

## MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding ("MOU") is entered into on the \_\_\_ day of \_\_\_\_, 2026  
(herein referred to as the "Effective Date") by and between:

The City of Appleton, Wisconsin (herein referred to as "Owner")

and

Driftwood Hospitality Management (herein referred to as "Operator").

Parties may be referenced individually as "Party" and collectively as "Parties".

WHEREAS, the City of Appleton ("Owner"), an incorporated municipal government and classified as a Wisconsin city under Chapter 62 of the Wisconsin Statutes, is the owner of the Fox Cities Exhibition Center ("FCEC"), a multipurpose event facility located at 355 West Lawrence Street in downtown Appleton.

WHEREAS, Driftwood Hospitality Management ("Operator"), a Limited Liability Company ("LLC"), is the current contracted operator of both the FCEC and the Hilton Appleton Paper Valley Hotel ("Hotel"), a 388-room, full-service hotel in downtown Appleton that is physically attached to the FCEC and serves as the de facto headquarters hotel for the FCEC.

WHEREAS, Owner and Operator, as an authorized assignee, entered into a management agreement ("Previous Agreement") with respect to the FCEC on November 18, 2015. The Previous Agreement was set to expire on December 31, 2025, but was subsequently extended through May 1, 2026 via Amendment.

NOW, THEREFORE, the Parties agree as follows:

### PURPOSE AND INTENT

The purpose of this MOU is to establish a good-faith foundation between the Parties concerning the negotiation of a successor Management Agreement ("Management Agreement") associated with the FCEC. This MOU outlines certain terms of a new Management Agreement that have been preliminarily discussed between the Parties. The terms agreed upon herein are not intended to represent an exhaustive listing of all material terms, responsibilities and assignments associated with the Parties in a future Management Agreement. The Parties agree that any of the terms outlined in this MOU may be altered, revised or struck upon mutual agreement during the formal negotiation between the Parties of a final Management Agreement.

The Parties agree to work together in a collaborative and coordinated manner to achieve each Party's individual goals and the collective goals of the partnership. The overall intent of this collaboration and negotiation is a mutually beneficial Management Agreement, agreed to and executed prior to the expiration of the Previous Agreement, that best positions the FCEC for long-term success and enhances the overall financial positions of both Parties relative to the Previous Agreement.

## UNDERSTANDING AND KEY TERMS

### 1. Term of Agreement

The Parties agree that a new Management Agreement with respect to the FCEC shall be for an initial term of five (5) years, unless sooner terminated or extended as provided in the Management Agreement. Operator shall have the right to renew the Management Agreement for one additional five (5) year term, provided that Operator is not in default with respect to the Management Agreement. The renewal shall be initiated by Operator providing written notice to Owner of the intent to renew not less than one hundred eighty (180) days prior to the expiration of the then current term. After the initial term and first renewal period, Owner and Operator may, by mutual agreement, renew the Management Agreement with such amendments and modifications that the parties may agree to in writing, for two (2) additional five (5) year periods. Each renewal shall be initiated by Operator providing written notice to Owner of the request to renew not less than one hundred eighty (180) days prior to the expiration of the then current term. The Management Agreement will be subject to termination before the expiration of the original term or any extension term via terms to be negotiated prior to an executed Management Agreement.

### 2. Simplified Agreement

The Parties agree that a new Management Agreement with respect to the FCEC should be substantially more concise than the Previous Agreement, while adhering to established best practices in the convention and hospitality industries and conforming to all applicable local and state laws and ordinances. A new Management Agreement will be expected to provide clear, concise and definitive guidance to the Parties with respect to expectations, responsibilities, communication, reporting, and financial considerations.

### 3. Industry Best Practices Alignment

The Parties agree that the financial and economic performance of the FCEC could be substantially improved with a new Management Agreement that is more appropriately aligned with industry best practices associated with publicly-owned convention/exhibition facilities that are managed by local hotel-based operators. Much of this realignment, with respect to the Previous Agreement, relates to removing contractual "guardrails" that have heretofore constrained the Operator's ability to efficiently and productively market, operate, maintain, and generate revenues, income and other benefits associated with their management of the Owner's asset. Both Parties agree that a less encumbered Management Agreement will likely result in a higher performing FCEC, resulting in greater economic impacts within Appleton and greater financial benefits for both Owner and Operator.

### 4. Overall Responsibilities of Parties

The fundamental configuration and financial concerns of the Parties under a new Management Agreement will be similar to the Previous Agreement, with some important differences. Specifically, the FCEC will continue to be owned by Owner, who will be responsible for qualifying FCEC capital improvements, to be subsequently defined

herein and in the ultimate new Management Agreement. The FCEC will continue to be operated by Operator, who will be responsible for the marketing, operations, and day-to-day maintenance of the FCEC, including year round landscape maintenance and seasonal snow removal. Operator will deliver monthly event and revenue recaps associated with the FCEC to Owner. Operator will be responsible for any financial operating shortfalls of the FCEC and will substantially benefit from any financial operating surpluses generated therefrom.

## 5. Revenue Enhancement

The Parties agree that the terms set forth in the Previous Agreement has resulted in constraining the realization of certain revenue opportunities for the FCEC, as well as the financial benefits generated therefrom for the Owner and the Operator alike. One goal of a new Management Agreement will be to, where possible, remove these contractual constraints and encumbrances to allow for more efficient FCEC operations and a greater capture of revenue opportunities for the Parties. For instance, under the Previous Agreement, most FCEC client services are provided under an "open vendor" policy configuration (rather than an "in-house/exclusive vendor" or "preferred vendor" policy), preventing the capture of significant revenues and income by the FCEC, Operator and Owner. Key revenue terms for a new Management Agreement are expected to include, but not be limited to, the following:

- a. Food and Beverage: Food and beverage services at the FCEC will be provided under a hybrid exclusive/preferred vendor arrangement. Operator will have first right of refusal to provide all food, alcohol and beverages, and audio-visual services for FCEC events. A preferred list of qualifying caterers will be maintained by the Operator, involving a to-be-determined qualifying process and nominal registration fee. Should the Operator refuse a catering assignment for a particular event, the Operator will receive from the selected Preferred Vendor a to-be-determined split (percentage) of the gross food and beverage sales.
- b. Other Client Services: Likewise, a new Management Agreement will not limit the Operator's ability to pursue financially-advantageous delivery methods and revenue capture strategies associated with other client services, whether they be structured under in-house/exclusive, preferred or open vendor policies, including, but not limited to, audiovisual, telecommunications, WiFi/internet, electrical, decorator, and other such client-facing services. Many successful convention/exhibition facilities capture a revenue split based off of gross sales associated with services provided to events by third-party preferred vendors. A new Management agreement will allow the Operator with flexibility in determining the best course of action concerning delivery of services and associated pricing and FCEC-retained revenue and income for the benefit of the FCEC.
- c. Space Rental, Equipment and Services Rates: The Parties agree that the booking and rate schedule provisions outlined in the Previous Agreement materially constrain Operator's ability to maximize FCEC bookings and drive new business. A new Management Agreement will allow Operator to determine rates for FCEC space rental, equipment and services, globally or on an event-by-event basis, Any and all exceptions will be detailed in the ultimate new Management Agreement.

- d. Other Revenue Opportunities: Owner and Operator will collaborate and negotiate in good faith to identify other mutually beneficial revenue opportunities and strategic pursuits designed to enhance the FCEC's financial performance and determine equitable sharing splits therefrom. This could include consideration of the sale of naming rights associated for individual spaces within the FCEC (but not for title naming rights to the entire FCEC), pouring rights, branding/use rights, and other such revenue opportunities that will benefit the FCEC and the Parties. Owner will retain the right of approval for any new sponsorship or naming rights agreement involving the FCEC and the term of said agreement shall run concurrent with the term of the Management Agreement. All revenues related to these new agreements shall be prorated for those that are directly attributable to the FCEC itself and shall be represented as FCEC gross revenues. Operator-incurred expenses related to securing new sponsorship and naming agreements associated with the FCEC may be deducted from the Gross Revenue calculation outlined in Section 11. Operator will submit an itemization of these qualifying expenses to Owner prior to entering into any associated sponsorship or naming rights agreements.

## 6. Capital Expenditures

Pursuant to an industry best practices approach concerning private management agreements of publicly-owned event facility assets, under a new Management Agreement, costs related to capital expenditures will be the responsibility of the Owner. Costs associated with the day-to-day operation, routine repair and maintenance of the FCEC will be the responsibility of the Operator. What qualifies as day-to-day operations and maintenance will be detailed in the final Management Agreement. In general, capital expenditures are defined as all expenditures for building additions, alterations, repairs or improvements, and for purchases of additional or replacement furniture, machinery, or equipment, where the cost of such expenditure is greater than \$10,000, and the depreciable life of the applicable item is, according to generally accepted accounting principles, in excess of one year. As a signal of good faith, Owner has already opened a dialogue with Operator concerning certain capital acquisitions that the Parties agree would represent high-impact or critically-needed assets for the FCEC, including the purchase of portable carpeting, a commercial lift, and other items. Total initial Owner-provided capital investments for the FCEC over the next 12 months will total up to \$800,000, subject to the terms and limitations of the American Rescue Plan Act of 2021 ("ARPA") and Common Council approval, with all purchases completed by December 31, 2026.

## 7. Expense Containment

For the benefit of the FCEC, the Parties agree to collaborate to identify expense mitigation methods for the FCEC by leveraging existing City of Appleton services and City-held contracts, bundled or otherwise, with third-party service providers. These services could include, but not be limited to, insurance, telecommunications, utilities, security, and other such contracts involving FCEC services and operations.

## 8. Retirement of Legacy Expense Burdens

The Parties agree that the Payment in Lieu of Taxes ("PILOT") expense borne by Operator and the provision of Free Use Days at the FCEC granted to ten (10) local municipalities, as contained in the Previous Agreement, will not be included in a new Management Agreement. Operator is willing to consider memorializing certain rate discounts and/or scheduling priority status into the Management Agreement for impacted municipalities.

## 9. Parking Covenants

The Parties agree that parking covenants concerning Operator's continued use of the City's Red Ramp parking will be memorialized in a new agreement separate of a new Management Agreement.

## 10. Enhanced Collaboration with Marketing Partners

The most successful and productive convention/exhibition facilities often have a highly-collaborative relationship with local Destination Marketing Organizations, commonly referred to as Convention and Visitors Bureaus, or CVBs. This often includes robust joint sales and marketing efforts and real time transparency/access to the convention/exhibition facility's booking/scheduling calendar. Operator agrees to provide real time, view-only access of the FCEC's booking and event calendar to Owner and the Fox Cities Convention and Visitors Bureau ("FCCVB"). At a minimum, Operator shall provide a shared online calendar that displays real time FCEC bookings delineated by each day of booked FCEC use and type of booking (e.g., tentative vs. definite). Operator agrees to collaborate with the FCCVB on cross-promotional and marketing endeavors, such as industry conventions, collateral marketing, FCEC and FCCVB website content and strategies, room blocks, and other mutually beneficial areas of engagement.

## 11. Rent and Revenue Sharing

Since its inception, the FCEC has not generated an operating profit under the terms of the Previous Agreement. The Parties believe that the net result of the structural and term revisions outlined in this MOU, including significant revenue enhancement strategies, would be expected to result in a material improvement in the financial performance of the FCEC, including the expectation of an ongoing financial operating surplus (profit). Under a new Management Agreement, pursuant to the ultimate terms and reporting requirements agreed upon therein, Operator shall pay Owner a percentage of the annual gross revenue from the operation of the FCEC, less any qualifying adjustments noted in Section 4(d), as rent for the FCEC, upon an annual reconciliation process, adhering to the following schedule with Year 1 commencing on July 1, 2026 and subsequent years commencing on the first day of each July thereafter:

Year 1 = 1.0 percent of gross FCEC revenue.

Year 2 = 3.0 percent of gross FCEC revenue.

Year 3 = 5.0 percent of gross FCEC revenue.


Year 4 and Beyond = 6.0 percent of gross FCEC revenue.

12. Good Faith Execution of Agreement

The Parties agree that this MOU and terms stated herein shall be incorporated into a more comprehensive Management Agreement. Both this MOU and Management Agreement shall be conditioned upon final approval by the Appleton Common Council after Operator has executed the same. Upon approval of the MOU, the Parties shall operate the FCEC pursuant to the terms of this MOU while continuing to work in good faith to ratify the Management Agreement as soon as practicable. In the event the Management Agreement is not ratified by the Parties before June 1, 2026, all agreements shall terminate unless further extended upon mutual agreement of the Parties.

The undersigned Parties acknowledge and agree to this MOU:

OWNERSHIP REPRESENTATIVE ON BEHALF OF OPERATOR:

By  \_\_\_\_\_

Dated 3/30/26

CITY OF APPLETON, WISCONSIN:

By: \_\_\_\_\_  
Jacob A. Woodford, Mayor

By: \_\_\_\_\_  
Amy Molitor, City Clerk

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Approved as to form:

\_\_\_\_\_  
Christopher R. Behrens, City Attorney