

EXHIBITION PLACE

August 30, 1999

To: The Board of Governors of Exhibition Place

From: Kathryn Reed-Garrett
Director of Business Development

Subject: Toronto Sports Mall ("TSM") Proposal for the BLC ("BLC")

Recommendations:

It is recommended that the Board indicate to TSM that it will not be pursuing its proposal for the BLC as proposed for the reasons outlined in this report.

Background:

At its meeting of May 29, 1998, the Board reviewed the recommendations of the Business Development Committee dated May 15, 1998 with respect to a proposal made by TSM to develop a sports mall concept on the lands of Exhibition Place known as Exhibition Stadium and the adjacent parking lots "D", "F", and "G". Following a deputation from TSM, the Board confirmed the recommendations of the Business Development Committee as follows:

- (a) that the Board will not consider granting to TSM any rights to (third-party advertising) signage revenue;
- (b) that the Board will not consider releasing to TSM any parking revenue from the grounds;
- (c) that the parcels of land occupied by Exhibition Stadium and the adjacent parking lots around the Marine Museum are not available for TSM's development; and
- (d) TSM should communicate in writing to the Board of its intention to further pursue its proposal given the motions outlined in a), b) and c) above.

Discussion

Since communicating in writing the Board's position, staff has been in discussions with TSM about several alternatives to its original proposal. TSM first indicated that it would consider altering its proposal to be suitable for the development of "Site 12" which is the present location of the Marine Museum and surrounding lands, "Site 1" which is also known as Parking Lot J and is situated to the west of Medieval Times, or a combination of "Site 5" and "Site 9", which are the Press Building parking lot and the Food Building respectively. Development of the last

option, would have required demolition of the Food Building and re-routing of Manitoba Drive to allow for the appropriate land massing necessary to accommodate the project. With respect to the Board's restrictions to retaining any revenues from external advertising signage/sponsorship, TSM proposed that the Board would receive 6% of net advertising revenues.

Based on the Board's direction, staff directed TSM to exclude "Site 12", the Marine Museum site from its deliberations and reminded TSM of the restrictions placed on it to consider the retention of any revenues derived from external advertising signage/sponsorship.

Staff received a revised proposal from TSM in October 1998. This proposal contemplated the demolition of the Food Building, The Sports Hall of Fame and the Queen Elizabeth Hall and Theatre, the costs for which demolition would be borne by the Board, as would all additional costs to replace the facilities that the Food Building currently provides to the Board. Additionally, the revised TSM proposal did not recognize that the Sports Hall of Fame has been included as part of the site that would be required by an Olympic Stadium. Staff once again referred TSM to the Evaluation Criteria section of the Program and Development Concept Plan which required that proposals not require financial contribution from the Board.

Staff also reiterated the Board's position with respect to TSM retaining revenues from signage/sponsorship related to any external advertisement and suggested that TSM must reconsider this item if it is to present an alternative proposal plan to the Board. This revised proposal from TSM also stipulated that a dedicated block of 700 parking spaces be made available to TSM patrons free of charge and a grant of exclusive use to TSM for sporting events and related consumer shows.

In March 1999, staff received communication from TSM indicating that it would contemplate the adaptive re-use of the BLC for its project. By May 1998 staff had received the preliminary terms and in June 1999 staff received a business plan for review and analysis.

A sports mall concept could be an attractive, destination-type project that certainly addresses the issues of amateur sports facilities and amenities and community programming that are detailed in the Program and Development Concept Plan that was adopted by the Board. Furthermore, it projects substantial private-sector investment in capital and leasehold improvements to the BLC of approximately \$22 million. The TSM proposal to re-use the BLC also allows the Board to continue with its long-term development strategies for the balance of the grounds of Exhibition Place including the Olympic Stadium site.

The TSM proposal in the BLC provides space for the following activities:

- Track & Field
- Gymnastics
- Circus Arts
- Stunt School
- Basketball
- Asian Sports
- Rock Climbing
- Dance Studio
- Children's play area
- 80,000 sq. ft of specialty retail space
- Indoor Golf, Baseball, Soccer, Football, Lacrosse, Skateboarding & Blading and Bicycling
- Figure & power skating; hockey
- Event production for television coverage
- Entertainment centre/movie complex
- Restaurant & food court area
- Support services (Physiotherapy, Chiropractors, Sport Nutrition)
- Community events, Corporate Team events
- Fitness and Weight Training; Test & Measurement Centre

Furthermore, TSM suggests in its proposal that it would work with local agencies and organizations such as City of Toronto Parks & Recreation, local YM- and YWCA's, local schools, colleges and universities as well as private corporations and BIDCO and OLYMPIC 2008.


Staff has not addressed the specific terms of a potential term letter agreement with TSM in this report, as there are still some significant issues that remain outstanding despite many meetings and discussions with TSM. These issues include:

- i. Outdoor Advertising – The revised TSM proposal calls for six large outdoor billboard-type advertising faces to be installed on the exterior of the BLC, at a height of approximately eighty (80) feet, and furthermore proposes that TSM shall retain revenues derived from same. In its proposal, TSM has provided for the Board to access 10% of all advertising space or 6% of net revenues if advertising space cannot be made available. At its meeting of May 29, 1998 the Board moved that it would not consider granting to TSM any rights to (third-party advertising) signage revenue;
- ii. Dedicated Parking – the revised TSM proposal requires that the Board provide 700 parking spaces for the use of TSM patrons at no charge, and indicates that it would allow the Board to recover a portion of the revenue for the use of these parking spaces through the Land Lease. It is not known at this time what percentage of lost parking income from these 700 spaces would be recovered through the Land Lease. Furthermore, the TSM proposal requests that its patrons be able to access these parking spaces at no charge. This would present a logistical challenge to grounds control staff that would be attempting to collect parking revenues from patrons of trade and consumer shows and other Board events at the same time that patrons of TSM would be parking for free. At its meeting of May 29, 1998 the Board moved that it would not consider releasing to TSM any parking revenue from the grounds;
- iii. Transfer of Ownership Rights – TSM has indicated that it would require the Board to consent to a transfer of ownership of the BLC in order to secure the capital financing required for this project;
- iv. Financial Backing – TSM proposes that it investigate and confirm its financial resources as part of its due diligence with the Board with little or no information currently available to assist staff and the Board in its assessment of the viability of the TSM proposal;
- v. Contribution to Capital Costs by the Board – TSM proposes that the Board assume all costs associated with site preparation and infrastructure necessary for the adaptive re-use of the BLC. TSM will be responsible for the leasehold improvements which will total approximately \$22 million. Staff has on numerous occasions referred TSM to the Evaluation Criteria section of the Program and Development Concept Plan, which states that the Board will not contribute to the cost of any development proposal.

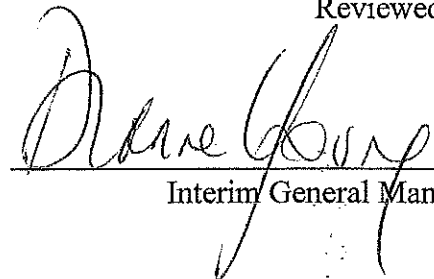
Conclusion:

While the concept of a sports mall meets many of the desired objectives of the Program & Development Concept Plan, TSM does not appear to be able to comply with the policies of the Board with respect to the major issues outlined above. This is in spite of three previous submissions and many meetings and discussions with staff. While the current TSM proposal presents an interesting opportunity to redevelop the BLC, staff cannot recommend that the Board adopt the TSM proposal.

Submitted by:


for _____
Director of Business Development

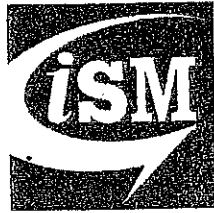
Reviewed by:



Interim General Manager

\\Caligula\CGM\1999 Reports\Toronto Sports Mall.doc

The foregoing report was reviewed by the Joint Executive Committee and Business Development Committee meeting on September 8, 1999 and is recommended to the Board of Governors for **APPROVAL**. (Please note that TSM's response to this report is attached and marked "7.a")



7.a

Page -1-

September 7, 1999

The Board of Governors of Exhibition Place
Exhibition Place
Toronto, Ontario,
M6K 3C3

Presented at the BDC meeting September 8, 1999

Dear Board of Governors

We are in receipt of the report dated August 30, 1999 to the Board of Governors of Exhibition Place submitted by Dianne Young and Kathryn Reed-Garrett. We are advised that this report is going to the Business Development Committee meeting scheduled for Wednesday, September 8, 1999 at 12:30 p.m. to which we invited.

Our initial reactions were quite frankly, shock, after trying for almost two years to bring private development to publicly owned lands with a clear mandate to try and create the very activities and scope as confirmed and noted in your recommendations. There are several inaccuracies in the report. Initially we asked for clear land, not the Stadium site but any other clear lands that could incorporate our carefully planned and detailed vision known as SportsMall. The report does not reflect the terms and conditions that we submitted in March of 1999, and finally in May of 1999 to ultimately look at the feasibility of redeveloping the Better Living Centre (BLC) and does not reflect our efforts and the ultimate viability of SportsMall.

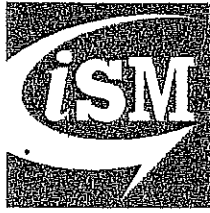
We submitted our terms and conditions in May of 1999, detailed how we believe we could work in a timely manner to jointly accomplish what is clearly our common interests, as outlined in the Master Development Plan of May 1998, and further adopted by the Board of Governors. Furthermore, we hand delivered the most up to date version of our Business Plan complete with projections, plans, support letters of interest in financing, partnerships and ultimately the significant interest to launch SportsMall. We received two e-mails in response to the Business Plan submitted as well as our proposed terms and conditions. Both e-mails contained very little dialogue and one was actually sent to someone other than our group.

Given the inaccuracies distort the issues for the Board of Governors we feel it necessary to correct the record and finalize our efforts.

international
SPORTS MALL
GROUP
The future of sport and family recreation

Head Office 68 Woodside Avenue Toronto, Ontario M6P 1M1 e-mail: AcrostarP@AOL.com

T: 416-767-8578
F: 416-767-1629



BACKGROUND

The report contains background information in regards to the original proposal offered in October of 1997. In the offer TSM was interested in clear land, although no specific site was chosen. TSM was asked to look at the Northwest parking lot area by staff but determined it too problematic. Months passed with the Maple Leaf deal before the board and then talk resumed. Upon resuming dialogue after five months of no talks (Maple Leaf Gardens Proposal) it was determined that several parcels of land could be made available. TSM felt each parcel imposed significant restrictions and suggested that the area encompassing the Food Building, Queen Elizabeth Building (excluding the theatre) and perhaps part of the Sports Hall of Fame may be suitable for development. A proposal was offered to develop this site with it going before the Board in May 1998. The Board rejected eight proponents but endorsed TSM with several conditions. These conditions were outlined in the May 1998 Board meeting, and TSM continued their efforts to try and find a way to meet the Boards conditions. In the interim signage was placed upon the grounds with revenue going to third party company OMNI. Talks continued to relocate the Gallup & Gallup sign at Ellis and Queensway to Exhibition grounds. TSM continued to try and offer solutions to their plan with three meetings. The first of which was in August of 1998 with Stuart Lazier (President of O&Y Enterprise), Tom Bertrand (Principal of TSM) and Dianne Young and Eva Pyatt (Business Development - Exhibition Place). During that August meeting, the issue of Financing was brought up and Stuart Lazier indicated that his group as a potential partner had looked at TSM's finance ability and was confident that should TSM be able to develop what was detailed in the business plan then financing would not be problematic.

Suggestions were made to provide evidence of financing, and TSM continued it's efforts in obtaining commitments from lenders despite the fact that there was no deal. Each group approached expressed sincere interest in financing should TSM have a deal to actually look at.

TSM continued to explore development options at Exhibition Place. There was a change in staff in December 1998 and TSM (Tom Bertrand, Jeff Levine) met in January of 1999 with Kathryn Reed-Garrett. Discussion took place, with Dianne Young attending, and it was determined that the Board's position had not changed, furthermore that demolition of any buildings would create opposition.

In February of 1999 Ron Taylor (O&Y SMG, Robert E. Millward (TSM), Tom Bertrand (TSM), Jeff Levine (TSM), Don Logie (O&Y Enterprise), Michael MacKenzie (O&Y Enterprise) Brian Hogan (Architect - TSM) inspected the Better Living Centre for compatibility with TSM's plans. It was determined the site was in fact compatible however in order to perform the necessary "Due Diligence" we would need to reach an agreement to develop the site to truly determine cost, impact, and feasibility and final programming.

international
SPORTS MALL
GROUP

The future of sport and family recreation



Terms and conditions were submitted from Tom Bertrand in March and several months passed due to schedules.

A meeting was held in April where Robert E. Millward and Tom Bertrand met with Kathryn Reed-Garrett to discuss moving the project forward. It was determined that a term sheet should be provided, and that Kathryn Reed-Garrett would make suggestions on wording. This exchange continued until May when TSM submitted the Terms & Conditions for redevelopment of the BLC.

Dialogue took place concerning parking and it was mutually agreed that this would not be a huge issue as TSM had never asked for revenue from parking. This item could be negotiated depending on the final plans and whether or not parking was to be constructed under the BLC. The real issue was if TSM paid for the constructed parking then it would require some share in the revenue.

Further dialogue took place concerning financing, it was left open to the concept that financing would need to be dealt within the "Due Diligence." If we couldn't finance the project then obviously it would not proceed. Such philosophy depended on the Board's ultimate decision to allow sponsorship through signage. Given the fact the Board allowed a sign company to receive revenue for placing a sign, surely TSM could receive revenue considering it was to satisfy the Master Plan and providing in the neighbourhood of \$37,000,000 of capital improvements, \$84,650,000.00 in rent during the first ½ of the lease term, parking revenue, as well as shared profit in Sponsorship / Advertising. The association of year round activities, national sports broadcast and spin offs all while fulfilling the Master Concept adopted by the Board of Governors in May 1998.

TSM was notified in late August that the TSM proposal would go before the Business Development Committee in early September and the September 8, was indicated.

There were never any further dialogue, or meetings since the final business plan and Term Sheets were submitted, and TSM continued their efforts in providing an Amateur Sports venue. The Olympic movement surfaced in February and Principals of TSM met with David Crombie to discuss compatibility. Mr. Crombie indicated his support.



Major Discrepancies in the report.



1. **Dedicated Parking;** TSM never indicated those parking revenues are directed to TSM but rather according to the term sheet, page 15 item 10, paragraphs (a - d) indicated completely the opposite.
2. No mention of **Community Programming and Scholarship** program by TSM due in part to its unique creative approach to funding Amateur Sport.
3. **Transference of Ownership;** TSM never indicated transferring ownership of the building, but simply meeting the requirement (as in the IHL) of TSM's financiers.
4. **Outdoor Advertising;** The Board clearly granted Omni with outdoor advertising rights, and clearly wished to grant Gallup & Gallup rights, consequently TSM only assumed rights could be granted even though the original position was to not grant rights.
5. **Capital Costs;** TSM has always maintained and continues to that this development would be totally privately financed and no capital costs were required by the Board.
8. **Financial Backing;** TSM has demonstrated through various letters of support from Labour Funds to existing alliances that financing was possible, and the terms and conditions of the deal must come first.

I bring the foregoing to light as both a former Olympian, and citizen of Toronto in an effort to move this great opportunity forward. Surely as Toronto embarks on proving to the World that it can host an Olympic Games, support for TSM would legitimize and solidify such view in the actions carried on by it's people. However, our development is not dependent on Toronto's Olympic efforts.

May we suggest where there remains limited discrepancies that committees be set up similar to those opened and adopted by the Board with respect to the IHL proposal to deal with scheduling, due diligence etc, and furthermore that we meet in October to approve a proposal acceptable to all..

Sincerely yours

Tom Bertrand
President & CEO
The Toronto SportsMall Inc.

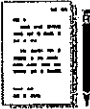
international
SPORTS MALL
GROUP

The future of sport and family recreation

FAX
TRANSMISSION
68 Woodside Avenue, Toronto, Ontario, Canada, M6P 1M1

DE / FROM	Acrostar Productions Inc. / ISMG	
	Tom Bertrand	
A / TO	Kathryn Reed-Garrett	
Page(s)	2	
12 / 1	9/16/99	10:14 AM

7.6

**-Message-**

Dear Kathryn & Dianne

Please find the following letter on our position with respect to Signage. Please ensure that this gets to each Board Member before tomorrow's meeting. I will try as well to distribute. Please call with confirmation that you are in receipt of this letter.

Sincerely yours

Tom Bertrand
President & CEO



September 15, 1999

The Board of Governors of Exhibition Place
Exhibition Place
Toronto, Ontario,
M6K 3C3

Sent Via Fax: 393-6526

Subject: Re-use Proposal for the Better Living Centre

Dear Board of Governors

In light of recent discussions, presentations and communications, please be advised that in an effort to launch The Toronto SportsMall at Exhibition Place, we hereby withdraw our request for "Exterior - Third Party Signage".

We believe we can rely more on internal exposure and sponsorship to balance the financial projections we had previously allocated for exterior signage. Additionally we believe that our Television revenues can be upgraded to ensure that we meet our projected target numbers. We enclose documentation from Michael Landsberg, recognized as an expert in Sports Broadcast, to support our claims.

Your endorsement of the terms and conditions (omitting item 9, a, b(i) (ii), c, and d) as submitted in June is desired at this time. Please be advised that the pro-forma that is before your staff will be revised to reflect the appropriate property taxes. Given TSM's modifications we would respectfully request that our proposed re-use of the Better Living Centre be supported and accepted. We look forward to once again working with staff on this fantastic community based sports project.

Sincerely yours

A handwritten signature in black ink, appearing to read "Tom Bertrand". The signature is fluid and cursive, with a large, stylized "T" and "B".

Tom Bertrand
President & CEO
The Toronto SportsMall Inc.

International
SPORTS MALL
GROUP

The future of sport and family recreation

Michael Landsberg

MEDIA ENTERPRISES INC.

To Whom It May Concern:

I have been an independent producer on the Canadian and World Wide stage for more than a decade. Over the past ten years I have been involved with the production of thousands of hours of television. As well, as host of a national television show I feel I am well qualified to voice an opinion on the potential that exists for generating both profile and revenue at the Toronto Sports Mall.

I believe the need for original material focusing on amateur and secondary professional events has never been greater both in Canada and around the world.

In Canada alone the need for independently produced sports productions has increased by approximately 300% in the past two years and there is little reason to believe it won't increase over the next decade.

It is my assessment that producing and placing original material nationally in this country gives The Toronto Sports Mall a unique opportunity to offer a full and comprehensive package to potential sponsors. Sponsors want multi levelled programs to reach out an increasing transient market place. The Toronto Sports Mall, therefore could offer a wide range of inventory which could start with the vital national television reach.

The Toronto Sports Mall also offers amateur and second level professional sports the ability to free themselves of government handouts. A sport can no longer survive based on the expectation the government will meet its financial needs.

In conclusion, it is my assessment that The Toronto Sports Mall at Exhibition Place would provide an outstanding venue to create original sports programming. The distribution of this material will greatly enhance the profile of Exhibition Place both in Canada and around the world. Furthermore, I anticipate national television will help make The Toronto Sports Mall a viable and profitable entity well into the 21st century.

If I can provide further details or answer any questions please do not hesitate to call me any time.