



16

EXHIBITION PLACE

ACTION REQUIRED

June 11, 2008

To: The Board of Governors of Exhibition Place
The CNEA Board of Directors

From: Dianne Young
Chief Executive Officer

David Bednar
General Manager, CNEA Program

**Subject: 2008, 2009 and 2010 Memorandum of Understanding
between the Board of Governors and CNEA**

Summary:

The Board of Governors (BOG) and the Canadian National Exhibition Association Board of Directors (CNEA) first approved of a Memorandum of Understanding ("MOU") in 1997. Historically, the annual CNE has always taken place on the grounds of Exhibition Place by some form of agreement, originally with the City of Toronto, with Metro Toronto when it existed, and then finally with the BOG on behalf of the City. In 1997, the CNEA was contemplating seeking independence from the BOG and the City and that first formal MOU allowed the CNEA sufficient independence to develop the administrative, operational and financial tools to move to an independent status. In 2004, the CNEA determined that it would continue to be operational and financially linked to the BOG and both Boards approved of the terms and conditions of the 2004 MOU which expired on December 31, 2007.

The substantial financial terms of the MOU since 1997 have been the payment by the CNEA for (1) usage of the site (Site Usage Fee); (2) provision of administrative services by BOG staff (Administrative Services Fee); and (3) usage of the Direct Energy Centre (formerly NTC Fee). The Site Fee reflected the CNE's use of the grounds and buildings and was calculated by the number of days of CNE use related to the annual operational costs to maintain the buildings and the grounds. The Administrative Services Fee reflected the cost of a full range of services provided by the management and administrative staff of Exhibition Place to the CNEA. The NTC Fee reflected one month of the actual costs of building operations, staff services and utilities. Since 1997, all three cost factors have increased based on reasonable cost-of-living increases.

For the 2008 MOU, staff are recommending that the Administrative Service Fee be set at the 2008 rate now reflected in the operating budget and increased in 2009 and 2010 by the cost-of-living increase determined by City Finance. For the former NTC Fee, this report recommends that all costs be reallocated from this fee and be transferred as appropriate either to the

THE BOARD OF GOVERNORS OF EXHIBITION PLACE



Administrative Service Fee, Site Usage Fee, or direct overhead recoveries and actual utility cost within the CNEA annual operating budget. Again, the amounts to be transferred will total the existing amount for the NTC Fee in the 2008 operating budget. The Site Usage Fee will be as set in the 2008 operating budget and will be increased by CPI for 2009 and 2010. Finally, staff are proposing that the budgeted net operating surplus for the CNEA for the term of this MOU (2008, 2009 and 2010) be not less than the budgeted net operating surplus in 2008 which was \$797,802. Other than these proposed changes, the terms and conditions of the MOU remain the same as outlined in 2004 and the full MOU is attached as Appendix "A" to this report.

In addition to a proposal for the 2008 MOU, this report is also recommending that the two Boards enter into a purchase and sale agreement at fair market value for three artifacts that are owned by the CNEA - the Haines Murals located within the Direct Energy Centre; the statutes of the Garden of the Greek Gods in front of the Muzik Clubs building; and the Satok Mural on the lawn in front of Medieval Times. The terms and conditions of this purchase and sale agreement would allow for the purchase of the Haines Murals and Satok Mural over the term of the 2008 MOU subject to achieving a consolidated surplus over budget and subject to the size of that surplus. The purchase of the Garden of the Greed Gods statuary will be reconsidered as part of the new 2011 MOU. Funds from the sale of these artifacts will be paid by the CNEA into the CNEA Foundation.

Recommendations:

It is recommended that the BOG and the CNEA approve of:

- (1) Entering into a 2008 MOU on the terms and conditions attached as Appendix "A" and to be effective January 1, 2008; and**
- (2) the purchase of the Haines Murals; statutes of the Garden of the Greek Gods; and the Satok Mural by the Board from the CNEA at their 2008 appraised value totaling \$780,000 and on the terms and conditions outlined in this report.**

Financial Impact:

The financial changes proposed for the 2008, 2009 and 2010, MOU will have zero impact on the year-over-year consolidated operating budget for Exhibition Place provided that the City Council agrees that on an annual basis, the Exhibition Place consolidated operating budget provide for the same net expenditure in 2009 and 2010 as was approved by City Council in 2008 (ie a consolidated net expenditure of \$30,000) which would mean that the Exhibition Place operations will have no negative impact on the City tax base.

The purchase and sale of the artifacts from CNEA to the BOG will be an actual cost to the BOG equivalent to the payment made in 2008, 2009 and 2010 but such cost will only be incurred if there is a surplus within the actual consolidated operating budget.

Decision History:

At its meetings of April 20, 2006 and March 30, 2006 respectively, the BOG and the CNEA approved of entering into the 2004 MOU on the terms and conditions set out in that report which term was for 3-year period commencing on January 1, 2005 and expiring December 31, 2007.

At its meeting of September 24, 2004 and August 4, 2004 respectively, the BOG and the CNEA approved of a recommendation that the CNEA be operational and financially linked to the Board as a program of the BOG, subject to the BOG and the CNEA entering into an agreement detailing the terms and conditions of this governance model.

On March 30, 2006 and April 20, 2006, respectively, the BOG and the CNEA approved of the terms and conditions of the 2004 MOU which expired on December 31, 2007.

Issue Background:

The CNEA is governed and operated under the jurisdiction of the CNEA Act of 1983, as amended by the Statutes of Ontario, 1999 (BillPr32) and received Royal Assent in December 2000. The BOG was established in 1983 pursuant to the Municipality of Metropolitan Toronto Act and is continued pursuant to the *City of Toronto Act, 2007*. Since 1983, the BOG and the CNEA have entered into successive agreements that address the operation of the annual CNE on the grounds. Since 1997, such agreement has been in the form of an MOU, the terms and conditions of which for the years 2008, 2009 and 2010 are as attached in Appendix "A".

In addition to the above legislation, the CNEA has a foundation which was incorporated on February 12, 1975 under Section 131 of the Corporations Act (Ontario) and registered as a public foundation under Section 149(1) (f) of the Income Tax Act (Canada) the purposes of promoting interest in the study of agriculture, horticulture, music, art, education and sports.

In the negotiations between the two boards in 1998, there was recognition in the agreement of the CNEA's ownership of three significant assets on the grounds which had been donated to the CNEA many years ago. These assets (Haines Murals within the Direct Energy Centre, Garden of the Greek Gods statuary on the south lawn in front of the Muzik Clubs building and the Satok Mural on the front lawn of Medieval Times) are major features on the grounds and have been the subject matter of agreements between the two Boards and which require that the BOG take all necessary action to maintain and preserve these assets.

Comments:

One of the major aspects of prior MOU's was the payment by the CNEA for usage of the site; for shared administrative services received; and for usage of the Direct Energy Centre (formerly NTC Fee). The Site Cost Reimbursement and Administrative Services Fees and the formulae for these fees were first calculated in 1998/99 with the assistance of the City Corporate Services which did a high level review of the operating budgets for 1996 and 1997.

- (a) The Administrative Fee was based on a calculation of the percentage of time spent by administrative staff (finance, corporate secretariat, executive offices, systems,

records/archives, purchasing and stores, and human resources) on CNEA tasks. This percentage was applied to the annual operating budgets for these areas.

- (b) The Site Cost Reimbursement Fee was based on a percentage usage of the buildings as determined by the CNEA needs. This percentage was applied to the operating accounts that are dedicated to maintenance and repairs of the buildings and grounds - annual operating budget for operations administration, grounds maintenance, health & safety, cleaning, special appropriations, benefits, physical plant maintenance, welding, carpentry, painting, mechanics, HVAC, electrical, capital works administration, rentals and technical services, creative services, IATSE and security.
- (c) The NTC Fee was based on cost recovery for operational overheads for one month to reflect usage such as service contract for elevators and escalators, HVAC, fire protection, building automation, building security and control; plus utility usage which is based on actual consumption; and percentage of staff time for event coordination and operations.

The table below outlines the Site Cost Reimbursement; the Administrative Services Fees; and the NTC Fee paid by the CNEA since the first MOU in 1997:

(\$ Millions)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Site Cost	\$2.379	\$1.930	\$1.930	\$1.930	\$1.930	\$1.930	\$1.884	\$1.901	\$1.984	\$2.035	\$2.096
Admin Fee	\$0.900	\$0.900	\$0.900	\$0.811	\$0.811	\$0.801	\$0.890	\$1.092	\$1.164	\$1.158	\$1.193
NTC Fee	\$0.423	\$0.415	\$0.385	\$0.405	\$0.396	\$0.394	\$0.439	\$0.488	\$0.512	\$0.529	\$0.538
Total	\$3.702	\$3.245	\$3.215	\$3.146	\$3.137	\$3.125	\$3.213	\$3.480	\$3.660	\$3.722	\$3.827

As noted above, the maintenance and operating costs for the Direct Energy Centre were never included within the Site Costs because, prior to January 1, 2007, the Direct Energy Centre Program operated as a separate program and cost centre from the Exhibition Place Program. However, with the reorganization and merger of these two programs on January 1, 2007 and the merger of the two operating budgets for these programs in 2008, it will be increasingly difficult to do the calculations in accordance with the terms of the MOUs in existence since 1997 which were based on an organizational structure with two distinct building management programs. Generally, from year-to-year, the variation in these CNEA charge-backs reflect the cost-of-living increases except for utility consumption which is based on actual usage and therefore, we are recommending that the financial terms/changes to the MOU be simplified as follows:

- a) NTC Fee: The utility cost included in the 2008 NTC Fee which is \$232,338 will be removed and charged as a direct cost as are other utilities across the grounds; and the 2008 NTC Fee related to building operations \$178,721 will be merged with the Site Usage Cost below; and the 2008 NTC Fee related to staff services \$127,294 will be merged with the Administrative Shared Cost below.
- b) Site Usage Cost: The CNEA on an annual basis will pay the Board of Governors a Site Usage Cost which will be a combination of the Site Usage Fee and a portion of the NTC Fee which will now total \$2,274,540 (Site Usage Fee of \$2,095,819 plus \$178,721

portion NTC Fee). This Site Usage Cost will increase on an annual basis in both 2009 and 2010 by the CPI Index Ratio. For the purposes of this 2008 MOU, "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 commencement of the MOU and the denominator of which is the CPI for the month ended December 31 immediately prior to the commencement of the preceding MOU Year. Because operating budgets must be set in June prior to the next budget year, the calculation of CPI Index Ratio will need to lag one year in order for the budgets to be completed in accordance with the schedule set by City Council.

- c) Administration Shared Cost: The CNEA on an annual basis will pay the Board of Governors an Administration Shared Cost which will be the combination of the Administrative Shared Cost and a portion of the NTC Fee which will now total \$1,319,832 (\$1,192,538 Admin Fee + portion NTC Fee \$127,294 all of which is already included in the 2008 operating budget. The 2008 Administrative Shared Cost will increase by the cost-of-living wage factor as determined and directed by City Finance Department in both 2009 and 2010.
- d) The budgeted net operating surplus for the CNE for the term of this MOU (2008, 2009 and 2010) will not be less than the budgeted net operating surplus in 2008 which is \$797,802.

Other than these changes, the terms and conditions of the proposed MOU are the same as approved by both Boards in 2004.

CNEA Cultural Artifacts

In the 1997 MOU, the parties recognized the CNEA's ownership of the Haines Murals (located in the Galleria of the Direct Energy Centre); the Satok Mural (located at the east-facing side of the Medieval Times Building); and the Garden of the Greek Gods (located at the south side of the Muzik Clubs building). A recent valuation for fair market value for these artefacts has been completed in April 2008 and has valued them as follows: \$150,000 for the Haines Murals; \$130,000 for the Satok Mural; and \$500,000 for the statues of the Garden of the Greek Gods. Every three years the Board of Governors and the CNEA Board of Directors enter into agreements allowing the Board of Governors the right to use these artifacts provided that the BOG maintains and preserves them to a standard recommended by a conservator.

Given that these artifacts are integral to the grounds and buildings on which they are located, this report is proposing that BOG and the CNEA enter into a purchase/sale agreement for these artifacts with the following terms and conditions and such other terms and conditions required by the City Solicitor:

- a) Subject to paragraph (b), (c), (d), (e) and (f) below, the BOG pay up to \$90,000 to the CNEA Foundation for 2008 and 2009 and \$100,000 in 2010 as a budgeted expense for the purchase at fair market value of the Haines Murals and the Satok Mural;

- b) If, in any one year, the consolidated actual financial results for the BOG is less than the budget as approved by City Council, then there will be no payment to the CNEA Foundation that year;
- c) In 2010, the BOG and the CNEA Foundation will reconsider and reconfirm the proposal to effect a purchase and sale of the Greek Gods statuary;
- d) The CNEA confirms and agrees that all funds in the CNEA Foundation shall be used for the charitable purposes in accordance with the Foundation's incorporating documents and that an amount up to the interest earned on the Foundation monies shall be included as both a revenue and expense within the CNE's annual operating budget which overall operation budget must be recommended and approved by the BOG as part of the consolidated operating budget for Exhibition Place.
- e) The Board of Governors will take all reasonable steps as required by a reputable conservator to regularly inspect the artifacts and to maintain the artefacts at an appropriate level recommended by the conservator; and,
- f) If, for whatever reason, the CNEA ceases to hold an annual CNE and the CNEA ceases to exist as a corporate body, the CNEA will cooperate with the Board to take all reasonable actions necessary to transfer all funds then existing in the CNEA Foundation to the BOG or the City of Toronto.

As of the end of 2007, the CNEA Foundation had accumulated funds in the amount of \$192,084. The limited purpose of this Foundation according to its charter is to receive and maintain funds for use in supporting charitable projects generally serving the same purposes as the CNEA. In the past, the CNEA has included the interest earned from Foundation funds and a small contribution from the CNE Casino to fund the Foundation for its general expenses and the grants given out each year. These grants have been used to help support programs put forward by CNE departments and external charities and non-profit organizations. There are additional such programs that would meet the Foundation's mandate if there were more funds.

The purchase and sale of the artifacts would, by the end of the term of the 2008 MOU, result in an infusion of \$280,000 into the Foundation which would then total \$472,084 and at current interest rates would yield approximately \$11,500 annually in interest payments that could be used by the CNEA for programming as allowed by the Foundation criteria. If the sale of the Greek Gods proceeded, these sums would grow to \$780,000 (with total at \$972,084) and \$31,500 in annual interest respectively. Agricultural associations similar to the CNEA (such as the Royal Agricultural Winter Fair) have determined the need to have at least two million dollars set aside as "restricted assets" - one million to ensure a reserve for working capital for continuing operations, plus another one million dollars as a stabilization reserve in order to cope through "problematic" years. If the CNEA Board of Directors was able to adopt a similar initiative and established such a reserve, then eventually increasing the CNEA Foundations assets to \$972,084 would also provide this coping measure for a stabilization fund. Mr. Bednar has also suggested that infusion of these funds into the Foundation could serve as an impetus to make the Foundation more active to raise additional funds from the community through new events.

The proposal being recommended by staff has been the subject of discussions between the Chairs of both boards and in addition, a meeting of CNEA past presidents was called by the current CNEA President, Mr. McMillan, to review the main issues. Staff has attempted to address in this

report and the attached appendix, concerns raised at those meetings such as details regarding the purchase and sale of cultural artifacts, anticipated budget surplus, and the basis for the Administration and Site Usage Fees. There were also some very general concerns raised, such as the impact of environmental programs on CNE partners that would be difficult to address in such a formal document; and another suggesting a large annual increase in the contribution of the CNE Casino to the Foundation which could not be accommodated. Finally, a clause has been added to the MOU that clarifies that the MOU does not restrict the CNEA from any activity (during the 18-day Fair or at other times) to carry on activities that it is empowered to undertake pursuant to its provincial incorporation.

Contacts:

Dianne Young

CEO

Tel: 416-263-3611

Fax: 416-263-3670

Email: dyoung@explace.on.ca

David Bednar

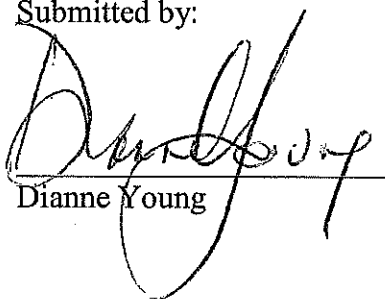
General Manager, CNEA

Tel: 416-263-3840

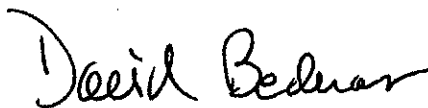
Fax: 416-263-3850

Email: dbednar@theEx.com

Submitted by:



Dianne Young



David Bednar

Appendix "A"
Terms and Conditions of 2008 MOU

Whereas the Municipality of Metropolitan Toronto and 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 CNEA for the management and operation of an annual exhibition at Exhibition Place; and

Whereas the Main Agreement 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 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 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") and the most recent Memorandum of Understanding dated July 31, 2002 (the "2002 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 wish to enter into an AGREEMENT for a term of three years 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 DEC Charge-back;

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.

3.0 Principles during the Term (2008, 2009, 2010)

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 Main Agreement, 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 from any activity (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 The parties acknowledge that:
 - (a) In 1997, City Council established the Reserve Accounts known as the Exhibition Place Stabilization Reserve Fund and the Exhibition Place Capital Reserve Fund to receive any surplus of actuals over budget which Reserve Accounts are held by the City for the benefit of Exhibition Place and all its programs including the CNEA Program.
 - (b) In 2006, City Council approved of suspending all contributions to the Exhibition Place Stabilization Fund and the Exhibition Place Capital Reserve Fund as part of a general policy on all reserve fund accounts across the City and its agencies, boards and commissions;
 - (c) As of December 31, 2007, the Exhibition Place Stabilization Reserve Fund stands at \$Nil and the Exhibition Place Capital Reserve Fund stands at \$Nil;
 - (d) In 2007, City Council approved that all surpluses of the consolidated Exhibition Place operating budget for the years 2007, 2008 and 2009 be contributed to the Exhibition Place Capital Reserve Fund for the sole purpose of guaranteeing the City loan for the Automotive Conference Centre and paying any shortfall in loan repayments.
- 3.7 The parties agree that the CNEA may propose an in-year withdrawal from the Exhibition Place Stabilization Reserve Fund for the purposes of new entertainment/event programs for the annual CNE event provided such withdrawal request is supported by a business case and approved by the Board of Governors and City Council.
- 3.8 The Board shall monitor the financial performance of the CNEA Program but shall not unduly withhold approval of CNEA budgetary items.
- 3.9 Subject to Section 14, the Board shall provide the grounds, buildings and such services as the CNEA may request for the staging of the annual CNE.
- 3.10 The budgeted net operating surplus for the CNE for the term of this MOU will not be less than the budgeted net operating surplus in 2008 which was \$797,802.

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 external sources are selected as 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.
- 4.4 All staff hired by the CNEA or working directly for the CNEA Program 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) Corporate Secretariat/Executive services
 - (h) Show Services
- 6.2 The 2008 Administrative Shared Cost of \$1,319,832 - (\$1,192,538 & \$127,294) will increase each year in 2009 and 2010 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 & \$178,721 shall be increased by the CPI Index Ratio in both 2009 and 2010 respectively.

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 31 immediately prior to the second and third year of the Term and the denominator of which is the CPI for the month ended December 31 immediately prior to the second and third year 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;
 - (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, 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 The Board agrees that the following assets are owned by the CNEA and the CNEA shall enter into an agreement with the Board with respect to their continued location at Exhibition Place and their maintenance and repair or enter

into an agreement with the Board for the sale of such assets to the Board: (1) the statuary of the Garden of the Greek Gods; (2) the Haines Murals; and (3) the Satok Mural

- 12.3 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:
- (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. NTC 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 The parties acknowledge that the City has established an Exhibition Place Stabilization Reserve Fund and it is the intention that both funds will be used to benefit both the Board and the CNEA, subject to approval of City Council of any expenditures recommended by the Board.

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, 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.

