



Management Report

November-December 2012

Table of Contents:

- General Manager's Comments
- Marketing and Communications
- Sponsorship
- Finance
- Programs
- Operations
- Exhibitor Sales and Services
- Corporate Secretary & Government Relations
- Air Show
- Travel Reports
- Travel

General Manager's Comments

Welcome to the new Board of Directors for 2012-1013. It may seem strange to think of the 134 year old CNEA as something new, but it will soon be a reality. Throughout the course of its storied history, the fair has had to re-invent itself time and again. As we become independent of the Board of Governors and City of Toronto, it is time for the Association to re-invent itself. Both Board and Management will be challenged in new ways and must be willing to adapt and overcome these challenges. Fortunately, our core “product”, the fair, is in a strong position, having enjoyed considerable success in the past decade. We must continue to innovate and take reasonable risks to maintain that strong position as our community continues to grow and change around us.

We are fortunate to have the assistance of Don Pollock and Mark Daniel from Management Advisory Service (MAS) in shaping the strategic plan and governance structure that will propel the CNEA into the near future. They have taken a very practical and action-oriented approach to our work together. I am very optimistic that the results will be extremely beneficial.

As you will see in the individual sections below, each in its own way, the CNEA departments are:

- Analyzing and closing the books on 2012
- Preparing for independence on April 1st
- Preparing for the 2013 CNE

I wish I could give you a firm date when our agreements with the Board of Governors will be signed. We are scheduled to meet once more with BOG and City Officials as there appears to be a few minor matters still unresolved. The terms of the agreements are faithful to the Term Sheet approved by the BOG last January.

November was the month for both CAFE and IAFE conventions, hence all of the description of travel in this report and likely in the next one. As with other travel, these conventions are important sources of education and networking for staff.

The research conducted each year by Experience Renewal Solutions (ERS) is vital to the ongoing strength of our fair. I encourage all Directors to delve into the research to the extent needed to be assured of public support for our event. The staff look to this research to adjust operational aspects of the fair. As representatives of the public ownership of the fair, the Board of Directors (BOD) should look to the research as validation of genuine community value for the public “owners” you represent.

*Contact: David Bednar
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Marketing and Communications

The Marketing and Communications Department continues to review the ERS research that was conducted both onsite with our visitors during the 2012 fair and offsite with residents of Liberty Village and Queens Quay communities, as well as the online research that was done with our summer staff in September. The feedback garnered from these two surveys will inform the development of the 2013 Marketing Strategy, the 2013 Employee Materials and the summer staff orientation sessions for next year.

We have now finished reconciling the 2012 Corporate Group and GO Transit ticket sales. Monies from all our 2012 sales campaigns have been delivered to the Finance Department. On the expense side, final invoices are being processed through the system.

Working with the Exhibition Place Purchasing Department, we have been developing a Request for Proposal (RFP) for Website Design and Development. We are posting notices requesting Expressions

of Interests via Social Media, Marketing Magazine Online etc. with a closing deadline of December 14, 2012. Companies which are then identified as being the best qualified candidates will be sent the RFP document. This is an enormous project since the website is central to the success of all our Communications and Online Ticket Sales Strategies. In the new-year, we will also issue an RFP for an online ticket sales service provider.

The CNE Marketing Department has also been very involved in the development of an External Environment Scan as part of the Strategic Plan process. It is a very busy time.

*Contact: Karen Lynch
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Sponsorship

Year-end reports are being prepared for all major sponsors. We recently had our year-end review with Coca Cola who recorded a positive overall increase in their sales in 2012. As the Coke deal ends on March 31st, 2013, we will be going to the marketplace to negotiate a new deal. PC Financial have advised that they will be returning in 2013 as a sponsor. Other major sponsors up for renewal are Pizza Nova and Pizza Pizza.

Following up on a very successful year where we achieved 111.5% of our cash budget, our outlook for 2013 is very positive. Through working with IMI International we have determined definitive values on our major sponsorships vis-à-vis the marketplace which should help us achieve some significant increases over the next few years. We have also developed a very targeted prospect list by category and have quantified some major positive customer attitudes that should be appealing to these potential sponsors. The external scan of the sponsorship marketplace just completed has been a tremendous exercise in better understanding the Canadian sponsorship landscape.

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Finance

Most of the recent activity in the Finance area has been focused on initiatives to ensure that the financial and departmental operations of the CNEA will be fully functional on April 1, 2013 and onward.

There have been a number of meetings and discussions with our broker, Marsh Canada Limited, to provide them with completed applications for insurance coverage and data about the programs and operations of the CNEA. With all of this underwriting information, Marsh can approach the insurance industry early in the new-year and seek out the most favourable coverages for the various kinds of insurance policies that we will need as of April 1, 2013. These policies would include general liability, directors and officers liability, employment practices liability, property, and crime insurance.

A major undertaking for the past few months has been to examine and evaluate the business software products on the market and make a recommendation for the best new system for the CNEA. Please see report #8 “*New System for the CNEA Financial Department*” for more details.

Staffing requirements for the finance department which will ensure a smooth transition in key activities such as invoicing, payroll, cash disbursements, banking, purchasing, budgeting and financial reporting when we become independent. We are currently searching for the position of Senior Accountant, through online advertising targeted at accounting professionals. The successful candidate for this position should have an accounting designation and experience in key areas such as year-end financial audits and be familiar with a broad spectrum of finance and accounting responsibilities. Our plan is to have this position filled early in the new-year so that this individual can assist with the implementation of

the new finance system. The remaining three members of the Finance Department will be brought on board in February or March.

Additionally, we have been working with the General Manager and the Board of Governors Human Resources department to ensure that there will be a smooth changeover in the new-year with respect to the employee records, the employee benefits program, and the OMERS pension plan.

*Contact: Paul Egli
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Programs

Staff have received and reviewed anecdotal, committee and research feedback on the 2012 CNE and are using that information in planning the 2013 fair. Please see Confidential - Appendix A to this report *2013 Program Plan*.

Meanwhile, we are moving forward - the two most popular chefs from 2012 have been contracted. Offers have been submitted to two major artists for the Bandshell. One of our offers has been turned down, but we are optimistic about the offer to another - one of the major bands of the 1960's.

Staff are working on new programming in two significant area: 1) a new show or shows for the Ricoh Coliseum, and 2) an activity or activities to replace the FlowRider.

As well, staff are closing off the books and activities of the 2012 fair. As in previous years, this involves detailed review of expense records and comparison to the general ledger accounts kept by BOG finance staff.

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Operations

The Operations Department has been analyzing data from the 2012 CNE and incorporating findings into plans for the 2013 CNE. With CNE independence just around the corner, new opportunities are evolving that will improve the planning and execution of the fair. Operations Staff are focusing on moving the planning cycle for operations functions forward in order to increase efficiency and reduce costs. As a result Operations staff are meeting to define needs for 2013 and beyond and have commenced meetings with existing suppliers and sourcing out new partnerships.

A meeting was held at the CAFE Convention earlier this month with Mike Knott, Virginia Ludy and some representatives from North American Midway Entertainment (NAME), where preliminary changes to the site plan were discussed. These changes are being made to accommodate construction of the new hotel at Exhibition Place. NAME used this meeting to showcase a new thrill ride that will be featured at the 2013 CNE. This ride will be a focal point of the midway and will be a great addition to our ride line-up. A public announcement will be made later as part of our overall communications plan.

As we continue to support our industry, many CNE staff volunteer with various organizations. Virginia Ludy has been a Director on the CAFE Board for the last four years. At the Board of Directors meeting held following the CAFE Annual Meeting, Virginia was elected to the office of Vice-President of the Association. Virginia will be attending a three day strategic planning session of the CAFE Board in January in Banff, Alberta.

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Exhibitor Sales & Services

The Exhibitor Sales & Services department is currently reconciling its expenses and revenues and analyzing its various sales campaign results. In addition, staff are reviewing all revenue streams and checking all accounts to ensure they accurately reflect sales for the final reconciliation. Initial review of the various revenue lines suggests that all of the 2012 revenue lines were met or exceeded.

We are also evaluating all exhibitors and product category mix across all buildings, providing recommendations and developing exhibit sales strategies for the 2013 fair, based on the research results conducted by ERS and the lessons learned from the 2012 fair.

Our priority in 2013 is to continue to maximize revenue potential in each of the shopping pavilions and in the Food Building while building on exhibitor loyalty, and improving on the quality and caliber of our participating retailers and vendors.

With this in mind, staff have been visiting local consumer and trade shows over the past couple of months, in order to seek out new vendors, support our existing clients and to find new ideas for future development of the shopping pavilions and special exhibits.

Exhibitor Renewals

In its second year, the on-site renewal program has gained momentum and success, while providing exhibitors with a savings incentive to reserve their booth space for the 2013 season at this year's fair.

We are pleased to report a 66% exhibitor renewal rate following this year's fair, up 15% from 2011. Overall feedback from our exhibitors and concessionaires throughout all pavilions suggested sales were up this year, compared to their 2011 sales figures, which resulted in a positive experience and return on their investment. The renewal results speak to success with our exhibitors. The following chart shows 2013 renewal to date by pavilion;

Pavilion	2012 Total Exhibitors	2013 Total Renewed	Renewal Percentage	Renewal Total Deposits Received
Arts, Crafts & Hobbies	129	99	76%	\$81,240.24
At Home Pavilion	97	46	47%	\$54,228.89
Shoppers Market	72	31	43%	\$33,121.60
International Pavilion	186	111	59%	\$114,590.80
Warehouse Outlets	22	10	45%	\$20,411.69
Food Building	111	110	99%	due January 15, 2013
TOTALS	617	407	66%	\$303,593.22

Exhibitors who did not renew at this year's fair will be given an opportunity to do so throughout the year, based on space availability. We expect the retention rate will climb in the next couple of months, leading into the New Year.

In 2012, the Food Building introduced 11 new food concessionaires featuring everything from chocolate dipped bacon to pulled pork on red velvet pancakes to organic raw tacos. That's not all; vegan, halal, gluten-free, peanut-free and dairy-free options all made appearances at this year's fair. Our goal is to continue to improve on the overall aesthetics of the food building, enforce concessionaire leasehold improvements, all the while introducing fresh, new and exciting food concepts in 2013.

Stay tuned for more information as it develops.

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Corporate Secretary & Government Relations

Corporate Secretary

The Corporate Secretariat has recently wrapped up the 2011-2012 CNEA term with the Annual General Meeting (AGM) that took place on October 25th 2012. The first year anniversary of the newly created CNE Corporate Secretariat is almost upon us and we would like to thank everyone for their support, encouragement and institutional knowledge.

A big thank you to Mr. Bill Bryden, CNEA Past President, who, once again, took the reins as Chair for both the AGM and the Inaugural Meeting of the CNEA Board of Directors, Danielle Bourre who led the singing of our national anthem to kick off the AGM program and CNE staff who supported the logistics and acted as scrutineers for the elections. The CNEA Board of Directors has two new Directors: Darla Campbell (National Council of Women of Canada) and Domenic Lunardo (Ontario Association of Landscape Architects). If you missed the AGM and would like copies of remarks given please contact the Corporate Secretariat office.

As well to note, the vacancy of the CNEA Community-at-Large member position has been filled by the Credentials & Nominating Committee appointment of Ms. Kathy Milsom.

At this point in the year, we are working hard to wrap up any follow-up from the 2011-2012 CNEA term and we are starting to plan for the 2013 year including CNE 2013 Opening Day and CNE 2013 event logistics to bring together members and stakeholders. If you have any feedback that you did not already impart, please pass it along as soon as possible. A schedule of dates and calendar of reports is being compiled for CNEA Executive, Board of Directors and Committee meetings for planning purposes.

Government Relations

Staff continue to monitor hot topics including Toronto City Council updates such as the issue of Casinos in Toronto and Ontario, Exhibition Place 'in the news', the future of Ontario Place, the Provincial Liberal Leadership race and the Federal and Provincial lead-ups to the budgets.

The CS/GR team is supporting the President and General Manager on the Toronto Casino issue. Please note that City Council has requested the CNEA make a presentation to the January 22nd 2013 meeting of the Toronto & East York Community Council on "*the current uses, facilities, parking and space requirements at Exhibition Place.*"

The City of Toronto Striking Committee has met in the last couple of weeks to appoint the Members of Council to the CNEA Municipal Section which will be going to City Council on November 27th. Once approved formally by the City, the list of City Councillors who will comprise the CNEA membership and Board will be circulated.

Sarah continues to attend Exhibition Place BOG meetings and intends to continue to attend post-April 1st to ensure that the CNEA is informed on items of mutual interest. With independence top of mind, staff continue to review Government Relations opportunities.

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AirShow / CIAS:

The CIAS is busy preparing for the 2013 display, in addition to taking care of pertinent internal operational requirements including the annual audit, attending international and regional industry conferences and seeking additional sponsorship partners.

A CIAS membership think-tank will be held in early 2013 to brainstorm ideas/strategic planning. As well, the CIAS is working on a policies and procedures manual for the organization. The former CIAS storage room in the Press Building is now empty of CIAS contents.

The CIAS AGM and ratification of the updated corporate by-law will take place in late January 2013.

The CIAS is working on finalizing its proposed updates for the 2013 CNE-CIAS contract for CNEA and CNEA BOD review and approval. The CIAS once again thanks the CNEA for its loyal support. The CIAS and our United States Air Force (USAF) colleagues continue to work on securing USAF assets for the 2013 show and beyond. The CIAS remains optimistic that the USAF will once again have a strong presence at future air shows. More details regarding the 2013 line-up will be available early in the new year after CIAS representatives meet with the various players in attendance at the International Council of Air Shows (ICAS) conference in December 2012.

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Travel Reports:

Global Gaming Expo, Las Vegas – Sept 28-Oct 5

Sean Higgins attended the Global Gaming Expo in Las Vegas from the 28th of September to the 5th of October, 2012, where he was an invited attendee to the grand opening of the Venetian Palazzo Poker Room. He attended a tour of two surveillance rooms where he gained knowledge of surveillance equipment and procedures at the Aria Casino and Resort and at the Venetian. As part of the Global Gaming Expo, Sean Higgins attended 17 educational sessions, three keynote speaker addresses and sat in on two round table discussions. The 17 educational session topics ranged from table game security, casino management, as well as new games and trends. Sean Higgins toured the floor of the Sands Expo and Convention Centre, where he learned about new equipment and games.

International Entertainment Buyers Association, Nashville, TN – October 7-9

Danielle attended the IEBA in Nashville. IEBA is a non-profit trade organization for live entertainment industry professionals, it provides networking, showcasing and educational opportunities to strengthen relationships, foster growth and increase revenue for the live entertainment industry. 16 top agencies were represented.

The convention offered a series of sessions, including: Basic Buying - Discussion with industry leaders on the Who, What, Where, and When of booking. Basic Production – Discussion on how to navigate band's production requirements and how to incorporate new technology in our event. Breakout sessions on various industry topics headed by industry leaders; How important it is for artists' careers to play fairs and festivals.

Once again Agencies took turns to present 40 live showcases throughout the days and late into the evenings. This was a good opportunity to see artists perform live, to meet agents face to face to build relationships and to discuss our needs.

Canadian Association of Fairs and Exhibitions (CAFE), Winnipeg, MB - Nov 14 - 17

Many staff recently attended the CAFE conference held in Winnipeg, Manitoba. This conference provided opportunities for them to participate in educational sessions, network with peers throughout the industry, visit the tradeshow, see showcasing of talent for potential programming, meet with concessionaires and our midway provider NAME. A number of workshops, key note speakers and round table session were held where a wide range of relevant topics were discussed. Of particular interest were two sessions led by Randall Craig, founder of Pinetree Advisors on Social Media. Mr. Craig spoke about how to effectively use social media to drive attendance and increase engagement with your visitors. He also presented a session on the risks associated with social media, lessons learned and pitfalls to avoid.

Brent Barootes, President and CEO Partnership Group was another keynote speaker who discussed the most recent trends in the world of sponsorship. Changes that have occurred in this field and the importance of providing sponsors evidence that substantiates return on investment (ROI) were of interest. Although ROI is an expectation of most companies providing sponsorship support, it is still surprising the number of organizations that do not see the need to provide this information after their events and then are shocked when sponsorship support is withdrawn.

Sarah Fink attended a number of sessions including the Calgary Stampede discussion on their 100th Anniversary celebrations use of Google's "SketchUp" – free and easy-to-use software to create a central tower in their main site as an anchor.

Additionally there were a number of Agriculture focused seminars discussing topics such as: 4-H's upcoming anniversary in 2013 and demographics of rural Canada as it relates to fair attendance. These sessions are important to the CNE as we continue without Agricultural mandate to educate our visitors. Sarah attended many of these seminars as they relate to governance, our mandate and they tie in to many of our CNEA member associations.

I was a panelist on the *Fairgrounds Relocation, Expansion & Development Trends* session; along with Garth Rogerson & Charlie Smith. The Red River Exhibition moved its fairgrounds in 1997 and are in the process of building out new facilities to meet their needs both at fair time and for the rest of the year. They have almost 500 acres at the site, so it was an interesting contrast to our land-locked site. I also moderated another "stupid session" at the end of the convention similar to the one last year. The premise of the session is that your fair will fail if you continue to be stupid. As such, it was a humorous and thought-provoking round-table discussion of the things fairs keep doing "just because" (such as holding competitions that no one enters) and new ideas & diverse methods to do things differently.

Danielle attends the convention each year primarily to oversee the Canadian Youth Talent Competition (CYTC). This year we are proud to announce that our CNE winner won First Place at the CAFE CYTC. Congratulations to Candace Santos for her outstanding performance of Wicked's "Defying Gravity". Additionally, Karen Bradford attended the conference as volunteer supporting the hosting city.

In the CAFE Executive remarks it was noted that there will be a meeting in January with the Federal Minister of Agriculture and the Federal Minister of Heritage where CAFE representatives will advocate about the role Canadian fairs of all sizes play in our national fabric and economy, with the hope of securing Federal Government Representatives at the Ottawa 2013 CAFE convention.

International Association of Amusement Parks and Attractions, Orlando, FL – November 2012

In order to get a sense of what new products or ideas are available in the marketplace, Mike Cruz recently attended the IAAPA tradeshow. The tradeshow featured over 1 million square feet of vendors who supply amusement parks, special events and fairs around the world. Mike was able to meet with vendors about the newest prizing and plush for midway games. In addition the newest equipment in midway gaming was on display. Mike saw a number of new products that could be incorporated into future plans for the CNE. These included Dancing Water Features, 3-D Augmented Reality Attractions, the newest in Robotic Dinosaur Displays, new trends in food products and preparation equipment, and a number of suppliers of equipment used at events such as the CNE.

Travel:

International Association of Fairs and Expositions, Las Vegas – November 25 – 29, 2012

Reports on these conventions will be brought to the next meeting of the Board in January.

Salon Des Metiers D'Art, Montreal, QC – December 7-10, 2012

Salon des Métiers d'Art is Montreal's largest Arts and Crafts Show with over 400 exhibitors that showcase their wares and products. Gilbert Estephan and Jeannette Mintz are planning to attend this consumer event in order to network, seek new ideas, keep up with latest trends, and to develop new relationships to feature Quebec products and exhibitors in the Arts, Crafts & Hobbies pavilion in 2013.

Quebec City, QC – December 10

Karen Bradford and Zis Parras will be going to meet with our cirque creator.

Havana, Cuba – January 2013

Danielle Bourre and Zis Parras will be going to observe various acts that have been pitched to us.

National Independent Concessionaires Association Expo, Tampa, Florida – February 2013

Virginia Ludy and Michael Knott will be attending this conference which features the latest food trends for fairs and is a great venue to meet with existing and potentially new concessionaires. While at this conference they will also have an opportunity to visit the Gibbtown Tradeshaw that features the newest rides, concession trailers and other midway products. The Florida State Fair is also held at this time. Traditionally this fair is the launch of the new fair season and almost all of the food concessionaires who service the east coast of North America participate in this event and use it to test new and exciting food products. This is the event where Deep Fried Butter was discovered.

IAFE Fair Institute Summit, Rochester, MN – March 2013

Virginia Ludy and Mike Cruz will attend this summit to complete courses as part of their enrollment in the Institute of Fair Management. A total of six courses will be taken over the three day summit. At the conclusion of this summit Virginia will have two more courses to complete to qualify for graduation and Mike will need to complete seven more courses as he enrolled in the IMF program at a later date than Virginia.

IAFE Spring Management Conference, West Palm Beach, FL – April 2013

Virginia Ludy will be attending this conference which is held annually for senior management staff. In addition to attending sessions and key note speakers presentations on new trends in our industry, Virginia is a volunteer on the Spring Management Conference Committee which is charged with planning the sessions, workshops and breakout sessions. Virginia also serves as the Chair of the International Committee for IAFE.

Respectfully submitted,

David Bednar
General Manager