

Lansdowne Master Limited Partnership
Annual Unitholder Meeting
August 28, 2020

Meeting Minutes

8:30 am via videoconference

Unitholder Attendees:

City of Ottawa: Steve Kanellakos, City Manager

Ottawa Sports and Entertainment Group: Roger Greenberg, Executive Chair and Managing Partner

Lansdowne Master GP Inc.: Mark Goudie, President & CEO
David Porter, Senior Vice President, Finance & Technology

Other Attendees:

City of Ottawa: Wendy Stephanson, Chief Financial Officer
Isabelle Jasmin, Deputy City Treasurer
Steve Box, Director of City Manager's Office
Dan Chenier, General Manager, Recreation Cultural & Facility Services
David White, City Solicitor
Geoff Cantello, Senior Legal Counsel
Ryan Fabiani, Research Officer

Component GPs: Stephanie Spruston, Vice President, Corporate Services & General Counsel

Agenda Items.

1. Election of Chair

Motion by Steve Kanellakos to elect Roger Greenberg as Chair.
Motion passed and position accepted.

2. Appointment of Secretary

Motion by Roger Greenberg to appoint Stephanie Spruston as Secretary.
Motion passed and position accepted.

Chair called the meeting to order.

3. Approval of Previous Meeting Minutes

Motion by Steve Kanellakos to approve the minutes from the October 2, 2019 Lansdowne Master Limited Partnership Unitholders Meeting.

Roger Greenberg concurred. Motion passed and minutes approved.

4. Audited Financial Statements - Presentation by Lansdowne Master GP Inc. (“Master GP”) of audited Financial Statements of Master LP for the period April 1, 2019 to March 31, 2020, together with Auditor’s Report (Section 6.1(a) of LPA).

David Porter summarized the audited financial statements for the Master LP for the fiscal year April 1, 2019 to March 31, 2020.

He noted that the impact of the COVID-19 pandemic on this reporting period’s results was limited given that the period ended two weeks after TD Place was closed and all events were cancelled or postponed. This is reflected in the notes to the financial statements.

David Porter confirmed that the final installment of the Lifecycle amount that was not transferred to the Lifecycle Fund at the end of fiscal 2020, as the Partnership was consumed with COVID-related activities, has now been fully funded.

Motion by Roger Greenberg to approve the audited financial statements for the Master LP.

Steve Kanellakos concurred. Motion passed.

5. Fiscal 2020 Budget to Actual

David Porter outlined the financial results for the reporting period.

Overall results were unfavourable to budget by approximately \$1M.

Favourable variances were primarily due to higher than budgeted 67’s attendance (2019 playoff run), lower than budgeted salaries and benefits, higher than budgeted parking revenues and an early termination fee received from the Ottawa Fury as required under their stadium use license when the Fury ceased operations in the fall of 2019.

Unfavourable variances included lower than budgeted concert and event bookings, a reduction in CFL distributions as a result of the League funding Montreal’s ongoing franchise operations through to when the team was sold to a new ownership group and the lower than budget REDBLACK’s ticket revenues attributed to poor later season on-field performance and poor weather conditions on many home game nights.

6. Fiscal 2021 Operating Budget

David Porter summarized the budget and forecasted financial performance for the fiscal year from April 1, 2020 to March 31, 2021. The normal course, pre-COVID budget that was on schedule to be approved by the LMLP Board of Directors by the end of March, 2020 was replaced by an amended budget that included the estimated financial implication of COVID. This budget was approved by the LMLP Board of Directors in June, 2020 and reflects the information on hand in June and assumptions as to COVID’s impact on the fiscal year as at that time. These assumptions have and will continue to

change in significant ways as the ultimate duration and magnitude of the impact of the pandemic is unknown.

The approved budget projects a \$17M loss for the upcoming reporting period, primarily due to expected reductions in gross retail rents, parking receipts, sponsorship revenue and ticket revenue relating to all sports and entertainment events at TD Place. Salaries and benefits are projected to be favourable to the previous fiscal year due to the combination of a salary reduction of 20% implemented for all LMLP staff in mid April and the receipt of the Federal wage subsidy. Operating expenses are also anticipated to be lower than fiscal 2020 with no ticketed events anticipated until 2021 at the earliest.

Roger Greenberg noted that 3 months later, this budget has proven to be optimistic. With the cancellation of the CFL season, retailers continue to struggle and there is no current certainty around the commencement of ticketed stadium or arena events.

7. Revised Pro-forma

David Porter presented a revised waterfall proforma estimate to the expiry date of the Partnership in 2044. It has been updated to reflect fiscal 2020 actual results, Fiscal 2021 budget and current estimates through to 2044. Total cash distributions over the 30-year partnership are now estimated to be \$295M compared to the \$450M estimated in 2019 proforma.

The reduction in the cash distributions in the updated proforma is mainly as a result of the impact of the COVID-19 pandemic, particularly over the next couple of years which will reset the trajectory for growth over the remaining term of the Partnership.

As a result, it is expected that OSEG will have to fund at least an additional \$37.8M until the Partnership is expected to generate positive cashflows in fiscal 2026.

Mr. Kanellakos directed City participants to review the amended Partnership proforma baseline and the underlying assumptions.

8. Significant Matters - Presentation by Master GP of significant matters for the prior fiscal year, update on current matters of significance and summary of any anticipated matters.

OSEG has acquired all of Jeff Hunt's partnership ownership interest and bought down John Pugh's partnership interest. The City's consent was obtained prior to the closing of that transaction.

The Ottawa Fury FC completed the sale of its franchise rights to Miami FC in February.

OSEG will hold an 18% interest in the entity created by Sam Katz to operate a franchise in the Frontier Baseball League. The team will be playing at Ottawa Stadium (RCGT Park).

9. Other business

Roger Greenberg commented that the Partnership was already under financial strain prior to the start of the pandemic, but the pandemic has and will continue to add incredible additional financial risk and challenges for years to come. OSEG Partner contributions of at least \$37.8M in the next five year (with at \$15M in fiscal 2021) will bring the total partner contributions to an estimated \$189M by the end of fiscal 2025 (which is over \$150M than was initially forecast to be provided to this Partnership).

Mr. Greenberg indicated LMLP was working as broadly as it was able to in order to find ways to generate revenue, but that the Partnership needed the City's help in order to come up with some sustainable solutions to alleviate the devastating and unanticipated impact of the pandemic, the financial burden of which falls entirely on the OSEG under the terms of the Project Agreement, which all would acknowledge would not have been an outcome anticipated or intended by either OSEG or the City when the Lansdowne partnership was formed.

Mr. Greenberg made a request for the City's support of emergency measures that purposefully did not include a request of the City to fund any of the losses or ongoing Partnership obligations as follows:

1. The immediate access to surplus funds in the Lifecycle Fund which would be utilized to help fund current operations for the next 3 years and which would be replenished over the remaining term of the Partnership;
2. Amendments to the Partnership's retail lease which would: a) extend the current Base Rent by 10 years, b) eliminate any Participation Rent during the lease term and c) eliminate certain City termination options;
3. Work with OSEG to determine if there is a more advantageous partnership structure which preserves all of the City's rights and entitlements but allows OSEG to potentially attract a new limited partner; and
4. Establish a joint City/OSEG working group to study options for Lansdowne, including an infrastructure renewal review of aging and functionally obsolete facilities, in order to make recommendations that would result in a more viable and financially sustainable path forward for Lansdowne and the Partnership.

Mr. Kanellakos requested that City staff study Mr. Greenberg's request and work to include a recommendation in the annual report on Lansdowne to be presented to FEDCO and City Council in early October.

10. Adjournment

Meeting then adjourned.