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EXHIBITION PLACE

June 28, 2007

To: The Board of Governors of Exhibition Place

From: Dianne Young
CEO

Subject: **Financial Proposal for the Grand Prix of Toronto**

Purpose:

This report outlines the terms of a financial package that would become part of the terms and conditions of the future agreement between the Board and the Grand Prix Association of Toronto (GPAT).

Financial Implications and Impact Statement:

The recommendations in this report if approved will result in a negative financial impact of \$200,000 annually with the possibility of a repayment from future net profit as outlined below.

Recommendations:

It is recommended that the Board:

- (1) Approve of the terms and conditions of the financial package as set out on Appendix "A" to this report attached as a confidential item; and**
- (2) Request staff to report back to the Board to seek approval of the other terms and conditions that will be included in any future three-year agreement with GPAT.**

Background:

At its meeting of October 2004, the Board approved of entering into an agreement with Molson Sports & Entertainment Inc. and Molson Breweries of Canada Limited and Molson Canada (collectively "Molson") related to the 2005, 2006 and 2007 Molson INDY races. At its meeting in November 2005, the Board approved of an assignment of the agreement to Grand Prix Association of Toronto and Champ Car World Series LLC (as indemnifier). The term of the existing agreement with GPAT will expire after the 2007 race.

Comments:

Champ Car World Series LLC (Champ Car) is an elite professional open-wheel racing series which traces its roots back to 1904. The modern era of Champ Car began in 1979, when Championship Auto Racing Teams ("CART") was formed. Until the late 1990s CART was a privately held organization owned by the teams competing in the series. In the late 1990s CART was taken public and for a variety of reasons, including an economic downturn, CART lost much of its market share and was forced into bankruptcy in December 2003. In late January 2004, the assets of CART were sold to a newly formed private entity known as Open Wheel Racing Series LLC ("OWRS"). OWRS, which changed its name to Champ Car, is owned by successful entrepreneurs and racing enthusiasts, Kevin Kalkhoven, Jerry Forsythe and Paul Gentilozzi who purchased the CART assets with the goal of ensuring that the long history of CART remained intact while at the same time, seeking to realign the business model to reflect the realities of the current marketplace.

For the information of the Board, in 2005, the licence fee charged to the then Molson Indy was reduced by \$200,000 from \$528,000 (2004) to \$328,000 (2005). The basis for this decrease was the confidential financial statement submitted by Molson (Appendix "B" attached). This reduced licence fee continued for the 2006 and for the 2007 races.

While Champ Car views the Toronto Race as one of the marquee events on the Champ Car schedule, the owners have indicated they cannot sustain this level of loss on a long-term basis. The Toronto race is one of the most expensive venues in the entire circuit of 17 cities. Two of the major factors that drive the Toronto costs are the high cost of unionized labour that must be used to erect all the suites and bleachers on site and the lack of financial support from governments to offset the Champ Car costs. According to GPAT, other races in the circuit receive substantial cash or in kind support from local and state governments to attract the race to its city because of the very positive economic impact of the race.

An economic impact study done by GPAT in 2004 calculated the economic impact of the Toronto race as follows:

- \$42.0 million economic activity in the GTA as a result of attendance and operating expenditures by GPAT
- These expenditures translated specifically into an estimate of \$26.0 million share of the GDP of Ontario for the GTA
- 6.0% of spectators came from outside Canada and 9.0% came from outside Ontario
- \$5.1 million of spending was attributed to direct tourism spending in Toronto from outside of Ontario
- Economic activity of the race supported the equivalent of 448 full-year jobs in the GTA

Because of the significance of this event to the City, discussions between GPAT representatives and offices of the Mayor, Deputy Mayor, City Manager and City CFO have proposed financial relief be provided to GPAT for the years of 2008, 2009 and 2010 on the terms and conditions set forth in Appendix "A".

Conclusions:

This report recommends a financial package that would become part of a multi-year agreement that has yet to be negotiated between the Board and Grand Prix of Toronto.

Contact:

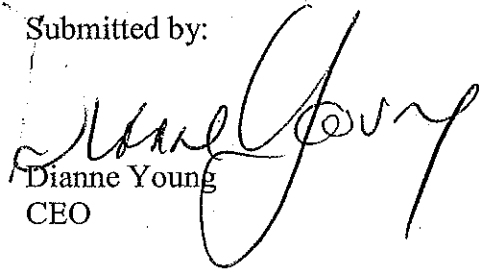
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Submitted by:



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