



# Management Report

## May 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**

**2012 CNE:** As you will see in the other sections of this report, we are moving from planning to execution of most aspects of the 2012 fair. This CNE promises to be another successful event. From the new SkyRide to the Bandshell concerts to the International Stage performances to the Aerial Acrobats/Skating Show and back to the Food Building, our patrons have plenty of fun and excitement in store for them this year.

In representing the CNE to their member groups and the general public, directors will want to remember the key "talking points" we continue to emphasize. Below are the five key topics and more details can be found in Appendix "A".

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*

**Financials:** The audited financial statements confirm that CNE had a very successful year in 2011, achieving a budget surplus of \$1.29 million. This surplus will serve as the foundation for our operating reserve when we become independent in 2013. Sustaining a sound operating reserve will be critical to the new CNEA for two reasons: 1) to meet our annual cash flow requirements and 2) as a financial buffer that will enable us to maintain operation, should we experience a bad year (or two).

The new CFO – Paul Egli – will join our management team on May 8<sup>th</sup>. In future Management Reports we will include a regular financial update section. His immediate concerns will include:

- Liaison with BOG finance staff
- Planning for audit program and staff for internal controls at 2012 CNE
- RFP for insurance broker
- Summer staffing liaison with BOG HR
- Investigation of weather insurance for final weekend
- RFQ or RFP for financial accounting systems
- 2013 Operating Budget
- Plan for staffing his department including job descriptions – hiring plan for staff, and office lay-out and equipment

**Independence:** We are proceeding to finalize all the agreements with the BOG/City that were outlined in the Term Sheet previously approved and agreed upon. Although the original deadline of April 30<sup>th</sup> could not be met, we are optimistic that these agreements will be signed and in place by the end of May.

The documentation required to move full-time staff employees from the BOG to the CNEA is also nearly complete. We will have our own new OMERS account plan and benefits package from Manulife.

As we will be growing to a full-time staff of 28, a reconfiguration of office space is currently underway on the second floor of the Press Building. The Air Show office will relocate to the north east area which is currently the Media Lounge, Corporate Secretary/Government Relations will relocate to the north west corner of the building (currently storage), and Finance will occupy the area formerly used by the Air Show. The Media Office, for 2012, will be with the Finance department and in 2013 they will be relocated to other office space, likely outside of the Press Building.

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*Contact: David Bednar  
416-263-3840*

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## **Marketing and Communications**

The CNE Marketing and Communications team is very busy executing the 2012 Marketing Plan.

Our social media campaign continues to ramp up as we move closer to the fair, engaging people through trivia contests and entertaining postings. Work has begun on the 2012 CNE App for Smart Phones, which this year will include the Android platform in addition to iPhone and Blackberry.

A flyer promoting CNE HorseCapades is once again being created and will be mailed out with a covering letter of invitation from our President and a Reservation Form to approximately 1000 Day Cares and Community Groups in the next couple of weeks.

Our Corporate Group Sales campaign is also in development. Later this month, two different mailings will go out to 1) our current clients (954 companies) and 2) 6,000 potential new clients.

More than one million CNE school passes will be delivered to schools in Southern Ontario later this month ranging from London in the west, to Peterborough to the east. Following up on suggestions that came out of the March meeting of the Marketing Committee, this year we are working to better identify the pass redemptions by region. Whereas in the past, all 1.2 million school passes shared the same barcode, this year there will be seven different bar codes assigned to Public and Separate School Boards in a number of different regions.

The CNE Advertising buy is well underway, and our Casino Hiring ads are currently running in targeted newspapers.

Meetings with our Media Partners to leverage promotional opportunities will be taking place later this month, as we work to align our key attractions with the media partners who will most effectively draw their individual audiences to our concerts and shows.

Tickets (at our early bird discount price) go on sale at the TheEx.com to coincide with the Victoria Day weekend.

Our Media Relations team is beginning to work onsite. Clear messaging about the implications of independence in 2013 on the CNE and on the general public, will be an important focus of our Media Relations strategy this year.

Our 2012 Community Events team is in place, and soon will be “out and about” attending school fun fairs and a wide variety of other community events with our mascot Alex, the beaver.

The Marketing & Communications Department has also been working with Exhibition Place Human Resources Department, on our online hiring program, which is once again designed to pre-screen applicants for customer service aptitude. It is also involved in sourcing a company to lead our Customer Service Training.

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*Contact: Karen Lynch  
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## **Sponsorship**

Overall Goals / Objectives for the current period of 2012 were:

- 1. Seek out new sponsors by focusing on up to 5 prospects per sector**  
Currently following up on many other proposals.
- 2. Seek out Sponsor for SkyRide**  
Subject to Board approval, we just signed up President's Choice Financial on a four year deal as presenting sponsor of the new SkyRide.
- 3. Finalize new four (4) year deal with Soft Drink Sponsor**  
Subject to approval by City Council on June 6<sup>th</sup> / 7<sup>th</sup>, the current Coke deal will be extended to March 30<sup>th</sup>, 2013. We will then go to the market.

#### **4. Seek out full-fledged financial sponsor to replace BMO MasterCard**

Subject to Board approval, just signed up PC Financial as our new exclusive Banking / Financial category sponsor to a four year agreement.

**Sponsorship Outlook for 2012:** Our outlook for this year is looking very positive. As of April 24, 2012 we have exceeded our overall financial goals (set at \$960,000.00). Confirmed cash to date is \$976,450.00. We also have a high probability of signing another \$56,400.00 which would put us at \$1,032,850.00. Contra / in-kind deals to date will give us an additional \$95,000.00 for an overall Cash / Contra – In-Kind total of \$1,127,850.00 to date. It is also conceivable that over the next three months that we may generate another \$50,000.00 to \$100,000.00 in additional cash sponsorships.

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*Contacts: Eamonn O’Loughlin  
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#### **Programs**

Program staff continue to tie up the loose ends of booking the 2012 CNE. Traditionally the bigger venues and programs are confirmed first and then the other stages are booked. The Bandshell Stage has only three openings left and there are offer sheets out for two of them. We expect this stage to be complete by mid-May. The Celebrity Stage is at about the same point. We can now confirm that World and Olympic champions Scott Moir and Tessa Virtue will headline our Ice Skating/Aerial Acrobatic show for the first 15 days. We are negotiating another name skater for the final three days.

Staff are investigating self-guided Haunted and Historical/Heritage Walks for the CNE app. More details to follow. Please see attached Confidential Program Update for more details on programs and activities for this year.

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*Contact: Zis Parras  
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#### **Operations**

The Operations Department has been putting the final touches on the site plan now that construction of the Sky Ride tower bases has begun. In addition to the two new rides mentioned in last month’s report, the CNE will also be featuring a new Rip-Line for visitors to experience and an expanded beach area that will enhance the interactive experience. Planning is also underway for enhancing the delivery of information services utilizing a new technology and approach.

A number of key summer staff will be joining the CNE Operations team in the next few weeks. The team will include Laura O’Loughlen and Peter Philpot who will be overseeing Visitor Services. Both Peter and Laura are CNE veterans and we would like to welcome them to their new roles in Visitor Services. Tracey McKinney will be overseeing the Credentials Department. In addition, Rod Perrin and Randy Arnold will be returning to oversee Emergency Planning and Security, Barry Findlay will be returning to assist in Gate Operations and Transportation Planning and Lynn Yorke will be returning to assist in Concessions.

Sales efforts in the area of outdoor retail are coming to a conclusion. To date, contracts are being issued for a total of \$287,058 in space against a budget of \$204,000. Assuming all contracts are fully executed this should represent a positive variance to budget of almost \$84,000.00.

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*Contact: Virginia Ludy  
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#### **Exhibitor Sales & Services**

We are ahead of forecast! Sales figures as at April 27, 2012 are up from previous years and it is anticipated that all revenue targets will be achieved. We expect to be sold out in some pavilions by June. If that happens, we could expect to be ahead by more than 8% of last year, which would be a very welcome result in the current economic climate. We attribute this result to the outstanding response we have received in our early stages of the renewal process and lead generation last fall.

Equally, our sales tactics and strategies are gaining traction in the marketplace, with our extensive sales outreach campaigns that we have developed this year.

- Exhibitor newsletters are sent electronically each month to our existing exhibitors providing them with the proper tools to help promote their participation at the CNE, all while improving loyalty amongst our existing customers.
- Prospect e-blasts deployed monthly to over 2500+ prospective clients, with extensive follow-ups.
- Sales staff attendance at various Consumer-trade shows and events; in order to build strong sales pipelines, identify sales opportunities and grow relationships with existing accounts.

New Applications continue to be received, and are vetted by the Review Committee on a bi-weekly basis to ensure a diversified product mix is relative to the number of exhibitors participating in each pavilion. To-date, we have received a total of 150 new application submissions, of which 82 were accepted and 67 placed on a waiting list due to category quota capacity, until a booth within their product category becomes available.

In the Food Building we're under construction and in the process of finalizing 12 new food tenants in the Food Building. Savour the opportunity to experience something new at this year's fair! Stay tuned for more information in the July edition of the Management Report.

<b>Exhibit Sales as at April 27, 2012</b>				
<b>Pavilion</b>	<b>2011 Actual</b>	<b>2012 Budget</b>	<b>2012 Actual</b>	<b>%</b>
Arts, Crafts & Hobbies (QE Exhibit Hall)	\$ 317,504.00	\$ 323,854.00	\$ 318,117.09	98%
At Home   Shoppers Market (DEC - Hall A)	\$ 950,260.98	\$ 948,674.00	\$ 856,710.67	90%
<i>Shoppers Market</i>	\$ 309,337.72	\$ 315,524.00	\$ 277,145.56	88%
<i>At Home</i>	\$ 640,923.26	\$ 653,741.72	\$ 579,565.11	89%
International Pavilion (DEC - Hall B)	\$ 829,124.65	\$ 838,871.00	\$ 678,929.38	81%
Warehouse Outlets (DEC - Hall C & G)	\$ 402,216.42	\$ 400,000.00	\$ 382,344.40	96%
Food Building	\$ 936,144.00	\$ 966,625.00	\$ 974,148.00	101%
<b>TOTALS</b>	<b>\$3,435,250.05</b>	<b>\$3,478,024.00</b>	<b>\$3,210,249.40</b>	<b>93%</b>

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*Contact: Gilbert Estephan  
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### **Corporate Secretary & Government Relations**

**Corporate Secretary:** We have been doing follow up from last month's meetings and preparing for the upcoming executive, board, CNE Foundation and committee meetings. Recent committee meetings included: Archives on April 5<sup>th</sup>, Programs on April 26<sup>th</sup> and Finance on May 1<sup>st</sup>. Upcoming committee meetings include: Credentials & Nominating Committee in June (meeting date to be confirmed).

With the upcoming CNEA Annual Financial Meeting (AFM) on May 17<sup>th</sup> (12:30 in the Fountain Blu), we have been working on communications and logistics for the hundred plus guests, members and staff who may be in attendance based on previous years' attendance. Key AFM communications have been sent including several 'hold the date' reminders, the formal notice and agenda package, a personalized attendance chart for each member, and following the upcoming approvals, the CNEA audit results and financial statements will also be circulated.

With the recent Executive and Board acceptance of Canadian Bar Association (CBA) as a new member of the CNEA, their representative (Randy Bauslaugh) has been sent a welcome package and the CBA has received a follow-up welcome letter.

As in past years, the Corporate Secretariat supports the Opening Day invitation process and packages. Management across Exhibition Place have recently reviewed their list of attendees for the Opening Day

Ceremony and Reception. Working with the CNE Marketing & Communications department, next steps include sending a 'save the date' electronic invitation to the updated list. As well, the calligrapher has been approached about this year's Opening Day Salute to 'The War of 1812' for the calligraphy for the historical book, 2012 CNE page.

Planning for the 2012 CNE booth space offered to CNEA members has started with a letter and an invitation to all members to book booth time as early as possible; the Corporate Secretariat will have the 2012 CNE booth schedule available to book in person at the upcoming AFM.

There are a number of on-going projects that we are working on which include:

- CNEA by-laws review & governance research
- CNEA receptions/VIP events during the 2012 CNE
- Opening Ceremony reception
- Final 2012 CNEA privileges & roll out (working with the President)

**Government Relations:** On the Government Relations side, Sarah attended the recent Toronto City Council meetings to follow the results of the motions by local Councillors on the topics of Ontario Place and a Toronto Casino. Both motions ended up referred to Council's Executive Committee and we will continue to monitor where these discussions lead.

As well, as per past protocol and to continue our relationship with Toronto City Council, all Toronto City Councillors have been extended an invitation by the President to the upcoming CNEA AFM.

Festivals and Events Ontario (FEO) recently hosted their annual Queen's Park day and Sarah represented the CNE. At that event, the Ontario Trillium Foundation announced an investment in FEO 'to conduct economic impact and strategic alliance studies' at 75 festivals and events across Ontario over the coming years. The CNE will be looking into whether this is an opportunity to consider.

Recent Government Relations review and media watch included the tabling of both the Federal and Provincial budgets in late March. Due to economic realities and the current culture of austerity, there was no continuation of the MTEP funding previously received by the CNE and there were no new funding announcements/investments of note. We will continue to do media watch on some of the hot topics including: Ontario Place, Toronto Casino and general provincial politics (especially due to the minority government situation) and the on-going campaign from the horseracing industry.

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*Contact: Sarah Fink  
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### **Casino**

The 2012 CNE Casino Training School opened on April 30, 2012 and will operate until the start of the 2012 CNE Casino. The Casino will be opening July 30, 2012 and will be running until September 3, 2012. On August 4, the Casino will close for the day for the Toronto Caribbean Festival, and will re-open August 5 at noon. This year, the Casino is opening an additional four Texas Hold 'em Poker tables. The CNE Casino will be conducting on-site research, with our registered VIP players, to determine if a new casino at Ontario Place, Exhibition Place, or another location in the GTA would affect future attendance at the CNE Casino.

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*Contact: Sean Higgins  
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### **Air Show**

For now our update is short and simple. From the Air Operations perspective we are dealing with final approval of their aerobatic packages, military air displays (US and CDN) and Emergency Procedures for the 2012 show.

We are working on the tentative schedule with Porter and are anticipating no breaks this year. There has been discussion about having the show starting at 12:30 p.m. and ending at 4:30 p.m. The final schedule and times

for practice day on Friday and show days will be confirmed once our proposed time is blended with Porter's flight schedule. We will endeavour to pass this time along as soon as we set them in stone.

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*Contacts: Jennifer Brown / Jasmin Guillen  
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**Travel:**

**IAFE Spring Management Conference - Des Moines, Iowa - April 23 to 26**

In April Virginia Ludy was to have attended the IAFE Spring Managers Conference, however she cancelled the trip to assist with document review for CNEA Independence.

**SIAL Canada (Salon International de l'Alimentation) - Montreal, QC - May 9-11**

Jeannette Mintz will attend this trade event to network, seek new ideas, keep up with latest trends and develop new business relationships food-industry professionals. The show is one of the industry's most important meeting places for North America, hosting around 700 exhibitors and 13,000 visitors from over 60 countries over the course of 3 days each year. SIAL Canada is the world's leading network of food-industry shows—which has a presence on 4 continents (Paris, Montreal/Toronto, Shanghai, São Paulo and Abu Dhabi).

**CAEM (Canadian Association of Exposition Management) - Halifax, NS - June 24-26**

CAEM is the national association for professionals involved in the production, management, and planning of trade and consumer shows, and for events of a similar size and scale. Gilbert Estephan will be attending the annual convention for exposition industry professionals to network with peers, partners and suppliers, attend educational seminars, brainstorm about industry trends and learn about new changes in the industry happening across Canada. In addition, Virginia Ludy will be attending to complete courses required for recertifying her CEM designation.

**Pixar Studios - San Francisco, CA – early July**

Zis Parras will be attending the travelling exhibit of Pixar Studios, with the intention of reviewing to see if this exhibit would fit with our show. During this trip, Zis will also visit the Alameda County Fair and the Napa County Fair. Zis will tie this trip in with his visit to Calgary.

**Calgary Stampede - Calgary, AB - July 6 to 15**

Virginia Ludy, Zis Parras and Michael Knott are also scheduled to attend the 100<sup>th</sup> 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.

Respectfully submitted,

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David Bednar, General Manager



## Key Messages

### May 2012

#### **Self-funded, the CNE is a major economic generator for the province of Ontario.**

- CNE is financially stable and operates without any annual subsidy.
- An Economic Impact Study conducted by Enigma Research Corporation in 2009, reported that the CNE had a gross economic impact of \$58.6 million on the Greater Toronto Area and \$80 million on the province of Ontario.
- CNE-related hiring creates the equivalent of 633 full year jobs in the region. An estimated 5,000 youth are at work on any given day of the Ex.
- 70% of the CNE's annual operating budget is invested in JOBS

#### **The CNE has an excellent product.**

- The CNE has developed a strong roster of high quality programs which have proven to attract people to the fair. These include a very popular series of concerts at the Bandshell, an Aerial Acrobatic and Ice Skating show, and Celebrity Chef demonstrations.
- In addition to these key programs, the CNE offers a wide variety of performances, often interactive, which visitors spontaneously happen upon during their visit.
- Rides, food and shopping also attract attendance to the fair. This year the CNE Sky Ride will be our major new signature attraction.

#### **The CNE has a Business Model that works.**

- The CNE has developed a business model that works. Our "unique selling proposition" is **VALUE FOR MONEY**. Outside of the money people spend on rides, games or food, all attractions are FREE with Admission to the fair.
- The CNE's affordable ticket prices, coupled special discount offers, have succeeded in increasing attendance, driving attendance into weeknights and days which historically have been weak. Over the past five years, the CNE has succeeded in attracting visitors into its early days of the fair, during the week, week nights and weekends, with attendance culminating on Labour Day Weekend.
- The CNE has a strong and loyal exhibitor base, locally, nationally and internationally. It also has built a strong partnership with its midway company North American Midway Entertainment.
- The CNE Casino plays an important role in the fair's net revenues. In 2011, net revenues from the Casino amounted to \$3.4 million.
- In 2011, the CNE reported a **budget surplus of \$1.29 million; 1.31 million visitors attended the fair last summer**

#### **Independence will enable the CNE to retain its revenues and re-invest in the fair.**

- The new relationship is intended to encourage the CNEA to grow and flourish while minimizing risk.
- Independence will allow the CNE to retain earnings and enabling it to re-invest in itself.

#### **CNE is EcoLogo certified making it the Greenest Fair in North America.**

- CNE has been honoured with EcoLogo Certification in both 2010 and 2011, establishing it as the "greenest" fair in North America.
- In 2011, the CNE diverted **82% kg** of the total waste generated during the 18 day fair, from landfills, and has reduced its energy use by 1.06 megawatts since 2005. This translates into a significant reduction in greenhouse gases amounting to 267.32 tonnes of carbon dioxide.