

8

EXHIBITION PLACE

August 24, 1999

To: The Board of Governors of Exhibition Place

From: Kathryn Reed-Garrett
Director of Business Development

Subject: **Paradise Entertainment Centre Complex Development Proposal for the Ontario Government Building**

Recommendations:

It is recommended that the revisions outlined on pages 2 and 3 of this report to the terms and conditions of the three year lease agreement between the Board and Paradise Entertainment Centre Complex ("Paradise Complex") for the Ontario Government Building ("OGB") be approved by the Board.

Background:

At its meeting of April 9, 1999, the Board approved of entering into a three-year lease with the Paradise Complex for an upscale entertainment complex in the OGB upon the principles set out in the report and other such terms and conditions satisfactory to the Interim General Manager and City Solicitor. The proposal suggested that a thirty-day due diligence period would start on April 12, 1999 with construction commencing on May 12, 1999 and a tentative opening date of June 12, 1999.

Discussion:

Since the meeting of the Board, staff has been working with Paradise Complex to finalize the terms and conditions of a Term Letter. Very early in the discussions, it was realized by all parties that the timing of restoration and renovations required to the OGB would not provide for an adequate operating period by Paradise Complex before the move-in of the 1999 CNE Casino. Furthermore, it appeared that there might have been some conflicts with co-occupancy between a summertime Paradise Complex operation and the requirements that the Gaming Commission places on a casino that required resolution. In addition, shortly following the Board meeting, each proponent became heavily involved in construction and expansion work that had been undertaken at their other locations in the Toronto area. Since the meeting of the Board, the proponents have had several on-site meetings with staff at the Casino to better understand the Casino layout and special requirements.

While Paradise Complex has not yet taken possession of the OGB, it is still very interested and both staff and Paradise Complex have continued with negotiations and with due diligence with the intent to take possession of the OGB in the fall, immediately following the CNE Casino move-out. With the change in terms proposed, the intent would be for Paradise Complex to have completed renovations and have the entertainment centre opened for business no later than June 1, 2000. The intent would be to name the centre "The Monument" or a variation of this ("The Monument-by-the-Lake") In addition, Paradise Complex has further investigated the condition of the OGB and the market for an entertainment complex with ancillary banquet rentals. Through this investigation, Paradise has determined that the cost of renovations required to open the facility would be at least \$500,000 at a minimum rather than the \$375,000 originally proposed. Paradise Complex is willing to make this increased commitment even given the 3-year term. This increase is due in part to the additional costs required to install climate control equipment (rooftop HVAC unit). Presently, the Board owns one HVAC unit that has been in storage for several years and Paradise will absorb all costs associated with reconditioning of this unit and installation in the OGB.

Furthermore, through its preliminary marketing efforts, Paradise Complex has determined that the appeal of the building as a banquet facility is much higher than originally projected – particularly in the area of authentic ethnic food service. However, Paradise Complex has requested a reduction in the Participation Rent paid to the Board on gross revenues received from special banquet events. Staff are recommending a reduction from 25% to 15% on the basis of the increased cost of renovations/restoration that Paradise Complex is making and also that the 15% is much more in line with industry standards for percentage rents in this area and also equivalent to the percentage received from the Board's in-house caterer.

Given the changes in the terms being contemplated, staff has prepared this report for the consideration of both the Business Development Committee and the Board. Attached also for consideration of the Committee and Board is the previous report adopted by the Board on this matter.

The following represent the changes proposed by Paradise Complex:

- (a) Term: Three Years, commencing January 5, 2000 and expiring January 4, 2003;
- (b) Leasehold Improvements and Equipment: Increased to a minimum of \$500,000.00 (from the original amount proposed of \$375,000.00). As set out in the previous report to the Board, all leasehold improvements will remain the property of the Board except for any (trade) chattels and fixtures which will remain the property of Paradise Complex and removed at the end of the Term.
- (c) Personal Guarantee/Indemnifier: Equal to the value of the minimum rent over the three year term with an option to be exercised by the Board, acting reasonably, to release the indemnifiers at the end of the second year, provided that the tenant's accounts and performance is in good standing with the Board;
- (d) Participation Rent on Banquets: 15% of gross sales (Original proposal suggested 25% of gross sales. Revised Participation Rent of 15% of gross sales is consistent with what the Board's caterer currently pays for banquet sales.)

The following comparative tables reflect the impact and added value to the Board that will be realized by the revised proposal, including the increase in private sector investment for capital improvements to the OGB. Increases in sales projections are the result of the proponent's preliminary investigations and marketing efforts.

Initial Proposal:

	Year 1	Year 2	Year 3	Ttl/Average
Base Rent	\$15,000.	\$40,000.	\$40,000.	\$95,000.
Percentage Rent	0.	0.	9,000.	9,000.
Parking Revenues (@\$8.00/stall)	\$59,000.	\$71,800.	\$86,160.	\$216,960.
Sub-total	\$74,000.	\$111,800.	\$135,160.	\$320,960.
Value psf	\$3.08	\$4.66	\$5.63	\$13.37
Average Value/Term				\$4.46/psf
Capital Improvements	\$125,000.	\$125,000.	\$125,000.	\$375,000.
Sub-Total	\$199,000.	\$236,800.	\$260,160.	\$695,960.
Value psf	\$8.29/psf	\$9.87/psf	\$10.84/psf	\$29.00/psf
% Rent for Special Event/Banquets (est)	\$12,500.	\$25,000.	\$37,500.	\$75,000.
Additional Parking (est)(@\$6.50/stall)	\$7,300.	\$14,600.	\$21,900.	\$43,800.
Total	\$218,800.	\$276,400.	\$319,560.	\$805,760.
Value psf	\$9.12	\$11.52	\$13.32	\$33.96
Average Value/Term				\$11.32/psf

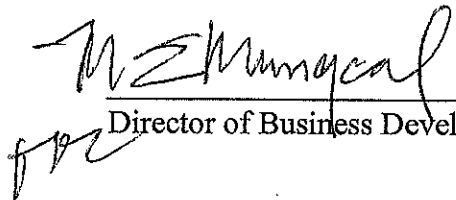
Comparative Value -- Revised Proposal:

	Year 1	Year 2	Year 3	Ttl/Average
Base Rent	\$15,000.	\$40,000.	\$40,000.	\$95,000.
Percentage Rent	0.	0.	9,000.	9,000.
Parking Revenues (@\$8.00/stall)	\$59,000.	\$71,800.	\$86,160.	\$216,960.
Sub-total	\$74,000.	\$111,800.	\$135,160.	\$320,960.
Value psf	\$3.08	\$4.66	\$5.63	\$13.37
Average Value/Term				\$4.46/psf
Capital Improvements	\$167,000.	\$167,000.	\$166,000.	\$500,000.
Sub-Total	\$241,000.	\$278,800.	\$301,160.	\$820,960.
Value psf	\$10.04/psf	\$11.58/psf	\$12.55/psf	\$34.21/psf
% Rent for Special Event/Banquets (est)	\$94,500.	\$108,000.	\$141,750.	\$344,250.
Additional Parking (est)(@\$6.50/stall)	\$22,750.	\$45,500.	\$68,250.	\$136,500.
Total	\$358,250	\$432,300.	\$511,160.	\$1,301,710.
Value psf	\$14.93	\$18.01	\$21.30	\$54.24
Average Value/Term				\$18.08/psf

Conclusion:

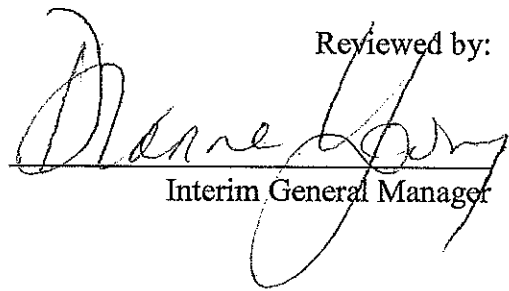
This report proposes that the Board enter into a three year agreement with Paradise Complex for the OGB on the revised conditions outlined in this report and the substantial conditions contained in the report previously approved by the Board at its meeting of April 9, 1999.

Submitted by:



Director of Business Development

Reviewed by:



Interim General Manager

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**, and **further** that staff provide additional information (attached to this report, marked "8.a") directly to the Board.

MINUTES

PUBLIC SESSION

THE BOARD OF GOVERNORS OF EXHIBITION PLACE

Friday, April 9, 1999

~~14. EXHIBITION PLACE PROGRAM DEVELOPMENT
CONCEPT IMPLEMENTATION STRATEGY~~

~~On motion duly made by Ken Lantz, seconded by Mario Giansante, and **CARRIED**, it was **RESOLVED** that Report No. 14 of the Director/Business Development be **APPROVED**, as recommended by the Business Development Committee and the Marketing & NTC Liaison Committee, thereby authorizing the recommendations contained in subject report with respect to the Exhibition Place Program and Development Concept Implementation Strategy.~~

15. PARADISE COMPLEX DEVELOPMENT PROPOSAL

On motion duly made by Paul Valenti, seconded by Mario Giansante, and **CARRIED**, it was **RESOLVED** that the recommendations outlined below with respect to Report No. 15 of the Director/Business Development be **APPROVED**, as recommended by the Business Development Committee and the Marketing & NTC Liaison Committee;

That the Board:

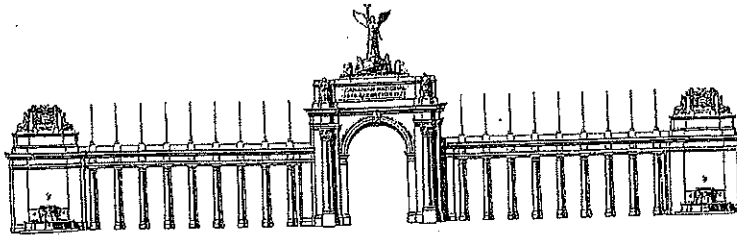
- (a) approve entering into a three-year lease with Paradise Entertainment Centre Complex for the Ontario Government Building, subject to staff negotiating the terms of an agreement, based upon the principles set out in subject report, and other such terms and conditions satisfactory to the Interim General Manager and City Solicitor;
- (b) direct staff to conduct the appropriate due diligence on the Paradise Complex proposal including a review of the financial assurances that are proposed by Paradise Complex; and
- (c) approve that any other expenses, capital or operating, shall be solely at the expense of the lessees; and further that the Casino or any other complementary uses for the CNE's purpose, be accommodated in the 3-year agreement.

~~16. TENDER FOR STADIUM – SITE LANDSCAPING & LIGHTING FOR PARKING~~

~~On motion duly made by John Downing, seconded by Ken Lantz, and **CARRIED**, it was **RESOLVED** that Report No. 17 of the Manager/Capital Works, which was distributed at the meeting be **APPROVED**, thereby authorizing a tender award to Vaughan Paving Ltd. for the Stadium Site Landscaping and Lighting for Parking in the amount of \$813,824.05, this being the lowest tender received.~~

17. DIRECTIONAL SIGNAGE – REVISED PLAN

On motion duly made by Carole Kerbel, seconded by David Windrim, and **CARRIED**, it was **RESOLVED** that the Directional Signage – Revised Plan be **DEFERRED** to the Marketing & NTC Liaison Committee for subsequent reporting to the May meeting of the Board.



March 31, 1999

EXHIBITION PLACE

TO: The Board of Governors of Exhibition Place

FROM: Kathryn Reed Garrett
Director of Business Development

SUBJECT: Paradise Complex Development Proposal

It is recommended that the Board:

- (1) approve entering into a three year lease with Paradise Entertainment Centre Complex ("Paradise Complex") for the Ontario Government Building ("OGB");
- (2) direct staff to negotiate the terms of an agreement, based upon the principals set out below and enclosed, and other such terms and conditions satisfactory to the Interim General Manager and City Solicitor; and
- (3) direct staff to conduct the appropriate due diligence on the Paradise Complex proposal, including a review of the financial assurances that are proposed by Paradise Complex.

Background:

At its meeting of June 19, 1998, the Board approved and adopted the Program Development and Concept Plan which report identified strategic directions for the future development of Exhibition Place. Furthermore, at its workshop of January 26, 1999 the Board reconfirmed its commitment to securing destination-type tenants and activities that would extend the year-round use of the property.

The Business Development Committee of the Board met on September 16, 1997 to hear several development presentations for the OGB - one of which was from the Paradise Complex. As a result of that meeting and those presentations, the Committee at that time elected to pursue another proposal - that of Themeworld Entertainment Group Inc. Following exhaustive but unsuccessful negotiations with Themeworld Entertainment Group Inc., and upon the recommendation of the Business Development Committee, the Board at its meeting of April 1998 directed staff to terminate negotiations with Themeworld and to identify and contact other potential tenants for alternative proposals for the OGB, including those who had expressed an interest in September, 1997.

THE BOARD OF GOVERNORS OF EXHIBITION PLACE

Exhibition Place, Toronto, Ontario M6K 3C3 Tel: (416) 393-6000

A revised proposal from the Paradise Complex was subsequently received and is now under consideration.

Discussion:

The two proponents of the Paradise Complex are experienced food and beverage/banquet operators with more than thirty-six years experience in the Toronto market. Joseph Pandolfo, Executive Vice President of Paradise Banquet Halls located at 7551 and 7601 Jane Street, manages and operates a 165,000 sf banquet hall capable of accommodating 1800 guests that specializes in authentic cultural cuisine and special events, as well as outside catering functions; Carlo Parentela, President of the Le Jardin group of companies oversees the operation of Le Jardin Banquet Halls located at Highways 27 and 7, as well as exclusive off-site catering at the Iceland Hockey Arena (Mississauga), Hershey Centre (Mississauga), Hunters Glen Golf and Country Club, and currently hold franchise rights to Java Zone – a coffee kiosk retail concept. The Le Jardin group of companies is also a preferred caterer for the historic St. Lawrence Hall. Both operators are interested in expanding their operation into a high-profile downtown Toronto location and have expressed a renewed interest in the OGB.

The Paradise Complex proposal suggests two stages of operation:

- (i) Phase I proposes a three-year lease to operate an upscale entertainment complex in a portion of the OGB that would provide top 40's music as well as live entertainment Thursday-Saturday evenings from May to October throughout the Term of the Lease. Additionally, the facility would be used for special events and banquets.

The proponents are prepared to invest an initial \$375,000.00 in leasehold improvements that would be primarily cosmetic in nature, and refer to the restoration work that has been completed at the Pantages and Elgin Theatres, and the King Edward and Royal York Hotels as examples of the cosmetic work that would be completed.

- (ii) Phase II proposes a long-term lease to operate a full-scale year-round banquet facility in the balance of the building, including the courtyard and second level.

A proposed additional investment of \$1.13 million dollars would address cosmetic improvements to bring the balance of the OGB to par with Phase I, as well as provide for the installation of a complete HVAC system, complete banquet kitchen facilities, landscaping and the restoration of the courtyard.

Staff have had several meetings with the proponents to discuss terms for Phase I only and this report is recommending terms and conditions for moving forward with Phase I at this time with no obligations with respect to Phase II. The terms and conditions are as follows:

- a) Term:

The Board would enter into a net lease with Paradise Complex, and a company to be named as indemnifier (the Indemnifier) for a period of three years. The Lease would commence at the beginning of the Construction Period which is targeted for May 12, 1999.

b) Due Diligence:

Following execution of the Letter Agreement, a thirty (30) day period of due diligence would commence during which the Board would satisfy itself on the expertise and credit worthiness of Paradise Complex and the indemnifiers; the availability of sufficient financing, requisite licenses and franchise rights; the availability of consents such as the consent of the Toronto Historical Board. Paradise Complex, during this time, would complete its investigation as to title; soil conditions and building conditions; zoning and other land restrictions; terms of existing agreements; etc. In the event that either the Board or Paradise Complex have not satisfied themselves during this Due Diligence period, either party may terminate the Agreement at no cost to the other.

c) Construction Period:

During the Construction Period, Paradise Complex must (i) ensure that construction proceeds in accordance with the schedule; (ii) minimize disruption to the balance of the Exhibition Place grounds; (iii) ensure the continuity of the Board's operation; and, (iv) commence a marketing and advertising program that has been finalized in consultation with the Board.

d) Lease:

The lease would commence at the beginning of the Construction Period and would operate as an entirely net lease with full responsibility for all on-going expenses and obligations of every nature and kind pertaining to the OGB to be with Paradise, as tenant, including but not limited to obtaining and maintaining all required insurance and all property and real taxes.

e) Leasehold Improvements:

Paradise Complex will, at its sole expense, be responsible for the installation of all leasehold improvements. Such improvements as have been outlined in the proposal include repairs/restoration and/or modifications to custom moldings and lighting fixtures; specialized painting techniques and wall treatments; mosaic and carpeted floor treatments; renovations to existing washroom facilities; installation of limited kitchen facilities suitable for the preparation of finger-type food, and decorative elements such as statues, pillars and custom-made props. Such leasehold improvements are estimated at approximately \$375,000.00. Paradise Complex will, prior to making any leasehold improvements, seek the written permission of the Interim General Manager of Exhibition Place which approval will not be unreasonably withheld or delayed, but will be subject to consideration of the impact of such improvements on the historical nature of the OGB. All leasehold improvements undertaken by Paradise Complex will be in accordance and comply with the provisions of any federal, provincial or municipal law, by-law or

regulation including but limited to the Ontario Heritage Act. Paradise Complex will complete all leasehold improvements and commence operation of the Entertainment Complex, subject only to delays caused by "force majeure" no later than June 1, 1999. All leasehold improvements will remain the property of the Board except for any (trade) chattels and fixtures which will remain the property of Paradise Complex and removed at the end of the Term.

f) Deposit:

Upon execution of a Term Letter Agreement, Paradise Complex will deliver a deposit in the amount of \$10,000.00 Dollars which will be non-refundable and applied against the Board's costs if there is no election to terminate this Agreement after the Due Diligence period.

g) Rent:

Based on an area of approximately 24,000 sf of ground space only, which is to be confirmed by an architect's certificate, rental payments will be as follows:

- i. Base Rent of \$15,000.00 plus GST of 7% per year for Year 1 of the Term, payable in three equal installments of \$5,000.00 each plus GST and due on the first day of July, August, and September, 1999; and, 6% of gross sales in excess of \$500,000. per annum;
- ii. Base Rent \$40,000.00 plus GST of 7% per year for Years 2 and 3 of the Term, payable in five equal installments of \$8,000.00 each plus GST and due on the first day of May, June, July, August and September 2000 and 2001; and, 6% of gross sales in excess of \$750,000. per annum;
- iii. Percentage Rent for Special Event & Banquet sales in the amount of 25% of gross sales, calculated on a contract-by-contract basis and due immediately upon execution of the contract.

h) Permitted Uses/Restrictions/Exclusive Agreements:

During the Term, Paradise Complex will have the exclusive right to use the OGB as an entertainment centre that provides for pre-recorded and live music and a limited finger food menu; and for Special Events and Banquet activities upon prior written approval of the Board. Paradise Complex shall not use the OGB for any other purpose than that specified in this Agreement, nor for the use of themed dinner theatre; trade and consumer shows; sporting events; and a casino (save and except for a casino that is associated with the CNEA).

Paradise Complex may not erect any signs on or around the OGB or anywhere upon the grounds of Exhibition Place without prior written approval of the Board, acting reasonably, which signs are to comply with applicable by-law and policies that are compatible with the grounds of Exhibition Place. The name of the project must be in compliance with applicable Board and City of Toronto by-laws and must receive approval of the Board.

i) Special Conditions:

- (i) As indicated in their proposal, Paradise shall place a priority on the hiring and training of local residents for its operations;
- (ii) During the CNE, Paradise Complex shall provide at no cost to the CNEA facilities within the OGB suitable for the execution of a Casino, and shall make reasonable arrangements for access to same for set-up and tear-down prior and following the Casino. Paradise Complex shall be responsible for the food and beverage service to same, and all revenues from food and beverage sales during the CNE Casino will be retained by Paradise Complex;
- (iii) Paradise Complex shall remit an Annual Gross Sales Report to the Board no less than 90 days following each respective year-end, together with any percentage rent that is due and payable;
- (iv) A quantity of 50 parking passes will be made available for the use of employees of Paradise Complex. Patrons of the Paradise Complex will pay posted parking rates that are consistent with other site parking rates as are determined by the Board. A discounted parking rate for Patrons of Special Events and Banquets that is consistent with the posted rate for Exhibitors will apply, except during peak times;
- (v) The Paradise Complex agrees to abide by all the terms and conditions of any binding labour agreements, particularly with reference to but not limited to entertainment and special event and banquet operations. The Board will supply Paradise Complex with copies of all relevant agreements on a regular basis;
- (vi) The Paradise Complex and the Board will agree to an off-season preferred rental rate for the premises for the purpose of special events during the period of non-use. The Board retains first right of refusal for any potential use that exceeds the intent of the Agreement;
- (vii) The Paradise Complex acknowledges that there will be limited access to the grounds during designated Special Events. These events include but are not limited to the Molson Indy, the CNE, and Chin Picnic.

Benefits of the Project

There will be several benefits resulting from the completion of Phase I of this development. First, the proponents are well known and well established in the GTA. This proposal will generate activity in the OGB during the important peak season where it has been, for the most part, vacant in the past. And, it will attract destination-type visitors to the grounds while establishing the proponents in a new downtown location. This will be essential if the Board and Paradise Complex elect to move into Phase II of the proposal. Lastly, Phase I provides for some much-needed cosmetic improvements to the OGB.

In addition, unlike the previous proposes considered by the Board for the OGB (the Themeworld proposal) this project would not be in conflict with the exclusivity provision in the lease with Medieval Times. As the Board is aware, the lease between the Board and Medieval Times provides Medieval Times with the exclusive rights on the grounds to operate a "dinner theatre".

The Paradise Complex proposal will be strictly a music entertainment venue with limited food and beverage service only with the "uses" clause in the Paradise Complex lease drafted accordingly by the City Solicitor.

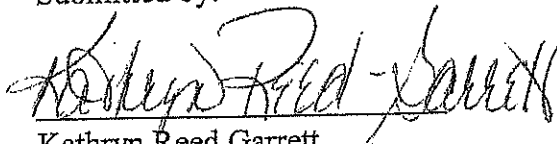
The table below illustrates the total proposed revenue stream to the Board during Phase I, based on Paradise Complex's projections and some estimation of additional revenue from Special Events and Banquets:

	Year 1	Year 2	Year 3	Ttl/Average
Base Rent	\$15,000.	\$40,000.	\$40,000.	\$95,000.
Percentage Rent	0.	0.	9,000.	9,000.
Parking Revenues (@\$8.00/stall)	\$59,000.	\$71,800.	\$86,160.	\$216,960.
Sub-total	\$74,000.	\$111,800.	\$135,160.	\$320,960.
Value psf	\$3.08	\$4.66	\$5.63	\$13.37
Average Value/Term				\$4.46/psf
Capital Improvements	\$125,000.	\$125,000.	\$125,000.	\$375,000.
% Rent for Special Event/Banquets (est)	\$12,500.	\$25,000.	\$37,500.	\$75,000.
Additional Parking (est)(@\$6.50/stall)	\$7,300.	\$14,600.	\$21,900.	\$43,800.
Total	\$214,800.	\$264,600.	\$319,560.	\$805,760.
Value psf	\$9.12	\$11.52	\$13.32	\$33.96
Average Value/Term				\$11.32/psf

Conclusion:

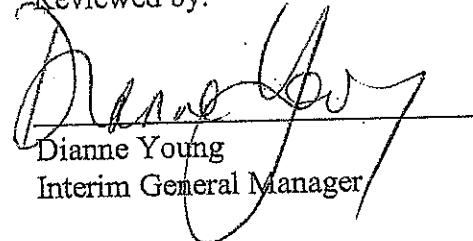
This report proposes that the Board enter into a short-term Agreement with Paradise complex for the OGB on the terms and conditions outlined in this report.

Submitted by:

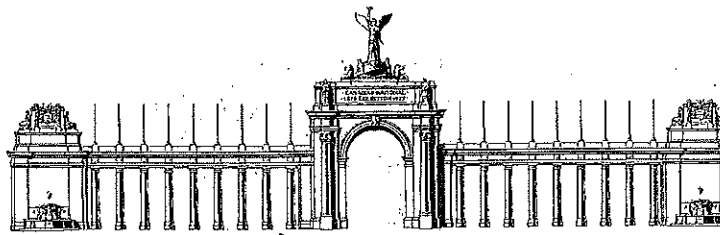


Kathryn Reed Garrett
Director, Business Development and Special Events

Reviewed by:



Dianne Young
Interim General Manager



attachment
8.a

EXHIBITION PLACE

September 14, 1999

To: The Board of Governors of Exhibition Place

From: Kathryn Reed-Garrett
Director of Business Development

Subject: **Paradise Entertainment Centre Complex "Paradise" Development Proposal
for the Ontario Government Building "OGB" – Supplemental Information**

Recommendations:

It is recommended that this report be received for the information of the Board.

Background:

At its meeting of September 8, 1999 the Business Development Committee and the Executive Committee received a staff report updating Committee members of some proposed changes to the original terms for a three-year agreement with Paradise. The Committees also heard deputations from Mr. Joe Pandolfo, Mr. Carlo Parentela and Mr. Cory Sherman who represent Paradise. Committee members requested that additional information be supplied to the Board for consideration at its September 17, 1999 meeting.

Discussion:

There were several questions related to the chart in the report, which outlined the value of the Revised Proposal. For the information of the Board, the "Base Rent" value is the rent to be paid to the Board on a monthly basis during the three year term for the rental of approximately 24,000 square feet of space (or two of the three wings of the ground floor) of the OGB to be used as an entertainment facility from May to October in each year of the term. The "Percentage Rent" of 6% will be applied to the gross annual sales of the entertainment centre, and provides the Board an opportunity to participate in the sales being generated from the activity of the entertainment centre. A copy of the proponents' original business plan and pro-forma, which was presented to the Board in April, is attached as "Appendix A". The "Parking Revenues" are calculated at the rate approved by the Board, which is, for 1999, \$9.00/vehicle for daily rate. The "Capital Improvement" figures represents the increased commitment Paradise has indicated that it would be making in the building. Again, this figure represents the cost of both structural/mechanical and cosmetic improvements and tenant fixturing.

The original proposal that was approved by the Board at its meeting of April 1999 also made reference to special events and banquets as an ancillary use. After receiving the Board's approval, the proponents initiated a preliminary marketing study to determine the market demand for these uses. As it is anticipated that these special events and banquets would take place both during and beyond the operating period of the Entertainment Centre, which is May to October, a separate "Participation Rent" has been proposed that is in addition to both the "Base Rent" and "Percentage Rent" that apply to the entertainment centre. As outlined in the report, staff are recommending that Paradise pay the Board a participation rent of 15% of gross food and beverage sales for each of these special events, and that Exhibition Place would enter into a license agreement with Paradise on an event-by-event basis for these events. Based on its marketing to date, the Paradise proponents have submitted to staff the following projections for this "special event" business:

YEAR 1: approximately 30 banquets with 200 guests per banquet at \$90.00 per person and 100 vehicles @ \$6.50 per vehicle.

YEAR 2: approximately 40 banquets with 200 guests per banquet at \$90.00 per person and 100 vehicles @ \$6.50 per vehicle.

YEAR 3: approximately 53 banquets with 200 guests per banquet at \$90.00 per person and 100 vehicles @ \$6.50 per vehicle.

Based on the banquet business plan provided by Paradise as outlined above, the chart below translates these numbers into potential dollar earnings to the Board as shown under the heading "Participation Rent for Special Event/Banquets". The "Additional Parking" revenue estimate reflects the estimate of vehicles provided by the proponent at the bulk parking rate charged in accordance with Board policy.

Comparative Value – Revised Proposal:

	Year 1	Year 2	Year 3	Ttl/Average
ENTERTAINMENT CENTRE				
Base Rent	\$15,000.	\$40,000.	\$40,000.	\$95,000.
Percentage Rent (6%)	0.	0.	9,000.	9,000.
Parking Revenues (@\$9.00/stall)	\$66,375.	\$80,775.	\$96,930.	\$244,080.
Sub-total	\$81,375.	\$120,775.	\$145,930.	\$348,080.
Value psf	\$3.39	\$5.03	\$6.08	\$14.50
Average Value/Term				\$4.83/psf
Capital Improvements	\$167,000.	\$167,000.	\$166,000.	\$500,000.
Sub-Total	\$248,375.	\$287,775.	\$311,930.	\$848,080.
Value psf	\$10.35 /psf	\$11.99/psf	\$13.00/psf	\$35.24/psf
BANQUET/SPECIAL EVENT LICENCES				
Participation Rent (15%) for Special Event/Banquets (est)	\$94,500.	\$108,000.	\$143,100.	\$345,600.
Additional Parking (est)(@\$6.50/stall)	\$22,750.	\$26,000.	\$34,450.	\$83,200.
Total	\$365,625.	\$421,775.	\$489,480.	\$1,276,880.
Value psf	\$15.23	\$17.57	\$20.40	\$53.20
Average Value/Term				\$17.73 /psf

The other issues raised by the Committee relate to specific terms that have been included in the Term Letter prepared by the City Solicitor and are as follows:

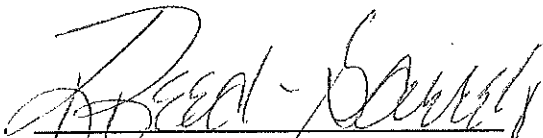
- (a) HVAC Rooftop Unit – The Term Letter states that the Board will “provide one (1) H/VAC unit to the Tenant, provided that the Tenant shall accept such unit “as is” with no warranty or representation by the Board as to its mechanical condition and shall be responsible for all costs associated with the movement, installation, ductwork and diffusers, electrical hook-ups, etc.”;
- (b) Use of the OGB by the CNEA – At its meeting of April 9th, the Board moved that “the Casino or any other complementary uses for the CNE’s purpose, be accommodated in the three year agreement”. This condition is included in the Term Letter;
- (c) Trade Fixtures – a complete list of trade fixtures and chattels will be supplied by the proponents as part of the due diligence and as per the conditions of the Term Letter;
- (d) Indemnity – the Interim General Manager and the City Solicitor will review the indemnity to be given by the tenant under the Term Letter and Lease to ensure that it provides adequate protection to the Board with respect to all claims and liability arising from the tenant’s use of the OGB and exercise of its rights under the Lease.

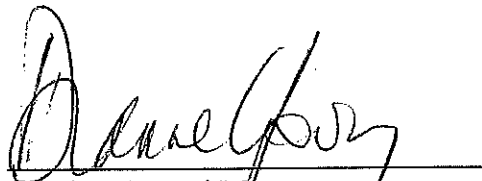
Conclusion:

This report responds to queries arising from the September 8, 1999 joint meeting of the Business Development Committee and the Executive Committee and supplements the information contained in the staff report to the Board, dated August 24, 1999 and the original report adopted by the Board at its meeting of April 9, 1999.

Submitted by:

Reviewed by:


Director of Business Development


Interim General Manager

The Monument

Pro-forma Income Statement & Retained Earnings

Prepared by TAG Accounting Associates

		Apr 99 to March 2000		Apr 2000 to March 2001		Apr 2001 to March 2002	
		Year 1		Year 2		Year 3	
Revenue							
Gross Revenue		100%	477,822	100%	575,748	100%	633,322
			100%		120%		110%
Community Event Centre							
Gross Room Rental Revenue		8%	38,325	8%	43,625	8%	47,988
Gross food & beverage revenue	100%	10%	46,757	9%	53,223	9%	58,545
Gross revenue - Event Centre		18%	85,082	17%	96,848	17%	106,532
Less: food & beverage cost	30%	3%	14,027	3%	15,967	3%	17,563
Less: labour cost	22%	2%	10,286	2%	11,709	2%	12,880
Gross margin - Community Event Centre		13%	60,768	12%	69,172	12%	76,089
Entertainment Centre							
Gross entrance fee revenue		38%	181,600	38%	221,500	38%	243,650
Gross food & beverage revenue	100%	44%	211,140	45%	257,400	45%	283,140
Gross revenue - Entertainment Centre		82%	392,740	83%	478,900	83%	526,790
Less: food & beverage cost	35%	15%	73,899	16%	90,090	16%	99,099
Less: labour cost	20%	9%	42,228	9%	51,480	9%	56,628
Gross margin - Entertainment Centre		58%	276,613	59%	337,330	59%	371,063
GROSS MARGIN							
		70.6%	337,381	70.6%	406,502	70.6%	447,152
Operating expenses							
Management wages		10.0%	47,782	5.0%	28,787	5.0%	31,666
Gross rent		6.3%	30,000	5.2%	30,000	4.7%	30,000
Telephone & utilities		3.0%	14,346	2.6%	15,063	2.5%	15,816
Restaurant supplies		2.0%	9,556	2.0%	11,515	2.0%	12,666
Advertising & promotion		5.2%	25,000	4.3%	25,000	3.9%	25,000
Office & general		0.6%	2,850	0.5%	3,050	0.5%	3,250
Accounting, legal & consulting		0.8%	3,600	0.6%	3,700	0.6%	3,800
Insurance, fees & dues		1.3%	6,000	1.1%	6,300	1.0%	6,615
Maintenance & repairs		13.0%	62,000	12.5%	72,000	9.5%	60,000
Business Loan interest & bank charges	(2)	4.1%	19,592	2.3%	13,061	1.0%	6,531
Depreciation		5.0%	23,750	5.0%	28,500	4.5%	28,500
Total operating expenses		51.2%	244,476	41.2%	236,976	35.3%	223,844
Profit before income taxes		19.4%	92,905	29.4%	169,525	35.3%	223,308
Income taxes		4.5%	21,368	6.8%	38,991	8.1%	51,361
After-tax net profit		15.0%	71,537	22.7%	130,534	27.2%	171,947
RETAINED EARNINGS							
Opening balance			0		71,537		202,071
Add: net income for period			71,537		130,534		171,947
Closing balance			71,537		202,071		374,018

The Monument

Sales Assumptions & Analysis - Year 1

Prepared by TAG Accounting Associates

APR 1999	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR 2000	TOTALS
Month 1	2	3	4	5	6	7	8	9	10	11	12	

Entertainment Centre

(An ideal venue for Canadian Artists to gain exposure and experience)

Saturday

# of Saturdays available	2	4	5	4	2							17
Average # of Saturday events	2	4	5	4	2							17
Average # of guests per event	600	600	700	800	500							168
Total # of guests per month	1,200	2,400	3,500	3,200	1,000							11,300
Saturday entrance fee	\$8	\$8	\$8	\$8	\$8							\$8
Gross Saturday entrance fee revenue	9,600	19,200	28,000	25,600	8,000							90,400
Total # of Saturday guests per month	1,200	2,400	3,500	3,200	1,000							11,300
Average food & beverage revenue per guest	\$9	\$9	\$9	\$9	\$9							\$9
Gross Saturday food & beverage revenue	10,800	21,600	31,500	28,800	9,000							101,700

Friday

# of Fridays available	2	4	5	4	2							17
Average # of Friday events	2	4	5	4	2							17
Average # of guests per event	500	500	600	700	400							142
Total # of guests per month	1,000	2,000	3,000	2,800	800							9,600
Friday entrance fee	\$5	\$5	\$5	\$5	\$5							\$5
Gross Friday entrance fee revenue	5,000	10,000	15,000	14,000	4,000							48,000
Total # of Friday guests per month	1,000	2,000	3,000	2,800	800							9,600
Average food & beverage revenue per guest	\$6	\$6	\$6	\$6	\$6							\$6
Gross Friday food & beverage revenue	6,000	12,000	18,000	16,800	4,800							57,600

Thursday

# of Thursdays available	2	4	5	4	2							17
Average # of Thursday events	2	4	5	4	2							17
Average # of guests per event	450	450	540	630	360							128
Total # of guests per month	900	1,800	2,700	2,520	720							8,640
Thursday entrance fee	\$5	\$5	\$5	\$5	\$5							\$5
Gross Thursday entrance fee revenue	4,500	9,000	13,500	12,600	3,600							43,200
Total # of Thursday guests per month	900	1,800	2,700	2,520	720							8,640
Average food & beverage revenue per guest	\$6	\$6	\$6	\$6	\$6							\$6
Gross Thursday food & beverage revenue	5,400	10,800	16,200	15,120	4,320							51,840

Entrance fee revenue (Thurs, Fri & Sat)	46%	19,100	38,200	56,500	52,200	15,600						181,600
Food & Beverage revenue (Thurs, Fri & Sat)	54%	22,200	44,400	65,700	60,720	18,120						211,140
Gross revenue - Entertainment Centre	100%	41,300	82,600	122,200	112,920	33,720						392,740

Gross Revenue - Performing Arts Centre	100%	55,453	102,414	143,013	129,071	47,873						477,822
--	------	--------	---------	---------	---------	--------	--	--	--	--	--	---------

Advertising & promotion

Sales Assumptions & Analysis - Year 2

Prepared by TAG Accounting Associates

APR 2000	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR 2001	TOTALS
Month 13	14	15	16	17	18	19	20	21	22	23	24	

Entertainment Centre

(An ideal venue for Canadian Artists to gain exposure and experience)

Saturday

# of Saturdays available	4	4	5	4	5							22
Average # of Saturday events	4	4	5	4	5							22
Average # of guests per event	600	600	700	800	500							168
Total # of guests per month	2,400	2,400	3,500	3,200	2,500							14,000
Saturday entrance fee	\$8	\$8	\$8	\$8	\$8							\$8
Gross Saturday entrance fee revenue	19,200	19,200	28,000	25,600	20,000							112,000
Total # of guests per month	2,400	2,400	3,500	3,200	2,500							14,000
Average food & beverage revenue per guest	\$9	\$9	\$9	\$9	\$9							\$9
Gross Saturday food & beverage revenue	21,600	21,600	31,500	28,800	22,500							126,000

Friday

# of Fridays available	4	5	4	4	5							22
Average # of Friday events	4	5	4	4	5							22
Average # of guests per event	500	500	600	700	400							142
Total # of guests per month	2,000	2,500	2,400	2,800	2,000							11,700
Friday entrance fee	\$5	\$5	\$5	\$5	\$5							\$5
Gross Friday entrance fee revenue	10,000	12,500	12,000	14,000	10,000							58,500
Total # of guests per month	2,000	2,500	2,400	2,800	2,000							11,700
Average food & beverage revenue per guest	\$6	\$6	\$6	\$6	\$6							\$6
Gross Friday food & beverage revenue	12,000	15,000	14,400	16,800	12,000							70,200

Thursday

# of Thursdays available	4	5	4	5	4							22
Average # of Thursday events	2	5	4	5	2							18
Average # of guests per event	500	500	600	700	400							142
Total # of guests per month	1,000	2,500	2,400	3,500	800							10,200
Thursday entrance fee	\$5	\$5	\$5	\$5	\$5							\$5
Gross Thursday entrance fee revenue	5,000	12,500	12,000	17,500	4,000							51,000
Total # of Thursday guests per month	1,000	2,500	2,400	3,500	800							10,200
Average food & beverage revenue per guest	\$6	\$6	\$6	\$6	\$6							\$6
Gross Thursday food & beverage revenue	6,000	15,000	14,400	21,000	4,800							61,200

Entrance fee revenue (Friday & Saturday)	46%	34,200	44,200	52,000	57,100	34,000						221,500
Food & Beverage revenue (Friday & Saturday)	54%	39,600	51,600	60,300	66,600	39,300						257,400
Gross revenue - Entertainment Centre	100%	73,800	95,800	112,300	123,700	73,300						478,900

Gross Revenue - Performing Arts Centre	100%	87,953	115,614	143,103	139,851	89,229						575,748
--	------	--------	---------	---------	---------	--------	--	--	--	--	--	---------