

Canadian Pacific Railway Relocation

The following information outlines the discussions and preliminary negotiations between Crown Investments Corporation (CIC) and Canadian Pacific Railway (CP) regarding the relocation of CP's existing Intermodal Facility from downtown Regina primarily to a site west of the City and the feasibility of relocating a portion of its operations which have yet to be determined and the proposed sale of the respective property to the multi-purpose entertainment facility. CP's downtown site has been identified as the optimal location for a new facility.

Given the confidential and commercially sensitive nature of the negotiations and given there is no assurance that the land will be sold as a final decision on the facility has not been made, there are no detailed reports provided in this section. There are also no assurances how much of the land will be sold as CP has not yet determined whether the land can be declared surplus to its operational needs.

CIC approached CP in 2009 regarding CP's interest in relocating its downtown operations and selling the respective property. CP agreed to enter into negotiations for the sale of the land and in August 2009, CIC and CP entered into a Memorandum of Understanding (MOU). The purpose of the MOU is to provide a framework for sharing information to understand further the feasibility, timing, terms and other mutual benefits of pursuing the relocation and sale. The MOU contains the following stipulations:

- CP agrees to share relevant information on a confidential basis such as existing rail yard operations or current track and right of way requirements to inform feasibility decisions by CIC.
- CIC agrees to cooperate with CP in providing relevant information that will assist CP to determine their timing, cost and operational requirements of relocating to the Global Transportation Hub (GTH) Land.

As part of the MOU, CIC and CP have agreed to maintain the confidentiality of proprietary or commercially sensitive information.

Relocation of CP's Existing Operations

CP's operations at its downtown location consist of four distinct functions:

1. Inter-modal facility – a terminal that allows retailers to move product by road and rail.
2. Wye infrastructure - triangular shaped arrangement of railway tracks that is used to perform the equivalent of a three point turn of a locomotive, cars or an entire train, if adjoining track allows.
3. Interchange or siding for the exchange of rail cars between CP and CN.
4. Maintenance buildings, yard offices and a portion of CP's Yard.

CP, in partnership with the federal, provincial and local governments, is currently working to relocate its inter-modal facility to the GTH being constructed just west of Regina.

CP is exploring certain of its existing operations to ensure that any changes do not adversely impact CP's operational needs.

CP is undertaking an internal assessment of the expected costs to relocate parts of its operations. While considerable work has taken place to estimate the costs of relocation, they are not completely determinable at this time. An agreement in principle has been reached that, if the facility development proceeds and CP determines that it is feasible to relocate parts of its operations, CP will be reimbursed for reasonable and actual costs to relocate those operations not included in the GTH development. The relocation is to be done in a timely manner and is to ensure consistent operations with the existing location (e.g., fluidity, capacity and accessibility).

Purchase of CP's Downtown Property

CIC engaged Crown Appraisals, a qualified real estate appraiser located in Regina, to provide an assessment of the fair market value of the property. Crown Appraisals used an industry accepted approach, highest and best use¹, to provide CIC and CP with its indication of fair market value. The fair market value is not released due to its commercially sensitive nature and due to the fact that there is no assurance that the land will be sold as decisions regarding the facility have not yet been made and CP's due diligence with respect to determining what lands can be made surplus to its needs have not been completed.

¹ A concept in real estate appraisal that states the value of a property is directly related to the use of that property; the highest and best use is the reasonably probable use that produces the highest property value. This use, the highest and best use, may or may not be the current use of the property.