



ACTION REQUIRED

Exhibition Place

Item No. 16

January 24, 2012

To: The Board of Governors of Exhibition Place

From: The Business Development Committee

Subject: **Independence of the Canadian National Exhibition Association**

Summary:

This report recommends that subject to the approval of City Council, the Board of Governors approve a Master Agreement for a four (4) year initial term, subject to renewal for two further terms of three years each, with the Canadian National Exhibition Association (“CNEA”) generally on the terms and conditions set out in the Term Sheet attached to this report. The proposed Master Agreement establishes the process whereby the CNEA will become independent from both the Board of Governors and the City of Toronto (“City”) effective April 1, 2013. The general direction to have an “independent” CNEA has been endorsed by the CNEA Board of Directors; the Board of Governors; and City Council. KPMG in its 2011 Core Services Review determined that while there was a “traditional relationship” between the CNEA/CNE Event and Exhibition Place/City, it was not a “core service” of the municipality. City Council in September 2011 therefore 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 Canadian National Exhibition Association (CNEA)". Pursuant to the Council direction, the CEO of Exhibition Place has been working with the General Manager of the CNEA and staff from the offices of the City Manager and Deputy City Manager & CFO to develop the proposal provided in this report.

While the attached Term Sheet sets out the general terms and conditions of the Master Agreement, it also recommends the negotiation of various operational agreements that would be schedules to that Master Agreement and entered into by the Board of Governors and the CNEA, all of which would have an Initial Term of four (4) years and two (2) renewal terms and be subject to approval by the City Manager and City Solicitor. As stated in the Term Sheet, the overriding premise for the development of these various agreements is (i) to not make any substantial changes to the financial presumptions set out in the 2008 Memorandum of Understanding (2008 MOU) between the Board of Governors and the CNEA; and (ii) the Board of Governors and the CNEA providing full financial disclosure to each other with respect to all costs related to independence of the CNEA.

In other words, the agreements will protect the Board of Governors and the City against any negative financial consequences and at the same time allow the CNEA to reach financial and organizational stability for the new independent organization. While the Initial Term of the Master Agreement is four years, there is an obligation for the parties to enter into negotiations for a new agreement no later than the third year of the Initial Term on the presumption that the independent CNEA would have reached a stabilized performance by the end of Year 3.

Recommendations:

It is recommended that, subject to the approval of City Council, the Board of Governors:

- 1) Enter into a Master Agreement with the CNEA and the City which will have a Transition Term (pre-independence) commencing April 1, 2012; and an Initial Term (post-independence) commencing April 1, 2013 and expiring March 31, 2017, substantially on terms and conditions set out in the Term Sheet attached to this report including two (2) three (3) year Renewal Terms and such other terms and conditions as may be satisfactory to the City Manager, the City Solicitor and the CEO of Exhibition Place;
- 2) As schedules to the Master Agreement, negotiate the terms and conditions of the following specific agreements which terms and conditions must be satisfactory to the City Manager, City Solicitor and the CEO of Exhibition Place:
 - a. Licence Agreement for use of the Exhibition Place grounds for the annual CNE Event including an addendum for use of the Food Building;
 - b. Lease Agreement for the use of the Press Building as the year-round administrative offices for the CNEA for nominal rent;
 - c. Storage Agreement for year-round use of certain storage areas on the grounds for a nominal fee;
 - d. Administration Services Agreement for the provision of particular administrative services by Exhibition Place staff as requested by the CNEA and on terms and conditions negotiated by the parties; and,
 - e. Event Services Agreement for the provision of direct event services by the Board of Governors and the Exhibition Place staff during the CNE Event on a cost recovery basis.
- 3) Request that City Council authorize the placement of any surplus in excess of the Council approved budget for the CNEA Program for 2011 and 2012 to the Exhibition Place Stabilization Reserve (an existing Reserve presently held by the City) for the sole purposes of assisting the CNEA to become independent from the Board and the City in 2013;
- 4) Request the City to authorize the Board of Governors to provide a deemed grant to the CNEA in the form of a reduction to the Board of Governors published rental rates as set out in the Financial Implications & Impact Statement in this report;
- 5) Request the City to consult with Exhibition Place on a future report to address any governance issues that may result from the independence of the CNEA, including the CNEA'S continued representation on the Board of Governors; and
- 6) The confidential information contained in Confidential Attachment 1 to this report not be released publicly and remain confidential in its entirety in accordance with the provisions of the *City of Toronto Act, 2006* as it pertains to personal matters about identifiable individuals, including employees of the Board of Governors.

Financial Implications & Impact Statement:

The financial terms established in the Master Agreement are based on the assumption that for the first four-year term neither the Board of Governors/City nor the CNEA will experience any substantial changes to the financial presumptions that are set out in the 2008 MOU between the Board of Governors and the CNEA and are reflected in the 2012 Consolidated Operating Budget for Exhibition Place.

In other words, as noted in the table below the rent (site fee plus surplus) paid by the CNEA to the Board in 2012 will stay the same for the initial four (4) year term except for CPI increases. This will allow the Board/City to remain financially “whole” while allowing the CNEA to reach financial stability as an independent organization which, given the risk of the fair industry, would require the CNEA to start to accumulate sufficient retained earnings to ensure it can be financially independent regardless of any “force majeure” circumstances it may face. Given the significance of the CNE Event to Exhibition Place and the City, failure of the CNEA to become a profitable organization would have significant detrimental effects for the Board/City financially, culturally and with respect to economic impacts/generation.

	2012 Operating Budget	2013 2% CPI	2014 2% CPI	2015 2% CPI	2016 2% CPI
CNEA Rent / Site Fee paid to Exhibition Place	\$3,259,553	\$3,324,744	\$3,391,239	\$3,459,064	\$3,528,245

The rent to be paid by the CNEA in 2013 (as noted above) does provide the CNEA with a financial discount from the Board approved listed rental rates for Exhibition Place (approved rates for 2013 would result in estimated rent of \$4,817,230). However, the Master Agreement also provides that the parties must share all financial data in Year 3 of the Initial Term to begin negotiations for the First Renewal Term and the language for the Second Renewal Term includes a direction to eliminate any discounts from the Board approved rental rates as the CNEA’s finances are stabilized and it becomes more profitable.

Finally, the Term Sheet also addresses inventory / equipment that has been used exclusively by the CNEA since 1998 and proposes that the ownership of this inventory (with a book value of approximately \$0.458M) be transferred to the CNEA for nominal consideration. In return, the CNEA will transfer ownership of the Garden of the Greek Gods statuary to Exhibition Place which statutes have an equivalent book value as the inventory transferred to the CNEA for a net zero impact to the Board/ City.

Decision History:

At its meeting of January 24, 2012, the Business Development Committee of the Board of Governors considered a report from the CEO of the Board entitled “Independence of the Canadian National Exhibition Association”. A report from the General Manager of the CNEA entitled “Independence of the Canadian National Exhibition Association”, which is similar to the report from the Board’s CEO, will be considered by the Board of Directors of the CNEA at its meeting of January 26, 2012, wherein the recommendations of the CNEA Board will be reported to the Board at its meeting of January 27, 2012.

At its meeting of January 24, 2012, the Business Development Committee approved and requested a recorded vote with respect to the recommendations outlined in subject report and is as follows:

Recommendation Nos. 1, 2, 3, 5 and 6 of the report were approved by Sean Webster, Chair, Ana Bailo, Wayne Copeland, Mark Grimes, Hugh Mansfield, Brian Ashton and John Kiru. Recommendation No. 4 of the report was approved by Sean Webster, Chair, Ana Bailo, Wayne Copeland, Mark Grimes and Hugh Mansfield with Brian Ashton and John Kiru voting in the negative.

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

At its meeting of June 24, 2011, the Board of Governors 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 of Governors and the City as requested by CNEA Board of Directors. At the same meeting, the CNEA President proposed that the Board of Governors establish a committee to work with the CNEA on the issue of independence.

Pursuant to section 406(4) of the *City of Toronto Act, 2006* ("COTA") and § 63-4C of Municipal Code Chapter 63, Exhibition Place, Governance ("Chapter 63"), the Board of Governors is authorized to enter into agreements from time to time with the CNEA for the planning and management of an annual fair (such as the CNE Event) on the grounds. Currently, the Board of Governors and the CNEA are governed by the 2008 MOU that was approved by the Board of Governors at its meeting of June 20, 2008, which agreement expired on December 31, 2010 and was extended on a month-to-month basis by the Board of Governors at its meeting of November 25, 2010.

The 2008 MOU was the fifth MOU entered into by the CNEA and the Board of Governors since 1997 when there was a restructuring of the relationship between the CNEA and Exhibition Place which was approved by the former Metropolitan Toronto Council at its meeting of December 10 and 18, 1997, as amended by Metro Council. The terms and conditions of the 1997 MOU were negotiated on the basis that the CNEA intended to achieve operational and financial independence from the Board of Governors and the municipal government. While the CNEA Board of Directors decided not to go in this direction in 2004, the terms of the subsequent MOUs did not reflect this change of direction and were not amended.

The Board of Governors manages the Exhibition Place site pursuant to Chapter 63 and the Relationship Framework document adopted by City Council as part of Item EX41.1 at its meeting of March 31 and April 1, 2010 (the "Relationship Framework").

Issue Background:

With support from the City Manager, City Council, the Board of Governors and the CNEA Board of Directors, regarding a direction and process to CNEA independence, this report outlines the general terms and conditions of a Master Agreement between the City, the Board of Governors and the CNEA. Approval from City Council on the terms and conditions of the Master Agreement will allow the parties to proceed to negotiate the detailed terms and conditions of the operational arrangements that will govern the parties for a term commencing on April 1, 2013 and expiring March 31, 2017.

Comments:

History

The CNEA has held its annual fair at Exhibition Place since 1879 celebrating its 133rd CNE Event in 2011. Generally all the buildings constructed on the grounds between 1879 and 1980 were built to service the annual CNE Event and as the largest industrial and agricultural fair in Canada, 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 has, and will likely continue to be, the largest annual event held at Exhibition Place.

The legislative basis for the strong relationship of the CNEA and the Board of Governors/City also dates back to the first industrial fair. The CNEA is an agricultural organization (as defined under the *Agricultural and Horticultural Organizations Act*) formed through its own Private Members Bill dating back to 1879 which legislation sets out membership of the Association including substantial municipal membership. For many of the years from its inception to 1983, the CNEA managed the entire Exhibition Place grounds as agent for the former City of Toronto (owners of the park/assets) for the entire year in addition to producing and managing the annual CNE Event.

In 1983, the Ontario Legislature enacted legislation to transfer all the Exhibition Place lands, buildings and assets from the then City of Toronto to the Metropolitan Corporation. In addition, the legislation created the Board of Governors as a local board of the former Metropolitan Corporation and the management of Exhibition Place was transferred from the CNEA (which had previously managed Exhibition Place on behalf of the former City of Toronto) to the Board. However, at that time, the relationship of the CNEA to the Board of Governors/Metro also changed from the relationship that had existed between the former City of Toronto and the CNEA. In 1983, all persons employed by the CNEA became employees of the Board of Governors. Furthermore, while the CNEA Board of Directors and corporate structure continued in order to plan the CNE Event, from the perspective of the Metropolitan Corporation, the CNE Event became a program of Exhibition Place and was required to follow the Metro Council budgeting and policy processes and with all surpluses and deficits from the CNE Event being part of the Exhibition Place consolidated budget and the ultimate property or responsibility of the Metropolitan Corporation.

This same arrangement is still reflected in the COTA. In addition, the COTA has a requirement for Exhibition Place to have “an annual exhibition” on the grounds and as noted below, the CNE Event not only meets this requirement of the COTA but has enormous benefits to both Exhibition Place and the City.

Benefits of the CNE Event

The CNE Event is one of Toronto’s premier events in the summer which provides major benefits to the City. Some of these benefits are as follows:

- It is the largest exhibition in Canada and 7th largest in North America
- Creates 633 person years of employment (including youth employment) in the Toronto area
- Generates \$4.3M in commodity taxes
- Attracts 1.3 to 1.4 million attendees - 44 % residents of Toronto, 30% from GTA and 26% from various locales 80 km and more
- Generates a \$58.6M positive economic impact for the GTA and \$80.0M for the province
- A “Value” attraction offering more than 100 different events and attractions free with the price of admission
- 27% of CNE’s operating budget is invested in labour costs
- The CNE Event is EcoLogo certified as the “greenest fair” in North American and has a waste diversion success rate of 83%
- Since 1998, the CNEA has contributed \$4.8M to the revenues of the Board of Governors/City

Benefits / Risks of Independence

From 1998 to 2010, the CNEA and the Board of Governors together have put in place processes that have resulted in the CNEA being successful and over that period, the CNE Event has posted a cumulative profit of \$4.8M so that successful separation/independence of the CNEA from the Board of Governors/City is possible. However, as indicated by the KPMG Consultant report, the CNEA cannot immediately become independent without some financial assistance from the City/Board of Governors. Even though the CNE Event has been financially successful over the last 10 years, the CNEA has not been allowed to retain any of these profits as the current arrangement provides that all surpluses belong to the City in return for underwriting the liabilities associated with the CNE Event. Again, as detailed above, it is very much to the benefit of the Board of Governors and the City that the CNEA and the CNE Event continues as a viable and successful operation in the City.

Finally, it will also be beneficial for the CNEA to be independent from the City; to be able to determine directions for the CNE Event that are made in the interest of the CNEA and its patrons, and then be financially responsible for the directions it takes, as experts within the fair business. Within the existing integrated model there is arguably little financial incentive for the CNEA to maximize profits given that all profits earned are returned to the City. As an agricultural fair the CNEA sees itself as a not-for-profit organization which has a mandate to produce a first-class event for its customers.

Consequently, the Term Sheet attached is recommending an agreement that assists the CNEA to become independent and continue to be profitable and viable in the long-term. All of the concessions proposed to be given to the CNEA are in keeping with other grants and concessions given to major long-term events on the Exhibition Place grounds that have significant economic impact for the City, such as the Royal Agricultural Winter Fair and the Honda Indy. A survey of other major fairs across Canada (Western Fair in London, Stampede in Calgary, Klondike Days in Edmonton) also indicate a practice of close ties and strong financial support of these events from their municipal partners.

The risks of independence are generally the same for both the CNEA and the Board of Governors/City:

- Because it is very much an outdoor festival, weather can play a huge part in the financial success or failure of the CNE Event and bad weather on the Labour Day Weekend can result in a financial loss (e.g. the weather effects of a hurricane on the Labour Day weekend in 2006 resulted in a posted loss of \$1.2M which had to be paid by the City).
- The CNE Event itself poses some major liability/security risks similar to other theme parks such as Wonderland and while protections can be put in place, these risks cannot be totally negated (e.g. risks associated with the Air Show; amusement rides; potential for "slip and fall" injury claims or similar claims from some of the 1.4M attendees; the liabilities associated with substantial cash operations). Presently, as a program of the City, the City's insurance must respond to any property and personal losses resulting from the CNE Event. Once independent, it is proposed that the CNEA and the CNEA insurer, not the Board of Governors/City and their insurer, would be responsible for such liabilities, save and except for any claims resulting from the negligence or misconduct of employees of the Board of Governors.

Reserve Account

In its report on City Core Services dated July 7, 2011 and approved by City Council at its meeting of September 26 & 27, 2011, KPMG provided the following Risks and Implications with respect to moving the CNEA to financial and programmatic independence:

“With independence the CNEA would operate its 18-day annual fair on the Exhibition Place grounds similar to the Royal Agricultural Winter Fair and have a similar relationship with the City. There would need to be a transition period and some ongoing support for the CNEA by the City, and would require a review of governance issues. An initial step could be establishing a reserve account for profits from the annual fair, to be used to fund any future deficits.”

The risk facing the CNEA is that approximately 30-35% of its expenses (including marketing and programming expenses) are spent / committed by the CNEA prior to any visitor coming to the CNE Event and in addition, the CNE Event can be negatively affected by the weather. Since 1998, the largest loss experienced by the CNEA was in 1998 which totaled \$2.2M and resulted from a major over-expenditure in programming that did not result in increased attendance as projected. In 2006, the effects of a hurricane on the last weekend caused a loss of \$1.2M. Because of this experience, the CNEA believes it needs to maintain retained earnings at the level of \$3.0M.

At present the City has an Exhibition Place Stabilization Reserve Account which has a zero balance. Should the agreement recommended in this report be approved, the Deputy City Manager & Chief Financial Officer is prepared to support depositing into this account the surplus over budget achieved within the CNEA Program in 2011 and 2012. Setting up this reserve for the years 2011 and 2012 only would allow the CNEA to start working aggressively towards maximizing its level of surplus over budget to increase the reserve which would then be transferred to the independent CNEA following the completion of the Year-End Audit of the consolidated Exhibition Place operations for 2012.

This proposal would not result in any negative financial impacts to the City in 2011 or 2012 since it only relates to a surplus over the projected amount included in the approved City budget. Furthermore, if for whatever reason the CNEA does not become independent on April 1, 2013, (or a later date as approved by the City Manager) then all monies in the Reserve would be taken into income by the City.

OMERS

In 1983, all employees that worked directly for the CNEA became employees of the Board of Governors and eligible for OMERS membership. Exhibition Place and City staff have worked with OMERS on the issue of the future independence of the CNEA and the effect on the continued membership of the CNEA staff in OMERS. Because of the close relationship between the CNEA and the Board of Governors, OMERS is prepared to accept the CNEA as an “Associated Member” as provided for in the *OMERS Act*. The CNEA will be able to pay directly any form of guarantee/letter of credit required by OMERS without assistance from the Board of Governors or the City. This means that OMERS membership would continue for Board employees who become employees of the CNEA.

Alternative Directions

If, for whatever reason, the CNEA does not achieve independence by April 1, 2013, or such later date as approved by the City Manager, and there is a determination that the CNEA, for the foreseeable future, will continue to be a program of the Board of Governors/City and the employees will continue to be employees of the Board of Governors, then a new agreement will need to be negotiated with the CNEA by the Board of Governors and the City Manager that addresses the present policies and priorities of City Council. As stated earlier, the existing agreements (MOU) between the Board of Governors and the CNEA were negotiated on the basis that the CNEA would become independent; were negotiated before the new Relationship Framework between the City and the Board of Governors was executed; were concluded without the benefit of the Core Services Review; and did not address any issues related to the existing governance structure. For all these reasons, any future agreement with a financially dependent CNEA would be substantially different than the one that presently exists.

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Submitted by:

Business Development Committee

Term Sheet
Dated this day of 2012

1. Parties: The City of Toronto (the “City”) and The Board of Governors of Exhibition Place (the “Board”) and the Canadian National Exhibition (the “CNEA”).
2. Purpose: At a meeting of City Council of September 26, 2011, Council approved a recommendation for the City Manager, in consultation with the Chief Executive Officer of Exhibition Place, to negotiate and report to City Council on an agreement for separation and governance arrangements between the City, the Board and the CNEA. The purpose of this Term Sheet is to set out the substantive terms and conditions of CNEA independence and the transition period leading up to independence and the substantive terms of a Master Agreement to take effect on April 1, 2013. The agreement as contemplated in this Term Sheet is therefore subject to the approval of the Board, CNEA and City Council.
3. Transition Term: The Parties agree that the transition term commences on the execution of this Term Sheet and shall end the 1st day of April 2013 or such later date as agreed to by the Parties provided such date is no later than the opening day of the 2013 CNE Event. During this Transition Term, the 2008 Memorandum of Understanding, as amended, attached hereto as Appendix “A”, previously entered into by the Board and the CNEA on January 1, 2008 will continue on a month-to-month basis (the “2008 MOU”). **[Schedules I to IV to the 2008 Memorandum are with the Corporate Secretary for the Board of Governors]**
4. Relationship after CNEA Independence: On April 1, 2013, or some other later date agreed to by the Parties, the CNEA will operate independently and the operation shall be in accordance with the following principles:
 - a. The CNEA shall plan and stage an annual CNE (the “CNE Event”) worthy of community support at Exhibition Place at the sole cost and expense of the CNEA.
 - b. The CNEA will operate as a distinct and independent non-profit organization, separate from any government operation save and except for any funding, grant or loan (deemed or otherwise) requests made and received on an annual basis by the CNEA to and from the municipal, provincial and federal levels of government. The intent, subject to the approval of City Council, is that the CNEA will operate independently and will therefore not be subject to any City Council policies and directives except as contemplated in the Master Agreement and the other agreements which will be schedules to the Master Agreement as set out in Paragraph 8 below or otherwise specifically agreed or applicable as a result of the approval by the City for a grant, loan or other funding to the CNEA.
 - c. The parties acknowledge that it is important and mutually beneficial for all parties to stage the CNE Event on the grounds each year and are therefore entering into the agreements as contemplated in this Term Sheet.
 - d. The terms and conditions of these agreements will be negotiated with the intent of (i) not making any substantial changes to the financial presumptions set out in the 2008 MOU during the initial Agreement Term except as stated herein; and (ii) the Board and the CNEA providing full financial disclosure to each other with respect to the all costs and revenues related to the agreements set out in this Term Sheet.
 - e. The parties agree that any deemed grant or financial incentive provided by the Board or the City to the CNEA will be conditional on the CNEA providing the Board with an annual audited statement prepared by an independent audit firm acceptable to the Board each year of the Term covering the fiscal year ending December 31st of the immediate preceding

year. If, for whatever reason, the Board or the City do not receive a copy of the annual audited statement prior to August 1st of each year of the Term, then any grant or financial incentive to be provided by the Board or the City will not be provided in that year.

5. Master Agreement: On or before April 30, 2012, the Parties will negotiate and enter into a Master Agreement for a Transition Term as set out in Clause 3 above followed by an initial term of four (4) years (the “Initial Term”) commencing April 1, 2013, substantially on the terms and conditions set out in this Term Sheet and other terms as may be agreed to.
6. Renewal Terms:
 - a. If the CNEA is not in breach of any of the material terms of the Master Agreement, the CNEA at its sole discretion may request that the Master Agreement be renewed for two separate Renewal Terms as follows:
 - (i) First Renewal Term – A term of three (3) years, subject to negotiation by the parties of mutually agreeable terms;
 - (ii) Second Renewal Term - A further term of three (3) years, subject to negotiation by the parties of mutually agreeable terms with the purpose of having the CNEA pay a base rent reflective of the rental prices approved from time-to-time by the Board for use of Exhibition Place; and,
 - (iii) For the purposes of clarity only, Clause 21 related to a dispute resolution mechanism may be used by the parties to resolve any outstanding issues.
 - b. The parties agree that on or before January 31st of the last year of the Initial Term or the First or Second Renewal Terms, each party will provide notice to the other party of the specific terms of the Master Agreement that it wishes to re-negotiate and in addition, each party will provide any financial information as requested by the other party, acting reasonably.
 - c. The parties will make commercially reasonable efforts to conclude the terms and conditions of each Renewal Term on or before October 1st of the final year of the Initial Term or the first Renewal Term, as the case may be, failing which then either party may terminate negotiations and the Master Agreement.
7. Notice Period:
 - a. Subject to clauses (b) and (c) below, if the City or the Board determines that it is in the best interests of the City or the Board to redevelop any part of the Exhibition Place lands or buildings, the City or the Board may remove these areas from use by the CNEA provided that the City or the Board provides two (2) years' written notice to the CNEA.
 - b. Despite clause (a) above, the City or the Board shall not give notice during the Initial Term to require the removal from use of the Food Building.
 - c. If the removal from use by the CNEA of any part of Exhibition Place lands or buildings would cause a substantial material financial loss to the CNEA, or would render the CNEA incapable of presenting an annual event of sufficient size or scope having regard to the use of Exhibition Place by previous CNE Events, the Board and City agree (i) to renegotiate the financial terms of the Master Agreement to address that financial loss, or (ii) work with the CNEA to provide alternative lands or buildings to replace the lands and buildings lost.
 - d. Prior to removal from use by the CNEA of any part of Exhibition Place lands or buildings for redevelopment by the Board or City or by a third party, the Board or the City will consult with the CNEA and will make reasonable efforts to consider and address CNEA concerns with respect to the project where it would not, in the opinion of the Board or the City, be detrimental to the interests of the Board or the City to do so.

8. Agreements Required: The CNEA and the Board will, on or before April 30, 2012, negotiate the terms and conditions of the following specific agreements for an Initial Term and the Renewal Terms, which shall be attached as schedules to the Master Agreement, subject to review and approval of the terms and conditions by the City Manager and City Solicitor:
 - a. A Lease for the Press Building for use as the CNEA Administrative Offices on a year-round basis including but not limited to terms to address the charges to be paid by the CNEA for use of this building provided that such charges are not in addition to the costs paid by the CNEA for its use of the building in 2012, and further that the repairs, utilities and maintenance services to the building are consistent with previous years;
 - b. A Licence Agreement for the use of the grounds and the buildings for the CNE Event for a base rent estimated to be \$3,324,744 (2012 costs/fees by the CNEA plus estimated CPI) and in addition, including, but not limited to, terms addressing (i) move-in, move-out by building / area; and (ii) the rights of any special events such as the Pan Am Games. As an Appendix, the Licence Agreement will include specific terms and conditions related to the use of the Food Building during the CNE Event including but not limited to (i) a move-in and move-out period; (ii) storage of equipment during the remainder of the year, as approved by the Board; and, (iii) terms addressing the charges to be paid by the CNEA for such use which charges will be similar to those paid in previous years; and
 - c. A Storage Agreement for the cubicle located at 20 Manitoba Drive; the Storage Area at Bandshell Stage; storage in some of the units in Centennial Square; and storage in some limited areas in the Better Living Centre, all as used in 2012 and previous years and all to be licensed to the CNEA for nominal rent.
9. Event Services: The parties agree that before, during and following the CNE Event and related activities, Board employees are involved in CNE activities and the services provided are of benefit to the CNE Event including but not limited to Parking and Exhibitor Services. The parties therefore agree to negotiate the terms and conditions under which these services will be delivered during the CNE Event and if the CNE Event earns income from the Event Services delivered then the agreement shall include a provision that any revenues earned during the CNE Event from the provision of the Event Services will accrue to the CNEA less deductions for actual Board costs, including but not limited to salary and benefit costs for that period for all unionized, temporary, contract or permanent employees working in the area and providing such Event Services, but such Board costs will not include any mark-up over and above actual costs and will not include any costs for regularly scheduled Building Operators staff.
10. Inventory:
 - a. The Board and the CNEA shall undertake a study of all moveable assets and equipment (“Inventory”) in the possession of the Board to determine (i) which party has, in 2011 and previous years, had exclusive use of such Inventory; or (ii) which program budget has funded the purchase of such Inventory.
 - b. Subject to the findings of the Inventory Study and clauses (c) and (d) below, the Board will transfer to the CNEA for nominal consideration all Inventory that either has been used, in 2011 and previous years, exclusively by the CNEA or has been purchased from the CNEA program budget from 1998 onward.
 - c. The CNEA will transfer to the Board for nominal consideration ownership of the Garden of the Greek Gods.
 - d. Subject to subclause (g) below, the CNEA will, where not required by the Board for its own purposes have the right to use any or all Inventory in the possession of the Board

during the CNE Event at no cost save and except for the cost of damage caused by the CNEA's (or its sublicensee's) use of the Inventory and the cost of labour to set up and remove.

- e. Subject to subclause (g) below, the Board will have the right to use any or all Inventory in the possession of the CNEA for any period outside the period of the CNE Event at no cost save and except for the cost of damage caused by the Board's (or its sublicensee's) use of the Inventory and the cost of labour to set up and remove.
- f. Neither party shall be obligated to replace any piece of Inventory at the end of the useful life of such piece of Inventory.
- g. Each of the Board and the CNEA may, to a limited extent, identify pieces of inventory that are substantially important and unique to each of its operations that allowing use by the other would be detrimental to its operations.

11. CNEA Transition Issues: On or before April 30, 2012, the parties will work cooperatively to resolve the following issues:

- a. Determination of the CNEA's ability to join the OMERS plan with respect to employees previously employed by the Board and assumed by the CNEA;
- b. Determination of the health and dental plans to be provided to employees previously employed by the Board and assumed by the CNEA in 2013 and following;
- c. Retention of independent legal services by the CNEA for the Transition Term and in 2013 and following;
- d. Retention of independent audit services by the CNEA for the annual audit results for the CNEA in 2013 and following;
- e. Retention of independent insurance services by the CNEA and arrangements for separate insurance coverage for the CNEA in 2013 and following; and
- f. Determination of workplace health and safety issues and the CNEA obtaining independent WSIB coverage for the CNEA in 2013 and following.

12. Employees: [In Confidential Report]

13. Insurance/Legal Services:

- a. At the end of the Transition Term, the CNEA will cease to have access to the City's Legal Services Division and the Insurance and Risk Management Division and claims resources including but not limited to consulting services on risk issues arising from the Canadian International Air Show, professional insurance adjusting, insurance underwriting and policy placement and various loss control activities;
- b. 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; and

- vi. crime insurance with respect to cash limits or cash on hand during the CNE Event in an amount to be negotiated by the parties including employee dishonesty coverage.
 - c. Deductible amounts of not less than \$25,000;
 - 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 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).
14. Actual Operating Surpluses 2011 and 2012: Following the completion of the annual audit for the consolidated Exhibition Place operations for the years ending December 31, 2011 and December 31, 2012 respectively, the City agrees to deposit all actual surpluses over approved budget for the CNEA Program for the years 2011 and 2012 for the sole benefit of the CNEA subject to the deductions as stated in Paragraph 12 above, within the Exhibition Place Stabilization Reserve, which fund will be transferred to the CNEA upon the expiry of the Transition Term or following the completion of the Financial Audit for the Consolidated Exhibition Place for 2012, whichever is later. This transfer shall also be subject to the condition that the Parties have executed all agreements required by this Term Sheet and the payment by the CNEA of all costs and expenses incurred by the Board and the City which are to the account of the CNEA. If for whatever reason, the CNEA does not become independent by the opening day of the 2013 CNE Event; all funds held in abeyance by the City shall be taken into income by the City.
15. Union Agreements: The CNEA shall comply with the terms of any agreements entered into from time to time between the Board and its unions and between the City and its unions.
16. Records, Archival Materials and Artifacts: On or before March 31, 2012, the parties will work cooperatively to determine the records, archival materials and artifacts owned by the Board and the records and archival materials owned by the CNEA, and the terms and conditions of the joint use of such records and archival materials by the Board and CNEA.
17. Governing Relationship during the Transition Term: Except as otherwise indicated in this Term Sheet, the terms of the 2008 MOU, as amended and attached to this Term Sheet as Appendix "A" (the "2008 MOU"), will govern the relationship of the parties during the Transition Term.
18. Allstream Centre:
- a. The parties agree that the Allstream Centre will not be part of the CNEA Licence Agreement as proposed in this Term Sheet or the Master Agreement and will be outside the CNE Event and that the Board may, subject to approval of the CNEA, acting reasonably, use the Allstream Centre for an event not associated with the CNE Event at any time during the period of the CNE Event. If, for any reason, the CNEA seeks to use the Allstream Centre as part of the CNE Event and the Allstream Centre has not already

- been licenced to a third party, the parties will negotiate the terms and conditions of that use, including (i) appropriate notice of such intention to use the facility; (ii) the payment of nominal rent; (iii) the requirement to utilize the exclusive food and beverage provider; and (iv) the payment by the CNEA of all costs and damages caused to the Allstream Centre and related to the CNEA use in order to maintain the standard of Allstream Centre as a Class A Conference Centre.
- b. During the CNE Event, the CNEA shall provide Cerise Fine Catering, the exclusive food and beverage provider for Allstream Centre, with 12, 18-Day Admission passes (CN6); 10, 18-Day non-commercial parking passes to the Direct Energy Centre underground garage; 50 Admit to Grounds (CN4) passes; and 30 day parking passes to the Direct Energy Centre underground garage.
19. Exhibition Place Systems: Subject to paragraph 20 below, the CNEA's access to any or all of the financial, human resources, telephone and IT systems will terminate unless, in the sole opinion of the Board, there are financial, human resources, telephone and IT systems which are stand-alone systems specific to the CNEA and the Board will consider a transfer of such systems to the CNEA, provided the CNEA is responsible for any costs associated with such transfer or ongoing support of the systems.
20. Exhibition Place Administrative Services: If the CNEA requests the Board to provide particular administrative services to the CNEA, the Board will make commercially reasonable efforts to provide such services on mutually agreeable terms and conditions to be negotiated by the CNEA and the Board.
21. Dispute Resolution: The parties shall resolve any controversy, claim or dispute (a "Dispute") arising out of or relating to this Agreement between the parties concerning any matter pertaining to this Agreement using the process set out in Appendix "D" to this Term Sheet.
22. Catastrophic Financial Event: If in 2012 or during the Initial Term, the CNEA experiences a substantial material financial loss due to an extraordinary event beyond the control of the CNEA (other than as a result of a decision of the CNEA, including but not limited to an administrative or programming decision, which, for greater certainty, shall not be considered an event beyond the control of the CNEA) such as, for example, inclement weather, an extended power outage or an epidemic (e.g. SARS), then the Board and the City will work with the CNEA to attempt to address the financial impact of the event, subject to the financial ability of the Board and the City to provide such assistance, and subject to the requirement of the CNEA to provide financial information to the Board and the City as requested by the Board/City.
23. Existing and Future Tenants at Exhibition Place: The parties agree that:
- a. the current (i.e. as of the date of this Term Sheet) persons that have entered into a lease or licence with the Board ("Current Tenants"), shall, for the term of their current agreements with the Board and any renewals of those agreements, have the specific rights during the CNE Event as set out in Appendix "E" subject to the Board's contractual rights in the Board's agreements with each Current Tenant;
 - b. the Current Tenants will be required to obtain the approval of the CNEA with respect to operations during the CNE Event that are in addition to the rights stated in Paragraph 19(a);
 - c. Subject to the right of the Board / City to redevelop Exhibition Place as set out in Clause 7 above, the parties agree that the terms and conditions for future tenants and licensees shall

include the requirement that the tenants or licensees obtain the consent of the CNEA to operate during the CNE Event.

24. Subject to the right of the City and the Board to redevelop Exhibition Place under Clause 7 above, the Board will provide to the CNEA an acknowledgement with respect to the CNEA Sublicensees provided that the term of the CNEA agreements with such Sublicensees is not in excess of the Initial Term, or the First Renewal Term or the Second Renewal Term, as the case may be.

Appendix “A”
2008 Memorandum of Understanding

Whereas the Municipality of Metropolitan Toronto and the Board of Governors of Exhibition Place (the “Board”) entered into an Agreement dated the 4th day of July 1983 (the “Main Agreement”) concerning the operation of the site known as Exhibition Place which provides that the Board is to enter into an agreement with the Canadian National Exhibition Association (the “CNEA”) for the management and operation of an annual exhibition at Exhibition Place; and

Whereas by virtue of the *City of Toronto Act, 1997*, the Metropolitan Corporation was amalgamated into the City of Toronto (“City”) and its assets, rights and obligations became the assets, rights and obligations of the City; and

Whereas the Board and the City on April 1, 2010, entered into a Relationship Framework for the management of Exhibition Place which replaced and superseded the Main Agreement; and

Whereas both the Main Agreement and the Relationship Framework provides that the Board will, by agreement or agreements with the CNEA, cause to be managed and operated an annual exhibition at Exhibition Place; and

Whereas the Board and the CNEA have since 1983 entered into successive agreements for the management and operation of an annual exhibition and more particularly, the Board and the CNEA entered into a Memorandum of Understanding dated November 25, 1997 (“1997 MOU”); a further Memorandum of Understanding dated September 25, 1999 (the “1999 MOU”); a further Memorandum of Understanding dated July 31, 2002 (the “2002 MOU”); and a Memorandum of Understanding dated April 20, 2006 (the “2004 MOU”); and,

Whereas the 1997, 1999 and 2002 MOU’s articulated an objective of achieving operational and financial independence of the CNEA from the Board and the municipal government; and

Whereas at a meeting of the CNEA Board of Directors dated August 4, 2004 and the Board of Governors dated September 24, 2004, the parties determined that it is not in the best interest of the Board of the CNEA for the CNEA to seek operational and financial independence from the Board and the City; and

Whereas the parties entered into an AGREEMENT for a term of three years (2008, 2009, 2010) substantially on the same terms and conditions as the 2004 MOU save and except for clarification of the Site Cost Reimbursement Cost, the Administrative Services and the Direct Energy Centre Charge-back (the “2008 MOU”) which agreement has been continued on a month-to-month basis since its expiration on December 31, 2010; and,

Whereas the Board and the City and the CNEA agree that the 2008 MOU will continue on a month-to-month basis expiry no later than June 30, 2013; and

Therefore, for good and valuable consideration the sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1.0 Parties

The Board and the CNEA or their respective successors.

2.0 Term

The Term shall be for a period of three years, beginning January 1, 2008 and ending on December 31, 2010 which Term will continue on a month-to-month basis expiring on or before June 30, 2013.

3.0 Principles during the Term

3.1 The CNEA shall continue to be a Program of the Board and the CNEA shall continue to operate the annual CNE in a manner consistent with and subject to the Board's obligations under this AGREEMENT, the Relationship Framework, the policies and procedures of the Board and City Council, and any federal, provincial or local laws, by-laws or regulations that may be applicable.

3.2 This AGREEMENT does not restrict the CNEA (during the 18-day Fair or at other times) from carrying on activities that it is empowered to undertake pursuant to its provincial incorporation.

3.3 The priority of the CNEA shall be the continued operation and development of the annual CNE in an efficient and effective manner.

3.4 The CNEA shall have as much authority as possible to make its own decisions on issues which will affect its long-term structure, operations, and finances.

3.5 The CNEA shall make best efforts to maximize net returns from operations.

3.6 [Section 3.6 intentionally deleted with respect to the establishment in 1997 of the Exhibition Place Stabilization Fund and the Exhibition Place Capital Reserve Fund.]

3.7 [Section 3.7 is intentionally deleted with respect to withdrawals from the 1997 of the Exhibition Place Stabilization Fund and the Exhibition Place Capital Reserve Fund.]

4.0 Non-Unionized Staff

4.1 The Board and the CNEA agree that the CNEA organizational structure outlined in Schedule I shall be adopted subject to amendments from time to time during the Term through the annual operating budget process.

4.2 Subject to section 4.4 below and the policies and procedures of the Board and City, including any compensation plan adopted by the Board, the CNEA will be solely responsible for the hiring, performance evaluation and determination of the salary and benefits level of all staff directly assigned to the CNEA Program, including the CNEA General Manager. Without limiting the generality of the foregoing, when hiring for a particular position, the CNEA shall, in addition to any external job call, post the position internally and within the City.

4.3 Save and except for the services outlined in section 6.0 which shall be provided by the Board, the CNEA shall continue to assess its administrative and operational needs to determine the most appropriate means of service delivery which may include direct service delivery by CNEA Program staff; contracting out; using the services of the Board or other agencies; or a combination thereof. If the CNEA determines that external sources are the most appropriate means of service delivery and such outsourcing results in the loss of employment for present Board employees, the Board must approve of such arrangements and the CNEA shall compensate the Board for any costs incurred.

4.4 All staff hired by the CNEA or working directly for the CNEA Program on November 1, 2011 shall be employees of the Board.

5.0 Collective Agreements

The CNEA shall be bound by any collective agreements entered into from time to time between the Board and its unions and between the City and its unions. The Board shall seek the advice and input of the CNEA with regards to any such agreements as they may affect the CNE.

6.0 Administrative Shared Services Fee

6.1 The Board and the CNEA agree that during the Term the Board shall provide to the CNEA, at an annual Administrative Shared Services Fee, the following administrative and office support services:

- (a) Accounting services
- (b) Telephone/Mail services
- (c) Records and Archival services
- (d) Information Technology services
- (e) Purchasing and Stores services
- (f) Human Resources services
- (g) Show Services
- (h) **[Reference to Corporate Secretary services intentionally deleted]**

6.2 The 2008 Administrative Shared Cost of \$1,319,832 - (\$1,192,538 plus \$127,294) will increase in every year of the Term and any month-to-month extension of the Term by the percentage cost-of-living increase proposed by the City Finance Department. If the final percentage cost-of-living increase approved by City Council is less than the one proposed by the City Finance Department, the Administrative Shared Cost will decrease accordingly.

6.3 The level of each of the administrative services provided by the Board in consideration of the Administrative Shared Cost will be set out in Schedule III to this AGREEMENT.

7.0 Site Usage Fee

7.1 The CNEA shall pay the Board on an annual basis a Site Usage Fee which fee is reflective of the costs of maintenance and repairs of the buildings and the grounds of Exhibition Place including the Direct Energy Centre.

7.2 Subject to section 7.4 below, the 2008 Site Usage Fee of \$2,274,540 - (\$2,095,819 plus \$178,721) shall be increased by the CPI Index Ratio in every year of the Term and any month-to-month extension of the Term.

For the purposes of this AGREEMENT, “CPI” means the All-Items Consumer Price Index for the City of Toronto as published by Statistics Canada (or by a successor or other government agency, including a provincial agency) and “CPI Index Ratio” means a fraction, the numerator of which is the CPI for the December 31st immediately prior to the second and third year of the Term and the denominator of which is the CPI for the month ended December 31st immediately prior to each successive year of the Term or any extension of the Term.

7.3 The Board shall provide the CNEA with the site services to be outlined on Schedule III to this AGREEMENT.

7.4 If during the Term there is a substantial decrease or increase in the use by the CNEA of the buildings or grounds the parties shall negotiate an increase or decrease in the Site Usage Fee as the case may be taking into consideration the following factors or other factors agreed to by the parties:

- (a) Square footage of the increased or decreased space;
- (b) Actual savings achieved or the increase in actual costs incurred by the Board because of the respective decrease or increase in use of space by the CNEA; and
- (c) Potential loss of income or potential increase in income for the CNEA because of the respective decrease or increase use of space by the CNEA.

8.0 Direct Operational Costs

- 8.1 All charges for operational services provided in whole or in part directly to the CNEA by Board staff as determined by the parties, acting reasonably, (the “Direct Operational Costs”) shall be included in the CNEA Program accounts. The Direct Operational Costs shall include staff benefits, materials, supplies, equipment and purchased services. The Board agrees that there shall be no additional allocation of costs for such operating services within the Administrative Shared Services Fee or Site Usage Fee.
- 8.2 The CNEA shall continue to use and the Board shall continue to provide or ensure the provision of operational services such as cleaning, electrical, plumbing, HVAC, labour, sign shop, welding shop, carpentry, mechanical (garage), or other services as may be agreed upon by the parties. All staff and equipment necessary to carry out these services shall remain with the Board. The Board may provide these services through a third party at the Board’s discretion. If these services are provided by a third party, the Board will ensure that they meet or exceed current standards and will ensure that service costs billed to the CNEA are comparable to the rates charged by the third party to the Board.
- 8.3 During the Term the parties, acting reasonably, shall determine the level of direct operational services required, including staff time, equipment, supervision, etc., provided that the parties acknowledge that the Board, as landlord of Exhibition Place and all the buildings thereon, has the responsibility of maintaining certain standards for the grounds and buildings.

9.0 Equipment

Direct Operational Costs shall include the cost of any equipment required for the service provided by the Board to the CNEA. The Board shall provide the CNEA with any additional equipment requested by the CNEA that the Board may have available. The CNEA shall reimburse the Board for any rental fee charged by a third party for rental of equipment, as required.

10.0 Annual Review

The Board and CNEA will, on or before the first day of March in each year of the Term or extension of the Term, review the required move-in, move-out and occupancy times for each area of the grounds and each building on the grounds including the Direct Energy Centre.

11.0 Financial Reports

- 11.1 During the Term, the CNEA shall prepare an annual operating budget in accordance with the requirements of the Board and the City.
- 11.2 Separate accounts within the CNEA Program appropriation shall be established to record all charges to the CNEA. All such interdepartmental charge accounts shall be identified as such to facilitate reporting and reconciliation and any charges to be allocated to the CNEA accounts shall be as requested by the CNEA Program staff or as authorized by such staff.
- 11.3 Despite anything else in this AGREEMENT, all revenues derived from the annual CNE shall continue to belong to the Board as the agent of the City and all expenses

incurred on behalf of the annual CNE shall be the responsibility of the Board as the agent of the City.

12.0 Inventory/Records & Reports/Archives

12.1 The parties acknowledge and agree that the inventory/equipment which will be set out in Schedule IV is used exclusively by the CNEA for the annual CNE event.

12.2 **[Subsection 12.2 relating to sale of Garden of the Greek Gods intentionally deleted.]**

12.2 The CNEA may, at its own discretion, assemble and locate any assets which will be outlined in Schedule IV in a location convenient and cost effective for the CNEA that may or may not be within Exhibition Place. If any assets owned by the CNEA are moved to a location outside of Exhibition Place, the CNEA shall bear the relocation cost.

13.0 Year-Round Space

13.1 Subject to the limitations as to use imposed by the City, and subject to any developments of the site approved by the Board as set out in Section 15, the CNEA shall have exclusive use of the following buildings/areas on a year-round basis during the Term or extended Term:

- (a) The Press Building for its permanent administrative offices;
- (b) The Food Building for storage of some inventory and permanent exhibitor fixtures;
- (c) One Cubicle located at 20 Manitoba Drive for the storage of inventory;
- (d) Storage area in Bandshell Stage; and
- (e) Subject to the future extension of the Harbourfront LRT to Dufferin Street, storage in units in Centennial Square.

13.2 The parties acknowledge that all costs associated with daily and annual maintenance and repair of this Year-Round Space shall be included in the Site User Fee as set out in Section 7.0, including the cost of any heat, air-conditioning, water, gas, electricity and any other utilities provided.

13.3 If for any reason during the Term, any or all of the Year-Round Space is not available for use by the CNEA, the Board agrees to pay all costs associated with any relocation required.

14.0 Use of the Grounds for Annual CNE

14.1 The Board shall close Exhibition Place for the duration of the annual CNE event which shall not be more than eighteen (18) days duration ending on Labour Day, save and except for a CNE Casino which may be for a longer period provided that the CNEA receives all necessary approvals from the applicable provincial body and provided that if the CNE Casino is longer than 20 days the CNE shall also conduct a "fair or exhibition" within the meaning of section 206 of the Criminal Code during the entire period the CNE Casino is operating. The Board, its agents, tenants and contractors have the right of access to, and the continued occupation of, Exhibition Place during the annual CNE event for the purposes of using its own administrative offices, for its agents and managers and their personnel (e.g. Direct Energy Centre management personnel), tenants of buildings in Exhibition Place, for any personnel employed by the Board and other persons authorized by the Board as necessary for the Board's purposes.

14.2 Subject to section 14.1, it is understood and agreed that the Board shall continue to develop agreements with other tenants for the site and that such agreements shall

consider the requirement for the CNE to have a cohesive exhibition site. The Board has the right to withdraw any building, or part thereof, from the availability list for use by the CNEA provided that the Board consults with the CNEA and that the parties endeavor to allocate alternative space for any buildings taken out of use.

15.0 Building / Site Improvement Costs

15.1 The CNEA may require minor structural renovations to the buildings and/or the grounds to enhance the CNEA programming. In such cases, the Board and CNEA will determine whether the requested changes will enhance the Board's ability to generate income or otherwise benefit the Board and the parties will agree if such costs will be a capital expenditure within the Exhibition Place capital budget or an operating expenditure within the CNEA Program.

15.2 The Board shall be responsible for carrying out any renovations to the buildings and the grounds. Where the CNE Program bears the cost, the Board shall require the authorization of the CNEA to proceed based on estimated costs and/or quotes.

15.3 The structural renovations referred to in this section may be in addition to any capital improvements undertaken by the Board and the City within the annual capital budget allocation.

16.0 Parking

During the annual CNE, all available parking areas inside Exhibition Place shall be provided to the CNEA for its use. The Board shall cooperate with the CNEA in the management of all parking operations during the CNEA. The net income from parking earned during the annual CNE event after deduction of any costs associated with preparation, operation, or reparation of lands used for parking shall be included as revenue generated by the annual CNE event. The Board supports the use by the CNEA of Gore Park, Marilyn Bell Park and Battery Park for parking during the CNE event if permitted by the City.

17.0 Third-Party Agreements (Excluding Lease Agreements)

17.1 Where agreements to be entered into by the CNEA and/or the Board impact the operations of the CNEA alone or are intended to benefit the CNEA directly, the CNEA Program will be entitled to the benefits derived from the agreement. Likewise, the benefits derived from any contract designated as attributed to the Board alone will accrue to the Board.

17.2 The CNEA and the Board shall negotiate the relative allocation of benefits from any joint agreements.

17.3 The CNEA shall obtain approval of the Board before entering into any exclusive agreement which may have an effect or last longer than one annual CNE event, or which may amend, restrict or otherwise impact on any agreement entered into by the Board or the Board's ability to generate income. Subject to section 14.1 and 14.2, the CNEA shall be advised before the Board enters into any exclusive agreement that may impact the CNEA operations.

17.4 All expenditures to be incurred under an agreement entered into by the CNEA shall be in accordance with the budget as approved by City Council.

18.0 Exhibition Stabilization Reserve and CNEA Foundation

18.1 **[Subsection 18.1 related to the City establishment of an Exhibition Place Stabilization Reserve Fund is intentionally deleted and superseded by the**

recommendations in the Report dated January 24, to the Board of Governors entitled “Independence of the Canadian National Exhibition Association”.]

- 18.2 The Board acknowledges that the CNEA has a foundation established for specific charitable purposes and the Board shall not interfere with the management or disbursement of funds from the CNEA Foundation except for any contributions to the CNEA Foundation which must be approved as part of the annual budget process.
- 19.0 Line-of-Credit
During the Term or extension of the Term, the Board shall advance funds to the CNEA to pay liabilities incurred prior to realizing revenue from the annual CNE provided the CNE Program shall be billed for all the costs of borrowing associated with such funding.
- 20.0 Schedule I, II, III and IV will form part of this AGREEMENT.

Appendix "B"

List of Positions held by 2008 CNEA Program as of November 1, 2011
Existing Employees Dedicated to the CNEA Program
(Part of Confidential Attachment)

Appendix "C"

List of Positions held by 2008 MOU Employees as of November 1, 2011
Existing Board Employees Partially Dedicated to the CNEA Program
(Part of Confidential Attachment)

Appendix “D” Dispute Resolution Process

1.1 Initial Dispute

Any controversy, claim or dispute (a “Dispute”) arising out of or relating to this Agreement between the Parties concerning any matter pertaining to this Agreement which the Parties are unable to resolve using reasonable commercial efforts within twenty (20) days following the written notice by one Party to the other that such Dispute be resolved, may be submitted by a Party to the dispute resolution set out in this Section.

- (a) It is the intention of the Parties that all Disputes be resolved in a fair, efficient, and timely manner without incurring undue expense and, wherever possible, without the intervention of an Arbitrator. Accordingly, to discourage inappropriate or unwarranted use of the arbitration provisions contained in this Agreement, the Arbitrator will be directed to award costs against the unsuccessful Party or Parties in accordance with Subsection (p).
- (b) Discussions on any Dispute may be separated into principle and quantum. The principle and quantum decisions may be made together, whenever appropriate. Emphasis shall be placed initially on resolving the principle of the issue at hand. Principle decisions should not be delayed while awaiting additional information regarding quantum. A final decision, as early as possible, will allow either Party to take appropriate mitigating action with respect to the issue. If it is determined that payment is warranted in connection with the determination of any issue principle, the dispute resolution approach within this Schedule shall be continue to be used to resolve the issue of the quantum of such payment. The quantum shall be limited to a fair and reasonable amount that results from the issue being considered and the principles involved.
- (c) Any time limits or procedures outlined in this Agreement may be shortened, extended, or altered as the Parties to the Dispute may mutually agree, provided however that all efforts shall be made to meet the time limits within this Agreement.

1.2 Good Faith Negotiations

The Parties directly involved in the Dispute shall, upon the provision of written notice (the “Dispute Notice”) by a Party, first attempt to resolve the Dispute through good faith negotiation between such Parties at the executive level using reasonable commercial efforts (without the requirement to expend material amounts of money or to incur additional material obligations or liabilities in so doing). Such Dispute Notice shall be in sufficient detail for the Party receiving the Dispute Notice to identify the specific issues in dispute together with a concise statement of the Party’s position and the reasons in support of it. The officials to engage in such negotiations shall be as follows:

- (a) in the case of the City, the City Manager;
- (b) in the case of the Board, the CEO for Exhibition Place; and
- (c) in the case of the CNEA, the General Manager.

Negotiations shall be completed as soon as possible and are limited to a period of twenty (20) days following receipt of the Dispute Notice. Any unaccepted offer of settlement made during the negotiation phase becomes null and void when either Party requests that the dispute resolution process proceed to the next level in the process, or when the respective time limitations have passed as indicated herein. All such offers of settlement or communications, written or oral, shall be without prejudice and shall not be admissible in any subsequent steps in the dispute resolution mechanisms set out in this Schedule or otherwise.

1.3 Expert Review

Failing resolution of the Dispute by good faith negotiation within twenty (20) days, (as the same may be extended by the Parties) the Parties may, by mutual agreement, refer the dispute to an independent third party (the “Expert”) who is an expert in the subject matter of the Dispute and who is mutually acceptable to the Parties. A decision of an Expert shall not be binding on the Parties, and an Expert’s review will be sought only for the purpose of assisting the Parties to

reach agreement with respect to the Dispute. The Parties shall share equally in the cost of the review by the Expert.

1.4 Mediation

- (a) Failing resolution of the Dispute under 1.2 or 1.3 (if applicable) within thirty (30) Business Days (as the same may be extended by the Parties) of the appointment of the Expert, the Parties shall submit the Dispute to a mediation process and mediator acceptable to the Parties, each acting in good faith.
- (b) Mediation shall be completed as soon as possible and, in any event, within a period of thirty (30) days following the submission of the Dispute to mediation.
- (c) If the Parties are unable to agree on a single mediator within seven (7) days, then the Party who initiated the mediation process shall, within a further seven (7) days, provide the other Party with a list naming five (5) qualified candidates to act as the mediator of the Dispute in question. Within seven (7) days of its receipt of such list, the other Party shall select one of the five (5) candidates. If the other Party fails to select the mediator within such seven (7) day period, the Party who initiated the mediation process shall be entitled to select the mediator from amongst the five (5) named candidates. The mediator must be independent of each of the Parties and not retained by any of them at the relevant time for any purpose. No person shall be appointed as mediator unless he or she agrees in writing to be bound by the rules and procedures contained in this Agreement.
- (d) The Parties shall participate in good faith in the mediation and any related negotiations in accordance with procedures adopted by the mediator.
- (e) A representative of each Party with authority to settle the Dispute, together with counsel for each Party, shall attend the mediation.
- (f) Where the Parties reach a settlement, the terms of their settlement agreement shall be recorded by the mediator and signed by an authorized representative of each Party and thereafter shall be final and binding upon the Parties.
- (g) By agreeing to participate in the mediation, the Parties acknowledge and agree that all offers, promises, conduct and statements, whether written or oral, made in the course of the mediation by any of the Parties or their representatives and by the mediator, who is the Parties' joint agent for the purpose of such mediation, are private, confidential, and made without prejudice. Evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its presentation or use in the mediation.
- (h) The mediator is disqualified as an arbitrator or trial witness, consultant, or expert for any Party involved in the mediation, and the mediator's comments and opinions, if any, will be inadmissible for all purposes in this or any other dispute involving the Parties. The mediator will treat the subject matter of the mediation as private and confidential.
- (i) Each Party shall bear its own costs of participating in the mediation including their respective legal fees. The Parties shall share equally the fees and expenses of the mediator and any other incidental expenses determined by the mediator (upon the request of either Party) to be joint expenses.

1.5 Submission to Arbitration

Failing resolution of the Dispute by mediation within thirty (30) days (as the same may be extended by the Parties) of the appointment of a mutually acceptable mediator. Arbitration proceedings shall be commenced by a Party desiring arbitration (hereinafter called the "Initiating Party") giving notice to the other Party (the "Responding Party") specifying the matter to be arbitrated and requesting an arbitration thereof. The Parties agree that the City and the Board may be considered to be a single Responding Party for the purposes of this Section. In the event that the Initiating Party and Responding Party are unable to agree upon a single arbitrator having requisite experience and expertise relative to the matter in dispute (an "Arbitrator") within ten

(10) Business Days after delivery of such notice, then at any time thereafter either the Initiating Party or the Responding Party shall be entitled to make application to a Judge of the Ontario Court (General Division), or such other official as may have jurisdiction from time to time under the *Arbitration Act, 1991*, S.O. 1991, c. 17, as amended or replaced from time to time (the “Act”) in accordance with the provisions of the *Arbitration Act*, for selection of an arbitrator, and the provisions of the *Arbitration Act* shall govern such appointment. The arbitrator selected to act hereunder shall be qualified by profession or occupation to decide the matter in dispute.

1.6 Process

- (a) Within twenty (20) days after the appointment of the Arbitrator or as the Arbitrator may direct, the Initiating Party shall send the Responding Party a Statement of Claim setting out in sufficient detail the facts and any contentions of law on which it relies, and the relief that it claims.
- (b) Within twenty (20) days of the receipt of the Statement of Claim, the Responding Party shall send the Initiating Party a Statement of Defence stating in sufficient detail which of the facts and contentions of law in the Statement of Claim it admits or denies, on what grounds, and on what other facts and contentions of law it relies.
- (c) Within twenty (20) days of receipt of the Statement of Defence, the Initiating Party may send the Responding Party a Reply.
- (d) All Statements of Claim, Defence and Reply shall be accompanied by copies (or, if they are especially voluminous, lists) of all essential documents on which the Party concerned relies and which have not previously been submitted by any Party, and (where practicable) by any relevant samples.
- (e) After submission of all the Statements, the Arbitrator will give directions for the further conduct of the arbitration.
- (f) The Arbitrator may require the production of records, lists of witnesses, or such other materials as may be considered appropriate by the Arbitrator.
- (g) Meetings and hearings of the Arbitrator shall take place in the City of Toronto or in such other place as the Parties shall agree upon in writing and such meetings and hearings shall be conducted in the English language unless otherwise agreed Subject to the foregoing, the Arbitrator may at any time fix the date, time, and place of meetings and hearings in the arbitration, and will give all the Parties adequate notice of these. Subject to any adjournments that the Arbitrator allows, the hearing will be continued on successive Business Days until it is concluded.
- (h) All meetings and hearings will be in private, unless the Parties otherwise agree.
- (i) Any Party may be represented at any meetings or hearings by legal counsel.
- (j) Each Party may examine, cross-examine, and re-examine all witnesses at the arbitration.
- (k) The Parties shall request the Arbitrator to send a decision in writing within 10 Business Days after the conclusion of all hearings, unless that time period is extended for a fixed period by the Arbitrator on written notice to each Party because of illness or other cause beyond the Arbitrator’s control.
- (l) With the exception of errors in law or where the Arbitrator makes an award of greater than One Hundred Thousand Dollars (\$100,000) (increased annually by the CPI Index Ratio) or declines to make an award with respect to a liquidated sum greater than One Hundred Thousand Dollars (\$100,000) (increased annually by the CPI Index Ratio), the decision of the arbitrator shall be final and binding on the Parties to the arbitration and shall not be subject to any appeal or review procedure, provided that the Arbitrator has followed the rules and procedures provided herein in good faith and has proceeded in accordance with the principles of natural justice.
- (m) If the decision of the Arbitrator is to make an award of greater than One Hundred Thousand Dollars (\$100,000) (increased annually by the CPI Index Ratio) or to decline to make an award with respect to a liquidated sum greater than One Hundred Thousand

Dollars (\$100,000) the decision of the Arbitrator may be appealed by the Parties to the arbitration in accordance with the appeal provisions of the Act. Any decision may also be appealed on a question of law.

- (n) By submitting to arbitration under these provisions, the Parties shall be taken to have conferred on the Arbitrator the following jurisdiction and powers, to be exercised at the discretion of the Arbitrator, subject only to the provisions hereof and the relevant law, with the object of ensuring the just, expeditious, economical and final determination of the Dispute referred to arbitration.
- (o) Without limiting the jurisdiction of the Arbitrator at law, the Parties agree that the Arbitrator shall have jurisdiction to:
- i. determine any question of law arising in the arbitration;
 - ii. determine any question as to the Arbitrator's jurisdiction;
 - iii. determine any question of good faith, dishonesty, or fraud arising in the Dispute;
 - iv. determine and award costs arising in the arbitration;
 - v. order any Party to furnish further details of that Party's case, in fact or in law;
 - vi. proceed with the arbitration notwithstanding the failure or refusal of any Party to comply with these provisions or with the Arbitrator's orders or directions, or to attend any meeting or hearing, but only after giving that Party written notice that the Arbitrator intends to do so;
 - vii. receive and take into account such written or oral evidence tendered by the Parties as the Arbitrator determines is relevant, whether or not strictly admissible in law;
 - viii. make one or more interim awards; and
 - ix. hold meetings and hearings, and make a decision (including a final decision) in Toronto or elsewhere with the concurrence of the Parties hereto.
- (p) Each Party to an arbitration is responsible in the first instance for its own costs related to the use of the arbitration process, including a proportionate share of the Arbitrator's costs and expenses. The Arbitrator shall award any of the costs related to the arbitration process in favour of the successful Party or Parties to be borne by the unsuccessful Party or Parties in such proportions as the Arbitrator may deem appropriate with the exception of fees incurred in connection with negotiation in accordance with Section 1.2 and mediation in accordance with Sections 1.3 (if applicable) and 1.4. The Arbitrator will award costs against the unsuccessful Party or Parties to the arbitration in an amount that will fully indemnify the successful Party or Parties for all costs incurred, including the fees and expenses of the Arbitrator and all legal fees incurred in connection with the arbitration.
- (q) The rules and procedures of the *Act* shall apply to any arbitration conducted hereunder, except to the extent that they are modified by the express provisions of this Agreement. If there exists a conflict between this Agreement and the *Act*, this Agreement will govern.

1.7 Remedy

No Party shall be precluded from initiating a proceeding in a court of competent jurisdiction for the purpose of obtaining any emergency or provisional remedy to protect its rights which may be necessary and which is not otherwise available under this Agreement, including temporary and preliminary injunctive relief and restraining orders.

1.8 Proceeding with Authorized Activities

Each Party shall in every case, after serving or receiving a Dispute Notice, continue to perform its obligation under this Agreement, pending resolution of the Dispute, with all due diligence and expedition, unless the nature of the Dispute is such as to render continuation practically impossible.

Appendix “E”
Rights of Current Tenants

- E1. Liberty Grand Entertainment Complex (“Liberty Grand”):
- a. The CNE shall construct its westerly fence line for the CNE period to ensure that Liberty Grand is outside the CNE westerly perimeter
 - b. The CNE shall work co-operatively with Liberty Grand if Liberty Grand decides to develop special programs that will be offered during the CNE
 - c. During the CNE period, the CNEA shall provide 23, 18-Day Admission passes (CN6) and 30 Admit to Grounds (CN4) passes to Liberty Grand
 - d. Liberty Grand, its staff and invitees, shall have continuous and full access to the Liberty Grand Leased Property during the CNE period provided that all such persons follow the CNEA rules applicable throughout the grounds during the CNE period
- E2. Club Muzik (“Muzik”):
- a. The CNE shall construct its westerly fence line for the CNE period to ensure that westerly landscaped area and entrance to the Muzik that are part of the Muzik Leased Property is outside the CNE westerly perimeter and for clarity, the CNEA’s westerly fence line is outside the limits of the Muzik Leased Property unless otherwise agreed to by Muzik
 - b. The CNE shall work co-operatively with Muzik if Muzik decides to develop special programs that will be offered during the CNE
 - c. During the CNE period, the CNEA shall provide 21, 18-Day Admission passes (CN6) and 5, 18-Day Essential Services passes, and 21, 18-Day - West Grounds Parking passes to Muzik
 - d. Muzik, its staff and invitees, shall have continuous and full access to the Muzik Leased Property during the CNE period provided that all persons follow the CNEA rules applicable throughout the grounds during the CNE period
- E3. Gossip Restaurant (“Gossip”):
- a. The CNE shall work co-operatively with Gossip if Gossip decides to develop special programs that will be offered during the CNE
 - b. If access to the Gossip Leased Property is interfered with, interrupted or prevented during the CNE period, special provision will be made by the CNEA, without additional charge to Gossip, to facilitate access to the Gossip Leased Property for the Gossip staff and invitees provided that all persons follow the CNEA rules applicable throughout the grounds during the CNE period
 - c. During the CNE period, the CNEA shall provide 30, 18-Day Admission passes (CN6) 10, 18-Day Essential Services passes, and 4, 18-Day - West Grounds Parking passes to Gossip
- E4. Medieval Times Dinner & Tournament Theatre (“Medieval Times”):
- a. The CNE shall construct its westerly fence line for the CNE period to ensure that Medieval Times is outside the CNE westerly perimeter
 - b. The CNE shall work co-operatively with Medieval Times if Medieval Times decides to develop special programs that will be offered during the CNE
 - c. During the CNE period, the CNEA shall provide 100, 18-Day Admission passes (CN6) 10, 18-Day Essential Services passes, and 105, 18-Day - West Grounds Parking passes to Medieval Times

- d. Medieval Times shall have continuous and full access to the Medieval Times Leased Property during the CNE period for Medieval Times staff and invitees provided that all persons follow the CNEA rules applicable throughout the grounds during the CNE period
- E5. Toronto Fashion Incubator (“TFI”):
- a. If access to the TFI Leased Property is interfered with, interrupted or prevented during the CNE period, special provision will be made by the CNEA, without additional charge to TFI, to facilitate access to the TFI Leased Property for the TFI staff and invitees including TFI’s subtenants provided that all persons follow CNEA rules applicable throughout the grounds during the CNE period
 - b. During the CNE period, the CNEA shall provide 27, 18-Day Admission passes (CN6) and 12, 18- Day - West Grounds Parking passes to TFI
- E6. Toronto Police Mounted Services (“TPMS”):
- a. If access to the TPMS Leased Property is interfered with, interrupted or prevented during the CNE period, special provision shall be made by the CNEA, without additional charge to TPMS, to facilitate access to the TPMS Leased Property for the TPMS staff and invitees provided all persons follow the CNEA rules applicable throughout the grounds during the CNE period
 - b. During the CNE period, the CNEA shall provide 45, 18-Day Essential Services passes to TPMSI
- E7. Toronto Animal Shelter (the “Shelter”):
- a. The Shelter shall have continuous and full access to the Shelter Leased Property during the CNE period including vehicle access for Shelter vehicles and for the delivery of animals to the Shelter
 - b. During the CNE period, the CNEA shall provide 25, 18-Day Admission passes (CN6), 25, 18-Day Non-Commercial DEC parking passes to the Direct Energy Centre underground garage, 40 Admit to Grounds (CN4) passes, and 20 ODP Parking passes to Ontario Drive lot to the Shelter
 - c. The CNEA shall allow the Shelter to keep the Shelter Leased Property open to the general public during the CNE period and the CNEA shall not charge any fee to the public for admission to the Shelter Leased Property provided that all persons follow the CNEA rules applicable throughout the grounds during the CNE period
- E8. Royal Agricultural Winter Fair (“RAWF”):
- a. If access to the RAWF Leased Property is interfered with, interrupted or prevented during the CNE period, special provision will be made by the CNEA, without additional charge to RAWF, to facilitate access to the RAWF Leased Property for the RAWF staff and invitees provided that all persons follow CNEA rules applicable throughout the grounds during the CNE period
 - b. During the CNE period, the CNEA shall provide 38, 18-Day Admission passes (CN6), 38, 18-Day Non-Commercial DEC parking passes to the Direct Energy Centre underground garage, 50 Admit to Grounds (CN4) passes, and 50 ODP Parking passes to Direct Energy Centre underground to RAWF
- E9. Exhibition Place Riding Academy (“Riding Academy”):
- a. The CNEA shall allow the Riding Academy to remain in the Riding Academy Leased Property subject to periods of use by the CNEA of the Horse Palace Exercise Ring from 10 a.m. to 6 p.m. each day (including weekends) during the CNE period for equestrian

demonstrations provided that the Riding Academy has use of the Exercise Ring for turn out of the Riding Academy's horses at times mutually agreed to by the Riding Academy and the CNEA

- b. The CNEA shall work with the Riding Academy to enable the Riding Academy to use the Exercise Ring for its classes on weekdays after 6 p.m. and the CNEA will provide the Riding Academy with parking and entrance passes for its staff and students and security to limit access of CNE visitors to the Horse Palace and Riding Academy's Property after 6 p.m. on weekdays
- c. During the CNE period, the CNEA shall provide 4, 18-Day Admission passes (CN6), 2, 18-Day - West Grounds Parking passes, 14 Admit to Grounds (CN4) passes, and 8 ODP West Grounds Parking pass to the Riding Academy

E10. HKH Hotel ("HKH"):

- a. The CNE shall construct its easterly fence line for the CNE period to ensure that HKH hotel and construction area is outside the CNE easterly perimeter
- b. During the CNE period, HKH shall have exclusive use of all parking spaces under the HKH hotel
- c. HKH, its staff and invitees, shall have continuous and full access to the HKH Leased Property during the CNE period

E11. Toronto BIA Office ("BIA"):

- a. If access to the BIA Leased Property is interfered with, interrupted or prevented during the CNE period, special provision will be made by the CNEA, without additional charge to BIA, to facilitate access to the BIA Leased Property for the BIA staff and invitees provided that all persons follow CNEA rules applicable throughout the grounds during the CNE period
- b. During the CNE period, the CNEA shall will provide 11, 18-Day Admission passes (CN6), 5, 18-Day Non-Commercial DEC parking passes to the Direct Energy Centre underground garage to BIA.

E12. Queen Elizabeth Theatre ("QET"):

- a. The CNE shall work with the QET to incorporate QET's operations into the operation of the annual CNE provided the proposed QET event shall be in good taste and of a nature compatible with a community family event such as the CNE
- b. The CNE shall not charge QET patrons a separate entrance fee to the grounds during the CNE period to attend an event at the QET Leased Property as evidenced by a ticket for an event in the Leased Property
- c. The Board shall ensure that all lease agreements for the QET shall include a provision to allow the CNEA to use the QET at no cost to the CNEA for the CNE Ambassador Finals event which event will have priority for use of the QET Leased Property
- d. During the CNE, the CNEA shall provide 20, 18-Day Admission passes (CN6), 20, 18-Day - Non-Commercial Ontario Drive parking passes, 15 Admit to Grounds (CN4) passes, and 15 ODP parking passes to Ontario Drive lot.
- e. If access to the QET Leased Property is interfered with, interrupted or prevented during the CNE period, special provision will be made by the CNEA, without additional charge to QET, to facilitate access to the QET Leased Property for the QET staff and invitees provided that all persons follow the CNEA rules applicable throughout the grounds during the CNE period

E13. Fountainblu Dining Room ("Fountainblu"):

- a. The CNE shall work with Fountainblu to incorporate Fountainblu's operations into the operation of the annual CNE provided that any proposed Fountainblu event shall be in good taste and of a nature compatible with a community family event such as the CNE
- b. The CNE shall not charge Fountainblu patrons a separate entrance fee to the grounds during the CNE period to attend an event at the Fountainblu Leased Property as evidenced by a ticket or pass for an event in the Fountainblu Leased Property
- c. The Board shall ensure that all lease agreements with Fountainblu shall include a provision to allow the CNEA to use the Fountainblu Leased Property at no rental cost to the CNEA for at least 12 days of use during the year provided notice is given in accordance with the Lease.
- d. During the CNE, the CNEA shall provide passes to Fountainblu as outlined in E12 (d) above.
- e. If access to the Fountainblu Leased Property is interfered with, interrupted or prevented during the CNE period, special provision will be made by the CNEA, without additional charge to Fountainblu, to facilitate access to the Fountainblu Leased Property for the Fountainblu staff and invitees provided that all persons follow the CNEA rules applicable throughout the grounds during the CNE period

E14. Fire Hall ("TFS"):

- a. If access to the TFS Leased Property is interfered with, interrupted or prevented during the CNE period, special provision will be made by the CNEA, without additional charge to TFS, to facilitate access to the TFS Leased Property for the TFS staff and invitees provided that all persons follow CNEA rules applicable throughout the grounds during the CNE period
- b. During the CNE period, the CNEA shall will provide 6 parking passes to TFS
- c. The Board shall include in any lease agreement with the TFS that the TFS shall work with the CNEA on a cooperative basis to provide at no cost to the CNEA a fire prevention education program for visitors to the TFS Leased Premises during the CNE.

E.15. Maple Leaf Sports and Entertainment

- a. During the CNE period, the CNEA shall provide 200, 18-Day Admission passes (CN6), 50, 18-Day Non-Commercial DEC parking passes to the Direct Energy Centre underground garage, 62 Admit to Grounds (CN4) passes and 30 Bicycle Access Passes to Maple Leaf Sports and Entertainment for their activities in conjunction with Ricoh Coliseum and BMO Field.

E.16. Ricoh Coliseum:

- a. The CNE agrees that the Subtenant ("MLSE) shall continue to have free and unfettered access (24 hours/seven days a week) to its offices, the home team dressing rooms (including the training areas and offices located therein) and parking at the Ricoh Coliseum, save and except that during, the CNE the Subtenant's parking may be relocated by the Landlord in its sole discretion to a different area of Exhibition Place in close proximity to the Ricoh Coliseum, to the extent permitted by the promoter of such event.
- b. The Ricoh Coliseum shall be reserved for a total of twenty-four (24) days for the exclusive use of the CNEA in respect of the holding of the CNE Event, save and except

for the MLSE's rights of access referred to above. The CNEA does not pay any rent or license fees in respect of its use of the Ricoh Coliseum, save and except for any Operating Costs incurred in respect of the CNEA's use of the Ricoh Coliseum. Provided that the CNEA does not otherwise agree to pay rent or license fees in respect of its use of Exhibition Place or the Ricoh Coliseum, throughout the Term, the CNEA shall not be required to pay any rental or license fees to MLSE, but shall be required to pay MLSE's Operating Costs incurred as a result of the CNEA's use of the Ricoh Coliseum. Notwithstanding the foregoing, in the event that the CNEA wishes to increase the number of event days for the CNE Event beyond the twenty-four (24) days referred to above, which additional days may only be added to the front end of the period customarily reserved for the CNE Event, MLSE, in addition to its reimbursement for Operating Costs, shall be entitled to receive a rental or license fee at the 2004 rate (subject to an increase in each Lease Year as negotiated and agreed to by the MLSE and the CNEA, but in no event to exceed the increase equal to the CPI Index Ratio for the Lease Year in question) in respect of each additional day the Ricoh Coliseum is required by the CNEA for the CNE Event.

- c. The CNEA agrees that it shall, on July 1 of each Lease Year, provide the Board and MLSE with a list of third parties that have an executed agreements with CNEA for exclusive grounds-wide sponsorships and include therein a description of the nature and scope of the category exclusivity or other terms of the exclusivity granted to such grounds-wide sponsors in sufficient detail to enable the Subtenant to comply with its obligations hereunder.

E17. BMO Field:

- a. The CNEA will comply with the terms as outlined below and in Schedule H – CNE Booking Protocol, of the Management Agreement dated January 1, 2007, between the Board, City of Toronto (“Owner”) and Maple Leaf Sports and Entertainment (“Manager”):
- b. **CNE BOOKING PROTOCOL**
 - I. During the CNE Period, the Toronto FC (the “Team”) and Canadian Soccer Association (CSA) shall each be permitted up to two (2) Team Soccer Games and two (2) official FIFA qualifying games in the Stadium each during the annual 18 day period of the CNE (the “CNE Period”); provided that each of the Team and CSA shall use their best efforts to schedule such games on weekdays during the CNE Period and/or on the first weekend of the CNE Period. If the Owner, in its sole discretion, does not choose to permit an MLS Event(s) (other than the two (2) permitted Team Soccer Games) during such CNE Period, the Team shall still be permitted access to the Stadium for its business operations. In circumstances where an admission fee is being charged to enter Exhibition Place, if a person has an admission ticket to an MLS Event occurring during the CNE Period, such admission ticket will serve equally as an admission ticket to the CNE on such date and no additional admission fees will be charged to such person for entry into Exhibition Place.
 - II. Provided that the Team and CSA are permitted their minimum usage of the Stadium as set out herein, the CNEA shall have the opportunity to use the Stadium during the annual CNE Period for events (the “CNE Events”), provided that such CNE Events are either available to the CNE visitors as part of the general admission to the CNE

(in which event the CNE shall pay only the incremental Event Operating Costs of using the Stadium incurred as a result of the CNE Event only) or available at a premium over the general admission price (in which event a percentage of the premium as agreed between the Manager and the CNEA) shall be paid to the Manager on account of the Stadium and shall form part of Gross Revenues. The rights of usage by the CNEA shall specifically include the right to require that the Event Plaza be opened to the public during the CNE Period subject to the rules and regulations of the Stadium for the purposes of allowing the public to access the Stadium food and beverage concessions designated by the Manager and the Stadium washrooms designated by the Manager, including where there is no use of the rest of the Stadium for the purposes of a CNE Event provided the CNEA shall pay for the costs of such usage.

- III. The Manager shall ensure that those food and beverage concessions designated by the Manager and located in the Stadium will be open during the operating hours of the CNE Period and for all CNE Events unless the CNEA requests such food concessions to be closed. The CNEA shall be entitled to 25% of the F&B Revenues earned in connection with the operation of the food and beverage concessions in the Stadium during the CNE period and CNE Events and Team Events (other than the two (2) permitted Team Soccer Games). The cost of staffing and cost of goods in respect of such food and beverage operations will be paid out of Gross Revenues as an Operating Cost provided that, for greater certainty, no portion of such costs shall be deducted from the 25% of Gross Revenues to be paid to the CNEA under this paragraph.