

EXHIBITION PLACE

October 16, 2004

To: The Board of Governors of Exhibition Place

From: Dianne Young
General Manager & CEO

Subject: Agreement for Molson Indy Race

Purpose:

This report outlines the terms and conditions of an agreement with Molson Sports & Entertainment Inc. and Molson Breweries of Canada Limited and Molson Canada (collectively "Molson") related to the 2005, 2006 and 2007 Molson INDY races.

Financial Implications and Impact Statement:

The proposed operating budget for 2005 included a base rent at 2004 levels. The agreement terms negotiated and recommended in this report will result in a \$200,000.00 pressure going into 2005 which will have to be recovered from other areas.

Recommendations:

It is recommended that the Board enter into an agreement with Molson for one year commencing January 1, 2005 with an option to renew for two renewal terms of one year each, on the terms and conditions outlined in this report and such other terms and conditions as may be required by the General Manager & CEO, in such form as required by the City Solicitor.

Background:

The Molson INDY is an international event that has been held on the grounds of Exhibition Place since 1986. At its meeting in April, 2002, the Board approved the entering into of a three-year agreement with Molson related to the 2002, 2003 and 2004 Molson INDY races.

Comments:

During the last three year agreement, there were some changes to the terms and conditions which introduced a charge for the cost of utilities associated with use of the NTC or other buildings, reduced the move-in and move-out schedules to increase the ability to attract other trade and consumer shows and special events to the site during that period; introduced the ability to

manage certain parking lots in the evenings after each day's last race for use by other tenants; and introduced standard list price rates for electrical, internet and telecommunications services rather than time and materials plus 12.0%. Generally, the Board earns approximately \$250,000 net income from the INDY race for services provided, recoveries and race-day parking. This is in addition to the base rent charged which for 2004 was \$528,000.00.

While a significant event for the Board in terms of annual revenues earned and international media for the site, more important is the economic impact of this international event for the City of Toronto generating a total of \$28.6 million of direct spending for the GTA. Of this \$28.6 million, \$16.6 was attributed to locals and out-of-town visitors attending the INDY and the event organizers spent the remaining \$12.0 million. Approximately \$14.7 million was paid in salaries and wages within the GTA which translates into an equivalent of 448 full-year jobs.

A major consideration during these negotiations with Molson is the impact that the construction of the hotel/conference centre will have on the Molson INDY. The location of this development will require Molson to either move or reduce approximately 3500 Gold seating, 550 Pavilion Suites; 700 seats in Thunder Alley fronting the Lake Shore Boulevard; approximately 10 concession booths and three hospitality areas (Gold Chalets, Club Thunder and Checker Flag Club). This relocation may partially occur in 2005, if the pre-construction schedule for the hotel/conference centre is advanced to allow for some construction at the south-end of the hotel site which would affect the Thunder Alley set up. However, the construction of the hotel/conference center will definitely impact the 2006 race and the proposed agreement requires Molson, at its cost to accommodate the hotel/conference centre development which would be a substantial negative financial impact to Molson as most of these areas cannot be replicated as the location of this premium seating is related to the fact that the seats overlook the pit lane.

In addition to this major consideration, discussions were also held between Molson, Exhibition Place and the City of Toronto Commissioner of Economic Development. Unfortunately for reasons beyond the control of Molson and outside the substantial marketing effort undertaken by Molson in the last three years, the profitability of the INDY race has decreased to the extent that there is a significant deficit every year putting the continuation of the race in jeopardy. Because of this Molson has requested some relief in the short-term to allow it to put the INDY race back into a profitable position and the reduced rent proposed in this agreement reflects the financial reality of the race in 2005.

With these factors in mind, staff met with Molson to come to an agreement on new terms and recommend that the Board enter an agreement for one year on the terms and conditions set out in Appendix "A" with a right to renew for two successive terms of one year each subject to possible renegotiation of the base rent.

Conclusions:

This report proposes a new agreement with Molson for 2005 with a possible extension for 2006 and 2007 and which addresses the development needs of the Board and the financial needs of Molson.

Contact:

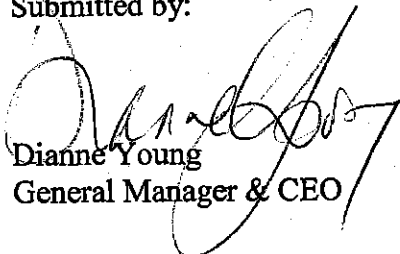
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Submitted by:

A handwritten signature in black ink, appearing to read 'Dianne Young', written over the printed name and title.

Dianne Young

General Manager & CEO

Appendix "A"

- (a) Term – One year commencing January 1, 2005 with a right to renew for two successive terms of one year each subject to the submission of a financial statement certified by an accountant indicating the profit/loss for the Race held the previous year.
- (b) Rent - \$328,000 for Year One and subject to the profitability of the Race held the previous year the Rent for 2006 and 2007 will be at least \$328,000 or such greater amount negotiated by the parties.
- (c) Occupation of the Site: For the race days of the INDY, Molson shall be entitled to occupy the grounds of Exhibition Place, except for the buildings on the Site, bounded by the Gardiner Expressway, Strachan Avenue, Lake Shore Boulevard and the fence-line running from Dufferin Gate to Lake Shore Boulevard. The Site and the buildings on the Site shall continue to be accessible to the Board and its employees to perform essential services and the tenanted buildings and areas (Aerophile) shall continue to be accessible to the employees to perform essential services. Molson acknowledges that the hotel will be operational during the race days and be accessible to employees of the tenants through the NTC entrance.
- (d) Parking – The base rental fee includes the right of Molson to 2000 parking spaces on the grounds with a right to resell 1750 spaces to ticket holders. If any of these spaces are not sold or remain vacant on a race day, the Board has a right to resell such spaces to the general public and retain all revenues from such sales. Furthermore, the Board has the right to operate certain parking lots immediately following the last race of each day to facilitate the patrons of its other tenants such as Medieval Times, Liberty Grand, Muzik Club, Bandshell Restaurant and Ricoh Coliseum. Molson acknowledges that during the race days, guests of the hotel will be provided with parking in the NTC garage.
- (e) Board's Services – Molson will pay for the cost of all labour and services provided by the Board plus a 12% mark-up. In addition, Molson will pay the established Board list price for Internet services and telecommunications services in excess of 1998 service levels. Molson will pay the established list price for electrical services as posted or updated by the Board annually.
- (f) Utilities – Molson will reimburse the Board the full cost of utilities used in the NTC or other buildings occupied by Molson.
- (g) Equipment – The Board will provide, if available, rental equipment to Molson at no cost provided that Molson is responsible for repairing any damage caused to such equipment.
- (h) Sponsorship – Molson shall have the exclusive right to automobile and motor oil sponsorship within the NTC for the days of its race (but shall not have the right to remove or cover any third party advertisements on the ViaCom (formerly MediaCom) and Omni signs, the Carillon Tower, the future Lake Shore Entrance signs, the Ricoh Coliseum video boards or elsewhere on the grounds, or to cover any signs related to the naming of a building.

- (i) National Trade Centre – Molson shall have the right to use the NTC (excluding the West Annex and the Ricoh Coliseum) from the Monday preceding the race provided it enters into a licence agreement and the Board shall provide, if available, office space to Molson six weeks in advance of the race provided Molson pays all costs associated with such space.
- (j) Storage: The Board will provide at no cost year-round storage for flatbed trailers, van trailers and various material and equipment owned by Molson at a location to be determined by the Board subject to Molson entering into a standard licence agreement with the Board for such storage.
- (k) Set-up/Take-Down – The parties shall agree on a chronological schedule for the set-up and take-down of all structures, seats, etc., necessary for the race and Molson shall abide by such schedule provided the move-in schedule will be no longer than 6 weeks prior to the first race day and the move-out is no longer than 19 days following the last race day.
- (l) Concessions – Molson shall be solely responsible for arranging concessions and sponsorships and shall be entitled to all revenues derived therefrom save and except for the hotel caterer which will continue to provide catering services in the hotel and conference centre facility and the restaurants located in the hotel which will continue to provide food services.
- (m) Track – Molson shall, at its sole cost, be responsible for erecting and removing all fencing and barriers and all stands and seating and removing and reinstalling all movable trees and shrubs.
- (n) Approvals – Molson shall be responsible for obtaining the consent of the City of Toronto to hold the race and close Lake Shore Boulevard West and for complying with the terms of those approvals.
- (o) Collective Agreements – Molson shall abide by all collective agreements between the Board and its unions and the City and its union.
- (p) Insurance – Molson will obtain primary insurance of not less than \$15 million and additional insurance for the Event of not less than \$50 million.
- (q) Termination – Molson shall have the right to cancel the race within 30 days of the last day of the race provided it pays the Board one half of the rent for the next year; or 90 days prior to the commencement of the race, provided it pays the Board the entire rent for that year and all costs incurred by the Board.
- (r) Board's Suite – Molson shall provide to the Board fifty (50) tickets for a suite (in a location equivalent to the suite occupied by the Board in 2001) along with fifty (50) pit and parking passes; and,
- (s) Redevelopment: Molson shall acknowledge and agree that its right to hold the race is subject to the rights of the Board and the City to approve major redevelopment or construction on Exhibition Place or vicinity as part of the City's Waterfront initiative, the hotel/conference

centre construction, the construction of the Lake Shore advertising signs or otherwise, which may require that the race be rescheduled or cancelled or the race track, grandstands, paddock or any other facility to be provided for the INDY to be removed or adjusted by Molson at its sole cost and expense. The Board will provide Molson with six (6) months notice prior to the commencement of any construction.

- (t) Front Street Extension: Molson acknowledges having been advised that the Front Street extension project may be proceeding, and if it proceeds, it will have an impact on the Site and on access to the Site and Molson agrees that it will not be entitled to any compensation or any reduction or abatement of rent on the basis of such impact.