

Canadian
National
Exhibition

Management Report

December 2010

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General Manager's Comments

2010 CNE – As reported at the Annual General Meeting in October, attendance at the 2010 CNE was 1.2 million, which was down by approximately 100,000 from 2009. This decline in attendance was a direct result of the poor weather we experienced on Labour Day Weekend. We do not yet know the full implications for our year-end financial position. We are certain that we will not meet our target of \$800,000 surplus; however, we do not anticipate that we will incur an operating deficit for the 2010 fiscal year. Staff have taken steps to curtail discretionary spending.

Research – I encourage all Board members to pay careful attention to this research. Annual research is a vital link between the general public and you, the Board that represents the public interest. For staff, the research helps to guide management decisions. For the Board, it is a useful tool in assessing the public governance of the CNE. A full copy of the research is attached as Appendix A. *Special Note to Board of Governors: Research is not attached but can be made available upon request through my office (416) 263-3841.*

Experience Renewal Solutions (ERS) conducted extensive research for us in 2010 both on-site (fair-goers), online (fair-goers and non-attendees) and in focus groups (non-attendees). Whereas in years past ERS research had focused on young families and the Family Fun Index, we added additional areas of study this year: price elasticity, attractions (as motivators to attend) and a hard look at those individuals who do not attend and why. The results are generally positive in terms of our core audience, which was also reflected in the attendance gains we saw in the mid-fair period this year. Among non-attendees, the results are both good and bad. ERS enlisted a group of non-attendees to visit this year's CNE with a video camera, and then talked to them in focus groups subsequent to the fair. Non attendees tend to have a negative impression of the Ex as being crowded, dirty, and un-safe. When we got them to actually attend however, they realized quickly how wrong they were and are surprised to find the CNE a clean, safe and engaging event.

For the first time in recent memory, we held a combined meeting of the Programs and Marketing Committees, which took place on November 24th for a presentation and discussion of the ERS findings. It proved to be a productive and educational meeting. All CNE departments are planning to take steps to address research results as part of our planning for 2011. In general, these departmental plans will aim to retain and delight our faithful attendees, while reaching out to lapsed or non-attendees.

STRAP – A revised strategic plan was approved at the Board meeting of October 2010. A copy of this plan is available in your Directors Manual, or by contact Patricia Chiasson in my office at 416-263-3841 or pchiasson@theex.com. The four goals which apply to CNE staff are: Event Development, Infrastructure, Advocacy & the Environment. The Board will receive regular progress updates on the plan. Audience growth is a key aspect of the Event Development goal. To achieve this goal, and in line with research findings, Operations and Marketing staff are working on a detailed review of admission sales in order to recommend a long-term pricing strategy that will concur with our revised Programming and Marketing Plans.

Celebrate Ontario - On November 22nd, staff submitted an application for provincial funding through the Celebrate Ontario program in the Signature Event category. We applied for the maximum amount in this category: \$400,000, which must be used to create new programming that can be sustained in the long term and will generate tourism to the region (marketing expenses were not eligible for funding with this grant).

The new programs we put forward in the application fall into two categories:

- 1) a Wine Garden in the Garden Show featuring talks by wine experts such as Tony Aspler and Natalie MacLean, and a celebrity appearance by a vineyard owner such as Wayne Gretzky or Dan Ackroyd, and
- 2) Program Enhancements
 - a) enhancing the Bandshell lineup with a high profile band such as Huey Lewis and the News, and
 - b) enhancing the Skating Show with celebrity performers such as Canadian Gold Medalists Tessa Virtue and Scott Moir on the first two weekends of the fair

We are hoping to hear back from Celebrate Ontario by late February, early March. If we are successful in obtaining the funding, then staff will submit a separate application to the Ontario Tourism Marketing Partnership Program (OTMP) for money to market these new events and enhancements in cities 100 kilometres or more away from the Greater Toronto Area.

MOU – We are near the end of the term of our current Memo of Understanding (MOU) with Exhibition Place and it has been many years since this agreement has undergone substantive review. We have asked Exhibition Place to continue with the current agreement while a review is conducted. Financial commitments to Exhibition Place have already been approved in the 2011 CNEA Operating Budget. President Jim Melvin has called together a sub-committee of Past Presidents, some of whom were involved in previous MOU discussions. The members of this subcommittee are: Jim Melvin, Brian Ashton, Knox Henry, Debbie Woodman, John Downing, Bob Bowman and staff participation consists of myself and Virginia Ludy. The group has met once and the Board will be updated on the progress of discussions with Exhibition Place. A copy of the current MOU (2008) is included in your Director's Manual. Questions or comments maybe directed to myself or any member of the sub-committee. At its meeting of November 25th, the Board of Governors of Exhibition Place approved an extension of the current MOU on a month-to-month basis. More information on this subject is available in Ms. Dianne Young's report to the November 25th Board of Governors meeting – a copy of which can be obtained from Patricia Chiasson or Fatima Scagnol.

Midway / SkyRide – The new layout for the midway worked well in 2010 and we are planning to continue to improve it in 2011. The midway represents an important source of audience and revenue for us, so we need to proceed cautiously. Exhibition Place is moving ahead with plans for a "Festival Plaza" design and we will be working with them to ensure that the ongoing needs of the CNE are accommodated as the plan is developed.

Exhibition Place has included an allocation within its 2011 Capital Budget to install bases for a new SkyRide. This element of the fair has been missing since the Alpine Way was removed and there is no doubt it would provide a significant new attraction for us. North American Midway Entertainment (NAME) has contractual right-of-first-refusal to operate any such ride and we have had several conversations with them as well as a site visit from the manufacturer of the ride. The ride will carry passengers east/west across the grounds from a location near the front of the hotel in the east to a location near the intersection of Princes' Blvd. and Ontario Drive in the west. The cars would be open-air and would travel the 1,100 foot distance at a height of 42 feet in the air. The ride would be removed after the CNE and put into storage, and the bases and mechanisms that remain are hidden such that there is no evidence of the ride in the off-season.

Travel – I attended the Canadian Association of Fairs & Exhibitions (CAFE) conference in Calgary from November 16 to 18. I was most interested in David Logan's opening Keynote

address on "Tribal Leadership". Jim Melvin and I attended his other session on "Microstrategy". I will be applying some of his ideas in the coming year. The Calgary Stampede did a phenomenal job hosting this year's convention. Civic engagement in the Stampede is the envy of virtually every other major fair in Canada, if not North America.

Casino

In November Sean Higgins attended the Global Gaming Expo in Las Vegas, along with 32,000 other delegates. This is the second largest annual convention held in Las Vegas. One of the most beneficial days was a day put on by The Security and Surveillance Institute, there were courses on Security & Law, Cheating at Table Games and The Top Ten Surveillance Changes.

There were 4 keynote speaker sessions featuring Geoff Colvin of Fortune Magazine, Jon Raiston of Gaming Legends, Victor Rocha of Tribal Crossfire – a Native American Leaders Roundtable and Gary Loveman the President, CEO and Chairman of Harrah's Entertainment. Mr. Loveman put on an Exclusive Conference Keynote on "The Stockholm Syndrome" – addressing the general misinformation that plagues the gaming industry. The session was particularly fascinating as it delved into this key concern facing all casinos today.

A private back of house tour of Planet Hollywood Casino was set up through their Player Development Manager, Richard Wilk. Richard and Sean toured the casino count and surveillance areas as well as the gaming floor. It was gratifying to see that the CNE Casino back of house layout and operation is very comparable with such a large year-round event.

Some other sessions Sean attended throughout the conference included "Going Green in Your Casino", "Casino Operators, Regulators & Suppliers Working Together in Your Industry", "Canadian Case Study: How Provinces Have Implemented Internet Gambling" – put on by a Toronto lawyer, Michael Lipton, with a focus on how British Columbia Liquor Lottery Corporation is dealing with this currently and how that may affect Ontario laws in 2012.

Marketing

In the spring of 2010 the CNE developed a new corporate logo and this logo was unveiled to the Board of Directors at its meeting of May 20th. At that time a number members of the Board expressed concern that the new logo had been designed without approval from Board. The Marketing Committee was requested to review the new logo and its development process. At its meeting of October 2010, the Marketing Committee reviewed the logo and discussed the matter in depth. They concurred with staff that the new logo meets the CNE's particular requirements. The Chair agreed to discuss with the Executive Committee, the approval policy for such items moving forward.

The CNE Marketing Department continues to review its 2010 marketing initiatives and ERS Research results. It has met with its creative, media buy and media relations consultants for a presentation and review of the 2010 Research results. The team will be reconvening in early December to discuss ideas as to how to address the feedback from the research and incorporate changes to our approach into the 2011 Marketing Plan.

Operations

The CNE Operations Department has been working on reconciling all budgets, work orders and invoices. In addition, a detailed review has been undertaken of all concessionaire reports to ensure accuracy in all reported sales. Final settlements are now complete and ready for disbursement.

Staff have also attended a number of conferences, fairs and meetings with fair managers across North America. Key CNE Operations staff had an opportunity to visit the Big E State Exposition in Springfield, Massachusetts in October. During the three day visit staff had an opportunity to meet with key staff at the Big E and this provided an opportunity to exchange ideas between the two groups. A number of ideas with respect to Operations and Concessions were collected at the Big E and staff hope to have an opportunity to implement some of these at the 2011 CNE.

Virginia Ludy was asked by the Canadian Association of Fairs and Exhibitions (CAFE) board to participate on the search committee for a new executive director of the Association. In early November interviews were conducted in Ottawa with a candidate being recommended to the board and approved. The new executive director of CAFE, Mavis Hannah will assume her duties as of January 1, 2011. Later in November Virginia Ludy and Mike Knott attended the CAFE convention in Calgary Alberta. Both Virginia and Mike had an opportunity to lead one of the sessions. Virginia ran a workshop on the CNE Chair with Flair Program and Mike Knott led a session for Concession Managers from across the country on issues relating to that sector of our industry. Virginia Ludy attended two CAFE Board meetings while at the convention. In addition, a meeting was held with North American Midway Entertainment whereby the 2010 CNE was reviewed and opportunities for the 2011 CNE were discussed. The final highlight of the convention was the CNE winning the Best of Fair Award for its Eco-Logo Certification. This prestigious award is awarded to one fair from each of the categories of small, medium and large Fair. The CNE won in the category of large Fair.

Virginia Ludy and Mike Cruz attended the International Association of Fairs and Expositions (IAFE) annual convention held this past week in Las Vegas. Virginia participated in a panel discussion on Alternative Energy Sources and Energy Conservation. In addition she attended the IAFE International Committee meeting as outgoing Chair of this committee. Both Virginia and Mike completed five courses each as part of the IAFE Fair Institute program which they are both in the process of completing. Courses taken included Business Planning, Ethics, Governance, Advertising and Publicity. Meetings were also held with NAME for the purposes of continuing discussions on a "Skyride" for the CNE. The conference also provided for many opportunities to network with Fair Managers across North America.

In the next two months Operations staff will complete reconciling all 2010 budgets and will begin the process of preparing budget transfers for the 2011 CNE program. In addition staff are currently working with the Exhibition Place Purchasing Department in preparing a Request for Proposal for security services for the CNE for the next three years. Staff are working with Event Services Canada (ESC – formerly Outdoor Box Office) who manages the CNE gates and provides the "Authentigate" system, in expanding the system for 2011 to include a new POS system that will generate a bar coded receipt which the guest will present for entrance into the CNE. This new system will eliminate the need for the CNE to print admission tickets in advance and have to store and keep safe a large ticket stock. It also is another green initiative of the CNE, in that it will reduce the number of tickets needing to be printed and will also eliminate the need to ship the ticket stock a great distance as the new receipts will be printed on standard

register thermal paper. Operations staff are also taking the recommendations from the recently completed research study and are looking for ways to implement changes to address the findings.

Programs

Staff have reviewed the research results and started working on a response. Areas we will be focusing on are the Bandshell and Celebrity Stage.

Based on the research and the popularity of the Super dogs, the Acrobatic Ice Show and the FlowRider, staff are proposing we return these programs. For the Bandshell, staff are well into negotiations with Marie Osmond and Tommy James and the Shondells. All four of these programs are described in more detail in separate reports submitted for approval. We have also had very good discussions with the Canadian Forces about their display and Musical Salute, and with the Blues Festival.

The success of the two groups from overseas on the International Stage (from China and Uruguay) is leading us to investigate other groups from outside Canada and we have had discussions with some major Folk Festivals in Canada (Winnipeg and Drummondville) that draw these groups to create a routing schedule that would save on fees and travel costs.

A Program Plan is being prepared and will be presented at the next Board Meeting. It will offer an overview of what the Programs Department does, what direction it will go in and why.

Danielle Bourre attended the CAFÉ Conference in Calgary with our Rising Star winner Dylan Hayden as Toronto Zone Coordinator and Vice-Chair of the CYTC (Canadian Youth Talent Competition) Committee. Dylan made us all proud by placing third in the Canadian Youth Talent competition. Danielle attended some CYTC meetings, including All Zones Coordinators and Steering Committee. Additionally she worked with the Calgary Coordinator to organize the dress rehearsal to ensure a smooth show, chaperoned our representative and assisted with contestants Meet and Greet.

In Las Vegas at the IAFE Convention, Danielle attended the Trade Show and met with agents from Capitol International Productions, William Morris Agency, Paradise Artists Agency, MPI Talent Agency and International Artists Agency. Further, she was invited by "Love Productions" to see "Yesterday - A Beatles Tribute" for potential booking for Bandshell.

Exhibitor Sales (Rentals)

We have recently given this department a new name. Although we became used to the term "Rentals" because we understood that we are renting exhibit space, the general public do not have this understanding. Therefore, for example, staff have had to explain on many occasions that we do not rent equipment for shows. The title "Exhibitor Sales" is more reflective of the work done by this department and is less confusing.

The department is currently preparing the 2011 sales packages to be sent to those being invited to participate next year. It is anticipated that these packages will be sent in late December. Return of applications/deposits and contracting will begin in January, 2011. New applications will be considered by our Review Committee beginning in the middle of February, 2011. Rules and Regulations governing exhibits and licenses are currently being reviewed by the City Solicitor.

Staff are investigating floor plan changes/improvements for the At Home Pavilion and International Pavilion, Halls A & B in the Direct Energy Centre. In an effort to increase traffic flow to the centre of these pavilion's, wider aisles running east and west will be added. In addition, staff are investigating the possibility to opening the DEC 'huff core' wall that normally would separate these pavilions. These added aisles will allow patrons access to either pavilion via four main aisles instead of two. Separation of these pavilions will be created through signage, carpet colours and booth wall colours.

Staff will again be aggressively sourcing new and exciting exhibitors for each of our pavilions in 2011.

Upcoming Staff Travel

In line with previous comments regarding discretionary spending, travel has been reduced and limited travel is planned for 2011 at this time.

National Independent Concessionaire Association Convention, Tampa FL – February 2011

Virginia Ludy and Mike Knott will be attending the NICA Convention, in conjunction with the convention they will also be attending Outdoor Amusement Business Association meetings and attending the Gibb Town trade show for concessions and carnivals at this time.

IAFE Leadership Summit, Indianapolis – March 2011

Mike Knott and Mike Cruz will be attending the International Association of Fairs and Expositions (IAFE) summit to complete their Fair Institute Courses as well as attend zone meetings.

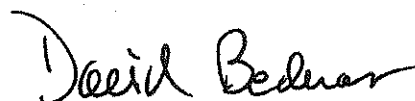
IAFE Spring Managers Conference, Louisville, KY – April 2011

Virginia Ludy will be attending this conference which is for senior managers of fairs from the IAFE association. Sessions are planned on relevant topics geared to this group of attendees. The conference also provides a number of networking opportunities. Members of the Programming staff may attend this conference as well.

CAFE Board meetings, Ottawa, ON – Spring and Fall

As a Director on the Canadian Association of Fairs & Exhibitions (CAFE) Board, Virginia will attend two Board meetings in Ottawa one in the spring and the other in the fall.

Respectfully submitted,



David Bednar
General Manager