



P.O. Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

F 11-

March 28, 2007

Thomas Jones, CEO
Commonwealth Games Association of Canada
120- 2255 Boul. St. Laurent Blvd.
Ottawa, Ontario K1G 4K3

Dear Mr. Jones:

Thank you for your letter of March 23, 2007, in response to HRM's draft Information Report to Council regarding the decision to withdraw from the International Bid process for the 2014 Commonwealth Games.

The report was prepared as a result of repeated requests from Halifax Regional Council and the general public, to account for the decision to withdraw and the process leading up to that decision. Ultimately, given the decision by the Province of Nova Scotia on March 7, 2007, to withdraw, it was our responsibility to submit information to Council in a timely manner to update them and explain in more detail the latest developments.

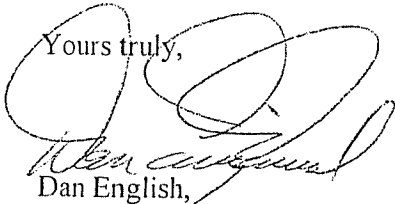
The report was revised to address a couple of the concerns identified in your letter. A reference has been added to indicate that Commonwealth Games Canada and Halifax 2014 had not provided their input into the preliminary findings from the consultant reports prior to the decision of the funding partners to withdraw. In addition, the report is now quite clear in indicating that the responsibility to make the decision on whether to release each of the external consultant reports to the public will rest with the funding partner responsible for the respective contracts. In general, it must be noted that even though the preliminary findings from these reports identified the potential of significant financial risk, the decision to withdraw was made primarily because it did not appear as though there was a sound business case for the three funding partners to proceed with submitting a bid, based on the proposed total budget.

In relation to the figures used in the report, on January 26, 2007, the 2014 Board approved a proposed gross expenditure budget of approximately \$1.35 billion for release to the funding partners for review and assessment. A March 8, 2007, Information Report to Council which outlined staff's analysis of the proposed Games budget, used a slightly revised total gross estimate of \$1.36 billion, received in a memo from Halifax 2014 on March 6, 2007. This memo provided some minor adjustments to the Board - approved budget and proposed an inflation estimate based on preliminary cash flows.

The March 27, 2007, Information Report simply reiterated the financial figures used in the March 8, 2007, report to Council. We used the budget figures approved by the Board for release to the funding partners, as the due diligence process was conducted using this information. The request for the \$250 million reduction in the budget proposed by Halifax 2014 is referenced in both the March 8 and March 27 reports to Council. To address another one of your concerns, the reference to the \$250 million reduction not being ratified by the Board was removed from the report.

Again, it is important to reiterate that HRM conducted due diligence based on the budget figure received on January 29 from Halifax 2014. Adjustments were proposed by 2014 on March 7 which reduced the budget to \$1,163 million and, as noted in your letter, this still left a significant funding gap of \$235 million. Regardless, we remain of the view that there was not sufficient time prior to the proposed finalization of the Bid Book for the funding partners to conduct the necessary level of internal and external review on a substantially reduced budget. A significant time frame would be required to fully understand how such a reduction might create additional financial risks or compromise the potential legacy benefits.

Yours truly,



Dan English,
Chief Administrative Officer

Copy: Scott Logan, Halifax 2014 CEO
D. Montgomerie, Deputy Minister, Health Promotion & Protection