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EXHIBITION PLACE

May 20, 1999

TO: The Board of Governors of Exhibition Place

FROM: Dianne Young
Interim General Manager

SUBJECT: Agreement for Molson Indy

Recommendations:

It is recommended that the Board approve of the entering into of a three-year agreement with Molstar Inc. and Molson Breweries of Canada Limited and Molson Breweries (collectively "Molstar") for three years on the terms and conditions outlined in this report and such other terms and conditions as may be acceptable to the Interim General Manager and City Solicitor in the interests of the Board.

Background:

At its meeting on April 24, 1998, the Board entered in a one-year agreement with Molstar related to the 1998 Molson Indy.

Discussion:

The Molson Indy is a prestigious international event that has been held on the grounds of Exhibition Place since 1986. The initial agreement between the Board and Molstar was a 5-year agreement that paid a base rental to the Board of \$200,000 and a 10% percentage of the gate. At the termination of that agreement, the Board and Molstar negotiated a new compensation package which resulted in a higher guaranteed base rent of approximately \$500,000 to the Board in exchange for a transfer to Molstar of concession, catering and sponsorship rights. Since 1995, the agreements between the Board and Molstar have been for one-year terms and have generally maintained the principles established in 1994.

When entering negotiations for the 1999 race, both parties agreed that it would be desirable to have a 3-year agreement. From the Board's perspective, it was my position that the following should also be achieved: Recognition of the market value of the Board's services particularly additional services provided to Molstar, such as electrical, internet services; transfer to Molstar

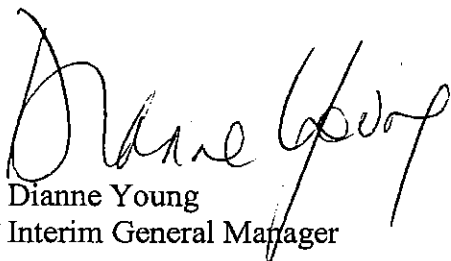
of operational costs associated with the race; decreasing as much as possible the move-in/move-out schedule so as to lessen the impact on the grounds; recognition by Molstar of the value of sponsorship exclusivity; meeting the directions of the Board with respect to the NTC Terrace; and ensuring a CPI increase in the base rent paid to the Board. The terms and conditions outlined below meet all these objectives and therefore, I am recommending that the Board enter an agreement with Molstar containing these substantial terms and such other terms as approved by myself and the City Solicitor:

- (a) Term – Three year term covering the 1999, 2000 and 2001 race;
- (b) Rent - \$515,000 for 1999 with increases added in both 2000 and 2001 to this base rent equivalent to the increase in the CPI increases for that year;
- (c) Parking – The base rental fee includes the right of Molstar 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.
- (d) Board's Services – Molstar will pay for the cost of all labour and services provided by the Board plus a 12% mark-up. In addition, Molstar will pay the established Board list price for (i) electrical services; (ii) internet services; and (iii) telecommunications services in excess of 1998 service levels;
- (e) Equipment – The Board will provide, if available, rental equipment to Molstar at no cost provided that Molstar is responsible for repairing any damage caused to such equipment;
- (f) Sponsorship – Molstar shall have the exclusive right to automobile and gasoline/oil sponsorship on the grounds for the days of its race (but shall not have the right to remove or cover any third party advertisements on the Omni and Gallop signs and Carrillon Tower or to cover any signs related to the naming of a building) and shall compensate the Board for this right with the payment of \$25,000 each year of the Term;
- (g) Buildings – Molstar shall have the right to use the NTC (excluding the Coliseum) from the Monday preceding the race provided it enters into a licence agreement and the Board shall provide, if available, office space to Molstar 6 weeks in advance of the race provided Molstar pays all costs associated with such space;
- (h) Set-up – 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 Molstar shall abide by such schedule;
- (i) Concessions – Molstar shall be responsible for arranging concessions and sponsorships and shall be entitled to all revenues derived therefrom;
- (j) Track – Molstar 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;

- (k) Approvals – Molstar shall be responsible for obtaining the consent of the City of Toronto to hold the race and close Lakeshore Boulevard West and for complying with the terms of those approvals;
- (l) Collective Agreements – Molstar shall abide by all collective agreements between the Board and its unions and the City and its unions;
- (m) Insurance – Molstar will obtain primary insurance of not less than \$15 million and additional insurance for the Event of not less than \$50 million;
- (n) Termination – In the second and third years of the agreement, Molstar shall have the right to cancel the race within 30 days of the last day of the race in 1999 or 2000 provided it pays the Board one half of the rent for the next year; or 90 days prior to the commencement of the race in 2000 or 2001, provided it pays the Board the entire rent for that year and all costs incurred by the Board; and
- (o) NTC Terrace – Molstar shall provide to the Board in 1999 fifty (50) tickets to the NTC Terrace and Molstar shall make available to the Board's Agent, O&Y/SMG Canada and the Board's Agent will purchase for promotional use at a total cost of \$50,000, all remaining tickets for the NTC Terrace up to the total number of tickets equivalent to the maximum occupation levels for the NTC Terrace. The Board has the right on or before January 1, 2000 or January 1, 2001, to exercise an option to require Molstar to provide to the Board fifty (50) tickets for a suite (in a location equivalent to suite occupied by the Board in 1997) rather than for the NTC Terrace.

Conclusion:

This report recommends the approval of a three-year agreement with Molstar on the terms and conditions outlined above. The increased value of this agreement to the Board over 1998 is at least \$55,000.00 and I believe this is a fair agreement meeting the objectives set by the Board.



Dianne Young
Interim General Manager

