

Memorandum of Understanding

This Memorandum of Understanding dated for reference April 20, 2015

BETWEEN:

CITY OF NANAIMO, an incorporated municipality having an address at 455 Wallace Street, Nanaimo, British Columbia, V9R 5J6 (the "City")

AND:

SEASPAN FERRIES CORPORATION, having an address at 7700 Hopcott Road, Delta, British Columbia, V4G 1B6 ("Seaspan")

AND:

SOUTHERN RAILWAY OF VANCOUVER ISLAND LIMITED, having an address at 2102 River Drive, New Westminster, British Columbia, V3M 6S3 ("SVI")

WHEREAS the City, Seaspan and SVI (the "parties") wish to enter into this Memorandum of Understanding (the "MOU") to set out the good faith intentions of the parties to proceed in accordance with the understandings set out below with respect to a partial discharge of the existing right of way on a portion of the lands legally described as:

PID: 029-036-500

Lot A, Section 1, and part of the Bed of the Public Harbour of Nanaimo, Nanaimo District, Plan EPP27507 (the "Parent Lands").

NOW THEREFORE the parties set out the following mutual understandings:

1. Land Ownership

The City acquired the Parent Lands (being 26.72 acres) located at 1 Port Drive on March 27, 2013 from Canadian Pacific Railway Company as illustrated in Attachment 1.

Seaspan has a Statutory Right of Way ("Seaspan Right of Way") (EM109875 – modified by ET1322 and ET7033) at 180 Front Street. The Seaspan Right of Way area over the Parent Lands occupies approximately 15.4 acres of land and water. Seaspan has the perpetual right to operate a roll-on, roll-off truck terminal and rail transfer facility in this location.

Island Corridor Foundation ("ICF") is the owner of a perpetual Right of Way ("ICF Right of Way") (EN2815) that includes the Wellcox Railyard. ICF has an operating agreement with SVI to operate rail services on Vancouver Island. SVI is a subsidiary of Southern Railway of British Columbia Limited which is a subsidiary of Washington Canadian Investments, LTD. The ICF Right of Way occupies 2.53 acres of the Parent Lands.

2. City Plans

The City supports the establishment of a passenger only, fast ferry service between downtown Nanaimo and downtown Vancouver. The Parent Lands are the preferred location for the temporary and permanent locations of the terminal facility. The City has issued a long-term lease to the passenger ferry provider.

Another key objective for the City at this point in time is securing a road connection through the Parent Lands as a replacement to the existing wooden trestle that needs to be replaced by the end of 2016. The proposed road runs through the existing Seaspan Right of Way.

The City recognizes that redevelopment of the Parent Lands is a long-term process and will require extensive public consultation on the redevelopment of these lands. Further ideas and concepts for the Parent Lands will evolve through the master planning process in 2015.

3. Seaspan Relocation Plans

Seaspan own 71 acres of land at Duke Point through the Duke Point Property Company ULC with properties at 650, 850 and 870 Jackson Road. Seaspan's intention is to relocate most of the existing roll-on, roll-off truck service from 180 Front Street to Duke Point. Seaspan Board approval has been provided for this relocation and it is anticipated that Seaspan will relocate its roll-on, roll-off traffic to Duke Point by the end of 2016.

4. Partial Reduction of Seaspan Right of Way

Seaspan and the City agree that the existing Seaspan Statutory Right of Way will be partially reduced in late 2016 upon commencement of Seaspan's operations at Duke Point. Attachment 2 illustrates the Right of Way area to be discharged. The outlined area includes 6.7 acres of land and 2.7 acres of water with the remaining Seaspan Right of Way to be utilized by SVI.

5. Southern Railway Expansion Plans

SVI currently occupies 2.53 acres of land in accordance with a Right of Way Agreement granted to ICF. As part of ICF's plans to revitalize rail on Vancouver Island, additional industrial lands adjacent to the Welcox Yard are sought to support transload activities. SVI wishes to continue to occupy 6.3 of land and water currently under the Seaspan Right of Way (Attachment 3).

6. Compensation Payable to Seaspan

The partial discharge of the Seaspan Right of Way will require Seaspan to be compensated for the value of the Seaspan Right of Way. The City and Seaspan will hire a professional appraiser (mutually agreeable to both parties) to value the area to be discharged.

The value provided by the appraiser will form the basis for any compensation negotiation between the City and Seaspan.

In accordance with the Seaspan Right of Way, Seaspan is responsible for the removal of any improvements. The parties agree that the value of demolishing the existing improvements will be a credit against the compensation figure. The City will not remove any of the improvements unless approved by Seaspan.

The mutually agreed compensation amount will be in the form of a cash payment or through an alternative compensation package such as a temporary tax exemption.

7. New Right of Way to be Granted to SVI

Prior to the discharge of a portion of the existing Seaspan Right of Way, Seaspan and SVI shall notify the City if they want to continue to use the existing Seaspan Right of Way or alternatively, if a new right of way agreement registered on title in favour of SVI is to be prepared. The new

right of way would incorporate approximately the same area as outlined in Attachment B. The City's lawyers will be responsible for preparing the new right of way agreement.

8. Timing & Process

The following key steps are anticipated to assist with the partial discharge of the Seaspan Right of Way.

- *Hire Appraiser* – immediately following execution of MOU. Cost to be borne by City.
- *Finalize Compensation* – City and Seaspan to finalize compensation package by Summer, 2015.
- *Prepare Formal Documentation* – City lawyer to finalize documentation – Fall, 2015.
- *Discharge Seaspan Right of Way* - The partial discharge of the Seaspan Right of Way will occur 30 days after Seaspan provides formal notice to the City that it has formally relocated substantially all of its operations to Duke Point. Compensation to Seaspan will be provided on the date of discharge unless an alternative compensation package is developed.

9. Assignment

This MOU may not be assigned or transferred by Seaspan and SVI to any other party except in the event of a corporate restructuring.

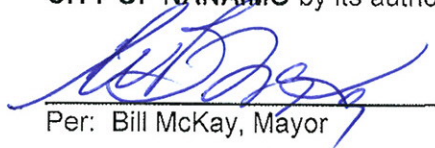
10. Status of this Memorandum of Understanding

This MOU does not create or result in legally enforceable binding rights or obligations between the City, Seaspan and SVI. The parties intend to make a reasonable and *bona fide* attempt to complete the Seaspan Right of Way reduction and assignment as contemplated by this MOU.

11. Termination of this Memorandum

This MOU shall terminate upon agreement and execution of a formal agreement or by written notice by a party that the right of way plans are not satisfactory. This MOU anticipates that a formal agreement will be prepared and completed by December 31, 2015.

CITY OF NANAIMO by its authorized signatories:


Per: Bill McKay, Mayor


Per: Chris Jackson, Corporate Officer

Executed on April 20, 2015

SEASPAN FERRIES CORPORATION by its authorized signatory (ies):


Per: Authorized Signatory


Per: Authorized Signatory

Executed on May 1, 2015

SOUTHERN RAILWAY OF VANCOUVER ISLAND LIMITED
by its authorized signatory (ies):


Per: Authorized Signatory




Per: Authorized Signatory

Executed on April 28, 2015

Attachment 1






Existing Seaspans Right of Way

-  Existing Seaspans Right of Way = 62,480 Sq m. / 15.4 Acres
-  Land Area = 39,430 Sq m. / 9.7 Acres
-  Water Area = 23,050 Sq m. / 5.7 Acres

Attachment 2







Area of Right of Way to be Discharged

-  Existing Seaspan Right of Way = 62,480 Sq m. / 15.4 Acres
-  Land Area = 27,070 Sq m. / 6.7 Acres
-  Water Area = 10,740 Sq m. / 2.7 Acres
- Total Discharge Area = 37,810 Sq m. / 9.3 Acres

Attachment 3



Proposed New Right of Way

-  Existing Seaspan Right of Way = 62,480 Sq m. / 15.4 Acres
-  Land Area of Proposed new ROW = 12,430 Sq m. / 3.1 Acres
-  Land Area to be added = 805 Sq m. / 0.2 Acres
-  Water Area of Proposed new Row = 12,220 Sq m. / 3.0 Acres
- Total Area of Proposed new Row = 25,455 Sq m. / 6.3 Acres