

November 30, 2016

To: The Board of Governors of Exhibition Place

**ACTION REQUIRED**

From: Dianne Young, Chief Executive Officer

Subject: **Amendments to the Master Agreement with the Canadian National Exhibition Association and the City of Toronto**

Summary:

This report recommends that the Board approve amendments to the Master Agreement dated July 2, 2013 (“Master Agreement”) between the Board, the City and the Canadian National Exhibition Association (CNEA) for a five (5) year First Renewal Term and one further renewal (“Second Renewal Term”) of an additional five (5) years. The substantial terms and conditions of the amendments are set out in Appendix “A” to this report.

In accordance with the Master Agreement, negotiations of the First Renewal Term (commencing April 1, 2017) were to be based on reaching “mutually agreeable terms” and for the Second Renewal Term (commencing April 1, 2020) were to be for “the purpose of having the CNEA pay a license fee reflective of the rental prices then approved by the Board”.

**Recommendations:**

**It is recommended that, subject to the approval of City Council, the Board enter into the following agreements with the CNEA and the City substantially on terms and conditions attached to this report and such other terms and conditions as may be satisfactory to the City Manager, the City Solicitor and the CEO of Exhibition Place:**

- a. **Amended and Restated Master Agreement as described in Appendix A;**
- b. **Lease Agreement for the Press Building as described in Appendix B; and,**
- c. **Lease Agreement for the Food Building as described in Appendix C.**

Financial Implications:

Approval of the proposed amended Master Agreement and the two Lease Agreements described in this report will increase annual revenue to Exhibition Place from \$3.199M in 2016 to \$4.735M in 2017, an overall increase of \$1.536M. In the First Renewal Term (April 1, 2017 to March 31, 2021) the CNEA will pay for Exhibition Place services at Board-approved rates; have use of the entire grounds for the 18-day event plus move-in/move-out times at discounted Board-approved License Fee rates; occupy year-round the Press and Food Buildings for its exclusive use at discounted rents; and compensate Exhibition Place for all utilities associated with CNEA’s use of facilities. In addition, Exhibition Place will sell specific equipment to the CNEA in 2017.

In the first four years Initial Term of the Master Agreement, the Board/City subsidized the CNEA for their direct operating and maintenance costs. The value of this subsidy in 2016 was approximately \$1.160M. Under the amended Master Agreement in the First Renewal Term (2017-2021), the CNEA will pay standard Board-approved rates for services provided by Exhibition Place. These rates are reset annually by the Board.

Exhibition Place will also receive the following:

- Pursuant to a 10-year Lease Agreement for the Press Building, a basic annual rent of \$45,500 (increased by CPI annually) and the payment of all operating costs
- Pursuant to a 10-year Lease Agreement for the Food Building, a basic annual rent of \$37,500 (increased by CPI annually); the payment of all operating costs; the payment of 50% of any capital costs
- One-time payment of \$169,913 in 2017 for the purchase of the fifth train/people mover power unit and coach

The base annual License Fee to be paid to Exhibition Place by the CNEA for the entire grounds (including all parking facilities) during the 18-day event plus move in/move out times established in 2012/13 will remain unchanged, except that it will start to increase by 3% instead of CPI as was the case during the Initial Term. In 2017, the License fee will be \$3.650M, and will increase to \$4.108M by 2021. The proposed License Fee rates charged to CNEA for the First Renewal Term represent a 49% discount of Board/City approved License Fee rates for Exhibition Place (\$7.158M in 2017), and this level of discount is projected to continue throughout the First Renewal Term.

Projected revenues to Exhibition Place from the CNEA based on the proposed amended Master Agreement and Lease Agreements for each year of the First Renewal Term are shown in the table below. These figures assume continued use of Exhibition Place services at current levels and CPI increases at 2%. While lease payments for the Press and Food Buildings are separate agreements with longer terms, they are included in the table below as they are linked to the CNEA event.

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<u>CNEA Payments</u>	<u>\$4.735M</u>	<u>\$4.912M</u>	<u>\$5.048M</u>	<u>\$5.187M</u>	<u>\$5.331M</u>

#### Decision History:

At its meeting of January 27, 2012, the Board approved of the terms and conditions of the Master Agreement that allowed the CNEA to become independent from the Board / City which Master Agreement included the terms of an annual licence agreement for the 18-day CNE event; a lease for the Press Building; extended use of the Food Building; a Storage Agreement; and the provision of event services. The Initial Term of the Master Agreement was April 1, 2013 to March 31, 2017 with two renewal terms of 3 years each, for a total of 10 years.

[http://www.explace.on.ca/database/rte/files/Item%2016-CNEA\(1\).pdf](http://www.explace.on.ca/database/rte/files/Item%2016-CNEA(1).pdf)

At its meeting of March 5, 2012, City Council approved of the Board and the City entering into a Master Agreement with the Canadian National Exhibition Association.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX16.7>

At its meeting of September 26, 2011, City Council considered a report from the City Manager on the KPMG Core Services Review and approved a recommendation for the City Manager, in consultation with the CEO of Exhibition Place, to negotiate separation and governance arrangements between the City, the Board and the CNEA.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.EX10.1>

At its meeting of June 24, 2011, the Board approved a recommendation to commence negotiations with the CNEA Board of Directors on the terms and conditions of a transition process for the CNEA to become financially and programmatically separate and independent of the Board and the City as requested by CNEA Board of Directors.

[http://www.explace.on.ca/database/rte/files/Item%2029-OpBudget\(1\).pdf](http://www.explace.on.ca/database/rte/files/Item%2029-OpBudget(1).pdf)

### Issue Background:

In 2011, KPMG, consultant to the City of Toronto, determined in the Core Services Review that while there was a “traditional relationship” between the CNEA/CNE Event and Exhibition Place/City, it was not a “core service” of the City of Toronto. In September 2011, City Council requested “the City Manager, in consultation with the CEO of Exhibition Place, to negotiate, and report on an agreement for separation and for governance arrangements between Exhibition Place and the CNEA”. Pursuant to the Council direction, Exhibition Place and the City entered into negotiations that resulted in a Master Agreement with the CNEA.

The Master Agreement provided for an Initial Term expiring March 31, 2017, with the right of the CNEA to renew for two terms of 3 years each. The Master Agreement set out a negotiation process which required the parties to “make commercially reasonable efforts to conclude the terms and conditions prior to October 1<sup>st</sup> of the final year of the Initial Term (ie October 1, 2016).” Failure to reach agreement could result in the agreement terms being referred to the Dispute Resolution process provided for in the Master Agreement.

Negotiations commenced in February 2016 and successfully concluded in October 2016. The Exhibition Place team included the Exhibition Place CEO and CFO; City staff from the Strategic and Corporate Policy, Corporate Finance, Legal Services and the Chair of the Exhibition Place Finance & Audit Committee. The CNEA was represented by the CNEA CEO and CFO, other senior CNEA management and the Vice-Chair of the CNEA Board.

### Comments:

The CNEA has held its annual fair at Exhibition Place since 1879. Generally all the buildings constructed on the grounds between 1879 and 1980 were built to service the annual CNE Event and the CNE Event was known as the place where visitors could see the newest and the best from both the agricultural and industrial sectors of the province and the country. The CNE Event continues to be the largest exhibition in Canada; the 7<sup>th</sup> largest in North America; and the largest annual event held at Exhibition Place. According to a CNEA-commissioned report, the economic impact/generation of the CNEA is approximately \$58.6M for the GTA and \$80.0M for the province annually. In addition, the CNEA generates 633 person years of employment (including youth employment) annually in the Toronto area.

Given the significance of the CNE Event to Exhibition Place and the City, failure of the CNEA to become a stable operation would have had significant detrimental effects for the Board/City financially and culturally.

### Initial Term

The financial terms established in 2012 in the Master Agreement were based on the assumption that for the first four-year term (2013 – 2017) neither the Board/City nor the CNEA were to experience any substantial changes to the financial presumptions that were established and practiced by the parties from 2008 to 2012. In other words, the following benefits and subsidies to the CNEA were to remain unchanged:

- Move-in/event/ move-out dates licensed to the CNEA
- Buildings and grounds used by the CNEA, either all year or during its annual event
- CNEA’s control of its operations during its event
- The Licence Fee paid by the CNEA during its event
- The cost of services delivered by Exhibition Place to the CNEA

The rationale for maintaining the 2012 pre-independence stabilized rates and transfer of working capital was to allow the Board/City to remain financially “whole” while allowing the CNEA to reach financial stability as an independent organization.

One major risk facing the CNEA as an independent organization no longer back-stopped by the Board/City is the fact that approximately 30-35% of the CNEA expenses (including marketing and programming expenses) are spent / committed prior to any visitor attending the CNE Event. In addition, the CNE Event can be negatively and dramatically affected by the weather in any one year which, for example, occurred in 2006 when the effects of a hurricane on the last weekend caused a loss of \$1.2M. Given the risks, independence would require the CNEA to start to accumulate sufficient retained earnings to ensure it could be financially independent regardless of any “force majeure” circumstances it may face. In recognition of this reality, on April 1, 2013, the City transferred to the CNEA \$3.273 to be used by the CNEA as working capital.

### Renewal Terms

The renewal terms in the Master Agreement suggested a direction/basis for negotiations. While the First Renewal Term (2017 – 2020) provided that the renewal term was to be on “mutually agreeable terms”, the Second Renewal Term (2020 - 2023) was to be on “mutually agreeable terms with the purpose of having the CNEA pay a license fee reflective of the rental prices then approved by the Board for the use of Exhibition Place.”

Publicly available Financial Statements for the CNEA for the years 2013, 2014 and 2015 show net surpluses of \$0.335M (2013), \$1.640M (2014) and \$3.539 (2015) with the average annual net surplus being \$1.838M since independence.

The CNEA has established a reserve fund to strengthen its financial stability. In addition to the City transfer of \$3.273M in 2013, the CNEA has contributed accumulated retained earnings of \$5.514M, bringing the total reserve to \$8.787M as of December 31, 2015. Preliminary reports for the 2016 CNE indicate that attendance had dropped slightly from 2015 but surpassed 2014. Therefore, additional earnings from the 2016 CNE could also be committed to the CNEA’s reserve. Consistent growth in attendance and profits and a healthy and growing reserve fund suggest the CNEA has achieved financial (and operational) independence.

### Benefits of the Proposed Amendments to the Master Agreement

Given the CNEA’s success at the end of the Initial Term, one of major objectives of Board/City negotiations of the First Renewal Term was to start to recover from the CNEA the event and operational subsidies provided by Exhibition Place for the first 4 years of independence. To be fully independent, the CNEA had to start recognizing and paying for the actual costs related to staging its 18-day event, including direct overhead costs. For example, Exhibition Place in the First Term subsidized CNEA security costs and costs of the use of unionized labour. As noted in the Financial Implications, the CNEA will begin to pay in 2017 Board-approved rates for Exhibition Place event services representing approximately \$1.160M in additional revenue, which meets this negotiation objective.

In addition to the substantial financial return, other benefits of the proposed amendments to the Master Agreement include the following:

- Established the “typical” annual dates of the move in/event/move-out times for the CNE Event and the dollar value of those dates based on Board/City approved rates
- Agreed to a First Renewal Term of 5 years with negotiations for the Second Renewal Term to begin in 2021 when the parties can base their negotiations on the level of the Licence Fee knowing 8 years of CNEA actual financial data
- Payment by the CNEA of the full cost of all unionized Exhibition Place workers delivering services to the CNE plus the payment of a 12% mark-up
- Discontinuance of any subsidization by Exhibition Place of costs for event security services and the third party delivery of exclusive electrical and mechanical show services

- Revisions to the insurance clauses to allow for more efficient defence of claims administration by both parties
- Lease for the Press Building changed from a nominal rent with no reimbursement of operating costs to one that includes the payment of rent (with annual escalation) and operating costs
- Existing Licence Agreement for the Food Building that only has payment of nominal fee and only direct event costs will change to a Lease that includes the payment of a rent (with annual escalation) but also includes the payment of all operating costs for the leased premises and the sharing equally with Exhibition Place of the capital costs which previously were the full responsibility of Exhibition Place
- Discontinuance of the provision of Records & Archives Services from Exhibition Place to the CNEA which was required with the reorganization by Exhibition Place of the Corporate Secretariat
- Change to the level of inventory sharing by each of the parties to limit it to a mutually agreed list of equipment and fleet vehicles owned by the parties as of March 31, 2017
- Clarifying certain terms and conditions that were problematic / misunderstood in their interpretation by the parties causing internal disputes and deletion of those clauses / sections in the agreement that are no longer relevant

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Appendix A  
Amendments / Additional Terms to the Master Agreement & Schedules

1. Section 3.3(a) – First and Second Renewal Terms – The Parties extend the two renewal terms from the originally contemplated 3 years to 5 years for each renewal term:

First Renewal Term – A term of five (5) years, subject to negotiation by the Parties of mutually agreeable terms; and

Second Renewal Term - A further term of five (5) years, subject to negotiation by the Parties of mutually agreeable terms with the purpose of, but not limited to, having the CNEA pay a licence fee reflective of the rental prices then approved by the Board/City for the use of Exhibition Place.

2. Section 3.4 – Licence Fee – The Parties agreed to changes to (i) the actual 2016 Base Year for Move-in/Event/Move-out Dates; (ii) the value of the use of the grounds; and (iii) a change in the annual percentage increase from being CPI based to being a 3.0% increase:

The Parties agree that, in consideration of the benefits granted to the CNEA under this Agreement, it shall, in addition to Taxes and the other fees, charges and expenses which it is obligated to pay under this Agreement, pay to the Board an annual license fee (the "License Fee") in the amount of approximately \$ 3,543,766 (not including applicable taxes) for 2016, to be increased in each year of the First Renewal Term, by three (3) percent. The License Fee has been established by taking the total license fee payable based on the Board's 2016 rates and discounting that rate such that the base license fee equals approximately \$ 3,543,766 (the "Established Rate"). The Established Rate is determined without prejudice to the position of any Party on the renegotiation of the License Fee as part of a renewal under Subsection 3.3(a). The annual License Fee to be paid during the First Renewal Term for the use of Exhibition Place during the CNE Period shall be paid at the times and in the amounts as set out in Schedule "B" to this Agreement.

3. Section 4.8 - Intellectual Property: The Parties agreed to adding the following mutual clauses relating to any new trademark applications:

(d) CNEA agrees that it shall not, after the Independence Date, attempt to register or otherwise establish any new Intellectual Property in the nature of a trademark, official mark, trade name, emblem, insignia, logo or slogan in any way referencing "Exhibition Place", "City of Toronto" or containing any representation of the buildings, structures and grounds at Exhibition Place, except with the prior consent of the Board. The Parties agree that where the Board agrees under this paragraph to permit the registration or establishing of new Intellectual Property, that it may, in its sole discretion, do so on condition that the Board shall, at the sole cost of the CNEA, establish and be the owner of the Intellectual Property and license the Intellectual Property for use by the CNEA on the terms as set out in subsection 4.8(a). Notwithstanding the foregoing, in the event that the registration is for the purposes of generating material revenue from a commercial activity that utilizes the new intellectual property, the Board and CNEA agree to negotiate terms that provide for the payment of royalties to the Board for the use of the intellectual property.

(e) The Board agrees that it shall not, after the Independence Date, attempt to register or otherwise establish any new Intellectual Property in the nature of a trademark, official mark, trade name, emblem, insignia, logo or slogan in any way referencing the "CNE", "The Ex" or the "Canadian National Exhibition" except with the prior consent of the CNEA. The Parties agree that where the CNEA agrees under this paragraph to permit the registration or establishing of new Intellectual Property, that it may, in its sole discretion, do so on condition that the CNEA shall, at the sole cost of the Board, establish and be the owner of the Intellectual Property and license the Intellectual Property for use by the

Board on the terms as set out in subsection 4.8(b). Notwithstanding the foregoing, in the event that the registration is for the purposes of generating material revenue from a commercial activity that utilizes the new intellectual property, the Board and CNEA agree to negotiate terms that provide for the payment of royalties to the CNEA for the use of the intellectual property.

4. Section 4.10 – Shared Use of Inventory: The Parties agreed to the amendments of shared use on inventory to detail specific inventory / equipment owned by each party prior to April 1, 2017 and the Parties also agreed to the CNEA purchase of the one train car presently owned by Exhibition Place:

(b) The CNEA will, where not required by the Board for its own purposes have the right to use any or all of the Board Equipment acquired prior to April 1, 2017, during the CNE Period at no cost save and except for the cost of repair or replacement due to damage caused by the CNEA or its permitted sub-contractors or sub-licensees in their use of the Board Equipment and the cost of labour and materials required for the purposes of the set up and return to storage of the Board Equipment. The CNEA will purchase from the Board on April 1, 2017, at an unamortized cost of \$169,913, the fifth train power unit, coach #1 and coach #2”.

(c) The Board will, where not required by the CNEA for its own purposes, have the right to use any or all of the CNEA Equipment acquired prior to April 1, 2017, with the exception of washroom trailers and trains, for any period outside the CNE Period at no cost to the Board, save and except for the cost of repair or replacement due to damage caused by the Board or its permitted sub-licensees in their use of the CNEA Equipment and the cost of labour and materials required for the purposes of the set up and return to storage of the CNEA Equipment.

5. Section 4.10 – Costs / Provision of Board Services: The Parties clarified (i) the unionized and non-unionized services to be provided by the Board; (ii) the cost of those services and materials previously provided at cost without a mark-up but amended to now include a new additional 12% mark-up to be paid by the CNEA; (iii) a new requirement for the CNEA to pay full list prices for delivery of exclusive electrical and mechanical services from the Exhibition Place third party contractor (minus a 10% discount for electrical services as provided under the Board's existing contract); and (iv) the right of the Board to unilaterally alter its operations model:

(h) The Parties agree that before, during and following the CNE Period and related activities, where Board employees are involved in CNE activities and the services provided are of benefit to the CNEA, including but not limited to parking services and exhibitor and event services but excluding those services set out in clauses (ii) and (iv) below, the Parties shall negotiate the terms and conditions under which these services (the "Event Services") will be delivered for the CNE Period based on the following principles:

(i) If the CNEA earns revenue from the provision of Event Services to third parties through the use of Board employees, any revenues earned during the CNE Period from the provision of the Event Services will accrue to the CNEA less a deduction equal to the actual Board costs for providing Event Services, including but not limited to:

(A) salary and benefit costs for that period for non-unionized Board employees working in Parking Services or as Building Operators or as Mechanics, whether temporary, contract or permanent, provided that the Board costs shall not include any mark-up over and above actual costs and will not include any costs for regularly scheduled Building Operators or Mechanics and shall not include any costs for the Manager of Parking Services;

(B) salary and benefit costs for that period for all unionized Board staff at all levels including but not limited to forepersons, lead hands or other supervisory unionized employees employed in the provision of the Event Services, provided that the Board costs for unionized staff shall include a 12% mark-up over and above actual costs.

(ii) No changes

(iii) The CNEA agrees that it shall use the standard Work Order form as agreed to by the Parties from time to time when ordering the Event Services to be performed by Board employees, whether temporary, contract or permanent, unionized or non-unionized, employed in the provision of the Event Services for the benefit of the CNEA, provided that the CNEA shall pay a 12% mark-up over and above actual Board costs; The Work Order shall also contain an estimated time of completion as agreed by the Board for the provision of labour services and costs to be delivered by the Board. The Board shall inform the CNEA Work Order contact when the labour services work has been completed and the CNEA Work Order contact shall have forty-eight (48) hours within which to inspect the work and sign-off on its completion. In the event that the CNEA contact fails to inspect the work and provide a response within the forty-eight (48) hour period, the work shall be deemed completed. A refusal to provide sign-off shall be in writing and shall clearly indicate the reasons for the refusal.

(vi) Pursuant to the notice provided to the CNEA in June 2015, commencing in 2017 and for the remainder of the Term, all electrical and mechanical show services delivered to the CNEA or its subcontractors for the CNE Period shall be delivered directly and exclusively either by the Board or the Board's contractor as determined by the Board. If the Board determines the electrical or mechanical services are to be delivered by the Board's contractor, the CNEA and its subcontractors shall follow the process for ordering show services as required by the Board's contractor and pay the Board's contractor directly all costs for such services in accordance with the Standard Services Price List approved by the Board (less a 10% discount for electrical services as provided under the Board's existing contract). If the electrical or mechanical services are to be delivered directly by the Board, the Parties shall use the Board's standard Work Order form and the CNEA shall pay the Board for the salary and benefit costs plus a 12% mark up for all services and materials provided by unionized Board employees, including but not limited to forepersons, lead hands or other supervisory unionized employees in the delivery of electrical or mechanical show services. Electrical show services provided directly by the CNEA third party midway operator at its own cost and with its own equipment and without use or connection to the Board's electrical grid, either high voltage or low voltage distribution systems, in respect of the CNE Midway, Midway Concession and Kid's World set up shall be exempt from the obligation to order services from the Board's contractor.

(vii) The Board may, in its sole discretion, determine the manner of delivery of Event Services on the Lands, whether to the CNEA or any other tenant or licensee of the Board and shall, subject to the by-laws and policies of the Board, provide the CNEA with reasonable prior notice of any changes to the manner of delivery of the Event Services.

(viii) Save and except for the delivery of electrical and mechanical show services as provided for in section 4.10(h) (vi), the CNEA may make its own arrangements for the delivery of Event Services provided however the CNEA ensures that any CNEA contractor complies with the Board's Collective Agreements, as set out in section 5.2 of this Agreement.



6. Section 5.17 - Board Buildings no longer required for Board Purposes – Parties agreed to add a new provision allowing a right of consideration of the parties for rental of buildings to CNEA other than redevelopment rights retained by Exhibition Place as in the 2013 Master Agreement. The new clause is as follows:

In the event that the Board determines that a building on the Lands which is not tenanted and which was directly managed by the Board is no longer needed for the purposes of the Board, subject to the policies of the Board and the City with respect to disposal of such buildings, and subject to the Board and the City's rights set out in section 5.5, the Board will consider providing the CNEA with an opportunity to lease such building at a mutually agreed upon rent.

7. Section 6 and 8 – Insurance / Indemnity – Parties agreed to updated insurance provisions with a higher deductible for CNEA insurance, a more efficient method of processing claims including a clearer delineation of the types of claims for which each party is responsible:

(a) The CNEA shall provide the following insurance:

- i. \$30 Million per occurrence limit of Comprehensive General Liability Insurance to include the City and the Board as additional insureds which insurance shall increase to \$40 Million during the actual period of the Canadian International Air Show during the CNE Event;
- ii. \$2 Million limit of Director's & Officer's Liability insurance;
- iii. property insurance on the equipment & property of the CNEA;
- iv. business Interruption covered in an amount equal to \$10.0M to protect revenues for the licence fees, services agreement fees and loan repayments owned to the Board by the CNEA;
- v. automobile liability insurance if applicable; and
- vi. crime insurance with respect to cash limits or cash on hand during the CNE Event, including employee dishonesty coverage, for a limit sufficient to cover the maximum cash on hand following a four-day period per loss

(b) Deductible amounts of not less than \$100,000;

- i. Evidence by the CNEA of the provision of loss control inspection and reporting services during the CNE Event either internally or through a third party contractor;
- ii. Evidence of indemnity agreements in place and satisfactory to the Board and City for high risk, high exposure activities including but not limited to the Canadian International Air Show and similar activities; and
- iii. The Board / City and the CNEA shall each indemnify each other with respect to any loss, claims, expenses or costs suffered or incurred as a result of the negligence or willful misconduct of the indemnifying party arising from more clearly delineated types of claims for which each party is responsible, after the end of the Transition Term For greater certainty, the City/Board agrees to indemnify the CNEA for claims against the CNEA arising from incidents occurring prior to the end of the Transition Term, with the exception of claims which would be covered by the Director's & Officer's Liability policy to be obtained by the CNEA as required under clause 13(b)(ii).

8. Schedule "B" (Licence Agreement), Section 2: Parties agreed to a new base year being the 2016 actual Move-in/Event/Move-out Days and a process for negotiating dates for each year of the 2 Renewal Terms:

Subject to the terms and conditions contained herein, the Board grants to the CNEA the exclusive, non-assignable right, during the First Renewal Term and any renewals or extensions thereof, to use and occupy those portions of Exhibition Place for the CNE Period for the years 2017 to 2026 for the dates described in Appendix B-1 (the "Premises") or such other similar days and periods as the Parties may agree to on or

before May 1<sup>st</sup> of each year of the Renewal Term, subject to the Board's right to host special events as provided for in Clause 9.5(b) of the Amended and Restated Master Agreement. Outside of the CNE Period, the CNEA shall have the rights of ingress and egress through the grounds of Exhibition Place during the First Renewal Term and any renewals or extensions thereof.

9. Schedule "B" (Licence Agreement), Section 10 Utilities: Parties agreed to a more efficient method of calculating utilities for CNE Event Days and set payment dates:

The Board will provide customary and normal lighting, air conditioning (where available), electricity, natural gas and water for the Premises at the sole cost (without mark-up) of the CNEA, provided however if the CNEA pays the Board a licence fee reflective of the Board approved rates, without the deduction of the discount referred to in section 3.4(a), utilities for interior spaces of buildings will be provided by the Board at no cost to the CNEA. Utilities delivered by the Board may be at reduced levels during move-in and move-out periods in accordance with the Board's Environmental Plan, provided that reasonable temperature levels shall be maintained. The Board, acting reasonably, shall have the sole right to control and regulate the temperature of the Premises and to operate and control the air conditioning units. Specific utilities will be invoiced to the CNEA in a more efficient manner to ensure information flow, timely response time, reducing the number of meter readings required and providing for the extension of time for payment.

10. Schedule "B" (Licence Agreement), Section 12: Parties agreed to language protecting the CNEA from the Board changing sponsorship activation rights of Board sponsors during the CNE Event:

(a) All sponsorships and signage for the CNE Period are, and shall remain, the sole property of CNEA. All signage which is erected by CNEA for the purposes of the CNE during the CNE Period, shall be removed by CNEA in accordance with the move-out schedule contained in Appendix B-1. The parties agree that signage, advertising rights or displays put in place on the Premises by the Board at the commencement of or during the Term shall not be a breach of this License Agreement. The parties agree that, subject to the above, but despite anything else in this License Agreement, the rights granted to CNEA under this License Agreement shall be subject to the rights of any third parties who have obtained, either prior to, or during the Term of this License Agreement, exclusive sponsorship rights or signage/advertising rights from the Board with respect to Exhibition Place, except that the Board will not permit any additional activation of any sponsorship / advertising / display rights by a third party sponsor within the areas licenced by the CNEA during the 18-days of the CNE other than the advertising / displays and sponsorship equipment normally in place throughout the year.

(b) The Board and CNEA shall exchange the list of sponsorship agreements in effect as of the commencement date of this First Renewal Term and negotiated respectively by the Board and CNEA with third parties.

11. Schedule "B" (Licence Agreement), Section 16 – Parties agreed to add a new section protecting the CNEA from the booking of similar type events 4 weeks before the CNE Event:

(b) Subject to subsection (c) below and provided that the CNEA in each year of the First Renewal Term holds and operates a CNE event that has the following elements:

- (i) One or more thrill or spectacular rides (e.g. Mega Drop, Mach 3, major roller-coaster);
- (ii) Greater than 25 rides in total;
- (iii) Greater than 50 games;
- (iv) More than three stages; and,

- (v) Themed food events that mirror current CNE annual “adventure food” offerings but shall not include typical themed food events that occur throughout the GTA from time to time including but not limited to rib fest, food trucks or similar food events.

Then the Board covenants and agrees that for the period commencing four weeks prior to the CNE Event Days, neither the Board nor any third party contracted with the Board, shall operate, manage or license, any exhibition, fair, amusement park installation or other similar establishment (“Similar Event”) on the grounds of Exhibition Place that has a combination of at least four of the following elements:

- (i) One or more thrill or spectacular rides (e.g. Mega Drop, Mach 3, major rollercoaster);
- (ii) Greater than 25 rides in total;
- (iii) Greater than 50 games;
- (iv) More than three stages;
- (v) Themed food events that mirror current CNE annual “adventure food” offerings but shall not include typical themed food events that occur throughout the GTA from time to time including but not limited rib fests, food trucks or similar food events.

For the purposes of this subsection, “CNE Event Days” means the period of 18 days in the late summer ending on Labour Day in each year.

(c) A special event as defined in section 9.5 of the Agreement [World Fair, Pan Am] would not be a Similar Event for the purposes of subsection (b) and the Board shall not be in breach of its covenant if it contracts for a special event.

12. Schedule “C” (Storage Agreement), Section 3 – Parties agreed to add the room presently used in the General Services by the CNEA for its records as another area of Storage under the Storage Agreement:

The Storage Premises identified in Appendix “C-1” to Appendix “C8” are to be used by the CNEA solely for the purpose of storing CNEA inventory /equipment, provided that those Storage Premises identified in Appendix “C-4” may be also be used for Event purposes. The Storage Premises identified in Appendix “C-9” are to be used by the CNEA solely for the purpose of storing the CNEA records and archival material.

13. Schedule “D” (Administrative Services Agreement), Section 5 – Parties agreed to provide IT services for the computerized archive program presently used by the CNEA:

The CNEA will, beginning on April 1, 2017 and increasing annually in accordance with a CPI adjustment, pay the Board an annual Fee for Services of approximately Three Hundred and Twenty Three Thousand, One Hundred and Eighty Three (\$323,183) Dollars (the “Service Fee”) itemized as follows:

- (i) a fee of approximately Three Hundred and Fourteen Thousand, Six Hundred and Eighty Three Dollars (\$314,683) for IT / Telephony Services; and
- (ii) a fee of Eighty Five Hundred (\$8,500.00) Dollars for Computerized Systems Services for the CNEA Records and Archival Collections.

14. Schedule “F” (Current Tenant Agreement Rights), Sections E18, 19 and 20: Parties agreed to update the list with new tenants:

Biosteel Centre. In accordance with the terms of the Lease Agreement for the Biosteel Centre among the City, the Board and Maple Leaf Sports & Entertainment Ltd. dated December 1, 2014 (the Biosteel Lease”); CNEA shall be entitled to the following, as extracted from the Biosteel Lease:

a. MLSE will make the northerly basketball court (“Community Court”) available to the CNEA during the CNE for tournament level games and the southerly basketball court (“Team Court”) available for High Level tournament games.

Toronto Ambulance Station Toronto Ambulance Services shall have continuous and full access to the Toronto Ambulance Leased Property during the CNE including vehicle access for all emergency services vehicles.

Toronto PF&R Offices (Formerly Police Station) PF&R shall have continuous and full access to the PF&R Offices during the CNE including vehicle access for PF&R vehicles.

15. Schedule "T" (Coronation Park Baseball Diamond Licence Agreement) – Parties agreed to add this Licence Agreement between the City PF&R and the CNEA
16. Schedule "U" (Marilyn Bell Park Licence Agreement) – Parties agreed to add this License Agreement between the City PF&R and the CNEA.
17. The following sections / clauses of the Master Agreement were deleted as no longer of relevance:
  - Section 3.1 – Transition Term
  - Section 4.1 – Financial Contribution / Deductions
  - Section 4.2 – Terms of Use
  - Section 4.3 – Transition Issues
  - Section 4.4 – Independent Legal / Audit / Insurance Services / WSIB
  - Section 4.5 (a) – Administrative Services – Records & Archives
  - Section 4.6 – Dedicated / Shared Employees
  - Section 4.7 – Separation of Archives
  - Section 9.5(c) & (d) – 2015 PanAm Games
  - Schedule "A" – Lease Agreement Terms for Press Building
  - Schedule "B" – All provisions relating to Food Building and licence for Food Building
  - Schedule "D", Appendix D-2 – All provisions relating to Records & Archival Services
  - Schedule "G" – Exclusive Employees
  - Schedule "H" – 2008 MOU Employees
  - Schedule "R" – Pan/ParaPan Games Schedule

This Appendix A sets out all of the substantive changes to the Master Agreement among Exhibition Place, the City and the CNEA dated July 2, 2013 as a result of the negotiation process between the parties. All other terms of the Master Agreement remain unchanged.

## Appendix "B"

## Lease for the Press Building

1. Leased Property: 210 Princes' Boulevard (the "Building") excluding the electrical substation, geothermal and mechanical rooms on the ground floor; the mechanical room in the northeast corner on the second floor; and the basement level.
2. Use: As the Tenant's head office solely for the purposes of administrative office space.
3. Term: Ten (10) years commencing on April 1, 2017 subject to the right of the Parties to enter into a Renewal Term for Five (5) years subject to negotiation of mutually agreeable terms for a fully-conditions office building with a heritage designation.
4. Basic Rent: Annual Basic Rent of \$45,500 which will increase each year of the Term by CPI and will be paid in equal monthly installments, in advance.
5. Additional Rent: The Lease is fully net to the Board. The Tenant pays all costs, charges, taxes, rates and levies associated with the Leased Property and its occupation of the Leased Property including, but not limited to, utilities, services, maintenance, waste removal and insurance. The Tenant will pay for all Building maintenance and repair costs subject to paragraph 6 below.
6. Board's Repair Responsibilities: The Board will be responsible, at its sole expense, for the cost of all repairs to, maintenance of, and (when necessary) replacement of the foundations, structure, roof, HVAC (geothermal ) system and base building systems of the Building in order that the Building is suitable for year-round use. The Board, at its sole expense, will maintain the grounds around the Building, including snow removal but not including snow removal on the sidewalk or steps to the Building.
7. Tenant's Repair Responsibilities: The Tenant shall, at its sole cost, be responsible for maintaining and preserving the interior of the Leased Property and for effecting non-structural maintenance of the exterior of the Leased Property (for example, window cleaning and caulking and painting).
8. Capital/Leasehold Improvements: The Tenant shall, at its sole expense, perform all leasehold improvements, if any, required by it in the Leased Property. At the end of the Term, the Tenant may be required by the Board to remove at the Tenant's cost some or all leasehold improvements.
9. Insurance: The Board shall insure the Building at its sole cost. The Tenant shall take out and keep in full force and effect property and general liability insurance in an amount and in a form satisfactory to the City Risk Manager.
10. Closure of the Lands/Building: The Tenant acknowledges that from time to time during the Term, Exhibition Place may be totally closed to the public on a temporary basis and/or an admission fee may be charged to enter the Lands. At such times, (e.g. CNE, Honda Indy, Olympics, Pan Am Games, World Fair) special terms and conditions will apply access to the Leased Property and parking facilities by the Tenant and its patrons.
11. Restrictions/Conditions:
  - (a) All collective agreements between the Board and Labour/Trade unions must be recognized and complied with for all work at Exhibition Place.
  - (b) The Tenant acknowledges that the Board retains sole and exclusive claim to all sponsorship rights throughout Exhibition Place, including naming rights and signage, with the exception of signage to be located within the Leased Property.
  - (c) The Tenant shall not use the Leased Property for any other purpose than that specified in the Lease, nor for the following uses: a themed dinner theatre, trade and consumer shows and any activity related to trade and consumer shows, professional sporting events; banquet, corporate meetings, nightclub/concert venue and a casino.
  - (d) Indemnification: The Tenant shall indemnify the Board and the City of Toronto against any and all claims and damages arising as a result of the Tenant's occupation and use of the Leased Property.
  - (e) Assignment: The Tenant is not permitted to assign the Lease without the prior written consent of the Board, which consent may be arbitrarily and unreasonably withheld. However, the Tenant has been granted certain rights to sublease portions

of the Leased Property to the Canadian International Air Show for office use provided such sublease does not extend beyond the expiry of the Term or Renewal Term.

Appendix "C"  
Lease for the Food Building

1. Leased Property: 10 Nova Scotia Avenue (the "Building") excluding the electrical substation and panel within the electrical substation room.
2. Use: During the CNE Period, the Building will be used primarily for food uses with office spaces related to the CNE Event and a cash office area; and outside the CNE Period the Building will be used for storage for the Tenant's inventory and equipment and concession booths.
3. Term: Ten (10) years commencing on April 1, 2017 subject to the right of the Parties to enter into a Renewal Term for Five (5) years subject to negotiation of mutually agreeable terms for a non-heated, non-conditioned warehouse space.
4. Basic Rent: Annual Basic Rent of \$37,500 which will increase each year of the Term by CPI and will be paid in equal monthly installments, in advance.
5. Additional Rent: The Lease is fully net to the Board. The Tenant pays all costs, charges, taxes, rates and levies associated with the Leased Property and its occupation of the Leased Property including, but not limited to, utilities, services, maintenance, waste removal and insurance. The Tenant will pay for all Building maintenance and repair costs subject to paragraph 6 below.
6. Board's Repair Responsibilities: Subject to equal sharing by the Parties of the Capital Costs as set out in paragraph 7 below, the Board will be responsible, at its sole expense, for the cost of all repairs to, maintenance of, and (when necessary) replacement of the foundations, structure, roof, heating and base building systems of the Building including the high and low voltage electrical distribution system throughout the Building from the electrical substation in order that the Building is suitable for year-round use. The Board, at its sole expense, will maintain the grounds around the Building, including snow removal.
7. Board's Capital Replacement / Improvements: The Parties will undertake jointly in the first year of the Term a Building assessment by an independent third party to establish a capital program for the Building. Following receipt of such assessment, the Parties will jointly decide on the level of annual capital replacements/improvements to undertake and take all reasonable action to secure funding for the same. Once funding is secured by the Parties, the Board will proceed to take all necessary actions to complete the committed capital project and both parties will pay for equal shares of the project costs as they come due and payable, including any cost overruns, administration costs or other direct expenses related to the project.
8. Tenant's Repair Responsibilities: The Tenant shall, at its sole cost, be responsible for maintaining and preserving the interior of the Leased Property including all repairs directly related to the concession booths and for effecting non-structural maintenance of the exterior of the Leased Property (for example, window cleaning and caulking and painting).
9. BMO Field Use of Washrooms: The Landlord consents to the Tenant granting to Maple Leaf Sports & Entertainment Ltd. a license to use the washrooms located in the Leased Property, in connection with MLSE's use and occupation of BMO Field, provided that:
  - (a) the terms of the MLSE License requires MLSE to abide by all of the terms and conditions of this Lease, including the permitted use of the Leased Property;
  - (b) the term of the MLSE License expires not less than one (1) day prior to the end of the Term; and
  - (c) if MLSE ceases to use and occupy BMO Field for any reason, the MLSE License will forthwith terminate without the need of any further instrument or agreement.
10. Capital/Leasehold Improvements: The Tenant shall, at its sole expense, perform all leasehold improvements, if any, required by it in the Leased Property other than as provided in paragraph 7 above. At the end of the Term, the Tenant may be required by the Board to remove at the Tenant's cost some or all leasehold improvements.
11. Insurance: The Board shall insure the Building at its sole cost. The Tenant shall take out and keep in full force and effect property and general liability insurance in an amount and in a form satisfactory to the City Risk Manager.

12. Closure of the Lands/Building: The Tenant acknowledges that from time to time during the Term, Exhibition Place may be totally closed to the public on a temporary basis and/or an admission fee may be charged to enter the Lands. At such times, (e.g. CNE, Honda Indy, Olympics, Pan Am Games, World Fair) special terms and conditions will apply access to the Leased Property and parking facilities by the Tenant and its patrons.
13. Restrictions/Conditions:
  - (a) All collective agreements between the Board and Labour/Trade unions must be recognized and complied with for all work at Exhibition Place;
  - (b) The Tenant acknowledges that the Board retains sole and exclusive claim to all sponsorship rights throughout Exhibition Place, including naming rights and signage, with the exception of signage to be located within the Leased Property.
  - (c) The Tenant shall not use the Leased Property for any other purpose than that specified in the Lease, nor for the following uses: a themed dinner theatre, trade and consumer shows and any activity related to trade and consumer shows, professional sporting events; banquet, corporate meetings, nightclub/concert venue and a casino.
  - (d) Indemnification: The Tenant shall indemnify the Board and the City of Toronto against any and all claims and damages arising as a result of the Tenant's occupation and use of the Leased Property.
  - (e) Assignment: The Tenant is not permitted to assign the Lease without the prior written consent of the Board, which consent may be arbitrarily and unreasonably withheld. However, the Tenant has been granted certain rights to sublicense portions of the Leased Property to its Food Concessionaires provided none of the sublicences extend beyond the expiration of the Term or Renewal Term.