



Management Report

July 2012

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Reason for Confidentiality:

The Confidential Attachment to this report is confidential as it involves security of property belonging to the Canadian National Exhibition, and it is recommended that this information not be disclosed in order to protect the economic interests and competitive and legal position of the Association.

General Manager's Comments

Excitement and anticipation are in the air in the Press Building. The Horse Show and Casino are just around the corner. As they begin and we celebrate Lord Simcoe's Day, the load-in of the 2012 CNE will begin in earnest. This year's fair promises to be another success. We are putting all our efforts to the completion of the plans carefully laid out over the past year. Other sections of this report speak to the level of detail and cohesion that our staff bring to the organization of the fair. The attached 'Program Overview' gives a comprehensive summary of the 2012 CNE.

At the risk of sounding like a broken record, I want to encourage all Directors and Association Members to be cheerleaders for the CNE. We have come a long way in improving the reputation of the CNE but there is always more to do. With that in mind, each of you has the opportunity within the groups and organizations you represent, as well as in the wider community at large, to promote the CNE as safe, fun and above all else good value.

Please keep our key messages in mind when talking about the CNE:

1. *Self-funded, the CNE is a major economic generator for the province of Ontario*
2. *The CNE has an excellent product*
3. *The CNE has a Business Model that works*
4. *Independence will enable the CNE to retain its revenues and re-invest in the fair*
5. *CNE is EcoLogo certified making it the Greenest Fair in North America*

Brian Ashton, Virginia Ludy and I continue to work with our legal counsel with the expectation that we will soon complete the various agreements related to our independence from the Board of Governors and City. The process has taken longer than anticipated but should be completed soon. There are many detailed aspects to be agreed in order to ensure that our on-going relationship accurately reflects the Term Sheet as approved by both boards and the City.

On a personal note, I find it hard to believe that the 2012 CNE will be the 15th fair since my arrival in 1998. It has been a time of tremendous growth and change for both myself and the Association. All of that notwithstanding, the greatest part of this job is the sense of excitement and anticipation as Opening Day draws near. It makes us all feel young again!

*Contact: David Bednar
416-263-3840*

Marketing and Communications

The CNE Marketing & Communications Department is in high gear executing the 2012 Marketing Plan and Media Buy, as approved at the March meeting of the Board of Directors. The first brand piece, the CNE Highlights brochure, has been created and distributed to Travel Centres, hotels in the Toronto area, as well as to individuals upon request.

The 2012 CNE App for Smartphones (iPhone, Blackberry, Android and mobile web applications) is in the final stages of development. We anticipate that it will be available the first week in August via the iTunes App Store, Blackberry App World, and Google Play, which will coincide with the launch our advertising campaign.

Our tickets are now on sale at TheEx.com and at Mac's Convenience Stores. They will go on sale at the GO Barrie and Lakeshore Line Stations and Union Station in the third week of July. The Media Buy is in the final phases of being booked and media promotional partners have secured for our Bandshell Concerts and major shows. Work is well underway on the CNE Guidebook, Family Fun Guide and Site Map. Building on the success of the increased distribution of the CNE Guidebook last year, the number of Guidebooks being distributed before the fair opens has been increased by an additional 450,000 in

2012, all of which will be distributed throughout the GTA. The daily handout will continue to focus on the schedule of concerts, events and shows with the CNE Grounds Map on the reverse side.

The bulk of the CNE Advertising will hit the Greater Toronto Area immediately following the Civic Holiday in August. Out of Home advertising on Bus Kings (sides of buses and streetcars) will be in market first, followed by radio, newspaper, One Stop (on subway screens), and online advertising, which will all be in full flight by the second week in August.

Our Social Media Channels (including Facebook, Twitter and Pinterest) continue to play an important role in our overall communications. The CNE Events team has been very active in the community and will continue to be so leading up to the opening of the fair on August 17th.

Our 2012 Media Relations Campaign is also well underway. A media preview of the 2012 CNE has been scheduled for the morning of Wednesday, August 15, and plans are also in the works to open the Toronto Stock Exchange once again this year on August 14th.

*Contact: Karen Lynch
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Sponsorship

As of June 22, 2012 we have exceeded our overall financial goals (set at \$960,000.00).

Confirmed cash to date is \$1,027,450.00 which includes five new sponsors: PC Financial, Sunny D, Sabra, Kellogg's and Ultima Foods. This puts us at 107.0% of our 2012 cash objective

Contra / in-kind deals to date will give us an additional \$95,000.00 for an overall Cash / Contra – In-Kind total of \$1,122,450.00 to date.

Several other smaller potential deals are in the works which will help to add to one of our best years ever.

*Contacts: Eamonn O'Loughlin
416-263-3816*

Finance

One of the important responsibilities of the CNEA Finance area is to plan for the internal audit for the 2012 fair. With a good percentage of the CNE's \$25 million of revenue received during the 18 day event, we have always carried out a thorough internal audit program to verify that funds are being securely processed and that no CNE revenues are being misappropriated.

In the past staff of the City of Toronto internal audit department has assisted us with this undertaking but this year we have been advised that Toronto audit will not be able to provide any resources to become involved with the testing of internal controls during the fair. However, I personally have had a number of years' experience in developing and executing the CNE's internal audit program so I feel confident that this year's audit activities will be comprehensive and effective.

As an extra measure of security, a copy of the 2012 Internal Audit Plan has been sent to the CNEA's auditor for 2012, Price Waterhouse Coopers LLP for their review.

The General Manager and I have had discussions with various insurance industry representatives about obtaining insurance protection for bad weather during the 2012 fair. We have received proposals that are offering to indemnify the CNEA in the event of a specified amount of rainfall over a specified period of time and we are studying and analyzing these proposals.

Leading up to the April 1, 2013 date for CNEA independence, there are a number of other tasks that have to be addressed from the financial operations perspective.

One of the requirements for the processing of financial transactions will be the acquisition of a financial accounting system. An internal team of CNEA staff has begun the process of evaluating financial software products with the goal of issuing a Request for Proposal (RFP) for a new accounting system in the August/September time frame. This schedule would allow for a decision to be made in October and the system installed in November or December. Then we would have a three month period to implement the new financial accounting system and complete the initial configuration and set-up of the system, data migration, testing and training of staff.

Two other important tasks that need to be dealt with prior to the date of operational independence are the selection of an insurance broker for the CNEA and a bank for the organization.

We anticipate that letters inviting proposals from a selected group of insurance brokers will be issued in July and a similar letter to Canada's larger banks later in the fall.

*Contact: Paul Egli
416-263-3380*

Programs

With all the bookings finalized, the Program staff are in full implementation mode. Support staff have been hired in all areas; contracts are being finalized; work orders requested; and final details worked out. The attached Program Overview includes all the Programming, except three new Flash Mobs, which will be spread out throughout the grounds on random days. This year we have two dance mobs: one a twist and jive; the other a waltz and polka and a choir who will sing popular songs that will draw audience participation.

Karen Bradford just returned from Quebec City to finalize the plans for the Ice Skating and Aerial Acrobatic show, this year featuring Scott Moir and Tessa Virtue for the first 15 days and Elvis Stojko for the final weekend. Designs are now completed and a new set of acrobatics will complement this year's show.

*Contact: Zis Parras
416-263-3831*

Operations

The CNE Operations Department is putting the final touches on the 2012 CNE. Currently all outdoor retail and concession spaces have been rented and preparations are underway for the move-in of the CNE commencing the last week of July.

CNE Operations has been conducting a series of emergency preparedness mock exercises involving staff from across the organization in preparation for the fair. In addition, meetings with emergency services & public transportation providers have been conducted in preparation for the fair.

The move-in of the fair commences with installation of the new Sky Ride immediately following the Honda Indy. The move-in continues with the Horse Show and Casino in late July and expands throughout the entire site as large events such as Caribbean Carnival Toronto (formerly known as Caribana) and the Beer Festival conclude. Operations staff has been planning the move-in for a number of months and has been finalizing plans with Exhibition Place service providers.

This year a new information services program will be introduced at three of our key information centres. The traditional information booths are being replaced with new information service areas, which provide an opportunity for staff to interact with our customers face to face while using the latest mobile technology. It is hoped that this new approach to information services will provide an improved level of customer service for our visitors. The new pass program developed last year with ESC Canada allows us to provide photo identification to a broader sector of our partners and assists in enhancing overall security and safety of the site. It will be expanded this year to include more of our partners.

Two new permanent pedestrian gates will be provided this year at the Ontario Place bridges. The installation of these gates is a result of the closing of Ontario Place and will serve those CNE patrons parking in the Ontario Place lots. Staff is finalizing the agreement with Ontario Place for the use of the west island of the site during Air Show weekend. The area will be open to visitors to the CNE who wish to view the Air Show from Ontario Place.

Modifications made to the western boundary of the CNE to accommodate Ontario Place patrons in 2011 will not be required in 2012 and the western boundary of the CNE will be similar to that in 2010.

Contact: Virginia Ludy
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Exhibitor Sales & Services

We are pleased to report that the Shopping Pavilions which include the Arts, Crafts & Hobbies, Shoppers Market, At Home Pavilion, International Pavilion and Warehouse Outlets have achieved targets and booths spaces are currently sold out.

Embodying the entrepreneurial instinct and spirit, a total of 150 new exhibitors will be participating for the first time at this year's fair representing the most comprehensive collection of products and services - from national brands to manufactured gifts, collectibles, home décor, lifestyle products and trend-setting merchandise organized in an easy-to-shop single floor layout.

Applications continue to be received, and evaluated through the Review Committee for consideration. Applications are placed on waiting list, in a priority sequence based on overall product and brand representation. Should a booth become available, an applicant will be notified pending the product category which becomes available.

Floor Plan Updates

In 2011, the floor plan was reconfigured and the walls between Hall A (*which houses the Shoppers Market and At Home Pavilion*) and Hall B (*International Pavilion*) were opened up to create a more open floor plan and allow for a better flow between the various pavilions and halls. This year, we will be opening up the walls between Hall B (*International Pavilion*) and Hall C (*Warehouse Outlets*). This efficient new layout makes it easier than ever to source, compare and purchase while providing an even greater flow throughout the halls.

2013 Renewal Applications/Contract

We are proposing a new incentive program. For those exhibitors who choose to renew for 2013 before the end of the 2012 CNE, there will be no increase. For any exhibitors who do not take this offer by September 15th, and for any new exhibitors, there will be a 5% increase applied to their rates. For more detail on this program, see Report No. 8 titled '2013 Operating Budget Estimates'.

Last year we provided an opportunity for all exhibitors in the Direct Energy Centre and the Queen Elizabeth Hall to reserve their preferred booth space prior to the closing of the 2011 CNE. Although it was successful program, we know that a savings incentive will provide further much needed commitment from our partners. Deposits will be applied towards the total booth fee for 2013.

Food Building Lease Agreements and Fees Schedule

The 2012 season is the beginning of a four-year agreement for all Food Licensee's in the Food Building. The Food Building rates have been locked in at 2% per year increase for those who signed 4-year contracts until the end of the 2015 Canadian National Exhibition.

Food Building

Once again, we are pleased to welcome the Toronto Star as the presenting sponsor of the Food Building. We are equally pleased to introduce and welcome the following 11 NEW Food Tenants to the

Toronto Star Food Building, encompass an array of tastes and cultures, and twists on traditional fair food! Savour the opportunity to experience something new at this year's fair!

- **Far East Taco** - Taco fillings such as: Kalbi, Bulgogi, Spicy Pork & Kimchi, Fish, Fried Tofu and Mandoo;
- **PULL'D** - Variety of Pulled Meat (beef, chicken, pork) served on unusual breads such as Red Velvet Pancakes and Pretzel Buns;
- **VIE** - All organic, all unprocessed raw vegan food not heated above 46 degrees Celsius. Try salads, taco, wraps, pizza, and desserts such as cinnamon buns and power bars – all raw;
- **Loaded Baked Potato** – Classic baked potato with butter to gourmet topping options such as country style beans, salsa, maple bacon, pulled pork or beef, coleslaw and jalapenos;
- **Bacon Nation** – Sandwiches (bacon with Nutella, Jack Daniels bacon), Deep fried bacon covered hotdogs, Bacon Parfait, Bacon Sundae, Candied Bacon and Bacon Popcorn;
- **Just Cone It!** - Classic Cones such as Breakfast, Vegetarian and Dessert Cone, Premium Cones such as Shepherd's Pie, Philly Cheese Steak, Grilled Chicken and Healthy Greek
- **Thyme & Olives** - Lebanese Style Bakery offering Sesame Pie, Cheese Pie, Baklava, Olive mix pie and more;
- **Dutch Frites** - Dutch style treats such as Krokets (mashed potatoes and ground meat deep fried), Frikandel (Dutch sausage), Kipcorn, and StroopWafel (waffle biscuit with caramel) and a colourful array of French fries toppings.
- **Big Apple Fritters** – Deep fried Apple Fritters served with a choice of cinnamon, sugar, icing and/or ice cream;
- **Sweetness Bakery** – Gourmet Cupcakes as well as Squares, Cookies and Sweetie Pops (Cake Pops) Gluten and Peanut free;
- **Fresh Fuel Smoothies**, offers 100% juice smoothies with 3 servings of fruit in each, boasting flavours such as Mango Probiotic and Pomberry Antioxia.

NEW This Year! Search our comprehensive Food Building Directory Listing (located on-site and on the web) to find the experience of your choice. Our listings are categorized by region, type and dietary restrictions which will help CNE visitors make the food choices best for them. Looking for Halal? Dairy Free, Gluten Free, Peanut Free, Vegetarian, Raw or other healthier alternatives? We got it covered.

Food Icons have been created to identify those tenants that offer specialty dietary alternatives, which will be listed on the Directory Boards located throughout the Food Building.



NEW This Year! 250 Years Yum – An exhibit celebrating the 250th Anniversary of the sandwich with each vendor creating a tribute to the sandwich.

NEW This Year! sampling menus – Visitors can purchase “sampling” size portions from vendors to have a lighter taste of the more decadent fare

Returning Promotions at the Food Building

Food Products Day Celebration

Date: Wednesday August 22, 2012

Time: 11:00am to 3:00pm

Location: Toronto Star Food Building

New This Year! Play & Win with over \$25,000 in prizes! The spinning of the wheel has gone digital. Instead of spinning, people have a chance to press a button and win a random prize that the computer generates. Everyone leaves a winner!

Toronto Star Cents of Taste Program

Collect and save Cents of Taste medallions found randomly in the Toronto Star until September 1, 2012. Then use them to get your special offer or discount from one of the participating food exhibitors at the Toronto Star Food Building at this year's CNE. Each participating vendor will be listed in the newspaper ad and receive a display sign to place in their booth with their promotion. One medallion, per person, per purchase.

*Contact: Gilbert Estephan
416-263-3846*

Corporate Secretary & Government Relations

We have been following up from the last couple of months' meetings and preparing for the upcoming executive, board and committee meetings. Recent committee updates have been sent for: Agriculture, Archives and Marketing committees with a couple meetings scheduled or to be scheduled: a June 28th meeting of the Finance Committee and the Credentials & Nominating Committee meeting in July.

We hope everyone enjoyed the May 17th CNEA Annual Financial Meeting (AFM)! This was the first annual meeting to be organized by the new Corporate Secretary team. We had a great turn-out with over 100 attendees including members, guests and staff. Following the event, our department circulated a selection of pictures from the event. If you did not receive or you would like hard copies of one of the pictures, please let our department know.

As every year, our member associations are starting to host their AGMs and thus new member appointments are receiving welcome packages and we are continuously updating our database.

We are pleased to report that the CNEA booth, located in the same location as last year, at the entrance to the 'Farm' in the Better Living Centre, is sold out! Many of the CNEA member associations took up the opportunity to showcase their organizations; to name just a few of the organizations who will be participating in the CNEA booth, we have the Warriors' Day Parade Council, to the Art Galleries of Ontario, to the Ontario Association of Agricultural Societies. As well, even if an organization was unable to participate in the booth, we have many members who took us up on the booth literature rack opportunity to share their literature with the 2012 CNE visitors.

On the CNEA Executive and Board agenda, you will note the *2012 CNEA Privileges* report which lays out the members' privileges which you will find to be very similar to 2011. The CS/GR department is working on the details for all the different aspects of the privileges with the goal to hopefully distribute as much as possible at the upcoming Board of Directors and Board of Governors meetings at the end of July. With the support of the Marketing Department, we can also confirm that we have finalized the art and ordered the 2012 War of 1812 commemorative medallions and the 2012 CNEA personalized corporate ID pins.

Government Relations

On the Government Relations side, Sarah attended the May 14th City Executive Committee meeting to listen to the discussion on motions on the Toronto Casino and the future of Ontario Place that had been referred by City Council. As you may know, the City Executive Committee approved a motion requesting the City Manager's office research these two issues and report back in October.

On June 5th, several representatives from the CNE staff attended the Ontario Place Revitalization Townhall meeting which John Tory, as Chair of the Panel, facilitated. At that meeting, it was announced that the Minister's Advisory Panel recommended to the Minister that Ontario Place should not be the location of a GTA casino. The next day Minister Chan, the Minister of Tourism, Culture and Sport, agreed with that recommendation and thus Ontario Place has now been taken off the table as a GTA casino venue.

With the forthcoming 2013 independence and once the CNE is no longer bound by City of Toronto policies, an increase in Government Relations opportunities is anticipated.

We will continue to do media watch on some of the hot topics including: the future of Ontario Place (following the Townhall meeting there will be a report forthcoming from the Minister's Advisory Panel) and the precarious provincial minority government, given an election was almost called with the recent provincial budget bill.

*Contact: Sarah Fink
416-263-5201*

Air Show

The Air Operations team at the CIAS is has been working diligently with the various airports to build a fluid and safe schedule for the Labour Day weekend show and practice day. We are in the process of finalizing the daily schedules to meet the needs of Porter, CIAS performers and CNEA. We will determine what will work best, an on-going show and/or a show with breaks built into it so that all performers routines and safety guidelines are followed.

*Contacts: Jennifer Brown / Jasmin Guillen
416-263-3650*

Travel Reports:

SIAL Canada is the Salon International de l'Alimentation (International Food Expo) which caters to North American food industry professionals. The show is one of the industry's most important meeting places for North America, hosting more than 650 exhibitors and 13,000 visitors from over 60 countries. SIAL Canada is an integral part of SIALGROUP-the world's leading network of food industry shows. SIAL Canada was held in Montreal from May 9, 10 & 11, 2012.

Toronto has become the capital of the food industry and hence our presence is vital to discover the latest food trends, collect information on the food and agricultural market and network with the best operators.

Jeannette Mintz (Exhibitor Sales) attended the convention as a first-time delegate and it provided her with an opportunity to network and establish business ties with other professionals with respect to bakery products, gourmet and high quality regional products, food processing and packaging. She attended the trade show and networked with the exhibitors, participated in several conferences touching on various burning issues in the food industry. In particular the workshop on Trends & Innovation: A Profile of the International and North American trends, Packaging as a communication vector and a special "restaurant" culinary tour. This tour focused on a unique opportunity to go behind the scenes and meet the people who run some of Montreal's most iconic restaurants. The restaurants were: **Windsor Station St-Hubert**, The undisputed king of Quebec restaurant chains. **The Cirque du Soleil cafeteria**, an ultramodern setup for an ultramodern company and **La Queue de Cheval**, a must-see Montreal

restaurant that offers up a modern twist on local flavours. These informative sessions provided an opportunity to look at these restaurants and share in their passion in the food industry whether they specialize in health food, ethnic foods or local products.

The Agri-Food Export Group Quebec-Canada also participated with more than 60 countries that came to SIAL in search of innovative, quality products which respect the environment and which represent Canadian products well. The Export Group plays an important role by collaboration with its governmental partners, who represent a major asset in the Canadian food industry.

SIAL Canada allowed the attendee to discover products from local Montreal to around the world and to explore the special events related to the development and innovation of the Canadian and International food industries.

The 2013 SIAL will be held at the Direct Energy Centre here on Exhibition grounds and a vital show to attend.

Travel:

Calgary Stampede - Calgary, AB - July 6 to 15

Virginia Ludy, Zis Parras and Michael Knott are also scheduled to attend the 100th anniversary of the Calgary Stampede. This visit will include reviewing the Stampede's operational changes and meeting with NAME regarding the new Nitro Roller Coaster to be featured at this year's event.

Canadian Sponsorship Forum – Montreal – July 25 to 27

Eamonn O'Loughlin will be attending this event in Montreal to keep up with the latest trends in Sponsorship and to network with potential new sponsors. The Canadian National Forum is Canada's prime sponsorship event. Eamonn has attended this event on several occasions in the past and has always found it of benefit and on some occasions has generated new business as a result of contacts made.

Global Gaming Expo - Las Vegas, NV - September 30-October 5

Sean Higgins will be attending the Global Gaming Expo 2012 in Las Vegas. Sean will be attending conferences and seminars dealing with topics ranging from the latest advancements in security and surveillance technology, to what is new in casino table games. The Global Gaming Expo gives Sean Higgins the opportunity to network with many of the leading organizations within the gaming industry.

CAFE – Winnipeg, MB and IAFE - Las Vegas, NV

Attendance at the Canadian Association of Fairs and Exhibitions Convention and the International Association of Fairs and Expositions Convention will be dependent on the success of the 2012 CNE and will be reported on further in future reports.

Respectfully submitted,

David Bednar
General Manager