

EXHIBITION PLACE

April 15, 2002

To: The Board of Governors of Exhibition Place
From: Dianne Young
General Manager & CEO
Subject: Agreement for Molson Indy

Recommendations:

It is recommended that the Board enter into a three-year agreement with Molson Sports & Entertainment Inc. (formerly Molstar Inc.) and Molson Breweries of Canada Limited and Molson Canada (collectively "Molson") for three years, to expire in 2004, 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 forma 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 on May 20, 1999, the Board approved the entering into of a three-year agreement with Molstar Inc. (now Molson Sports & Entertainment Inc.) related to the 1999, 2000 and 2001 Molson INDY races.

Discussion:

In preparing for the negotiation of the 2002-2004 contract, the following principles and objectives were identified by staff as priorities to be achieved by the end of the agreement: recovery of the cost of utilities associated with use of the NTC or other buildings, reduction to and management of 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; introduce the ability to manage certain parking lots in the evenings after each day's last race for use by other tenants (i.e.: Liberty Grand and Medieval Times); agreement by Molson to make all best commercial efforts to locate the annual INDY Foundation dinner at the NTC or elsewhere on the grounds and to locate other appropriate INDYFest events to the grounds; and continuation of the principle of moving to market value costs for services.

One of the major considerations during negotiations was the impact that World Youth Days will have on the Molson INDY in 2002 which required Molson to moved its traditional race days forward one week. The financial impact of this move on the race is yet to be determined,

however, Molson did experiment with this in one previous year and the move resulted in serious financial losses.

With these factors in mind, staff met several times with Molson to come to an agreement on new terms and recommend that the Board enter an agreement for three years on the terms and conditions set out below and any other terms as may be required by the City Solicitor. While staff are not recommending any annual CPI increases to the rent structure, the additional cost of services/utilities to be paid by Molson is estimated to be \$95,000 over the three year term although as structured, the cost increases will not take effect until 2003 and 2004.

- (a) Term – Three year term covering the 2002, 2003 and 2004 races inclusive;
- (b) Rent - \$528,000 with no CPI increases for the term of this agreement;
- (c) 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 and Liberty Grand;
- (d) 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 (ii) internet services and telecommunications services in excess of 1998 service levels. In year one of the agreement (2002) Molson will pay the 2001 posted rate for electrical services except for electrical services ordered in excess of the 2001 level which will be paid at the 2002 posted rate and in year two and three (2003 and 2004) Molson will pay the established list price for electrical services as posted or updated by the Board;
- (e) Utilities – in year three of this agreement (2004), Molson will reimburse the Board the full cost of utilities used in the NTC or other buildings occupied by Molson;
- (f) 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;
- (g) Sponsorship – Molson shall have the exclusive right to automobile 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 or elsewhere on the grounds, 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;
- (h) Buildings – Molson 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 Molson 6 weeks in advance of the race provided Molson pays all costs associated with such space;

- (i) 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 Molson shall abide by such schedule and by 2004 the move-in schedule will be reduced by at least 3 weeks from the 2001 race experience;
- (j) Concessions – Molson shall be responsible for arranging concessions and sponsorships and shall be entitled to all revenues derived therefrom;
- (k) 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;
- (l) 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;
- (m) Collective Agreements – Molson shall abide by all collective agreements between the Board and its unions and the City and its unions;
- (n) Insurance – Molson will obtain primary insurance of not less than \$15 million and additional insurance for the Event of not less than \$50 million;
- (o) Termination – In the second and third years of the agreement, Molson shall have the right to cancel the race within 30 days of the last day of the race in 2003 or 2004 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 2003 or 2004, provided it pays the Board the entire rent for that year and all costs incurred by the Board;
- (p) 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,
- (q) Redevelopment: Molson shall acknowledge and agree that its right to hold the race in 2003 and 2004 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 or otherwise, which may require that the race be rescheduled or cancelled. As of the date of this report, City and Board staff with City Legal are engaged in discussions to develop some wording, subject to the approval of City Council as required, which will protect the interests of the Board and the City on this matter.

Conclusion:

This report recommends the approval of a three-year agreement with Molson on the terms and conditions outlined above.

Contact:

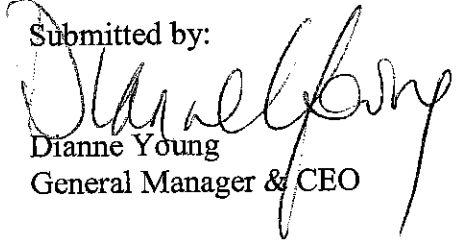
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Submitted by:



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