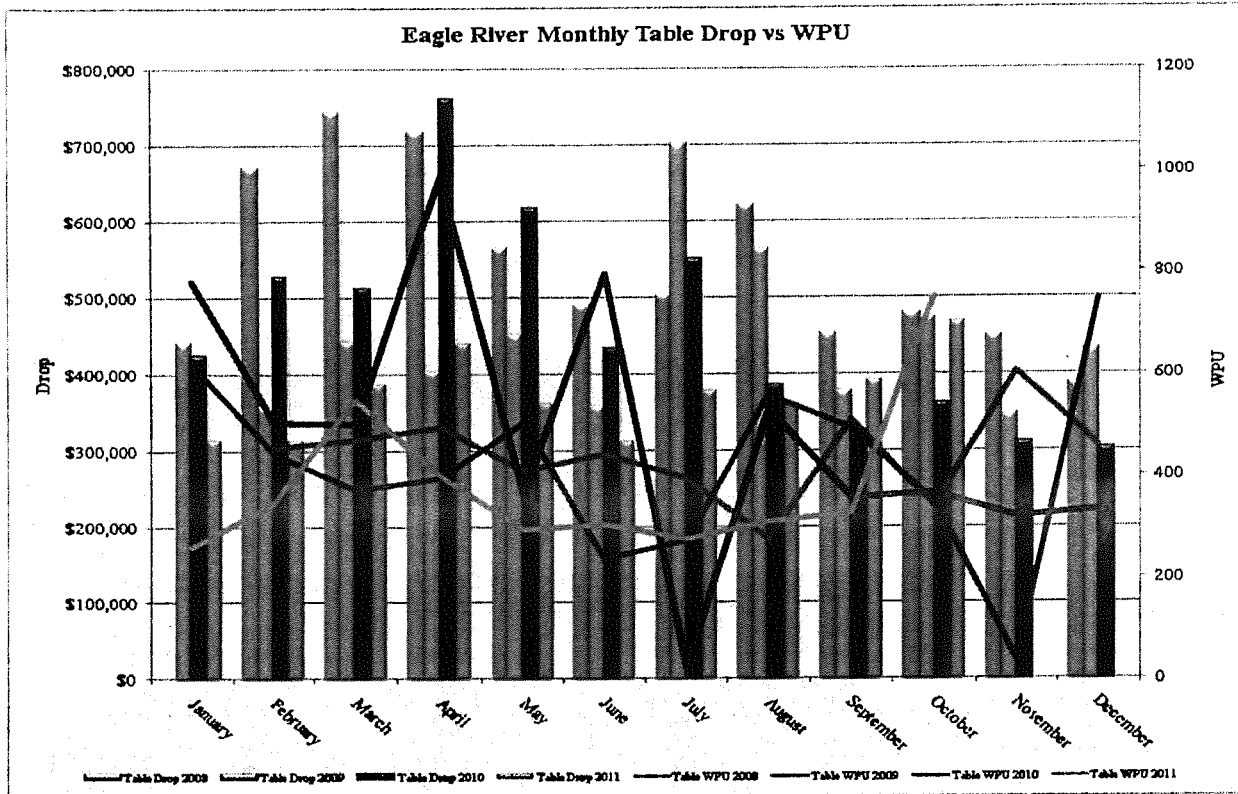
As shown on Appendix B, we are forecasting ACLP's annual loss to improve to \$(6.0)m in 2012 from an estimated \$(6.1)m in 2011, and \$(6.5)m in 2010. Much of this loss is attributed to the \$3.3m casino lease and the \$5.0-\$6.0m in annual allocated overhead. The General Partner has stated its recommendation to both ACLP and AGLC that the accumulated Casino Lease payment of \$ 13.1m be forgiven in much the same light that the senior debt has been written down. If PALX is successful with the recapitalization, reduction in overhead, and hotel plan, we believe the casino's share of allocated overhead can be significantly reduced and place ACLP into a profitable financial position. Over the next few years, ACLP would be able to repay the arrears of a restated casino lease as well as overhead payables due to APLP, and improve its negative equity position.

Therefore, we would propose working with the AGLC on:

- 1) Determining how to pass through some of the savings/forgiveness of debt from the recapitalization plan to ACLP
- 2) Revaluing the casino lease based on the economics of the recapitalization plan
- 3) Re-allocating overhead to ACLP post hotel construction

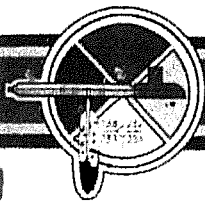
In conclusion, Paragon has been committed to its partnership with Alexis for over ten years, and has expended whatever efforts have been necessary to keep the project moving forward through a series of significant challenges that would have made most gaming companies reconsider its position. Paragon believes the Eagle River Casino & Travel Plaza has turned the corner and will continue to improve in overall performance and profitability given the goals and objectives outlined in this plan. Paragon looks forward to continue its collaboration with Alexis and secure the benefits both partners envisioned in 2001.

Appendix A



Appendix B

Eagle River Casino & Travel Plaza Combined operational summary of operations Historical Results (in millions \$)																	
	2008 (audited)			2009 (audited)			2010 (unaudited)			2011 YE Est.			2012 Budget				
	ACL	APL	Combined	ACL	APL	Combined	ACL	APL	Combined	ACL	APL	Combined	ACL	APL	Combined		
Revenues	\$ 6.4	\$ 4.8	\$ 11.3	\$ 6.3	\$ 5.4	\$ 11.7	\$ 6.2	\$ 7.1	\$ 13.3	\$ 6.3	\$ 10.1	\$ 16.4	\$ 6.5	\$ 9.7	\$ 16.3		
Expenses																	
COGS	1.4	4.3	5.7	1.6	4.7	6.3	1.5	6.3	7.7	1.5	9.1	10.6	1.5	8.7	10.2		
SG&A	5.3	9.0	14.3	4.3	7.8	12.0	3.6	5.8	9.4	3.2	5.0	8.2	3.0	5.3	8.3		
Alloc Overhead	8.1	(8.1)	-	7.1	(7.1)	-	4.4	(4.4)	-	4.5	(4.5)	-	4.8	(4.8)	-		
Lease	3.0	(3.0)	-	3.3	(3.3)	-	3.3	(3.3)	-	3.3	(3.3)	-	3.3	(3.3)	-		
	17.9	2.1	20.0	16.3	2.0	18.4	12.7	4.4	17.2	12.4	6.3	18.8	12.6	5.9	18.5		
EBITDA	\$ (11.5)	\$ 2.7	\$ (8.8)	\$ (10.1)	\$ 3.4	\$ (6.7)	\$ (6.5)	\$ 2.7	\$ (3.9)	\$ (6.1)	\$ 3.8	\$ (2.4)	\$ (6.0)	\$ 3.8	\$ (2.2)		
FNDP		5.0	5.0		5.1	5.1		4.9	4.9		5.4	5.4		5.6	5.6		
Adj. EBITDA	\$ (11.5)	\$ 7.7	\$ (3.8)	\$ (10.1)	\$ 8.5	\$ (1.6)	\$ (6.5)	\$ 7.5	\$ 1.0	\$ (6.1)	\$ 9.1	\$ 3.0	\$ (6.0)	\$ 9.4	\$ 3.4		
Deprec & Amtz.		3.2	3.2		2.7	2.7		2.5	2.5		1.7	1.7		2.0	2.0		
Interest, net		5.0	5.0		7.7	7.7		8.5	8.5		9.8	9.8		11.4	11.4		
Other (Inc)/Exp		0.5	0.5		(1.4)	(1.4)		-	-		(0.1)	(0.1)		0.0	0.0		
Net Income	\$ (11.5)	\$ (1.1)	\$ (12.5)	\$ (10.1)	\$ (0.5)	\$ (10.2)	\$ (6.5)	\$ (3.4)	\$ (9.9)	\$ (6.1)	\$ (2.3)	\$ (8.4)	\$ (6.0)	\$ (4.0)	\$ (10.0)		
Senior Debt	\$ 38.9	\$ 38.9		\$ 43.1	\$ 43.1		\$ 49.4	\$ 49.4		\$ 55.6	\$ 55.6		\$ 55.6	\$ 55.6			
Junior Debt	\$ 9.3	\$ 9.3		\$ 9.7	\$ 9.7		\$ 11.4	\$ 11.4		\$ 13.2	\$ 13.2		\$ 13.2	\$ 13.2			



ALEXIS TRUSTEE CORP.

January 20, 2012

Paragon Canada Alexis ULC
Suite 150, 6650 via Austi Parkway
Las Vegas, NV 89119

Attention: Scott Menke

Dear Sir:

Re: Response to Your Letter of December 14, 2011

We are writing to respond to your letter dated December 14, 2011.

We entered into agreements with Paragon Gaming Inc. ("Paragon") in 2003 on the basis that Paragon would utilize its expertise to develop and operate a viable casino, travel plaza and hotel project in partnership with the Alexis Nakota Sioux Nation ("Nation").

All parties were well aware of the significant challenges which were presented at the time of inception of the development of the project including delays and increased costs. However:

- a) Those issues were beyond the control of the Nation; and
- b) Paragon had the ability, certainly in the initial stages, to walk away from the project leaving the Nation to proceed with a different developer and operator but chose, of its own volition, to continue with the project.

In specific response to comments and allegations made in your letter:

- 1) While the worldwide recession is well known and its adverse affects on North America were widely felt, including in the Whitecourt area, it is not correct to state that it was the recession which led to the default on the senior loan with Silverpoint. If that were the case, considering that the business plan submitted by Paragon on December 1, 2011 states that "table drop is much more consistent than in previous years and slot coin inactivity has finally returned to pre-recession levels" would mean that APLP should now be in a position to service its senior debt and ACLP would be profitable. That is not the case.
- 2) While a reduction in operating expenses and an increase in revenues are noted with resulting improved EBITDA, Eagle River is still only generating approximately 43% of its originally forecasted gaming revenue. Even at that, it is among the top rural casinos in Alberta in terms of gross gaming revenues but is still not profitable. Under Paragon's management, ACLP has lost over \$33,000,000. Furthermore, on December 23, 2010 AGLC provided ACLP and Paragon with information which showed quite clearly that rural Alberta casinos of similar size and number of slot

This is Exhibit "F" referred to in the
Affidavit of

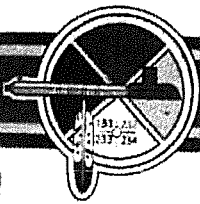
Don Kootenay

Sworn before me this 14 day

of January A.D. 2014

A Notary Public, A Commissioner for Oaths
in and for the Province of Alberta

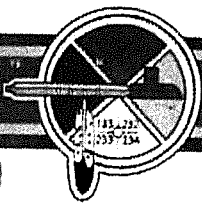
DARREN R. BIEGANEK
BARRISTER & SOLICITOR



ALEXIS TRUSTEE CORP.

machines averaged expenses of 13% of EBITDA yet ACLP's 2012 budget provided by Paragon shows that percentage to be at an unsustainable level of negative 45% without a casino lease payment. If the lease payment is factored in, it becomes negative 98%;

- 3) It is the operational methodology employed by Paragon which has led to excessive overhead charges and is by far the largest factor associated with the ongoing default to Silverpoint;
- 4) With respect to the loan made by Ms. Bennett and yourself, the loan was not made for free. The interest rate payable on that loan is prime plus 15%;
- 5) With respect to the Silverpoint default, an improvement in EBITDA will not rectify the default completely. The fact remains that payments have not been made to Silverpoint since April of 2010 and their \$56,200,000 senior debt still remains in place. While we acknowledge that Paragon has commenced negotiations with Silverpoint to sell its debt at a discounted price, all that means to Alexis is that Silverpoint is prepared to sell \$56,200,000 worth of debt to another lender at a deep discount but it does not change the fact that there is still a \$56,200,000 debt owing on the project. It will simply be held by someone else other than Silverpoint. There has been no plan presented which would suggest that that debt would actually be reduced to the \$14,500,000 level. Is the APLP debt being caused actually being reduced to \$14,000,000?
- 6) With respect to a new FNDF grant application, we note that during a meeting among AGLC, Aboriginal Relations, Alexis and Paragon in June, 2011, Aboriginal Relations informed all parties that any restructuring of the APLP senior debt would require a new FNDF application. They also stated, quite clearly, that the use of FNDF funds to pay for operational expenses such as the acquisition of fuel, while allowed under the current grant, would not be allowed under any new application. To date, Paragon has not put forward a financial plan which meets the requirements of Aboriginal Relations as outlined in the meeting in June of 2011. Aside from the fervent desire from the Nation for Paragon to construct the hotel, how does Paragon expect Alexis Trustee Corp. to obtain the necessary FNDF Band Council Resolution from the Nation if Paragon is unable to provide a plan which meets the clear requirements of Aboriginal Relations on this point? Submitting a grant application request knowing full well it will not be approved is in no one's best interest. It is Paragon's responsibility as a manager and the entity controlling the general partner to put forward a plan which meets the requirements of Aboriginal Relations. Until such time as that happens, any consideration of the Nation facilitating a new FNDF grant is moot;
- 7) The ongoing practice, approved by Aboriginal Relations under the current FNDF grant, is, conversely, a violation of AGLC's First Nation's Gaming Policy. AGLC has continually maintained that this default can only be rectified by injecting \$16,000,000 in unencumbered funds into ACLP. Paragon has advised that the AGLC's request is not feasible however, AGLC is the Nation's regulator and sets the terms and conditions of the Casino Facility License. That Casino Facility License is only being renewed on a short-term basis when the Nation should expect to be able to obtain a renewal every two years. Regardless of Paragon's opinion, the Nation is the one who must ensure that all of the requirements of its regulator are met in order to



ALEXIS TRUSTEE CORP.

maintain that license. Paragon is required under the terms of the Partnership Agreement and the Management Agreement to ensure that there are no material violations of AGLC's regulatory requirements. It is coming to the point where this ongoing inability to rectify the situation to AGLC's satisfaction is a material violation and must be rectified or the license is at risk;

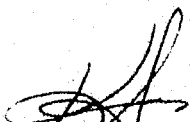
- 8) To suggest that Paragon has received zero benefit from this project is not accurate. Paragon continues to charge General Partner's Personnel Expenses for the running of the project. Yet we note that the Nation is unable to clearly comprehend the exact financial position of APLP as the financial statements presented by Paragon have always been the consolidated financial statements of Paragon Alexis ULC. Notwithstanding the specific terms of the Partnership Agreement, Paragon has never provided a single audited financial statement of APLP. Nor has Paragon turned over all tobacco revenues.

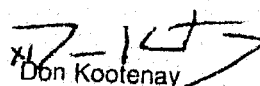
The Keep Well Agreement with Silverpoint expired on April 1, 2010. Alexis Trustee Corp. has requested on several occasions that Paragon present a plan which meets the requirements of the Nations' regulators, AGLC and Aboriginal Relations and can conceivably transform APLP and ACLP into viable entities. To this point, Paragon has yet to present this plan.

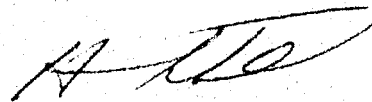
The project is not viable and no plan has been presented to make it so. The project is now hopelessly insolvent and has been for three consecutive years. It is therefore Alexis Trustee Corp.'s intention to present a motion at the January 25, 2012 Management Committee Meeting in accordance with Article 13.1.d of the APLP Limited Partnership Agreement.

It is unfortunate that it has come to this but in the absence of Paragon being in a position to present a plan which, at a minimum, takes into account the requirements of the regulators there seems to be no other alternative.

Isn nish,


Kathleen Alexis
Director
ATC/ACLP


Don Kootenay
Director
ATC/ACLP


Howard Mustus
Director
ATC/ACLP

cc: Peter Elzinga
cc: Gerry McLennan
cc: John Kosolowski

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ESTD 1981
DUNCAN & CRAIG LLP
LAWYERS & MEDIATORS

Email duncancraig@dcllp.com
Internet www.dcllp.com

This is Exhibit "G" referred to in the
Affidavit of

Don Kodjenay
Sworn before me this 14 day
of January A.D., 2014

Our File: 204-169216

Your File:

February 16, 2012

Via Fax - 780-969-6901

Kennedy Agrios LLP
1325, 10180 - 101 Street
Edmonton, AB T5J 3S4

A Notary Public, A Commissioner for Oaths
in and for the Province of Alberta

DARREN R. BIEGANEK
BARRISTER & SOLICITOR

Attention: Janice Agrios, Q.C.

Dear Madam:

Re: Alexis Paragon Limited Partnership

Further to your letter of yesterday and the meeting at the AGLC, we are writing to provide a response and a list of questions for Mr. Osrow.

While the meeting was tentatively scheduled for today, Mr. Osrow made it quite clear that he was prepared to stay in Edmonton to meet at any time including early next week. Some of the delay has been my responsibility as another matter has kept me quite busy over the last couple of days.

First, in relation to the meeting between Scott Menke and Chief Alexis, as you discussed with John Kosolowski yesterday over the telephone, one needs to appreciate the position Chief Alexis now finds himself in. In a discussion with Mr. Menke in 2010, the Chief was made a very specific promise by Mr. Menke that the hotel would be built and operating by now. That promise was conveyed by the Chief to the Alexis First Nation People. That hotel has not been built. A promise was broken and the Chief is now being held accountable for it. That broken trust, along with several remaining unanswered questions, has led to mistrust on the part of Alexis in relation to everything that Paragon does and it now permeates the entirety of the relationship.

Turning to specific questions about the transaction proposed:

- 1) The written proposal from Silverpoint now confirms that which Paragon has been advising Alexis of verbally for the last little while. It also confirms what we expected: the transaction will involve a purchase of the debt and security, not a write down. At the meeting with the AGLC on Monday, Mr. Osrow indicated that Paragon would purchase the debt and "retire it down". What does "retire it down" mean exactly? Is the project still to be saddled with debt of the existing magnitude owing to Silverpoint or is the debt actually going to be written down? Is there going to be a covenant as between the project entities and the lender(s) which confirms that the project will not be visited with the full amount of the debt and its assets will not stand as security for the full amount of that debt? If so, what does that covenant look like? How is the "retire down" to work?
- 2) Mr. Osrow indicated there were two institutional lenders who are interested in buying the deal. Who are they and are there any equity considerations?

DUNCAN & CRAIG LLP

February 16, 2012

Page 2

- 3) In Paragon's proposed model, Alexis' interest differential has been eliminated. As we understand it was not Paragon's intent to change its original agreement with Alexis and we therefore ask that a revised financial model which includes the interest differential going forward be provided. Alexis has also requested on numerous occasions, including at the December APLP Management Committee Meeting, the true status of the true up which includes the interest differential Alexis is afforded. That has yet to be provided.
- 4) Paragon's financial model indicates that both slot and table revenues are projected to increase by an average of 8.5% annually between 2012 and 2017. While Alexis acknowledges that the anticipated completion of the hotel will contribute to an increase in revenues, where is the support for the validity of these projections given that Eagle River slot revenues increased only by an average of 3.7% annually since 2009 and table revenues have actually decreased by 6.1% annually. Eagle River is already among the top rural casinos in slot revenues but the revenues have always been overestimated and therefore Alexis suggests that a more conservative revenue projection be used.
- 5) Alexis remains skeptical of the projection to commence construction of the hotel in 2013 as that projection is based on what Alexis views as overestimated projections on revenue. Previous promises on construction remain unfulfilled.
- 6) Paragon has also proposed that the junior debt be capped at \$13,200,000. If the senior debt is not being paid in full (and we have only been told that it will be "retired down" – whatever that means) why is the junior debt remaining at all?
- 7) Alexis assumes that Paragon's intention is to raise the entire Silverpoint purchase amount in debt. Earlier proposals suggest there would be a combination of equity through a delusion of Paragon's 40% interest. I note that raising cash through a combination of equity and debt would certainly lower the leverage on the project and allow construction of the hotel to commence much more quickly.
- 8) Paragon has shown the cost of capital of the debt at 9.5% in specific amortization schedule. Please confirm that this cost of capital has actually been confirmed to Paragon by the proposed lenders. Written confirmation from the proposed lenders would be appreciated.
- 9) Of significant concern is that Paragon continues to show SG & A expenses which are far in excess of the Alberta Rural Casino Industry average. Alexis has yet to receive a response to their December 9, 2011 letter which outlines their concerns with the APLP and the ACLP 2012 operating budgets. Why is there a reluctance to lower expenses to industry average in Alberta? The casino is not located in or near a major metropolitan area. It can be run at a lower cost. We have the statistics to prove it.
- 10) Parliament is in the process of passing the *First Nations Financial Transparency Act*. If enacted, First Nations would be required to include their business entities within their consolidated financial statements. It is paramount to Alexis that all of its entities be profitable or at least at a run on break even basis. There will be significant consequences to the Alexis First Nation if its businesses operate at a loss. Paragon has proposed that ACLP continue to operate a loss throughout the remaining term and that loss will grow. Continuing those losses will result in them having to be stated in the Nation's financial statements with the incumbent risk of:
 - a) A significant reduction in Nation program funding; and
 - b) A risk that the Nation itself might be placed under third party management.

DUNCAN & CRAIG LLP

February 16, 2012

Page 3

For obvious reasons that is not acceptable to the Alexis entities.

11) During our meeting on Monday Paragon stated that upon completion of the hotel overhead costs would be reallocated to allow ACLP to be profitable. We believe, however, that the financial proposal put forward to us includes an industry standard level of hotel overhead. As a result, it has already been accounted for within the hotel expense line item so we are unclear on how the statement made at the meeting works with the financial model presented.

12) Alexis has yet to receive APLP financial statements as requested in their December 19, 2011 letter.

Paragon has stated, through Scott Menke to Chief Alexis, that he does not believe a further FNDF application is warranted. Whether that is in fact the case remains to be seen but Alexis remains of the view that:

- a) There is no viable proposal on the table at the moment which takes into account the regulators' conditions; and
- b) Those conditions remain in place.

In June of 2011 you, along with the former Paragon CFO, were present at the meeting held at our office with representatives from each of Alexis, AGLC and Aboriginal Relations ("A.R."). The position of AGLC and A.R. was made very clear at that meeting. Under any new FNDF proposal, FNDF funds will not be available for operational purposes. As such, until such time as a proposal is put forward by Paragon which takes into account those concerns, how can Alexis even consider making a BCR to advance a proposal which it knows will not be accepted?

The agreements between our clients do not require Alexis to do that which is simply demanded by Paragon. The Alexis entities have every right to ask questions and to insist that the regulators requirements be met.

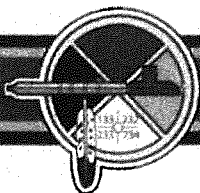
We look forward to receiving answers to these questions, many of which have remained unanswered for some time.

Yours truly,

DUNCAN & CRAIG LLP

Per:

DARREN R. BIEGANEK, Q.C.
Direct Phone: (780) 441-4386
Direct Fax: (780) 969-6381
e-mail: dbieganek@dcllp.com
DRB/kjs



ALEXIS TRUSTEE CORP.

August 13, 2012

John Cahill
Secretary
Paragon Canada Alexis ULC
Suite 150
6650 via Austi Parkway
Las Vegas, NV 89119

This is Exhibit "H" referred to in the
Affidavit of

Don Koofenay

Sworn before me this 4 day

of January A.D. 2014

Delivered via Email
Original Mailed

A Notary Public, A Commissioner for Oaths
in and for the Province of Alberta

DARREN R. BIEGANEK
BARRISTER & SOLICITOR

Re: Eagle River Casino & Travel Plaza – Refinancing Model

Dear Mr. Cahill:

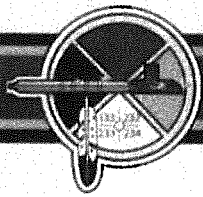
The purpose of this correspondence is to reaffirm Alexis Trustee Corp's ("ATC") and Alexis Casino Limited Partnership's ("ACLPL") position regarding the requirements of a ACLPL refinancing model that it will support the presentation to Alexis Chief and Council and Alexis' regulators.

As outlined in our previous correspondence ATC and ACLPL will only support a feasible refinancing model that meets the current requirements of Alexis' regulators, including the Alberta Gaming Liquor Commission and Aboriginal Relations, and contains operational costs that are within Alberta industry average. As you are also aware, it is the profound desire of Alexis Chief and Council that the Eagle River Hotel be completed in the near term.

In reviewing Paragon's latest proposed refinancing model it does not meet ATC's and ACLPL's requirements in the following areas:

1. It is proposed that FNDF be used for operational purposes. As indicated by Aboriginal Relations, operational purposes will not be an eligible use of FNDF going forward.
2. It is proposed that ACLPL will not be a profitable entity and requires ACLPL, through the indirect use of FNDF, to support its operations. As indicated by the AGLC, this is contrary to the First Nation Gaming Policy.
3. The existing ACLPL Casino Facility License condition that \$16m in unencumbered funds be deposited into ACLPL is not being met.
4. Operational costs, including marketing expenses, continue to be in excess of Alberta industry average.

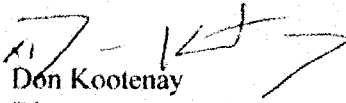
ATC and ACLPL requests that Paragon provide a revised feasible refinancing model that meets ATC's, ACLPL's and its regulators' requirements. If it is the case that Paragon cannot provide a feasible financial model that addresses the above noted requirements



ALEXIS TRUSTEE CORP.

then APLP is insolvent currently and over the long term. As such, the partners should conduct themselves in accordance with the terms of the Partnership Agreement.

Ish nish.


Don Kootenay
Director
ATC / ACLP

August 29, 2012

Ryan McQuilter
Alexis Nakota Sioux Nation
PO Box 7
Glenevis, AB. T0E 0X0

Dear Ryan;

Subject: Audit of the First Nations Development Fund (FNDF) grant - Non Gaming costs Eagle River Casino and Travel Plaza, January 1, 2010 to June 30, 2012

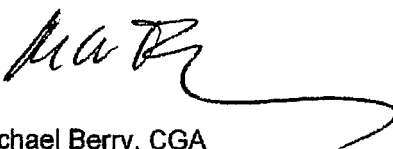
As a follow-up of your email on August 23, 2012 this will confirm that the Alexis Nakota Sioux Nation has been selected for an audit of their FNDF. *The audit will encompass a full review of the FNDF activities of the Nation for the period January 1, 2010 to June 30, 2012.*

As discussed we will meet you at the Casino at noon on September 24, 2012. Please have work space available for two auditors for the week that we expect the audit to take.

Please follow the list of documentation we are enclosing which we would like for the audit. We may also request other related documents.

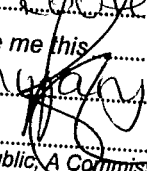
If you have any concerns or questions please let me know by phone or email at the number/address listed below. You can contact Michael Berry by phone at 780 644-1037 or by e-mail michael.berry@gov.ab.ca.

Yours truly,


Michael Berry, CGA
Senior Auditor
First Nations Development Fund
(780) 644-1037
Email : michael.berry@gov.ab.ca

Enclosures

- Documents Request Listing
- cc: Chief Cameron Alexis, Alexis Nakota Sioux Nation
Don Kootenay, Director, APLP
Howard Mustus, Director, APLP

This is Exhibit "I" referred to in the
Affidavit of
Don Kootenay
Sworn before me this 14 day
of January A.D., 2014

A Notary Public, A Commissioner for Oaths
in and for the Province of Alberta

DARREN R. BIEGANEK
BARRISTER & SOLICITOR

Documentation Requested for Audit of FNDF Projects

You are requested to have available the following documents in order that Aboriginal Relations can conduct an audit on your First Nations Development Fund (FNDF) project(s) :

- Bank statements, cancelled cheques and duplicate deposit book for your FNDF bank account(s) for the period under audit. If funds have been transferred from the FNDF bank account(s) to operating accounts for the Nation we would like copies of these bank statements as well. Please fax these statements to the auditors as soon as possible at 1-780-644-4939. We will use this information to start our audit in the office. We will review the invoices and other supporting documents when we visit.
- Listing of all current Council and board or committee members.
- Summaries or other listings used to track FNDF grant expenses. If the project is finished we would like the information used to produce the final financial report, if one was done.
- General Ledger data dealing with the FNDF. Please save or extract the data in Excel format. Please call the auditor if you are not familiar with this procedure. If the expenses for the FNDF have been paid out of another account, such as the general operating account, please provide a listing of the expenses applicable to the FNDF grant. Please copy this data onto a CD and mail to the auditor. You may also wish to send by e-mail. Please speak with the auditor about this option.
- Please have available all documents supporting your project(s). This would include bills, invoices, contracts, payroll records and cancelled cheques.
- Minutes of meetings approving and discussing project(s).
- Copies of all audits for the Nation for all periods being audited and external auditors working papers where they have performed an audit of projects funded by the FNDF. We can get directly from them with your permission.
- Deliverables including reports, pictures, press releases, etc which give a representation of how the funds were spent.
- Any other information dealing with the FNDF grant and related expenses. This would include such items as consultant reports, environmental impact studies and proposals.
- Contact information for all individuals involved including managers, bookkeepers, consultants, accountants and lawyers.
- We may also request information on grants or receipts from any other area of Aboriginal Relations, other Alberta government departments, other levels of government including INAC or any other source if we need this information to complete our audit.
- Any questions or queries please call Michael Berry, Senior Auditor, FNDF at 780-644-1037 or E-mail: michael.berry@gov.ab.ca.

September 13, 2012

CONFIDENTIAL

Ryan McQuilter, CEO
Alexis Land Management Corp.
P.O. Box 145
Glenevis, AB T0E 0X0

Dear Ryan,

RE: EAGLE RIVER CASINO & TRAVEL PLAZA

It is the responsibility of the Alberta Gaming and Liquor Commission (AGLC) to maintain the integrity of the gaming industry in Alberta. To help achieve that goal, it is also the responsibility of AGLC to protect the gaming revenues held, in trust for the AGLC, by slot retailer. As a result of the recent financial review of your operations conducted by Grant Thornton for the AGLC, at this time the AGLC is requesting you provide financial security to minimize the risk posed to gaming revenues.

We have conducted a review of the recent slot activity at your location and have determined we require an Irrevocable Letter of Credit (LOC) in the amount of \$300,000.00 to secure the gaming proceeds held by you in trust for the AGLC.

In order for you to continue operation of the slot terminals without disruption, please provide the original Irrevocable Letter of Credit to our office by 3:00 p.m., October 1, 2012. If the LOC is not received by that time your slot machines will be disabled.

Please arrange for a LOC from any chartered bank or other financial institution to meet the AGLC's financial security requirements. The LOC must:

- Identify the legal entity of the applicant/casino operator as "applicant" or "customer"
- Name the AGLC as "beneficiary";
- State the dollar amount of the LOC as "\$300,000.00" both numerically and in written format;
- Be in effect on or before October 1, 2012 and for the duration of at least one year; and
- State "partial drawings are permitted".

.../2

aglc.ca

This is Exhibit "J" referred to in the
Affidavit of

Don Kootenay

Sworn before me this 14 day

of January A.D., 2014

A Notary Public, A Commissioner for Oaths
in and for the Province of Alberta

DARREN R. BIEGANEK
BARRISTER & SOLICITOR

In order to ensure the form of the LOC is acceptable to the AGLC, I would be pleased to review a draft of the LOC form before it is issued.

Should you have any questions regarding this matter, please feel free to contact me at 780-447-8660.

Yours truly,

A handwritten signature in black ink, appearing to read 'B. Boychuk', with a stylized flourish at the end.

Bruce Boychuk, CMA
Director, Finance

Copy: Dennis Amerine, Paragon Gaming
Don Kootenay, Director of ACLP
Bill Robinson, Chief Executive Officer
Gill Hermanns, Chief Financial Officer and Executive Director, Corporate Services
Barry Gross, Executive Director, Regulatory
Muriel Grimble, Executive Director, Gaming Products & Services
Kirsten Merryweather, General Counsel/Corporate Secretary
Retailer Master File

ALEXIS CASINO LIMITED PARTNERSHIP

September 19, 2012

Paragon Canada Alexis ULC
Suite 150, 6650 via Austi Parkway
Las Vegas, NV 89119

Attention: Scott Menke

Dear Sir:

Re: AGLC Letter – September 13, 2012

Please find enclosed a letter from the Alberta Gaming and Liquor Commission ("AGLC") dated September 13, 2012.

As per the enclosed letter, the AGLC requires an Irrevocable Letter of Credit ("LOC") in the amount of \$300,000.00 to secure the gaming proceeds held in trust for the AGLC. The AGLC requires an original of the LOC to be delivered to their office by 3:00pm on October 1, 2012 and failure to provide this LOC will result in the slot machines of the Eagle River Casino & Travel Plaza being disabled.

Alexis Casino Limited Partnership ("ACLP") is putting Paragon Canada Alexis ULC ("PCA") on notice that as per our Casino Management Agreement it is PCA's responsibility to provide this LOC. As such, by September 26, 2012, ACLP hereby requests written confirmation from PCA that it intends to provide this LOC.

Ish nish,

**17-147*
Don Kootenay
Director
ACLP

Enclosure

Cc: Bill Robinson – AGLC
Cc: Bruce Boychuk – AGLC
Cc: Gill Hermans – AGLC
Cc: Barry Gross – AGLC
Cc: Muriel Grimble – AGLC
Cc: Kirsten Merryweather – AGLC
Cc: John Kosolowski – Duncan & Craig LLP

This is Exhibit "K" referred to in the
Affidavit of

Don Kootenay

Sworn before me this 14 day

of January A.D., 2014

A Notary Public & Commissioner for Oaths
in and for the Province of Alberta

DARREN R. BIEGANEK
BARRISTER & SOLICITOR

2800 Scotia Place
10060 Jasper Avenue
Edmonton, Alberta
Canada T5J 3V9

Telephone (780) 428-6036
1-800-782-9409
Fax (780) 428-9683

E-mail duncancraig@dcllp.com
Internet www.dcllp.com

Founded 1891
DUNCAN & CRAIG LLP
LAWYERS & MEDIATORS

Our File: 204-169216

Your File:

October 10, 2012

Via Fax - 780-969-6901

Kennedy Agrios LLP
1325, 10180 - 101 Street
Edmonton, AB T5J 3S4

Attention: Janice Agrios, Q.C.

Dear Madam:

Re: Alexis Paragon Limited Partnership

Further to the above noted matter we are writing to advise you of what was communicated by Mr. McQuilter to Mr. Osrow yesterday. In that regard I confirm that:

- 1) Your client Paragon has yet to provide our client with confirmation that it will post the required letter of credit by October 15, 2012 as demanded by the AGLC. This is an immediate concern of Alexis. Alexis has demanded written confirmation that Paragon will post the letter of credit without conditions by the end of business today;
- 2) If Paragon provides such confirmation by the end of business today Mr. McQuilter, who will be in Las Vegas Thursday and Friday (on a personal matter) has agreed to meet with Mr. Osrow on Thursday in Las Vegas at which time he will present Alexis' proposal and answer any questions which Mr. Osrow may have. If Paragon has a proposal it wishes to share with Alexis, Mr. McQuilter will receive it. The meeting is not intended as a negotiation but simply to detail the parties' respective proposals to each other;
- 3) Alexis did not meet with Silverpoint yesterday and has not shared the details of the current proposal with Silverpoint and does not intend to do so without Paragon being present; and
- 4) If Paragon does not post the letter of credit and the slot machines are shut down on Monday evening then Alexis will make application to the Court to dissolve the partnership and appoint a Receiver.

Yours truly,

DUNCAN & CRAIG LLP
Per: 

DARREN R. BIEGANEK, Q.C.
Direct Phone: (780) 441-4386
Direct Fax: (780) 969-6381
e-mail: dbieganeck@dcllp.com
DRB/kjs
cc: Clients
cc: John Kosolowski - firm

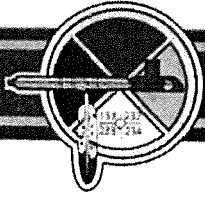
This is Exhibit " L " referred to in the
Affidavit of


Don Kodera

Sworn before me this 14 day
of January A.D., 2014

A Notary Public, A Commissioner for Oaths
in and for the Province of Alberta

DARREN R. BIEGANEK
BARRISTER & SOLICITOR



ALEXIS TRUSTEE CORP.

May 31, 2013

Paragon Canada Alexis ULC
Suite 150, 6650 via Austi Parkway
Las Vegas, NV 89119

Attention: Doug Osrow

This is Exhibit "M" referred to in the
Affidavit of

Don Koolenay

Sworn before me this 14 day

of January A.D., 2014

A Notary Public, A Commissioner for Oaths
in and for the Province of Alberta

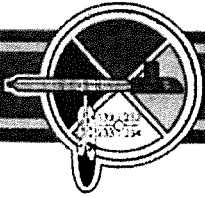
GARREN R. BIEGANER
BARRISTER & SOLICITOR

Re: Letter of Intent – Replacement of Paragon Alexis ULC ("Paragon") as General Partner for Alexis Paragon Limited Partnership ("APLP"), the Acquisition of Paragon's Partnership Units in APLP and Restatement of Indebtedness All in Relation to the Eagle River Casino and Travel Plaza (the "Project")

Pursuant to discussions with respect to the above noted matter, this letter (the "Letter of Intent") outlines certain non-binding understandings ("Non-Binding Terms & Conditions") between Paragon and Alexis Trustee Corp. ("ATC"), a body corporate pursuant to the laws of the Province of Alberta, as agent for and on behalf of Alexis Nakota Sioux Nation ("Nation") with respect to the acquisition of Paragon's partnership units in APLP, the replacement of Paragon as the General Partner of APLP and the reduction of the total indebtedness against the Project (the "Transaction"). This Letter of Intent also contains certain binding understandings ("Binding Terms & Conditions") between the parties in relation to the transaction. It is expected that this Letter of Intent will serve as the basis for the negotiation of a formal and binding definitive agreement for the transaction.

Non-Binding Terms & Conditions

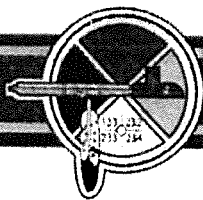
- 1) Basic Transaction: Alexis or a newly incorporated entitled controlled by the Nation ("New GP") will acquire Paragon's 40% interest in APLP will become the General Partner in APLP which will have a negotiated reduced indebtedness
- 2) Consideration: Subject to the terms and conditions contained herein, and based upon the information known to Alexis on the date hereof, the consideration for the transaction will be the aggregate amount of \$26,000,000.00 to be funded as follows:
 - a) An approximate upfront cash payment of \$4,500,000.00 consisting of approximately \$4,000,000.00 currently held in the APLP FNDF blocked account with a balance coming from the ATC FNDF account; and
 - b) An assumption of an amount up to but not greater than \$21,500,000.00 in senior debt inclusive of all existing obligations owing by the Project to Silverpoint Finance, LLC ("Silverpoint"), Paragon, and Paragon Gaming Inc. ("Paragon Gaming") (collectively the "Assumed Debt Holders") to be repaid at an annual interest rate of 6% and amortized over a maximum period of eight (8) years commencing July 31, 2013 ("Assumed Debt") with potential ability to be repaid earlier if cash is available or a refinancing is possible the debt will be a senior secured interest with first position security in all assets
 - c) Out of the consideration, Paragon's objective is to receive not less than:
 - i) Up front cash: \$2,250,000.00 to pay down the Diana Bennett note;
 - ii) Assumption of debt: \$10,750,000.00 to Paragon which will satisfy all Diana Bennett note claims, Paragon and Tamarack equity and buyout of Paragon's management contract. The default interest rate will be 20% (to the extent allowable under applicable law)



ALEXIS TRUSTEE CORP.

the terms of which are to be negotiated by Paragon with Silverpoint.

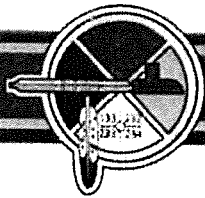
- 3) Additional Terms respecting consideration. APLP may prepay all or a portion of the outstanding principal and Assumed Debt without penalty. The existing Project debt will be written down to an amount no greater than \$21,500,000.00.
- 4) Anticipated Closing Date: July 31, 2013.
- 5) Closing Logistics: The closing of the Transaction will be subject to appropriate regulatory and government approvals from, where necessary, the Alberta Gaming & Liquor Commission ("AGLC"), Aboriginal Relations and others. Upon the closing of the Transaction, the Management Agreement between Paragon and ACLP shall be terminated and Alexis shall become the sole operator of the Project. Prior to closing Paragon will take such steps as may be reasonably necessary or expected of it as existing General Partner to ensure that the Project meets or exceeds all regulatory operational requirements as at the Closing Date.
- 6) Alternative Structures: Alexis and Paragon each agree to cooperate reasonably to structure the transaction in a manner which accommodates the parties' mutual requirements. If Alexis is unable to obtain approval of the AGLC and Aboriginal Relations for the debt structure set out in Section 2 of this Letter of Intent, then the parties agree to work in good faith to restructure the transaction as a buy out of Paragon's units in APLP.
- 7) Definitive Agreement: Alexis and Paragon intend to begin the preparation of a Definitive Agreement respecting the terms and conditions of the Transaction. The terms of a Definitive Agreement shall include the following:
 - a) All necessary and ancillary changes to the Project Agreements pertaining to the Eagle River Project, a non-exhaustive list of which is attached hereto and marked as Schedule "A". The parties agree that the Project Agreements will require amendments to reflect the changes as required by the parties to give full effect to the Transaction;
 - b) Alexis will agree:
 - i) To provide quarterly unaudited financial statements to the debt holders within 45 days of the end of each quarter and annual audited financial statements within 90 days of the end of each year;
 - ii) To provide the Assumed Debt Holders an annual budget for the operations of the Eagle River Project; and
 - iii) Agree to a term or condition to be included in the Definitive Agreement that in the event there is a default on a loan payment which default is not cured within 90 days then, subject to the approval of the AGLC, Paragon will have the option to appoint a new operator of the Casino.
 - c) The existing security in relation to Assumed Debt shall remain in place modified as part of the necessary and ancillary amendments to the Project Documents as may be required to give effect to the transactions contemplated herein.
- 8) Conditions to Closing: The Definitive Agreement will provide the completion of this Transaction will be subject to customary conditions precedent including, without restriction, the following conditions precedent for the benefit of the parties:
 - a) The approval of Silverpoint,
 - b) The approval of each of AGLC and Aboriginal Relations;
 - c) AGLC must approve Alexis, or New GP, as operator of the Project;
 - d) Any necessary approvals from the Nation.
 - e) Tamarack approval



ALEXIS TRUSTEE CORP.

Binding Terms & Conditions

- 9) Non-Binding Terms & Conditions not binding or enforceable: The Non-Binding Terms & Conditions of this Letter of Intent set forth in paragraphs 1-8 above do not create or constitute any legal, binding or enforceable obligation between Alexis and Paragon and neither of those parties shall have any liability to the other with respect to the provisions set forth above until a Definitive Agreement is executed and delivered by all parties and then only to the extent of the Terms & Conditions set forth therein. If the Definitive Agreement is not executed and delivered for any reason, no party to this Letter of Intent shall have any liability to any other party hereto based upon, arising from or relating to the Non-Binding Terms & Conditions set forth above.
- 10) Non-Exclusivity: Alexis will not be restricted from pursuing options to raise its own funds in an effort to provide \$21,500,000.00 in consideration to the Assumed Debt Holders in a manner other than the assumption of that indebtedness and in so doing, neither Alexis, the Nation or any entity controlled by the Nation will not be considered in breach of either the Cooperation Agreement or any other Project Agreements to which it is a party.
- 11) Expiry of this Letter of Intent. Unless extended by all parties by mutual agreement in writing, this Letter of Intent shall expire at 11:59 PM on July 31, 2013 without further notice.
- 12) Paragon to Keep Alexis Informed: Paragon has agreed to engage in discussions with Silverpoint relative to the assumption of indebtedness and the reduction to total indebtedness amount of \$21,500,000.00. Paragon agrees to use its best efforts to achieve agreement with Silverpoint prior to the expiry of this Letter of Intent and to keep Alexis informed of its discussions with Silverpoint on an ongoing basis.
- 13) Alexis to Keep Paragon Informed: Alexis will engage in discussions and communications with the AGLC and Aboriginal Relations in order to seek the approvals set out in this Letter of Intent and will use its best efforts to obtain such approvals. Alexis agrees to keep Paragon informed of its discussions and communications with the AGLC and Aboriginal Relations on an ongoing basis.
- 14) Regulators: Alexis shall use its best efforts to obtain an indication from each of AGLC and Aboriginal Relations of their support for the transaction contemplated herein prior to the expiry of this Letter of Intent. Alexis may provide a copy of this Letter of Intent to each of AGLC and Aboriginal Relations.
- 15) Payments: No further funds shall be paid from the Eagle River Project to Paragon, Alexis or any related entities or affiliates without the express written consent of both parties.
- 16) Costs: All parties shall be responsible for and bare all of their respective costs, expenses and commissions incurred in connection with this Letter of Intent and the Transaction.
- 17) Law of Definitive Agreement: The Definitive Agreement and, to the extent required, the Binding Terms & Conditions of this Letter of Intent will be governed by the laws of the Province of Alberta and the Courts of the Province of Alberta will have exclusive jurisdiction to deal with all disputes arising hereunder or under the Definitive Agreement.
- 18) Other: This Letter of Intent is intended to summarize certain of the principles that will underline any agreement which may be reached in the future concerning the subject matter of this Letter of Intent. Such principles are not to be taken as exclusive and, in any event, remains subject to modification or withdrawal as a result of further discussions. Except as set forth in paragraphs 9 to 17 of this Letter of Intent, which provisions are intended to give rise to



ALEXIS TRUSTEE CORP.

the legal and binding obligations between Alexis and Paragon immediately upon execution of this Letter of Intent, only those rights and obligations which are set forth in the Definitive Agreement, duly executed by all parties to it, will create any legally binding rights, obligations or consequences with respect to the subject matter of this Letter of Intent.

This Letter of Intent is open for acceptance until May 31, 2013.

Isn nish,

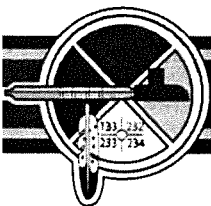
17-KTS
Don Kootenay
Director
ATC/ACLP

THE TERMS OF THIS LETTER OF INTENT ARE HEREBY ACKNOWLEDGED THIS 31 DAY
OF MAY 2013.

PARAGON CANADA ALEXIS ULC

Per:

Doug Osrow
Doug Osrow



ALEXIS CASINO LIMITED PARTNERSHIP

June 17, 2013

Paragon Canada Alexis ULC
Suite 150, 6650 via Austi Parkway
Las Vegas, NV 89119

Attention: Scott Menke

Silver Point Capital
22 W. Washington Street, Floor 15,
Chicago, IL 60602

Attention: Timothy Lavelle

DELIVERED VIA EMAIL

This is Exhibit "N" referred to in the
Affidavit of

Don Kootenay

Sworn before me this 14 day

of January A.D., 2014

A Notary Public, A Commissioner for Oaths
in and for the Province of Alberta

JARREN R. BIEGANER
BARRISTER & SOLICITOR

Dear Sirs:

Re: Eagle River Casino & Travel Plaza – Restructuring Meeting

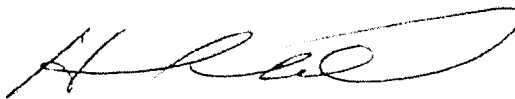
As a follow-up to the discussions of our respective parties on June 14, 2013, the board of directors of the Alexis Casino Limited Partnership ("ACLP") is requesting one of the following dates for a meeting to be held in Edmonton, Alberta to further the Eagle River Casino & Travel Plaza restructuring discussions.

1. June 26, 2013 – Afternoon
2. July 2, 2013 – All Day
3. July 3, 2013 – All Day

At the request of ACLP this meeting is open to attendance of a maximum of two representatives from each party, plus legal counsel.

Ish nish,


Don Kootenay
Director
ACLP


Howard Mustus Sr
Director
ACLP