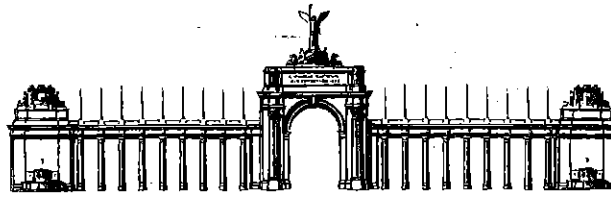


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EXHIBITION PLACE

June 14, 2002

To: The Board of Governors of Exhibition Place

From: Dianne Young
General Manager & CEO

Subject: Food Building Rental Rates - 2003 to 2005

Recommendation:

It is recommended that the Board of Governors concur with the recommendation of the Board of Directors of the CNEA with respect to increasing the rental rates for the Food Building and its Exhibitors for a three-year term (2003 to 2005) based on the terms and conditions outlined in the attached report from the General Manager of the CNEA dated June 11, 2002.

Background:

The attached report will be considered by the Board of Directors of the CNEA at its meeting of June 27, 2002. Should the above recommendation change, the Corporate Secretary will report any changes to the Board via a communication.

Discussion:

In accordance with By-law no. 2-99, Section 29, all CNEA agreements over a one-year term requires approval of the Board of Governors.

Conclusion:

This report recommends that the Board authorize three-year rental agreements between the CNEA and Food Building Exhibitors.

Contact:

Fatima Scagnol, Corporate Secretary

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Submitted by:


Dianne Young
General Manager & CEO

att.



June 11, 2002

To: The Executive and Board of Directors
Canadian National Exhibition Association

From: David Bednar
General Manager

Subject: Food Building Rental Rates - 2003-2005

Recommendation:

This report is submitted for the approval of the Executive and Board, subject to subsequent approval of the Board of Governors.

It is recommended that the following increases in rental rates for the Food Building be approved for the three year term 2003-2005. In 2003 no increase in rental rates, 2004 1% increase in rental rates, 2005 1% increase in rental rates. Current Food Building Exhibitors who commit to a three year agreement prior to October 31, 2002 will pay no increase in rent over the three year term 2003-2005. All Food Building exhibitors will again be offered the option of a one, two or three year agreement, with all contracts expiring at the conclusion of the 2005 CNE.

Background:

In 2000, the Executive and Board of Directors approved a 1% increase in rent for each year of the Food Building contracts 2000, 2001 and 2002. Exhibitors had the option of signing a one, two or three year agreement with all agreements expiring at the conclusion of the 2002 CNE.

All CNEA agreements outside a one-year term must be submitted to the Board of Governors for approval, after being approved by the Executive and Board of Directors.

Discussion:

In reviewing Food Building operations two challenges have been identified with respect to Food Building Exhibitors. The first challenge is encouraging returning exhibitors to commit to renewing lease agreements early in the year so that staff have an adequate period of time to sell available space to new exhibitors. The second challenge is that at the conclusion of this year's fair many of the existing exhibitors in the building will be required to make improvements to their booths prior to the 2003 CNE. Many of the original booths constructed after the Food Building was renovated in the mid-eighties need to be upgraded. These booth improvements will require a significant financial investment by exhibitors.

In order to address both of these areas of concern, it is recommended that a "early bird" discount, no rent increase for three years, be given to those existing exhibitors who commit to participating in the Food Building for the 2003-2005 term prior to October 31, 2002.

Unlike any other building where exhibit space is rented at the CNE, Food Building exhibitors are required to make significant capital investments in their booths. For example, furnishings and equipment for the renovated Coca Cola booth were reported to cost \$100,000. These capital costs, combined with the high cost of food product, staff costs, and increases in rental rates of 3% for the period 2000-2002 make the Food Building an expensive venue in which to operate. In addition, improvements are needed to bring some booths in the building up to an acceptable level. In order to achieve this some mechanism must be offered that allows exhibitors some cost savings in one area so that investment in booth improvements is possible. Although we routinely ask exhibitors to sign one, two, or three year agreements, in fact they are being asked to make a longer term commitment in many cases.

Many uncertainties continue to create the perception for the exhibitors that their long term commitment may be threatened. Future developments on the site may include changes to the fair that may have an impact on traffic flow to the Food Building up to and including the potential removal of the building from the site. If we are able to move to a cashless midway system, this may also have an impact on the Food Building. All of this uncertainty continues to create a climate in which it is difficult to rent space in the building.

Although the Food Building has achieved budget in revenue generation, it is unknown how long this trend will continue if increases in rent continue to be applied. A number of large corporate partners have indicated they left the Food Building partly due to high rental rates. These include Billy Bee Honey, Faema, President's Choice, and A&P to name a few.

At present rental rates, the Food building generates an annual net income to the Association of approximately \$650,000. By way of comparison, the other food concessions on the grounds generate approximately \$600,000. Taking all factors into account, staff recommend the modest rent increases contained in this report.

Conclusion:

This report recommends approval of Food Building rental rates for the term 2003-2005.

Respectfully submitted,



David Bednar
General Manager

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Operations Manager
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