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The following report was reviewed by the Finance & Audit Committee at its meeting of November 16, 2000 and is referred to the Board of Governors for INFORMATION.

EXHIBITION PLACE

November 10, 2000

TO: The Board of Governors of Exhibition Place

FROM: Dianne Young, General Manager & CEO

SUBJECT: **Forecast for NTC for 2001- 2004**

Recommendations:

It is recommended that the Board receive this report for its information and in its deliberation during the 2001 Operating Budget.

Background:

The Negotiating Subcommittee in its report to the Board, requested that as part of the 2001 Operating Budget process the General Manager & CEO report on the Forecast 2001-2004 for the NTC Program.

Discussion:

Mr. Ernest Vincent has presented for my consideration the attached Forecast 2001-2004. This Forecast was developed on the basis of the assumptions attached as Appendix "A" which O&Y/SMG and I have mutually agreed to as being legitimate assumptions for the next four years. As with all forecasts, the intent will be that it will be updated on an annual basis during the operating budget deliberations.

Conclusions:

Attached is a four-year Forecast 2001-2004 and assumptions respecting the NTC Program.

Submitted by:

Dianne Young
General Manager & CEO

Appendix "A"

Forecast Assumptions 2001-2004

Overall Assumptions

The forecast has been built with the 2001 budget as the base.

Inflation is assumed to be 3% in 2002, 3% in 2003, and 3% in 2004.

The financial terms of the IHL deal with respect to rent, management fee, and participation have not been included. However, it is assumed that the Coliseum and parts of the NTC are not available for bookings due to construction in 2002.

It is assumed that no new exhibit space is built in the Toronto marketplace, and that competing facilities maintain similar pricing and marketing strategies as currently employed, during the forecast period.

Rental Income

Rental income is forecast to grow at 4% in 2001, 6% in 2002, 5% in 2003, and 8% in 2004. Rental income is based on:

1) The rental figures are a selection of repeat annual business and the booking of new trade and consumer shows and events.

2) New trade and consumer shows and events will be booked into the NTC from Canada, the US and Europe. This will add income at already agreed rental rates.

3) New business development opportunities will be derived from filling shoulder season with non-core business at a flexible rental rate and O&Y/SMG will be presenting a proposal for "off peak" rates for approval by Board outlining this business opportunity.

4) Maximizing efficiency of Molson Indy, CNE, Royal Agricultural Winter Fair move-in and move-out to increase inventory of rentable dates.

Other assumptions with respect to rental income are:

1) Events which close Exhibition Place grounds will be similar to those experienced in 2000, except for World Youth Days in 2002.

2) Parking rates and policies are assumed to remain the same as in 2000.

3) 2002 assumes that the Coliseum will be under construction and is not available for bookings. 2002 does assume some disruption to the grounds as a result of the construction.

4) Capital Improvements to the Automotive Building with respect to air conditioning and heating systems, and renovations to the washrooms and painting are to be completed by December 31, 2002. Improvements to the Better Living Centre will be completed, including the casino renovation and additional walls.

5) While an RFP for the use of Horticultural Building is anticipated the proponents should not affect the catering or rental business of the NTC.

6) Meeting room improvements, and a hotel on-site have not been assumed.

7) It is assumed that the Royal Winter Fair will pay third party rates for rent, and services will be charged as was done in 2000. Telecom and utility services will continue to be charged at third party prices.

Catering/Concessions/Electrical Services Net/Show Services/Telecommunications

Ancillary income is forecast to grow at the same percentage rate as rental income. It is assumed that show services, electrical, and telecommunication prices will increase with any increase in the cost of delivery of services, such that the profit margin is maintained and grows at the same rate as the rent.

Official Suppliers

Commissions from the Official Show Display Company (GES) and Theatrical Production and AudioVisual (Parallel Productions) are based on 2000 performance to date, and are grown at inflation.

Advertising

Advertising revenues and expenses are based on projections prepared by Trillium-Wilkinson Group for 2001. This is held for 2002, and then grown net of commission at $25,000 for 2003 and 2004.

Direct/Indirect Expenses

Direct Operating Costs have been assumed to grow at 5% each year for 2002, 2003, and 2004. This rate is higher than inflation and reflects expected increase in utility costs, and the ageing of the building. It is assumed that the utility costs for the Molson Indy will be recovered. It is assumed that the NTC Capital Reserve Fund will be available starting in 2002, and that this fund can be used for typically amortized costs such as carpet replacement, telephone equipment, etc.

Operating costs for other areas are assumed to grow at projected inflation. Union agreements are assumed to reflect a COLA at inflation. Merit increases have been factored into the 2001 budget and these are forecast to continue.

Exhibition Place Adjustments

Remittances back to Exhibition Place for telecom services for Exhibition Place events are projected to grow at inflation. Recoveries of costs for the CNE and for Exhibition Place events are assumed to grow at inflation. The 12% surcharge on hourly labour for administrative support is assumed to continue.

Management Fee

The base management fee is projected to increase by the CPI factor. The incentive Management Fee assumes a year over year incentive, and effective 2002 the base year incentive fee is calculated on the average NOI for 2000 and 2001.

IHL Impact

The impact of the IHL lease should they be successful in securing their financing, and undertaking the renovation, has not been reflected. The status of the Coliseum renovation moving ahead is still uncertain at this point. However as the space cannot be rented assuming the construction the rental assumption for 2002 reflects this.

THE NATIONAL TRADE CENTRE
2001-2004 Forecast

	1998 ACTUAL	1999 ACTUAL	2000 BUDGET	2001 BUDGET	2002 Forecast	2003 Forecast	2004 Forecast
Annual growth in rental income			3%	4%	6%	5%	8%
RENT							
RENTAL	5,560,702	6,786,755	$ 6,975,440	7,280,621	7,736,429	8,108,488	8,741,413
TOTAL RENT	5,560,702	6,786,755	6,975,440	7,280,621	7,736,429	8,108,488	8,741,413
ANCILLARY INCOME							
CATERING CONCESSIONS	1,464,530	1,358,759	1,563,385	1,600,000	1,700,000	1,782,000	1,921,000
ELECTRICAL SERVICES - NET	659,479	733,196	1,070,480	1,017,043	1,081,000	1,133,000	1,221,000
SHOW SERVICES - NET	902,651	984,993	842,497	855,846	909,000	953,000	1,027,000
TELECOMMUNICATIONS	329,248	364,544	385,785	456,583	485,000	508,000	548,000
OFFICIAL SUPPLIER	-	88,180	100,040	80,000	82,000	84,000	91,000
TOTAL ANCILLARY	3,355,908	3,529,672	3,962,187	4,009,472	4,257,000	4,460,000	4,808,000
OTHER INCOME							
ADVERTISING - NET	100,690	193,446	298,689	280,018	280,000	305,000	330,000
INTEREST	123,517	180,984	146,800	159,300	164,000	169,000	174,000
OTHER	51,849	72,425	4,750	29,750	31,000	32,000	33,000
TOTAL OTHER INCOME	276,055	446,855	450,239	469,068	475,000	506,000	537,000
ADJUSTED GROSS INCOME	9,192,665	10,763,282	11,387,866	11,759,161	12,468,429	13,074,488	14,086,413
DIRECT/INDIRECT EXPENSES							
DIRECT OPERATING COSTS	3,674,624	3,541,670	4,223,738	4,548,451	4,776,000	5,015,000	5,266,000
OPERATIONS	1,111,633	1,407,651	667,714	672,998	693,000	714,000	735,000
DIRECT SHOW COSTS	435,393	562,860	483,410	546,031	580,000	608,000	626,000
MARKETING	752,878	826,730	842,778	759,609	862,000	888,000	915,000
FINANCE	689,050	696,383	753,047	815,559	840,000	865,000	891,000
EXECUTIVE	477,776	505,878	507,658	514,852	530,000	546,000	562,000
EVENT SERVICES	609,083	544,218	968,361	1,098,204	1,131,000	1,165,000	1,200,000
MANAGEMENT FEE	300,000	304,167	310,247	317,897	327,000	337,000	347,000
TELECOMM/INFORMATION SERVICES	251,789	230,366	338,497	351,197	362,000	373,000	384,000
TOTAL DIRECT EXP	8,302,226	8,619,923	9,095,450	9,624,798	10,101,000	10,511,000	10,926,000
EX PLACE ADJUSTMENTS							
EX PL TELECOMM PROFIT REMITTAN	(68,768)	(64,235)	(69,000)	(69,000)	(71,000)	(73,000)	(75,000)
RECOVERY OF COSTS - CNE	433,095	373,082	395,000	410,000	422,000	435,000	448,000
RECOVERY OF COSTS - EXHIBITOR S	-	-	7,500	8,066	8,000	8,000	8,000
RECOVERY OF COSTS - EVENT SERV	67,076	66,677	68,000	84,000	87,000	90,000	93,000
RECOVERY OF COSTS - EP - INDY HY	-			-	-	-	-
	431,403	375,524	401,500	433,066	446,000	460,000	474,000
RECOVERY OF COSTS - SERVOMATI	96,252	98,156	69,485	89,485	92,000	95,000	98,000
TOTAL COST RECOVERIES	527,655	473,680	470,985	522,551	538,000	555,000	572,000
NET INCOME (LOSS)	1,418,094	2,617,039	2,763,401	2,656,914	2,905,429	3,118,488	3,732,413
MANAGEMENT INCENTIVE FEE	-	345,312	256,929	175,496	58,722	77,139	223,836
BOG 12% ADMIN MARKUP	411,172	388,504	433,004	480,021	494,422	529,031	564,741
NET INCOME (LOSS) AFTER 12%	1,006,922	1,883,223	2,073,468	2,001,397	2,352,286	2,512,318	2,943,836
PARKING INCOME - NET	2,397,670	2,532,186	2,779,134	2,579,122	2,741,000	2,873,000	3,097,000
NET INCOME INCL PARKING	3,404,592	4,415,409	4,852,602	4,580,519	5,093,286	5,385,318	6,040,836
Inflation Factor/New Business Costs					3%	3%	3%
Inflation Factor - Direct Operating Costs					5%	5%	5%
12% (25% inflation, 75% shows)					3%	7%	7%
Average NOI 2000 and 2001 for incentive purposes				2,253,645			